

LOAN (INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT).

No. 74 of 1950.

An Act to Authorize the Raising of a Loan from the International Bank for Reconstruction and Development and for purposes connected therewith.

[Assented to 15th December, 1950.]

WHEREAS the necessity for economy by countries of the Sterling Area in the expenditure of currency of the United States of America still continues : Preamble.

AND WHEREAS it is expedient that there should be available to Australia additional currency of the United States of America to facilitate the importation of goods for the development and expansion of electric power facilities, water conservation works, railways, agriculture and land settlement, mining, smelting and refining, and iron and steel, engineering and other industries in Australia :

BE it therefore enacted by the King's Most Excellent Majesty, the Senate, and the House of Representatives of the Commonwealth of Australia, as follows :—

1. This Act may be cited as the *Loan (International Bank for Reconstruction and Development) Act 1950*. Short title.

2. This Act shall come into operation on the day on which it receives the Royal Assent. Commencement.

3. In this Act, "the Loan Agreement" means the agreement made on the twenty-second day of August, One thousand nine hundred and fifty, between the Commonwealth and the International Bank for Reconstruction and Development. Definition.

- Loan Agreement and Loan Regulations.** 4.—(1.) A copy of the Loan Agreement is set out in the First Schedule to this Act.
(2.) A copy of the Loan Regulations No. 3 of the International Bank for Reconstruction and Development referred to in section 1.02 of the Loan Agreement is set out in the Second Schedule to this Act.
- Treasurer may borrow \$100,000,000.** 5. The Treasurer may, on behalf of the Commonwealth, borrow from the International Bank for Reconstruction and Development, in accordance with the provisions of the Loan Agreement, moneys not exceeding in the whole the amount of One hundred million dollars in the currency of the United States of America or the equivalent in other currencies.
- Application of loan.** 6.—(1.) Amounts from time to time borrowed under this Act shall be paid to the credit of the Commonwealth with its bankers and the Commonwealth shall make arrangements with its bankers to exchange the amounts so credited for equivalent amounts of Australian currency to the credit of the Commonwealth in Australia with the Commonwealth Bank of Australia.
(2.) Amounts equivalent to the amounts credited to the Commonwealth in Australia with the Commonwealth Bank of Australia shall be issued and applied for the purposes of payment into the National Debt Sinking Fund.
- Loan to be repaid out of National Debt Sinking Fund.** 7. The National Debt Commission shall apply the National Debt Sinking Fund in the repayment, in accordance with the provisions of the Loan Agreement, of the amounts borrowed under this Act.
- Payment of interest and other charges.** 8. Interest and other charges payable on the amounts borrowed under this Act shall be paid out of the Consolidated Revenue Fund, which is, to the necessary extent, hereby appropriated accordingly.
- National Debt Sinking Fund Act not to apply to loan.** 9. The provisions of the *National Debt Sinking Fund Act* 1923–1945 do not apply in relation to moneys borrowed under this Act, but this section does not affect the operation of that Act in relation to the investment and application of moneys standing to the credit of the National Debt Sinking Fund, including moneys paid into that Fund under section six of this Act.

THE SCHEDULES.

FIRST SCHEDULE. LOAN AGREEMENT

AGREEMENT, dated August 22, 1950, between the COMMONWEALTH OF AUSTRALIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

ARTICLE I *The Loan*

SECTION 1.01. The Bank agrees to lend to the Borrower, on the terms and conditions hereinafter in this Agreement set forth or referred to, the sum of one hundred million dollars (\$100,000,000), or the equivalent in currencies other than dollars.

Section 4 (1.).

FIRST SCHEDULE—*continued.*

SECTION 1.02. The parties to this Agreement accept all the provisions of Loan Regulations No. 3 of the Bank, dated August 15, 1950 (hereinafter called the Loan Regulations), a copy of which has been furnished to the Borrower, with the same force and effect as if they were fully set forth herein.

SECTION 1.03. 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.

Copies of forms of withdrawal applications have been delivered to the Borrower.

SECTION 1.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}\%$) per annum on the principal amount of the Loan not so withdrawn from time to time.

SECTION 1.05. The Borrower shall pay interest at the rate of four and one-quarter per cent ($4\frac{1}{4}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

SECTION 1.06. Interest and commitment charge shall be payable semi-annually on March 1 and September 1 in each year.

SECTION 1.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

ARTICLE II

Use of Proceeds of the Loan

SECTION 2.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to the cost of goods which will be required and used exclusively in the carrying out of the program of the Borrower for the development and expansion of electric power facilities, water conservation works, railways, agriculture and land settlement, mining, smelting and refining, and iron and steel, engineering and other industries in the Commonwealth of Australia. The specific goods to be purchased out of the proceeds of the Loan shall be determined by agreement between the Bank and the Borrower, and the list of such goods may be modified from time to time by agreement between them.

SECTION 2.02. The Borrower shall cause all goods purchased in whole or in part with the proceeds of the Loan to be imported into the territories of the Borrower and there to be used exclusively for the purposes specified in Section 2.01.

ARTICLE III

Bonds

SECTION 3.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations. The Treasurer of the Borrower and such person or persons as he shall appoint in writing are designated as the authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

ARTICLE IV

Particular Covenants

SECTION 4.01. (a) The Bank and the Borrower shall co-operate fully to assure that the purposes of the Loan shall be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower. The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof; and the Borrower shall promptly inform the Bank of any condition that shall interfere with, or threaten to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof. (b) The Borrower shall afford to the Bank all reasonable opportunity to inspect any and all goods paid for out of the proceeds of the Loan and any relevant records and documents and shall furnish to the Bank all such information as the Bank shall reasonably request relating to the end-use of such goods. (c) If the Borrower or any agency of the Borrower or any of the States or Territories of the Borrower or any of their agencies (including local governing authorities) shall propose to incur any substantial external debt, the Borrower shall inform the Bank of such proposal and, before the proposed action is taken, shall afford the Bank all opportunity which is reasonably practicable in the circumstances

FIRST SCHEDULE—*continued.*

to exchange views with the Borrower with respect thereto; provided, however, that the foregoing provisions shall not apply to: (i) the incurring of additional external debt through utilization, in accordance with the terms of any credit established prior to the date of this Agreement, of any unused amounts available under such credit; (ii) the entering into international payments or similar agreements the term of which is not more than one year and under which the transactions on each side are expected to balance over the period of the agreement; or (iii) the incurring by the Commonwealth Bank of Australia in the ordinary course of its business of any indebtedness maturing not more than two years after its date. (d) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

SECTION 4.02. It is the mutual intention of the Borrower and the Bank that no other external public debt shall enjoy any priority over the Loan by way of a lien on public assets. To that end the Borrower specifically undertakes that except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower or any agency of the Borrower as security for any external debt, such lien shall 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 shall be made to that effect; and, within the limits of its constitutional powers, the Borrower will make the foregoing undertaking effective with respect to liens on assets of the States and Territories of the Borrower and their agencies (including local governing authorities). However, this Section shall not apply to: (i) any lien created on any property at the time of purchase thereof solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure debt maturing not more than one year after its date and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien created by the Commonwealth Bank of Australia on any of its assets in the ordinary course of its banking business to secure any indebtedness maturing not more than one year after its date.

SECTION 4.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for and free from any taxes imposed by the Borrower or any taxing authority thereof or therein and free from all restrictions of the Borrower and its agencies and of the States and Territories of the Borrower and their agencies (including local governing authorities); provided, however, that the provisions of this paragraph shall not apply to the taxation of payments made under the provisions of any Bond when such Bond or the coupons appertaining thereto, as the case may be, are beneficially owned by any person residing in or ordinarily a resident of the Commonwealth of Australia. The Loan Agreement and the Bonds shall be free of any issue, stamp or other tax imposed by the Borrower or any taxing authority thereof or therein.

ARTICLE V

Remedies of the Bank

SECTION 5.01. If any event specified in paragraph (1) or (2) of Section 5.02 of the Loan Regulations shall occur and continue for a period of thirty days or if any event specified in paragraph (3) of Section 5.02 of the Loan Regulations shall occur and 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.

ARTICLE VI

Miscellaneous

SECTION 6.01. The Closing Date shall be December 31, 1952.

SECTION 6.02. The following addresses are specified for the purposes of Section 3.01 of the Loan Regulations:

For the Borrower:

The Treasurer of the Commonwealth of Australia, Canberra, Australia.

For the Bank:

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

FIRST SCHEDULE—*continued*.

SECTION 6.03. The Treasurer of the Borrower in office at the time in question is designated for the purposes of Section 8.03 of the Loan Regulations.

SECTION 6.04. The date specified for the purposes of Section 9.04 of the Loan Regulations is December 1, 1950.

SECTION 6.05. In this Agreement any reference to the Treasurer of the Borrower shall include a reference to any Minister of State of the Borrower for the time being acting for or on behalf of the Treasurer of the Borrower.

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.

COMMONWEALTH OF AUSTRALIA,
By NORMAN MAKIN

INTERNATIONAL BANK FOR RECON-
STRUCTION AND DEVELOPMENT,
By EUGENE R. BLACK

SCHEDULE 1.
Amortization Schedule

Date Payment Due.	Payment of Principal.	Principal Amount Outstanding after Each Payment.
March 1, 1955	..	100,000,000
September 1, 1955	1,553,000	98,447,000
March 1, 1956	1,536,000	96,861,000
September 1, 1956	1,620,000	95,241,000
March 1, 1957	1,654,000	93,587,000
September 1, 1957	1,689,000	91,898,000
March 1, 1958	1,725,000	90,173,000
September 1, 1958	1,762,000	88,411,000
March 1, 1959	1,799,000	86,612,000
September 1, 1959	1,838,000	84,774,000
March 1, 1960	1,877,000	82,897,000
September 1, 1960	1,917,000	80,980,000
March 1, 1961	1,957,000	79,023,000
September 1, 1961	1,999,000	77,024,000
March 1, 1962	2,042,000	74,982,000
September 1, 1962	2,085,000	72,897,000
March 1, 1963	2,129,000	70,768,000
September 1, 1963	2,174,000	68,594,000
March 1, 1964	2,221,000	66,373,000
September 1, 1964	2,268,000	64,105,000
March 1, 1965	2,316,000	61,789,000
September 1, 1965	2,365,000	59,424,000
March 1, 1966	2,415,000	57,009,000
September 1, 1966	2,467,000	54,542,000
March 1, 1967	2,519,000	52,023,000
September 1, 1967	2,573,000	49,450,000
March 1, 1968	2,627,000	46,823,000
September 1, 1968	2,683,000	44,140,000
March 1, 1969	2,740,000	41,400,000
September 1, 1969	2,798,000	38,602,000
March 1, 1970	2,858,000	35,744,000
September 1, 1970	2,919,000	32,825,000
March 1, 1971	2,981,000	29,844,000
September 1, 1971	3,044,000	26,800,000
March 1, 1972	3,109,000	23,691,000
September 1, 1972	3,175,000	20,516,000
March 1, 1973	3,242,000	17,274,000
September 1, 1973	3,311,000	13,933,000
March 1, 1974	3,381,000	10,532,000
September 1, 1974	3,453,000	7,129,000
March 1, 1975	3,527,000	3,602,000
September 1, 1975	3,602,000	..

FIRST SCHEDULE—continued.

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	$\frac{1}{2}\%$
More than 5 years but not more than 10 years before maturity	1%
More than 10 years but not more than 15 years before maturity	$1\frac{1}{2}\%$
More than 15 years but not more than 20 years before maturity	2%
More than 20 years before maturity	$2\frac{1}{2}\%$

Section 4 (2.).

SECOND SCHEDULE.

LOAN REGULATIONS No. 3

ARTICLE I

Purpose ; Application to Loan Agreements

SECTION 1.01. *Purpose.* The purpose of these Regulations is to set forth certain terms and conditions generally applicable to loans made by the Bank directly to its members.

SECTION 1.02. *Application of Regulations.* Any loan agreement between the Bank and a member may provide that the parties thereto accept the provisions of these Regulations. To the extent so provided, these Regulations shall apply to such loan agreement and govern the rights and obligations thereunder of the parties thereto with the same force and effect as if they were fully set forth therein. These Regulations do not apply to any loan to a borrower other than a member whether or not guaranteed by a member.

SECTION 1.03. *Revocation or Amendment.* These Regulations are subject to revocation or amendment by the Bank at any time without prior notice, but no such revocation or amendment shall be effective in respect of any loan agreement previously entered into unless the parties thereto shall so agree.

SECTION 1.04. *Inconsistency with Loan Agreements.* If any provision of a loan agreement is inconsistent with a provision of these Regulations, the provision of the loan agreement shall govern.

ARTICLE II

Loan Account ; Interest and Other Charges ; Repayment ; Place of Payment

SECTION 2.01. *Loan Account.* The amount of the Loan shall be credited to a Loan Account which the Bank shall open on its books in the name of the Borrower.

SECTION 2.02. *Commitment Charge.* A commitment charge at the rate specified in the Loan Agreement shall be payable on the amount of the Loan standing to the credit of the Borrower from time to time in the Loan Account. Such commitment charge shall accrue from the Effective Date 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.

SECTION 2.03. *Interest.* Interest at the rate specified in the Loan Agreement shall be payable on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time. Interest shall accrue from the respective dates on which amounts shall be so withdrawn.

SECTION 2.04. *Computation of Interest and Other Charges.* In all cases in which it shall be necessary to compute the amount of interest or any other charge which shall have accrued under the Loan Agreement for a period of less than six months, such computation shall be made on a daily basis using a 365-day factor. For even periods of six months, such computation shall be made on an annual basis.

SECTION 2.05. *Repayment.*

(a) The principal amount of the Loan withdrawn from the Loan Account shall be repayable in accordance with the amortization schedule to the Loan Agreement.

SECOND SCHEDULE—*continued.*

(b) The Borrower shall have the right, upon not less than 45 days' prior notice to the Bank, to repay in advance of maturity all or any part of the principal amount of the Loan for which Bonds have not been delivered pursuant to Article VI upon payment of all accrued charges for interest on such principal amount and payment of the premium specified in said amortization schedule. Except as the Bank and the Borrower shall otherwise agree, any such repayment shall be applied to the several maturities of such part of the principal amount of the Loan in inverse order of maturity.

(c) It is the policy of the Bank to encourage the repayment of its loans prior to maturity. Accordingly the Bank intends to waive the payment of any premium payable under paragraph (b) of this Section on repayment of the Loan (and likewise the payment of any premium payable under Section 6.16 on redemption of Bonds held by the Bank) to the extent that, in the Bank's judgment, the proceeds of such repayment (or redemption) can be used in the Bank's operations without involving the payment of a similar premium on retirement of the Bank's securities.

SECTION 2.06. *Place of Payment.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid at such places as the Bank shall reasonably request, except that payments under any Bonds held by others than the Bank shall be made at the places specified in the Bonds.

ARTICLE III

Currency Provisions

SECTION 3.01. *Currencies in Which Proceeds of Loan are to be Withdrawn.* The Borrower shall use reasonable efforts to purchase goods with the currencies of the countries from which such goods are acquired. The proceeds of the Loan shall, to the extent that the Bank shall so elect, be withdrawn from the Loan Account in the several currencies in which goods are paid for. The Bank shall be under no obligation to permit the proceeds of the Loan to be withdrawn in any currency except the currency in which the Loan is denominated. For the purposes of this Article, a Loan denominated in a specified currency or the equivalent in other currencies shall be deemed to be denominated in such specified currency.

SECTION 3.02. *Currency in Which Principal is Repayable ; Amount of Repayment ; Maturities.* The principal of the Loan shall be repayable in the several currencies withdrawn from the Loan Account and the amount repayable in each currency shall be the amount withdrawn in that currency. The foregoing provision is subject to one exception, namely : if withdrawal shall be made in any currency which the Bank shall have purchased with another currency for the purpose of such withdrawal, the part of the Loan so withdrawn shall be repayable in such other currency and the amount so repayable shall be the amount paid by the Bank on such purchase. Except as the Bank and the Borrower shall otherwise agree, the portion of the Loan to be repaid, under the provisions of this Section, in any particular currency shall be repayable in such instalments as the Bank shall specify corresponding to the instalments set forth in the amortization schedule to the Loan Agreement. Any premium payable under Section 2.05 on prepayment of any part of the Loan, or under Section 6.16 on redemption of any Bond, shall be payable in the currency in which the principal of such part of the Loan, or of such Bond, is payable.

SECTION 3.03. *Currency in Which Interest is Payable.* Interest on any part of the Loan shall be payable in the currency in which the principal of such part of the Loan is repayable.

SECTION 3.04. *Currency in Which Commitment Charge is Payable.* The commitment charge shall be payable in the currency in which the Loan is denominated.

SECTION 3.05. *Valuation of Currencies.* For the purpose of determining the equivalent (in terms of the currency in which the Loan is denominated) of any part of the Loan withdrawn in another currency, the value of such other currency shall be as reasonably determined by the Bank.

SECTION 3.06. *Exchange Restrictions.* Any payment required under the Loan Agreement to be made to the Bank in the currency of any country shall be made in such manner, and in currency acquired in such manner, as shall be permitted under the laws of such country for the purpose of making such payment and effecting the deposit of such currency to the account of the Bank with a depository of the Bank in such country

SECOND SCHEDULE—continued.

ARTICLE IV

Withdrawal of Proceeds of Loans

SECTION 4.01. *Withdrawal from the Loan Account.* The Borrower shall be entitled, subject to the provisions of these Regulations, to withdraw from the Loan Account (i) such amounts as shall have been expended for the reasonable cost of goods to be financed under the Loan Agreement; and (ii), if the Bank shall so agree, such amounts as shall be required to meet the reasonable cost of such goods. Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of (a) expenditures prior to the Effective Date or (b) expenditures in the currency of the Borrower or (c) goods acquired from sources within the Borrower's territories.

SECTION 4.02. *Special Commitments by the Bank.* Upon the Borrower's request, the Bank may enter into special commitments in writing to pay amounts to the Borrower or others in respect of the cost of goods notwithstanding any subsequent suspension or cancellation of the Loan pursuant to Article V. The Bank may make such charge therefor as shall be agreed upon between the Bank and the Borrower. Any amounts paid by the Bank pursuant to any such special commitment and any charge therefor made by the Bank shall be debited to the Loan Account as a withdrawal therefrom.

SECTION 4.03. *Applications for Withdrawal or for Special Commitment.* When the Borrower shall desire to withdraw any amount from the Loan Account or to request the Bank to enter into a special commitment pursuant to Section 4.02, the Borrower shall deliver to the Bank a written application in such form, and containing such statements and agreements, as the Bank shall reasonably request. Since the rate at which Loan proceeds are withdrawn affects the cost to the Bank of holding funds at the Borrower's disposal, applications for withdrawal, with the necessary documentation as hereinafter in this Article provided, shall, except as the Bank and the Borrower shall otherwise agree, be made promptly in relation to delivery of goods (or in the case of progress payments to suppliers, in relation to such progress payments).

SECTION 4.04. *Supporting Evidence.*—The Borrower shall furnish to the Bank such documents and other evidence in support of the application as the Bank shall reasonably request, whether before or after the Bank shall have permitted any withdrawal requested in the application.

SECTION 4.05. *Sufficiency of Applications and Documents.* Each application and the accompanying documents must be sufficient in form and substance to satisfy the Bank that the Borrower is entitled to withdraw from the Loan Account the amount applied for and that the amount to be withdrawn from the Loan Account is to be used only for the purposes specified in the Loan Agreement.

SECTION 4.06. *Payment by Bank.* Payment by the Bank of amounts which the Borrower is entitled to withdraw from the Loan Account shall be made to or on the order of the Borrower.

ARTICLE V

Cancellation and Suspension

SECTION 5.01. *Cancellation by the Borrower.* The Borrower may by notice to the Bank cancel all or any part of the Loan which the Borrower shall not have withdrawn prior to the giving of such notice.

SECTION 5.02. *Suspension by the Bank.* If any of the following events shall have happened and be continuing, the Bank may by notice to the Borrower suspend the right of the Borrower to make withdrawals from the Loan Account:

- (1) A default shall have occurred in the payment of interest on the Loan or the Bonds or of commitment charge or service charge on the Loan.
- (2) A default shall have occurred in the payment of principal of the Loan or the Bonds or of the redemption price of any of the Bonds.
- (3) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower under the Loan Agreement or the Bonds.
- (4) An extraordinary situation shall have arisen which shall make it improbable that the Borrower will be able to perform its obligations under the Loan Agreement.

SECOND SCHEDULE—*continued.*

- (5) The Borrower shall have been suspended from membership in or ceased to be a member of the Bank.
- (6) The Borrower shall have ceased to be a member of the International Monetary Fund or shall have become ineligible to use the resources of said Fund under Section 6 of Article IV of the Articles of Agreement of said Fund or shall have been declared ineligible to use said resources under Section 5 of Article V, Section 1 of Article VI or Section 2 (a) of Article XV of the Articles of Agreement of said Fund.
- (7) After the date of the Loan Agreement and prior to the Effective Date, the Borrower shall have taken any action which would have constituted a violation of any covenant contained in the Loan Agreement relating to the creation of liens on assets as security for debt if the Loan Agreement had been effective on the date such action was taken.
- (8) Any other event specified in the Loan Agreement for the purposes of this Section shall have occurred.

The right of the Borrower to make withdrawals from the Loan Account shall continue to be suspended until the event which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier.

SECTION 5.03. *Cancellation by the Bank.* If any of the events described in Section 5.02 shall have happened and be continuing, or if the Borrower shall not at the Closing Date have withdrawn from the Loan Account the full amount of the Loan, the Bank may by notice to the Borrower terminate the right of the Borrower to make withdrawals from the Loan Account. Upon the giving of such notice the unwithdrawn amount of the Loan shall be cancelled.

SECTION 5.04. *Application of Cancellation or Suspension to Amounts Subject to Special Commitment.* Notwithstanding the provisions of Sections 5.01, 5.02 and 5.03, no cancellation or suspension pursuant to this Article shall apply to amounts subject to any special commitment entered into by the Bank pursuant to Section 4.02 except as expressly provided in such commitment.

SECTION 5.05. *Application of Cancellation to Maturities of the Loan.* Except as otherwise agreed between the Bank and the Borrower, any cancellation pursuant to this Article shall be applied *pro rata* to the several maturities of the principal amount of the Loan as set forth in the amortization schedule to the Loan Agreement, except to the extent that Bonds of such maturities shall have theretofore been delivered or requested pursuant to Article VI.

SECTION 5.06. *Effectiveness of Provisions after Suspension or Cancellation.* Notwithstanding any cancellation or suspension pursuant to this Article, all the provisions of these Regulations and the Loan Agreement shall continue in full force and effect except as in this Article specifically provided.

ARTICLE VI

Bonds

SECTION 6.01. *Delivery of Bonds.* The Borrower shall execute and deliver Bonds representing the principal amount of the Loan, as hereinafter in this Article provided.

SECTION 6.02. *Payments on Bonds.* The payment of the principal of any Bonds shall *pro tanto* discharge the obligation of the Borrower to repay the principal of the Loan; and the payment of interest on any Bonds and of the service charge, if any, provided for in Section 6.04, shall *pro tanto* discharge the obligation of the Borrower to pay interest on the Loan.

SECTION 6.03. *Time of Delivery of Bonds.* If and as the Bank shall from time to time request, the Borrower shall, within sixty days after the date of the request, 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 at the time of such request and for which Bonds shall not theretofore have been so delivered or requested.

SECTION 6.04. *Interest on Bonds; Service Charge.* The Bonds shall bear interest at such rate or rates as the Bank shall request, not in excess, however, of the rate of interest on the Loan. If the rate of interest on any Bond shall be less than the rate

SECOND SCHEDULE—*continued.*

of interest on the Loan, the Borrower shall, in addition to the interest payable on such Bond, pay to the Bank a service charge on the principal amount of the Loan represented by such Bond at a rate equal to the difference between the interest rate on the Loan and the interest rate on such Bond. Such service charge shall be payable on the dates on which and in the currency in which such interest is payable.

SECTION 6.05. *Currency in Which Bonds are Payable.* The Bonds shall be payable as to principal and interest in the several currencies in which the Loan is repayable. Each Bond delivered pursuant to any request under Section 6.03 shall be payable in such currency as the Bank shall specify in such request except that the aggregate principal amount of Bonds payable in any currency shall at no time exceed the outstanding amount of the Loan repayable in such currency.

SECTION 6.06. *Maturities of Bonds.* The maturities of the Bonds shall correspond to the maturities of instalments of the principal amount of the Loan set forth in the amortization schedule to the Loan Agreement. The Bonds delivered pursuant to any request under Section 6.03 shall have such maturities as the Bank shall specify in such request except that the aggregate principal amount of Bonds of any maturity shall at no time exceed the corresponding instalment of the principal amount of the Loan.

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 as the Bank shall request. Registered Bonds payable in dollars shall be substantially in the form set forth in Schedule 1 to these Regulations. Coupon Bonds payable in dollars and the coupons attached thereto shall be substantially in the forms set forth in Schedule 2 to these Regulations. Bonds payable in any currency other than dollars shall be substantially in the forms set forth in Schedule 1 or 2 to these Regulations, 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.

SECTION 6.08. *Printing or Engraving of Bonds.* Except as the Bank and the Borrower shall otherwise agree and subject to the provisions of Section 6.11 (c), the Bonds shall be either (a) printed or lithographed on an engraved base having an engraved border or (b) fully engraved in conformity with the requirements of the leading securities exchange in the country in whose currency such Bonds are payable.

SECTION 6.09. *Date of Bonds.* Each registered Bond shall be dated the semi-annual interest payment date on which or next preceding the date on which it shall be executed and delivered. Each coupon Bond shall be dated six months prior to the first semi-annual interest payment date after the Effective Date except as the Bank and the Borrower shall otherwise agree, and shall be delivered with all unmatured coupons attached. Upon any delivery of Bonds appropriate adjustment shall be made so that there shall be no loss to the Bank or to the Borrower in respect of commitment charge or interest and service charge, if any, on the principal amount of the Loan represented by such Bonds.

SECTION 6.10. *Denominations of Bonds.* The Borrower shall authorize the issuance of Bonds in such denominations as the Bank shall reasonably request. The Bonds delivered pursuant to any request under Section 6.03 shall be in such authorized denominations as the Bank shall specify in such request.

SECTION 6.11. *Exchange of Bonds.* The Borrower shall, as soon as practicable after the Bank shall so request, execute and deliver to or on the order of the Bank, in exchange for Bonds theretofore executed and delivered to it, new Bonds in accordance with the following provisions:

- (a) Bonds bearing interest at one rate may be exchanged for Bonds bearing interest at any other rate not in excess of the rate of interest on the Loan. The Bank shall reimburse the Borrower for the reasonable cost of any such exchange.
- (b) Registered Bonds in large denominations may be exchanged without charge to the Bank for registered or coupon Bonds in smaller authorized denominations for purposes of sale by the Bank.

SECOND SCHEDULE—*continued.*

- (c) Bonds initially issued which are not fully engraved in accordance with the provisions of Section 6.08 (b) may be exchanged without charge to the Bank for such fully engraved Bonds.

The foregoing rights of exchange are in addition to any rights of exchange provided in the Bonds. Except as in this Section expressly provided, exchanges of Bonds pursuant to this Section shall be subject to all provisions of the Bonds relating to exchanges.

SECTION 6.12. *Execution of Bonds.* The Bonds shall be signed in the name and on behalf of the Borrower by its authorized representative or representatives designated in the Loan Agreement for the purposes of this Section. The signature of any such representative may be a facsimile signature if the Bonds are also manually countersigned by an authorized representative of the Borrower. Coupons attached to coupon Bonds shall be authenticated by the facsimile signature of an authorized representative of the Borrower. If any authorized representative of the Borrower whose manual or facsimile signature shall be affixed to any Bond or coupon shall cease to be such authorized representative, such Bond or coupon may nevertheless be delivered, and shall be valid and binding on the Borrower, as though the person whose manual or facsimile signature shall have been affixed to such Bond or coupon had not ceased to be such authorized representative.

SECTION 6.13. *Registration and Transfer of Registered Bonds.* The Borrower shall maintain, or cause to be maintained, books for the registration and transfer of registered Bonds.

SECTION 6.14. *Qualification and Listing of Bonds.* The Borrower shall promptly furnish to the Bank such information and execute such applications and other documents as the Bank shall reasonably request in order to enable the Bank to sell any of the Bonds in any country, or to list any of the Bonds on any securities exchange, in compliance with applicable laws and regulations. To the extent necessary to comply with the requirements of any such exchange, the Borrower shall, if the Bank shall so request, appoint and maintain an agency for authentication of such Bonds.

SECTION 6.15. *Guarantee by the Bank of Payments on Bonds.* If the Bank shall sell any Bond and shall guarantee any payment thereunder, the Borrower shall reimburse the Bank for any amount paid by the Bank under such guarantee by reason of any failure of the Borrower to make payment in accordance with the terms of such Bond.

SECTION 6.16. *Redemption of Bonds.*

(a) The Bonds shall be subject to redemption by the Borrower in accordance with their terms, at a redemption price equal to the principal amount thereof plus the interest accrued and unpaid thereon to the date fixed for the redemption thereof plus as a premium the percentages of said principal amount specified in the amortization schedule to the Loan Agreement.

(b) If any Bond to be redeemed shall bear interest at a rate less than the rate of interest on the Loan, the Borrower shall pay to the Bank on the date fixed for redemption the service charge provided for in Section 6.04 accrued and unpaid to such date on the principal amount of the Loan represented by such Bond.

SECTION 6.17. *Rights of Holders of Bonds.* Except as otherwise provided in the Bonds, no holder of any Bond other than the Bank shall by virtue of being the holder thereof be entitled to any of the rights or benefits conferred, or be subject to any of the conditions or obligations imposed, upon the Bank under the Loan Agreement.

ARTICLE VII

Enforceability of Loan Agreement ; Failure to Exercise Rights ; Arbitration

SECTION 7.01. *Enforceability.* The rights and obligations of the Bank and the Borrower under the Loan Agreement and the Bonds shall be valid and enforceable in accordance with their terms notwithstanding the law of any state, or political subdivision thereof, to the contrary. Neither the Bank nor the Borrower shall be entitled in any proceeding under this Article to assert any claim that any provision of these Regulations or of the Loan Agreement or the Bonds is invalid or unenforceable because of any provision of the Articles of Agreement of the Bank or for any other reason.

SECOND SCHEDULE—*continued*.

SECTION 7.02. *Failure to Exercise Rights.* No delay in exercising, or omission to exercise, any right or power accruing to either party under the Loan Agreement upon any default shall impair any such right or power or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right or power of such party in respect of any other or subsequent default.

SECTION 7.03. *Arbitration.*

(a) Any controversy between the parties to the Loan Agreement and any claim by either such party against the other arising under the Loan Agreement or the Bonds which shall not be determined by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

(b) The parties to such arbitration shall be the Bank and the Borrower.

(c) The Arbitral Tribunal shall consist of three arbitrators appointed as follows: one arbitrator shall be appointed by the Bank; a second arbitrator shall be appointed by the Borrower; and the third arbitrator (hereinafter sometimes called the Umpire) shall be appointed by agreement of the parties or, if they shall not agree, by the President of the International Court of Justice or, failing appointment by him, by the Secretary-General of the United Nations. If either of the parties shall fail to appoint an arbitrator, such arbitrator shall be appointed by the Umpire. In case any arbitrator appointed in accordance with this Section shall resign, die or become unable to act, a successor arbitrator shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and such successor shall have all the powers and duties of such original arbitrator.

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

(e) If, within 60 days after the giving of such notice instituting the arbitration proceeding, the parties shall not have agreed upon an Umpire, either party may request the appointment of an Umpire as provided in paragraph (c) of this Section.

(f) The Arbitral Tribunal shall convene at such time and place as shall be fixed by the Umpire. Thereafter, the Arbitral Tribunal shall determine where and when it shall sit.

(g) Subject to the provisions of this Section and except as the parties shall otherwise agree, the Arbitral Tribunal shall decide all questions relating to its competence and shall determine its procedure. All decisions of the Arbitral Tribunal shall be by majority vote.

(h) The Arbitral Tribunal shall afford to all parties a fair hearing and shall render its award in writing. Such award may be rendered by default. The award of the Arbitral Tribunal when signed by a majority thereof shall constitute the award of such Tribunal. A signed counterpart of the award shall be transmitted to each party. Any such award rendered in accordance with the provisions of this Section shall be final and binding upon the parties to the Loan Agreement. Each party shall abide by and comply with any such award rendered by the Arbitral Tribunal in accordance with the provisions of this Section.

(i) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceeding. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. The cost of the arbitration proceeding shall be divided and shared equally between the Bank and the Borrower. Any question concerning the division of the cost of the arbitration proceeding or the procedure for payment of such cost shall be determined by the Arbitral Tribunal.

(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 any claim by either party against the other party arising thereunder or under the Bonds

SECOND SCHEDULE—*continued.*

(k) The Bank shall not be entitled to enter judgment against the Borrower, upon the award, to enforce the award against the Borrower by execution or to pursue any other remedy against the Borrower for the enforcement of the award, except as such procedure may be available against the Borrower otherwise than by reason of the provisions of this Section. If, within 30 days after counterparts of the award shall be delivered to the parties, the award shall not be complied with by the Bank, the Borrower may take any such action for the enforcement of the award against the Bank.

(l) Service of any notice or process in connection with any proceeding under this Section or (to the extent that such remedy shall be available) in connection with any proceeding to enforce any award rendered pursuant to this Section may be made in the manner provided in Section 8.01. The parties to the Loan Agreement waive any and all other requirements for the service of any such notice or process.

ARTICLE VIII

Miscellaneous Provisions

SECTION 8.01. *Notices and Requests.* Any notice or request required or permitted to be given or made under the Loan Agreement and any agreement between the parties contemplated by the Loan Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at such party's address specified in the Loan Agreement, or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

SECTION 8.02. *Evidence of Authority.* The Borrower shall furnish to the Bank sufficient evidence of the authority of the person or persons who will sign the applications provided for in Article IV and the Bonds or who will, on behalf of the Borrower, take any other action or execute any other documents required or permitted to be taken or executed by the Borrower under the Loan Agreement, and the authenticated specimen signature of each such person.

SECTION 8.03. *Action on Behalf of Borrower.* Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Loan Agreement on behalf of the Borrower may be taken or executed by the representative of the Borrower designated in the Loan Agreement for the purposes of this Section or any person thereunto authorized in writing by him. Any modification or amplification of the provisions of the Loan Agreement may be agreed to on behalf of the Borrower by written instrument executed on behalf of the Borrower by the representative so designated or any person thereunto authorized in writing by him; provided that, in the opinion of such representative, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Borrower under the Loan Agreement. The Bank may accept the execution by such representative or other person of any such instrument as conclusive evidence that in the opinion of such representative any modification or amplification of the provisions of the Loan Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Borrower thereunder.

SECTION 8.04. *Execution in Counterparts.* The Loan Agreement may be executed in several counterparts, each of which shall be an original. All such counterparts shall collectively be but one instrument.

ARTICLE IX

Effective Date ; Termination

SECTION 9.01. *Conditions Precedent to Effectiveness of Loan Agreement.* The Loan Agreement shall not become effective until (a) the execution and delivery of the Loan Agreement on behalf of the Borrower shall have been duly authorized or ratified by all necessary governmental action; (b) all other events specified in the Loan Agreement as conditions to its effectiveness shall have occurred; and (c) evidence thereof satisfactory to the Bank shall have been furnished to the Bank.

SECOND SCHEDULE—*continued.*

SECTION 9.02. *Legal Opinions.* As part of the evidence to be furnished pursuant to Section 9.01, the Borrower shall furnish to the Bank an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank showing :

- (a) that the Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and constitutes a valid and binding obligation of the Borrower in accordance with its terms ;
- (b) that the Bonds when executed and delivered in accordance with the Loan Agreement will constitute valid and binding obligations of the Borrower in accordance with their terms and that except as stated in such opinion, no further signatures or formalities are required for that purpose ; and
- (c) such other matters as shall be specified in the Loan Agreement.

SECTION 9.03. *Effective Date.* Except as shall be otherwise agreed by the Bank and the Borrower, the Loan Agreement shall come into force and effect on the date when the Bank notifies the Borrower of its acceptance of such evidence.

SECTION 9.04. *Termination of Loan Agreement for Delay in Becoming Effective.* If all acts required to be performed pursuant to Section 9.01 shall not have been performed before the date specified in the Loan Agreement for the purposes of this Section or such other date as shall be agreed upon by the Bank and the Borrower, the Bank may at any time thereafter at its option terminate the Loan Agreement by notice to the Borrower. Upon the giving of such notice the Loan Agreement and all obligations of the parties thereunder shall forthwith terminate.

SECTION 9.05. *Termination of Loan Agreement on Full Payment.* If and when the entire principal amount of the Loan and the premium, if any, on the redemption of all Bonds called for redemption and all interest and other charges which shall have accrued on the Loan and the Bonds shall have been paid, the Loan Agreement and all obligations of the parties thereunder shall forthwith terminate.

ARTICLE X

Definitions ; Headings

SECTION 10.01. *Definitions.* Except where the context otherwise requires, the following terms have the following meanings wherever used in these Regulations or any Schedule hereto or in a loan agreement to which these Regulations have been made applicable :

1. The term " Bank " means International Bank for Reconstruction and Development.
2. The term " member " means a member of the Bank.
3. The term " United States " means the United States of America.
4. The term " currency " means such coin or currency as at the time referred to is legal tender for the payment of public and private debts in the territories of the government referred to, whether or not such government is a member. Whenever reference is made to the currency of a member, the term " currency " includes the currencies of all colonies and territories on whose behalf at the time referred to such member has accepted membership in the Bank.
5. The term " dollars " and the sign " \$ " mean dollars in currency of the United States.
6. The term " Loan Agreement " means the particular loan agreement to which these Regulations shall have been made applicable, as amended from time to time ; and such term includes all agreements supplemental to the Loan Agreement and all schedules to the Loan Agreement.
7. The term " Loan " means the loan provided for in the Loan Agreement.
8. The term " Borrower " means the member of the Bank to which the Loan is made.
9. The term " Bonds " means bonds executed and delivered by the Borrower pursuant to the Loan Agreement ; and such term includes any such bonds issued in exchange for, or on transfer of, Bonds as herein defined.
10. The term " Loan Account " means the account on the books of the Bank to which the amount of the Loan is to be credited as provided in Section 2.01.

SECOND SCHEDULE—continued.

11. The term "Project" means the project or program for which the Loan is granted, as such project or program is described in the Loan Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and the Borrower.

12. The term "goods" means equipment, supplies and services which are required for the Project. Wherever reference is made to the cost of any goods, such cost shall be deemed to include the cost of importing such goods into the territories of the Borrower.

13. The term "external debt" means any debt payable in any medium other than currency of the Borrower, whether such debt is payable absolutely or at the option of the creditor in such other medium.

14. The term "Closing Date" means the date specified in the Loan Agreement as the Closing Date, or such other date as shall be agreed upon by the Bank and the Borrower as the Closing Date.

15. The term "Effective Date" means the date on which the Loan Agreement shall come into force and effect as provided in Section 9.03.

16. The term "lien" shall include mortgages, pledges, charges, privileges and priorities of any kind.

17. The term "assets" shall include revenues and property of any kind.

18. The terms "tax" and "taxes" shall include imposts, duties and levies of any kind, whether in effect at the date of the Loan Agreement or thereafter imposed.

19. Wherever reference is made to the incurring of debt such reference shall include the assumption and guarantee of debt.

References in these Regulations to Articles or Sections are to Articles or Sections of these Regulations; references in a Loan Agreement to Articles or Sections are to Articles or Sections of such Loan Agreement.

SECTION 10.02. *Headings.* The headings of the Articles and Sections and the Table of Contents are inserted for convenience of reference only and are not a part of these Regulations.

SCHEDULE 1

Form of Registered Bond Without Coupons Payable in Dollars

\$ 000
No. 000

\$ 000
No. 000

[NAME OF BORROWER]

Serial Bond due_____

[NAME OF BORROWER] (hereinafter called [the Borrower]), for value received, hereby promises to pay to _____, or registered assigns, on the day of 19 _____, at the office or agency of [the Borrower] in the Borough of Manhattan, in The City of New York, the sum of _____ DOLLARS in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, and to pay interest thereon from the date hereof at said office or agency in like coin or currency at the rate of _____ per centum (_____ %) per annum, payable semi-annually on _____ and _____ until payment of said principal sum has been made or duly provided for.

This Bond is one of an authorized issue of bonds of the aggregate principal amount of _____ (or the equivalent thereof payable in other currencies), known as the Serial Bonds of [the Borrower] (hereinafter called the Bonds), issued or to be issued under a Loan Agreement dated _____ between [the Borrower] and International Bank for Reconstruction and Development (hereinafter called the Bank). No reference herein to the Loan Agreement shall impair the obligation of [the Borrower] which is absolute and unconditional to pay the principal of and interest on this Bond at the times and place and in the amounts and in the currency herein prescribed.

This Bond is transferable by the registered holder hereof, or by his attorney duly authorized in writing, at said office or agency of [the Borrower] in the Borough of Manhattan, upon payment, if [the Borrower] shall so require, of a charge calculated to reimburse [the Borrower] for the cost of the transfer and upon surrender of this Bond for cancellation, duly endorsed or accompanied by a proper instrument or

SECOND SCHEDULE—continued.

instruments of assignment and transfer. Upon any such transfer a new fully registered Bond or Bonds, without coupons, of authorized denominations, of the same maturity and in the same aggregate principal amount, will be issued to the transferee in exchange for this Bond.

Upon payment, if [the Borrower] shall so require, of a charge calculated to reimburse [the Borrower] for the cost of the exchange (1) bearer Bonds with interest coupons attached (hereinafter called coupon Bonds) of any maturity, together with all unmatured coupons thereto appertaining, may be exchanged upon presentation and surrender thereof at said office or agency in the Borough of Manhattan for coupon Bonds of other authorized denominations with all unmatured coupons thereto appertaining, or for fully registered Bonds without coupons (hereinafter called registered Bonds) of any authorized denominations, or both, of the same maturity and in the same aggregate principal amount; and (2) registered Bonds of any maturity may be exchanged upon presentation and surrender at said office or agency, duly endorsed or accompanied by a proper instrument or instruments of assignment and transfer, for registered Bonds of other authorized denominations or for coupon Bonds of any authorized denominations with all unmatured coupons thereto appertaining, or both, of the same maturity and in the same aggregate principal amount.

[The Borrower] shall not be required to make transfers or exchanges of any Bonds for a period of ten days next preceding any interest payment date thereof or of any Bonds called for redemption.

The Bonds are subject to redemption at the election of [the Borrower], as hereinafter provided, at a redemption price for each Bond equal to the principal amount thereof, plus the interest accrued and unpaid thereon to the date fixed for the redemption thereof, plus as a premium the following respective percentages of such principal amount: [insert percentages set forth in the amortization schedule to the Loan Agreement]. All the Bonds at the time outstanding may be so redeemed at any time. All the Bonds at the time outstanding of any one or more maturities may be so redeemed at any time, provided that, at the date fixed for the redemption of such Bonds, there shall not be outstanding any Bonds maturing after the Bonds to be redeemed. If [the Borrower] shall elect to redeem Bonds it shall give notice of intention to redeem all the Bonds, or all the Bonds of one or more designated maturities as hereinabove provided, as the case may be. Such notice shall designate the redemption date and shall state the redemption price or prices, determined as hereinbefore provided. Such notice shall be given by publication in two daily newspapers printed in the English language and published and of general circulation in said Borough of Manhattan at least once a week for three successive weeks, the first publication to be not less than 45 nor more than 60 days prior to said redemption date. Notice of election to redeem having been given as above provided, the Bonds so called for redemption shall become due and payable on said redemption date at their redemption price or prices, and upon presentation and surrender thereof on or after such date at said office or agency in said Borough of Manhattan, together with any appurtenant coupons maturing after said redemption date, shall be paid at the redemption price or prices aforesaid. All unpaid interest instalments represented by coupons which shall have matured on or prior to said redemption date shall continue to be payable to the bearers of such coupons severally and respectively, and the redemption price payable to the holders of coupon Bonds presented for redemption shall not include such unpaid instalments of interest unless coupons representing such instalments shall accompany the Bonds presented for redemption. From and after said redemption date, if payment is made or duly provided for pursuant thereto, the Bonds so called for redemption shall cease to bear interest and any appurtenant coupons maturing after said redemption date shall be void.

In certain events provided in said Loan Agreement, the Bank, at its option, may declare the principal of all the Bonds then outstanding (if not already due) to be due and payable immediately, and upon any such declaration such principal shall be due and payable immediately.

The principal of the Bonds, the interest accruing thereon and the premium, if any, on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature now or at any time hereafter imposed by [the Borrower] or by any taxing authority thereof or therein and shall be paid free from all restrictions of [name of Borrower], its political subdivisions, and

SECOND SCHEDULE—continued.

its agencies ; provided, however, that the provisions of this paragraph shall not apply to the taxation of payments made under the provisions of 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].

[The Borrower] may deem and treat the bearer of any coupon Bond, and the bearer of any coupon for interest on any bond, and the registered owner of any registered Bond, as the absolute owner thereof for all purposes whatsoever notwithstanding any notice to the contrary ; and all payments to such bearer or to or on the order of such registered owner, as the case may be, shall be valid and effectual to discharge the liability of [the Borrower] upon such coupon Bond, such coupon or such registered Bond to the extent of the sum or sums so paid.

This Bond shall not be valid or become obligatory for any purpose until it shall have been [insert appropriate reference to authentication, signature or attestation].

IN WITNESS WHEREOF [the Borrower] has caused this Bond to be signed in its name by [here insert reference to official or officials signing Bonds, to counter-signatures, attestation and seal, if used, and, if any signature is a facsimile signature, make reference thereto].

[Signature, attestation, authentication, as may be appropriate]

Dated _____

Note : Italicized provisions may be omitted if Borrower desires.

FORM OF ASSIGNMENT AND TRANSFER

FOR VALUE RECEIVED

hereby sell, assign and transfer unto

the within Bond issued by [NAME OF BORROWER] and hereby irrevocably authorize said [Borrower] to transfer said Bond on its books.

Dated _____

Witness : _____

SCHEDULE 2

Form of Coupon Bond Payable in Dollars

\$ 000
No. 000

\$ 000
No. 000

[NAME OF BORROWER]

Serial Bond due

[NAME OF BORROWER] (hereinafter called [the Borrower]), for value received, hereby promises to pay to the bearer hereof, on the _____ day of _____ 19____, at the office or agency of [the Borrower] in the Borough of Manhattan, in The City of New York, the sum of _____ DOLLARS in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, and to pay interest thereon from the date hereof at said office or agency in like coin or currency at the rate of _____ per centum (_____ %) per annum, payable semi-annually on _____ and _____ until payment of said principal sum has been made or duly provided for, but until the maturity hereof only upon presentation and surrender of the coupons hereto attached as they severally mature.

This Bond is one of an authorized issue of bonds of the aggregate principal amount of _____ (or the equivalent thereof payable in other currencies), known as the Serial Bonds of [the Borrower] (hereinafter called the Bonds), issued or to be issued under a Loan Agreement dated _____ between [the Borrower] and International Bank for Reconstruction and Development (hereinafter called the Bank). No reference herein to the Loan Agreement shall impair the obligation of [the Borrower] which is absolute and unconditional to pay the principal and interest on this Bond at the times and place and in the amounts and in the currency herein prescribed.

Upon payment, if [the Borrower] shall so require, of a charge calculated to reimburse [the Borrower] for the cost of the exchange (1) bearer Bonds with interest coupons attached (hereinafter called coupon Bonds) of any maturity, together with

SECOND SCHEDULE—continued.

all unmatured coupons thereto appertaining, may be exchanged upon presentation and surrender thereof at said office or agency in the Borough of Manhattan for coupon Bonds of other authorized denominations with all unmatured coupons thereto appertaining, or for fully registered Bonds without coupons (hereinafter called registered Bonds) of any authorized denominations, or both, of the same maturity and in the same aggregate principal amount; and (2) registered Bonds of any maturity may be exchanged upon presentation and surrender at said office or agency, duly endorsed or accompanied by a proper instrument or instruments of assignment and transfer, for registered Bonds of other authorized denominations or for coupon Bonds of any authorized denominations with all unmatured coupons thereto appertaining, or both, of the same maturity and in the same aggregate principal amount.

[The Borrower] shall not be required to make transfers or exchanges of any Bonds for a period of ten days next preceding any interest payment date thereof or of any Bonds called for redemption.

The Bonds are subject to redemption at the election of [the Borrower], as hereinafter provided, at a redemption price for each Bond equal to the principal amount thereof, plus the interest accrued and unpaid thereon to the date fixed for the redemption thereof, plus as a premium the following respective percentages of such principal amount: [insert percentages set forth in the amortization schedule to the Loan Agreement]. All the Bonds at the time outstanding may be so redeemed at any time. All the Bonds at the time outstanding of any one or more maturities may be so redeemed at any time, provided that, at the date fixed for the redemption of such Bonds, there shall not be outstanding any Bonds maturing after the Bonds to be redeemed. If [the Borrower] shall elect to redeem Bonds it shall give notice of intention to redeem all the Bonds, or all the Bonds of one or more designated maturities as hereinabove provided, as the case may be. Such notice shall designate the redemption date, and shall state the redemption price or prices, determined as hereinbefore provided. Such notice shall be given by publication in two daily newspapers printed in the English language and published and of general circulation in said Borough of Manhattan at least once a week for three successive weeks, the first publication to be not less than 45 nor more than 60 days prior to said redemption date. Notice of election to redeem having been given as above provided, the Bonds so called for redemption shall become due and payable on said redemption date at their redemption price or prices, and upon presentation and surrender thereof on or after such date at said office or agency in said Borough of Manhattan, together with any appurtenant coupons maturing after said redemption date, shall be paid at the redemption price or prices aforesaid. All unpaid interest instalments represented by coupons which shall have matured on or prior to said redemption date shall continue to be payable to the bearers of such coupons severally and respectively, and the redemption price payable to the holders of coupon Bonds presented for redemption shall not include such unpaid instalments of interest unless coupons representing such instalments shall accompany the Bonds presented for redemption. From and after said redemption date, if payment is made or duly provided for pursuant thereto, the Bonds so called for redemption shall cease to bear interest and any appurtenant coupons maturing after said redemption date shall be void.

In certain events provided in said Loan Agreement, the Bank, at its option, may declare the principal of all the Bonds then outstanding (if not already due) to be due and payable immediately, and upon any such declaration such principal shall be due and payable immediately.

The principal of the Bonds, the interest accruing thereon and the premium, if any, on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies or duties or at any time hereafter imposed by [the Borrower] or by any taxing authority thereof or therein and shall be paid free from all restrictions of [the Borrower], its political subdivisions or its agencies; provided, however, that the provisions of this paragraph shall not apply to the taxation of payments made under the provisions of 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].

[The Borrower] may deem and treat the bearer of any coupon Bond, and the bearer of any coupon for interest on any Bond, and the registered owner of any registered Bond, as the absolute owner thereof for all purposes whatsoever notwithstanding any notice to the contrary; and all payments to such bearer or to or on the order of such registered

