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IRAN
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IMPLEMENTATION AGREEMENT

IMPLEMENTATION AGREEMENT dated as of March 16, 1973, between THE INDUSTRIAL DEVELOPMENT AND RENOVATION ORGANIZATION of Iran ("IDRO") and THE UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

WHEREAS the Imperial Government of Iran ("Borrower") has established IDRO in the form of a corporation existing and duly registered under the laws of Iran;

WHEREAS Borrower desires to borrow up to \$25,000,000 U.S. Dollars ("Dollars") from the Federal Home Loan Banks of New York and Boston ("Investors") to be evidenced by Borrower's 7½ percent notes ("Notes") and Investors are willing to lend such amount on the terms and conditions contained in a loan agreement dated as of the date hereof with Borrower ("Loan Agreement") and the repayment of such borrowing is guaranteed by the Borrower;

WHEREAS IDRO or its wholly owned subsidiaries, the Arak Housing Company and the Tabriz Housing Company ("Subsidiary Companies") will use the proceeds of such borrowings to finance

BEST AVAILABLE DOCUMENT

the purchase by cooperative housing societies ("Cooperatives") of moderate priced housing projects to be built in Arak and Tabriz, Iran, in accordance with the terms and provisions of a Sale and Mortgage Contract generally in the form of Annex A attached hereto;

WHEREAS members of the Cooperatives shall enjoy the right to occupy the units owned by said Cooperatives pursuant to the terms of this Agreement and will sign an Occupancy Statement in the form of Annex B attached hereto;

WHEREAS A.I.D. will issue its guaranty of repayment of the amounts to be borrowed by Borrower from Investor in accordance with the terms and conditions contained in a contract of guaranty dated as of the date hereof between Investor and A.I.D. ("Contract of Guaranty"); and

WHEREAS IDRO has entered into contracts with consulting firms ("Consultants") of Tehran, Iran, for the preparation of the plans and specifications for and supervision of construction of the homes to be financed with the proceeds of the guaranteed loan;

THEREFORE, IDRO and A.I.D. hereby agree as follows:

ARTICLE I

The Program

SECTION 1.01 - The Plan. IDRO shall utilize the loan funds disbursed pursuant to the Loan Agreement for the purpose of financing the purchase of housing projects or sections thereof by the Cooperatives on which construction commenced on or after June 1, 1971. Attached hereto as Annex C is the plan of IDRO for the construction of approximately 5,500 cooperative housing units in Arak and Tabriz ("Plan"), such Plan to be developed pursuant to the terms of this Agreement and to be financed in part with the proceeds of the guaranteed loan and in part from funds available from other sources. IDRO will notify A.I.D. of all proposed significant changes, amendments, and modifications of such Plan. All such changes, modifications or amendments affecting the Plan shall be made only upon the mutual agreement of IDRO and A.I.D.

SECTION 1.02 - Technical Plans and Specifications.

All plans and specifications related to housing projects financed by the guaranteed loan have been or will be submitted by

IDRO to A.I.D. within sixty (60) days of the date of this Agreement. IDRO shall cause, or has caused, the development of each of the projects to be carried out in conformity with said plans and specifications, and all changes therein.

SECTION 1.03 - Title to Housing Units and Use Land.

IDRO shall convey to the Cooperatives title to housing units and any improvements thereon for the projects to be financed by the guarantied loan. Said conveyance shall be clear of any encumbrances with the exception of first mortgage liens maintained thereon by IDRO pursuant to Sales and Mortgage Contracts between IDRO and the Cooperatives in the form of Annex A. IDRO shall ensure that the Cooperatives shall not otherwise pledge or encumber said property. IDRO will retain title to the land but will permit and assure the permanent use thereof by the Cooperatives free of any charges.

SECTION 1.04 - The Cooperatives. IDRO agrees to, as soon as possible, cause the Cooperatives to be organized and will transfer to the Cooperatives the housing units as they are completed. IDRO Housing Subsidiaries of Tabriz and Arak will enter into a services contract with each Cooperative ✓

whereby the subsidiaries will perform necessary promotional, maintenance, management, including collections, services for the Cooperatives. The services contract shall extend until all housing units at the respective site have been completed, transferred to the respective Cooperative and fully occupied.

ARTICLE II

CONDITIONS FOR DISBURSEMENTS

SECTION 2.01 - Loans by Investor. It is understood that Borrower intends to borrow Dollars from the Investor pursuant to the Loan Agreement and this Implementation Agreement and all loans from the Investor shall be evidenced by Notes of the Borrower issued pursuant to the Loan Agreement, and marked by A.I.D. as eligible for the full faith and credit guaranty of the United States Government.

SECTION 2.02 - Disbursement Basis. Disbursements shall be made to Borrower in amounts equal to the total value of dwelling units completed and transferred to the cooperatives by Sales and Mortgage Contracts and evidenced by an Inspector's Certificate and an IDRO Certificate submitted for the disbursement. However, if by the date required for the first disbursement

in the Loan Agreement, IDRO submits evidence to A.I.D. that there are insufficient dwelling units having a value of \$2,000,000, then said first disbursement may be made up to said \$2,000,000 without having completed and transferred such dwelling units. All disbursements subsequent to the first are conditioned upon Sales and Mortgage Contracts, Inspector's Certificates, and IDRO Certificates listing Occupancy Statements of the units involved in the disbursement. Prior to the last disbursement IDRO shall have submitted Sales and Mortgage Contracts, Inspector's Certificates, and IDRO Certificates listing Occupancy Statements for the total amount of the loan.

SECTION 2.03 - Certificates for Disbursement.

(A) No later than 4 days prior to each disbursement date of the guaranteed loan, A.I.D. shall receive from IDRO directly or through Borrower the following certificates:

1. A certificate from IDRO in the form of Annex D hereof; and
2. A certificate from an Inspector assigned by IDRO in the form of Annex E hereof.

(B) Prior to the first disbursement (and if requested by A.I.D. for subsequent disbursements) A.I.D. shall have received an opinion, dated the Closing Date, addressed to it and satisfactory in form and substance to it, of counsel for IDRO and selected by IDRO (such counsel to be licensed to practice law in Iran), to the effect that:

1. IDRO is a corporation duly established by the Imperial Government of Iran, validly existing and in good standing under the laws of Iran;
2. the execution and delivery of the Implementation Agreement and the consummation by IDRO of the transactions contemplated thereby are within the corporate powers of IDRO, have been duly authorized by IDRO by all required legal action, will not, at the time of taking any such action, violate any provision of law, any order of any court or other agency of any governmental authority within Iran as of such date and will not conflict with, or result in any breach of any terms, conditions or

provisions of, any agreement or instrument to which IDRO or any of its property is or may be bound;

3. the Implementation Agreement has been duly executed and delivered by IDRO and is a legal, valid and binding agreement enforceable in accordance with its terms.

Such opinion shall also cover all other matters related to the transactions contemplated by this Implementation Agreement as A.I.D. may reasonably request.

ARTICLE III

Acceleration

SECTION 3.01 - Material Breach. In the event that IDRO materially breaches any of its undertakings or covenants hereunder, and IDRO shall have failed to rectify said breach within a period of thirty (30) days from the actual delivery of notice by A.I.D. to IDRO with respect thereto, then pursuant to the Loan Agreement and Contract of Guaranty, A.I.D. may require the Borrower to immediately prepay to Investor the unpaid principal balances of all the Notes outstanding under the Loan Agreement, with accrued interest and guaranty fee

thereon to the date such payment is made. It is understood that as long as IDRO is not in breach of this Implementation Agreement, A.I.D. shall continue its guaranties in accordance with the terms of the Contract of Guaranty.

ARTICLE IV

Additional Covenants of IDRO

SECTION 4.01 - Ownership of Subsidiary Housing Companies. During the term of this agreement, IDRO shall continue its ownership of such part of the land of the Tabriz and Arak housing sites containing houses which have been transferred to the Cooperatives.

ARTICLE V

Covenants of A.I.D.

SECTION 5.01 - Issuance of the Guaranty. Subject to the full performance of all parties to the terms and conditions of the Loan Agreement, this Implementation Agreement, the Contract of Guaranty and subject to the provisions of the Foreign Assistance Act of 1961 as amended to the date of this Agreement, A.I.D. will issue its guaranty of repayment in accordance with the terms of said Contract of Guaranty of the amounts to be borrowed by Borrower.

SECTION 5.02 - A.I.D. Representative. A.I.D. shall designate in writing to IDRO a representative for the housing projects under the Plan. The A.I.D. representative shall consult with IDRO on all matters relating to these projects.

ARTICLE VI

Reports, Records and Inspections

SECTION 6.01 - Books and Records. Books and records which will be normally maintained by IDRO to disclose the complete status of its operations pursuant to this Agreement will be made available to A.I.D. or its designees at such times as A.I.D. may reasonably request. Such inspections by A.I.D. shall occur no more frequently than semi-annually.

SECTION 6.02 - Reports. IDRO will submit to A.I.D. or its designees:

1. A monthly construction progress report for each project during the construction period in the form of Annex F;
2. Reports on April 30, July 31, October 31, and January 31 of each year, on forms to be agreed upon between IDRO and A.I.D., with respect to the implementation of the Plan for the quarterly period ended as of the first day of the preceding month.

SECTION 6.03 - Inspections

(A) Consultants shall designate a resident inspector for each project financed pursuant to this Implementation Agreement. Each resident inspector shall be approved by IDRO or its Subsidiary Companies, with notice of such approval, including names of designees, being given to A.I.D.

(B) A.I.D. or its designated representatives shall have the right at all reasonable times during construction to inspect the dwelling units financed with proceeds of the guaranteed loan. IDRO shall take the steps necessary to ensure this right to inspect by entering into appropriate arrangements with each of its Subsidiary Companies, Consultants and the construction contractor(s).

ARTICLE VII

Miscellaneous

SECTION 7.01 - Communications. Any communication and supporting documents sent to either party pursuant to this Implementation Agreement shall be made in writing in the English language and shall be deemed to have been duly received by the party to which it is addressed when it shall be delivered by hand or by air mail, telegram, cable, or radiogram to such party at the address specified below:

To IDRO

Mail Address: The Industrial Development & Renovation
Organization
435 Takhte Jamshid Avenue
Tehran, Iran

Cable Address: IDRO

To A.I.D.

Mail Address: U.S. Embassy
Tehran, Iran

and

Room 500, SA-16
Office of Housing
Agency for International Development
Department of State
Washington, D. C. 20523

Other addresses may be substituted for the above upon the giving of notice in accordance with this Section.

SECTION 7.02 - Arbitration.

(A) Any controversy or claim between A.I.D., and IDRO arising out of or relating to this Agreement or any breach hereof shall be settled by arbitration and the written decision of the arbitration panel shall be final and judgment may be entered thereon in any court having jurisdiction thereof. When a party hereto serves the other

party with written notice of arbitration, such notice shall include the designation of one arbitrator. Within 10 days of receipt thereof, the receiving party shall designate one arbitrator to the other party. Within 10 days thereafter, the two arbitrators so designated shall agree upon a third arbitrator. The fees and expenses of the third arbitrator shall be borne equally by A.I.D. and IDRO.

SECTION 7.03 - Integration. This Agreement contains the entire agreement and understanding between A.I.D. and IDRO relating to the subject matter hereof, and replaces all prior agreements and understandings between such parties relating to such subject matter.

SECTION 7.04 - Termination. This Agreement shall terminate upon payment in full of all sums owed under the Loan Agreement to Investors and A.I.D. by Borrower pursuant to the Loan Agreement.

SECTION 7.05 - Amendment. This Agreement may be amended at any time during the term hereof only by written agreement of IDRO and A.I.D.

IN WITNESS WHEREOF, the UNITED STATES OF AMERICA
and IDRO, each acting through its duly authorized
representative, have caused this Agreement to be signed in
their names and delivered as of the date first above
written.

INDUSTRIAL DEVELOPMENT AND RENOVATION
ORGANIZATION

By

Title

UNITED STATES OF AMERICA

By

Title

Director (Act) Office of Housing

ANNEX A

Type of Instrument: Sale and Mortgage.

The Seller: Industrial Development and Renovation
Organization, IDRO

The Buyer: Cooperative Society _____
registered under No. _____
represented by Mr./Messrs. _____

Object of Sale and Mortgage: As described in Exhibit 1
attached.

The Seller sold to the Buyer and the Buyer purchased
from the Seller the object of sale as described in Exhibit 1
attached to this Instrument against payment of Rls _____
to be paid by the Buyer to the Seller in _____
monthly installments payable on the first day of each month.
Ownership of the said object of sale is hereby transferred
to the Buyer together with the entire obligations, rights
and privileges thereto.

The Seller holds ownership of the land on which the
Object of Sale is constructed and hereby authorizes the Buyer
and its successors to utilize the land, free of any charge,
as long as the construction is there, to the extent needed.

As a security for the payment of the sum mentioned
above the Buyer as Mortgagor mortgaged the object of this
Instrument, entirety, in favor of the Seller for the entire
period of _____ months.

Done in Tehran on _____.

For

(IDRO) For

Co-op.

OCCUPANCY STATEMENT

Occupant: _____

Description of Unit _____

Effective date _____

The undersigned, as a member of the _____
Cooperative Association certifies that he is presently the
occupant of the above housing unit owned by the said Cooperative.

(Occupant)

ANNEX C

PLAN OF IDRO ("PLAN")

IDRO through its two Subsidiary Companies has undertaken construction of approximately 5,500 housing units in Arak and Tabriz, involving an investment of approximately \$50 million. Of these housing units, all the lowest cost ones above \$2,500 up to a maximum price of \$14,000 will be financed by IDRO from the Loan Agreement funds, with priority always being given to lower cost units within the above cost range.

IDRO has also undertaken construction of approximately 500 small homes priced at approximately \$2,000 for workers in the very lowest income category; an additional number of higher priced apartment units; and single-family detached homes priced for top category workers and management cadres. Financing for these categories is being obtained from a loan provided by the Government of Iran.

The above prices cover home construction only. Site improvement and urbanization (i.e. project streets, water supply, storm and sanitary sewers and electricity) will cost approximately \$6.5 million, for which IDRO has received a grant

from the Government through the Plan Organization. Land has been provided by the Government for three sites; acquisition of the fourth has been completed at a cost of \$2 million. Community facilities are expected to cost \$3 million. The total investment for the 5,500 units is approximately \$49.5 million for the housing which IDRO feels is necessary to realize the industrial development planned for Arak and Tabriz.

In addition to the \$6.5 million grant, IDRO has obtained from the Government a \$19.7 million loan at 5% for 25 years.

Summary of Financing Available

Government Grant	\$ 6.5 million (urbanization)
U.S. Private Loan Financing	25.0 million (moderate-priced housing)
Government Loan	<u>19.7 million (remaining costs)*</u> \$51.2 million

*Will also be used for construction financing of the housing units for which the long-term financing is provided by the U.S. Investors under A.I.D. guaranty.

Technical Consultation and Project Management

IDRO has hired Consultants who will be responsible for design of the housing projects, for preparation of plans

and specifications, and for the supervision of project construction.

Construction supervision will be provided by the Consultants through a resident full-time inspector on each project site. The resident inspector will be under the regular periodic supervision of a supervising inspector on the staff of the Consultants who in turn reports to a chief inspector in Tehran who also periodically visits all IDRO construction sites.

Actual project management and execution will be carried out by two wholly-owned subsidiaries of IDRO, the Arak Housing Company and the Tabriz Housing Company. The housing companies will handle bids, work progress and overall surveillance, periodic payment to contractors, and will undertake on behalf of the Cooperative sales and credit-review of prospective members.

Implementation

Construction will proceed on the entire project in accordance with IDRO scheduling. During the construction

period IDRO will drawdown as needed on its \$6.5 million grant from the Government to finance site improvements and urbanization and on its \$19.7 million loan from the Plan Organization to the extent necessary to make periodic payments to contractors.

Disbursements on the Loan from the U.S. Investor will be made by Borrower from time to time upon completion of the sale of those housing units to the Cooperatives constructed in accordance with plans and specifications mutually agreed upon by A.I.D. and IDRO, and occupied by qualified Cooperative members at prices within the agreed range herein.

The proceeds from the housing guaranty loan will reimburse IDRO for the funds advanced for construction of those housing units to be financed under the Housing Guaranty Program. IDRO will utilize the Government loan to complete the necessary long-term financing of the entire workers' housing project.

Facilities

All sites are designed to incorporate all needed facilities to create a self-contained community, including

elementary schools, commercial and shopping areas, clinic and recreational areas.

Cooperative Features

A. Membership in Cooperatives. Membership in the Cooperatives shall be subject to the following conditions:

(1) Members shall be employees of IDRO or its subsidiaries of Tabriz and Arak.

(2) Membership in the Cooperatives will be acquired at the time of share(s) purchased and the execution of an occupancy contract to be agreed upon between the cooperative and the member.

B. Closing Costs. At the time of the execution of an Occupancy Statement, IDRO shall cause the Cooperatives to collect the following amounts from each member: a proportional pre-payment for one year's premium on life, hazard, and other insurance required for the Cooperatives required by IDRO or by law.

C. Monthly Payments for Non-Employee Member. In the event of termination or change of employment, monthly payments will be adjusted to include the full economic cost of the housing unit, which it is estimated will be approximately three times the current monthly payments made by the IDRO employees.

D. Cost Exclusions. Costs of land and urbanization are not included, as they will be provided by IDRO.

SCHEDULE 1 TO IDRO CERTIFICATE

Occupancy Statements Related to Property

<u>Project</u> <u>City & Site</u>	<u>Unit</u> <u>Type</u>	<u>Building or</u> <u>Apt. No.</u>	<u>Value of</u> <u>Dwelling Unit</u>	<u>Date of</u> <u>Occupancy</u>	<u>Monthly Charges</u>
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IDRO CERTIFICATE

IDRO hereby certifies to A.I.D., with respect to the dwelling units and other structures, if any, listed in the Inspector's Certificate of _____ (date) _____, that:

1. Counsel for IDRO has advised IDRO in writing that:
 - A. He has examined each of the respective Sale and Mortgage Contracts executed by IDRO with the Cooperatives with respect of all housing units listed in Schedule 1, and that each such Contract is legally binding under the laws of Iran in accordance with its terms;
 - B. Title to the housing units referred to in Schedule 1 has been transferred pursuant to said Contracts from IDRO to the respective Cooperatives, and such title is recorded in the respective Cooperatives' names.
 - C. First Mortgage Liens have been secured by IDRO against the housing units listed in Schedule 1 pursuant to the terms of the Sale and Mortgage Contract and in accordance with the laws of Iran, and there are no other

liens, charges or encumbrances on said housing units or improvements thereon, and no outstanding bills or other liabilities, or claims which, with the passage of time or otherwise, could result in the creation of liens, charges or encumbrances thereon.

2. Each unit listed in Schedule 1 is occupied and IDRO has obtained a Statement of Occupancy from each occupant.
3. The construction of the housing units and the related site development and urbanization (including utilities) has been carried out in accordance with the plans and specifications approved by A.I.D. and IDRO, and the requirements of all appropriate government authorities in Iran.

Industrial Development and Renovation Organization

By _____

Title _____

Dated: (date of borrowing)

INSPECTOR'S CERTIFICATE

As Inspector assigned by IDRO and in accordance with the terms of the Implementation Agreement dated as of March 16, 1973 , I hereby certify, on the basis of my personal inspection during construction and upon completion, that:

1. The construction of the dwellings and other structures listed in paragraph four below (said listing referring to the site plan and delivered to me) and the related site development and urbanization (including utilities) and related community services necessary for the occupancy of the listed dwellings have been completed in accordance with plans and specifications stamped "Approved by A.I.D.," with such changes therein as have been mutually agreed to by IDRO and A.I.D. All utilities referred to above are in working order.

2. All the construction of the houses, dwellings, other structures, and the related site development and urbanization (including utilities and facilities) and related community facilities, have taken place subsequent to (date) and at

such times as I have been fulfilling my obligations as Inspector pursuant to the terms of the Implementation Agreement.

3. To the best of my knowledge, no dwelling unit was occupied prior to the time I determined that such dwelling unit and its related urbanization had been completed in accordance with the plans and specifications referred to in paragraph one hereof and was acceptable for occupancy.

4. The listing of the dwellings and other structures referred to in paragraph one are as follows:

5. None of the dwelling units or structures listed herein has been included in any previous Inspector's Certificate issued by me.

6. I have not received, nor have I been promised, any fees, payments, compensation, or anything else of value in payment for, or in connection with, the performance of my duties as Inspector of the Project, other than compensation by IDRO.

7. I have no direct or indirect financial interest
in the Project.

Inspector

Dated:

ANNEX F

PROJECT NO. _____ COUNTRY _____

A.I.D. HOUSING INVESTMENT GUARANTY PROGRAM

ACTIVITY DURING MONTH OF _____

	House Type				
a. Houses under construction at end of previous month					• • _____
b. Houses started this month					• • _____
c. Total (a+b)					• • _____
d. <u>Houses completed this month</u> Certified					• • _____
e. Houses under construction at end of month (c-d)					• • _____
f. Percent urbanization completed this month					• • _____

IDRO Inspector's Signature

Date: _____