

No. 4291

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

**Guarantee Agreement—*Revised Quito Power Project* (with annexed Loan Regulations No. 4 and Loan Agreement—*Revised Quito Power Project*—between the Bank and Empresa Eléctrica Quito, S.A.). Signed at Washington, on 20 September 1957**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 22 April 1958.*

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

**Contrat de garantie – *Projet révisé d'alimentation de Quito en énergie électrique* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt – *Projet révisé d'alimentation de Quito en énergie électrique* – entre la Banque et l'Empresa Eléctrica Quito, S.A.). Signé à Washington, le 20 septembre 1957**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 22 avril 1958.*

No. 4291. GUARANTEE AGREEMENT<sup>1</sup> (*REVISED QUITO POWER PROJECT*) BETWEEN THE REPUBLIC OF ECUADOR AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 20 SEPTEMBER 1957

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AGREEMENT, dated September 20, 1957, between THE REPUBLIC OF ECUADOR (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Empresa Eléctrica Quito, S.A. (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,<sup>2</sup> the Bank has agreed to make to the Borrower a loan in various currencies equivalent to five million dollars (\$5,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the payment of the principal, interest and other charges on such loan and that the Banco Central del Ecuador accept its obligations under Section 3.01 of this Guarantee Agreement ;

WHEREAS in consideration of the Bank's entering into the Loan Agreement with the Borrower, the Guarantor has agreed to guarantee the payment of the principal, interest and other charges on such loan, and the Banco Central del Ecuador has agreed to accept such obligations of the Banco Central del Ecuador and to evidence its acceptance thereof by causing this Guarantee Agreement to be signed by its duly authorized representative ;

NOW THEREFORE the parties hereto hereby agree as follows :

*Article I*

*Section 1.01.* The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956,<sup>3</sup> subject, however, to the modifications thereof set forth in Schedule 3<sup>4</sup> to the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the

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<sup>1</sup> Came into force on 13 February 1958, upon notification by the Bank to the Government of Ecuador.

<sup>2</sup> See p. 146 of this volume.

<sup>3</sup> See p. 144 of this volume.

<sup>4</sup> See p. 164 of this volume.

Loan Regulations), with the same force and effect as if they were fully set forth herein.

### Article II

*Section 2.01.* Without limitation or restriction upon any of the other covenants on its part in this Guarantee Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of and the interest and other charges on, the Loan, the principal of and interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as set forth in the Loan Agreement and in the Bonds.

*Section 2.02.* The Guarantor shall not take and, within the limits of its constitutional powers shall not permit any of its political subdivisions or agencies to take, any action which would prevent or interfere with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower contained in the Loan Agreement ; and the Guarantor shall take or cause to be taken all reasonable action which shall be necessary to enable the Borrower to perform such covenants, agreements and obligations.

### Article III

*Section 3.01.* It is the mutual intention of the Guarantor and the Bank that no external debt shall enjoy any priority over the Loan by way of a lien hereafter created on governmental assets (including any priority in the allocation or realization of foreign exchange). To that end, the Guarantor and Banco Central del Ecuador undertake that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor or of the Banco Central del Ecuador, as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect. Within the limits of its constitutional powers, the Guarantor will make the foregoing undertaking effective with respect to liens on assets of any of the Guarantor's agencies including agencies granted autonomy by the Constitution of Ecuador (other than Banco Central del Ecuador), or any of the Guarantor's political subdivisions or of any agency of any such political subdivision, and to the extent that the Guarantor is unable within the limits of its constitutional powers to make such undertaking effective, the Guarantor will give to the Bank an equivalent lien satisfactory to the Bank. The foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the

proceeds of sale of such commercial goods ; (iii) any lien arising in the ordinary course of banking transactions to secure a debt maturing not more than one year after the date on which it is originally incurred ; or (iv) any lien solely upon revenues or receipts in currency of the Guarantor which is given by a political subdivision (*consejo provincial* or *municipalidad*) or by an agency of a political subdivision of the Guarantor under arrangements containing no provisions which would result in priority in the allocation or realization of foreign exchange.

*Section 3.02.* (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor 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. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

*Section 3.03.* 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 or fees imposed under the laws of the Guarantor or laws in effect in its territories ; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

*Section 3.04.* This Guarantee Agreement, the Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

*Section 3.05.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

#### *Article IV*

*Section 4.01.* The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The *Ministro del Tesoro* of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

#### *Article V*

*Section 5.01.* For the purposes of the Guarantee agreement (Quito Power Project), dated March 29, 1956,<sup>1</sup> between the Guarantor and the Bank, paragraph (c) of Section 5.02 of Loan Regulations No. 4 of the Bank, dated February 15, 1955,<sup>2</sup> is hereby amended to read as follows :

“(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement or the Bonds or under the Loan Agreement dated September 20, 1957,<sup>3</sup> the Guarantee Agreement of even date therewith or the Bonds therein provided for.” ;

and the term “Loan Regulations” as used for the purposes of said Guarantee Agreement shall mean Loan Regulations No. 4 of the Bank, dated February 15, 1955, as hereby amended.

*Section 5.02.* Except as provided in this Guarantee Agreement, the guarantee agreement (Quito Power Project), dated March 29, 1956, between the Guarantor and the Bank shall remain in full force and effect.

#### *Article VI*

*Section 6.01.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Republic of Ecuador  
Embassy of Ecuador  
2342 Massachusetts Ave., N.W.  
Washington 8, D. C.  
United States of America

<sup>1</sup> United Nations, *Treaty Series*, Vol. 292, No. 4277.

<sup>2</sup> United Nations, *Treaty Series*, Vol. 221, p. 160.

<sup>3</sup> See p. 146 of this volume.

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D. C.

*Section 6.02.* The *Ministro del Tesoro* of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the Guarantor and the Bank, acting through their representatives thereunto duly authorized, have caused this Guarantee 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, and Banco Central del Ecuador, acting through its duly authorized representative, has evidenced its acceptance of its obligations under Section 3.01 of this Guarantee Agreement.

Republic of Ecuador :

By José R. CHIRIBOGA V.  
Authorized Representative

International Bank for Reconstruction and Development :

By Eugene R. BLACK  
President

Banco Central del Ecuador :

By José R. CHIRIBOGA V.  
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 JUNE 1956

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN  
MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 260, p. 376.*]

LOAN AGREEMENT (*REVISED QUITO POWER PROJECT*)

AGREEMENT, dated September 20, 1957, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and EMPRESA ELÉCTRICA QUITO, S.A. (hereinafter called the Borrower).

WHEREAS by a loan agreement dated March 29, 1956,<sup>1</sup> between the Bank and the Borrower (hereinafter called the First Loan Agreement), the Bank agreed to make to the Borrower a loan on the terms and conditions therein set forth or referred to, in an amount in various currencies equivalent to \$ 5,000,000 as provided therein for the construction of certain electric power generating, transmission, distribution and other facilities of the Borrower therein specified ; and

WHEREAS by a guarantee agreement<sup>1</sup> of even date therewith between the Republic of Ecuador (hereinafter called the Guarantor) and the Bank, the Guarantor agreed to guarantee the payment of the principal, interest and other charges on such loan ; and

WHEREAS upward adjustments of the estimated costs of the works specified in the First Loan Agreement have been made and the engineering consultants have recommended fundamental changes in such works which have resulted in substantially increased costs ; and

WHEREAS in order to meet such increased costs, additional foreign exchange amounting to the equivalent of \$ 5,000,000 is needed by the Borrower and the Bank has agreed to make an additional loan for such purpose ;

NOW THEREFORE, the parties hereto agree as follows :

*Article I*

## LOAN REGULATIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956,<sup>2</sup> subject, however, to the modifications thereof set forth in Schedule 3<sup>3</sup> to the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

*Article II*

## THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to five million dollars (\$5,000,000).

<sup>1</sup> United Nations, *Treaty Series*, Vol. 292, No. 4277.

<sup>2</sup> See p. 144 of this volume.

<sup>3</sup> See p. 164 of this volume.

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

*Section 2.03.* The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1 %) per annum on the principal amount of the Loan not so withdrawn from time to time. Such commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

*Section 2.04.* The Borrower shall pay interest at the rate of five and three-fourths per cent ( $5\frac{3}{4}$  %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

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

*Section 2.06.* Interest and other charges shall be payable semi-annually on February 1 and August 1 in each year.

*Section 2.07.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1<sup>1</sup> to this Agreement.

### Article III

#### USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2<sup>1</sup> to this Loan Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

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

### Article IV

#### BONDS

*Section 4.01.* The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

<sup>1</sup> See p. 160 of this volume.



*Section 4.02.* The *Presidente* and the *Gerente* of the Borrower acting jointly and such person or persons as they shall jointly appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

#### Article V

##### PARTICULAR COVENANTS

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

(b) In the carrying out of the Project the Borrower shall employ engineering consultants, and, except as the Bank and the Borrower shall otherwise agree, the Borrower shall employ contractors for the construction of the Project. The engineering consultants and the contractors, and the terms and conditions on which they are employed, shall be mutually satisfactory to the Bank and the Borrower. Except as the Bank and the Borrower shall otherwise agree, equipment to be used for the Project and the terms and conditions of its purchase shall be mutually satisfactory to the Bank and the Borrower.

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

(d) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the operations and financial condition of the Borrower.

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

(b) The Bank and the Borrower shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

*Section 5.03.* Except as the Bank shall otherwise agree, the Borrower shall not incur any long-term indebtedness if, as a result, the long-term indebtedness of the Borrower would exceed the total capital and surplus of the Borrower. For the purposes of this Section :

- (a) The term "long-term indebtedness" shall mean debt maturing by its terms more than one year after the date on which it is incurred.
- (b) The amount in currency of the Guarantor of debt payable in another currency shall be determined on the basis of the rate of exchange at which such other currency is (at the time when it is necessary to make such determination for the purposes of this Section) obtainable by the Borrower for the purposes of servicing such debt.
- (c) The term "capital and surplus" shall mean paid-in capital and surplus determined in accordance with sound accounting practices.

*Section 5.04.* The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

*Section 5.05.* Unless the Bank shall otherwise agree, the Borrower shall not declare or pay any dividend, or make any distribution on any shares of its capital stock, other than a dividend payable solely in shares of its capital stock, nor shall the Borrower acquire any shares of its capital stock for a consideration, if, as a result of any such dividend or distribution (other than those payable solely in shares of its stock) or such acquisition of shares of capital stock the net working capital in the hands of the Borrower would be reduced to an amount less than the aggregate amount of its operating expenses (including administrative and general expenses) for the preceding four calendar months. For purposes of this Section the term "net working capital" shall mean the excess of current assets (cash and those assets which in the regular course of business can be readily converted into cash) over current liabilities (those obligations payable within one year, including payments on funded debt falling due during such period).

*Section 5.06.* The Borrower shall pay or cause to be paid all taxes or fees, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Loan Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

*Section 5.07.* The Borrower shall pay or cause to be paid all taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or

in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

*Section 5.08.* (a) Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured with responsible insurers all goods financed with the proceeds of the Loan. Such insurance shall cover such marine, transit and other hazards incident to purchase and importation of the goods into the territories of the Guarantor and to delivery thereof to the site of the Project, and shall be for such amounts as shall be consistent with sound commercial practice. Such insurance shall be payable in the currency in which the cost of the goods insured thereunder shall be payable.

(b) In addition, the Borrower shall insure against such risks and in such amounts as shall be consistent with sound public utility and business practices.

*Section 5.09.* (a) The Borrower shall at all times maintain its existence and right to carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

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

(c) The Borrower shall not, without the prior consent of the Bank (i) sell or otherwise dispose of all or substantially all of its property and assets unless the Borrower shall first redeem and pay or make adequate provision satisfactory to the Bank for redemption and payment of all of the Loan which shall be outstanding and unpaid; or (ii) sell or otherwise dispose of all or substantially all of the property included in the Project or any plant included therein unless the Borrower shall first redeem and pay or make adequate provision satisfactory to the Bank for redemption and payment of a proportionate part of the Loan which shall then be outstanding and unpaid equal to the proportionate part of the Project so sold or disposed of. The Borrower may, however, without reference to the foregoing, sell or otherwise dispose of any property which shall have become old, worn-out, obsolete or unnecessary for use in its operations.

## Article VI

### REMEDIES OF THE BANK

*Section 6.01.* (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare

the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Loan Agreement or in the Bonds to the contrary notwithstanding.

### Article VII

#### MODIFICATIONS OF THE FIRST LOAN AGREEMENT

*Section 7.01.* For the purposes of the First Loan Agreement, paragraph (c) of Section 5.02 of Loan Regulations No. 4 of the Bank, dated February 15, 1955,<sup>1</sup> is hereby amended to read as follows :

“(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement or the Bonds or under the Loan Agreement dated September 20, 1957, the Guarantee Agreement<sup>2</sup> of even date therewith, or the Bonds therein provided for.”;

and the term “Loan Regulations” as used for the purposes of the First Loan Agreement shall mean Loan Regulations No. 4 of the Bank, dated February 15, 1955, as hereby amended.

*Section 7.02.* The Description of the Project set forth in Schedule 2 to the First Loan Agreement is hereby amended to read as set forth in Schedule 2 to this Loan Agreement.

*Section 7.03.* Except as provided in this Loan Agreement, the First Loan Agreement shall remain in full force and effect.

### Article VIII

#### EFFECTIVE DATE ; TERMINATION

*Section 8.01.* The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (a) (ii) and Section 9.01 (b) (ii) of the Loan Regulations :

That the Guarantee Agreement has been ratified by the Congress of the Republic of Ecuador.

*Section 8.02.* The following is specified as an additional matter, within the meaning of Section 9.02 (e) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

The ratification of the Guarantee Agreement by the Congress of the Republic of Ecuador has been duly given.

*Section 8.03.* A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

<sup>1</sup> United Nations, *Treaty Series*, Vol. 221, p. 160.

<sup>2</sup> See p. 136 of this volume.

*Article IX*

## MISCELLANEOUS

*Section 9.01.* The Closing Date shall be December 31, 1961.

*Section 9.02.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Empresa Eléctrica Quito, S. A.  
P. O. Box 473  
Quito, Ecuador

Alternative address for cablegrams and radiograms :

Empresa Eléctrica  
Quito

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D. C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

*By* Eugene R. BLACK  
President

Empresa Eléctrica Quito, S. A. :

*By* E. PÓLIT MORENO  
R. ESPINOSA PALACIOS  
Authorized Representatives

## SCHEDULE 1

## AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
February 1, 1962 . . . . .	\$97,000	February 1, 1970 . . . . .	\$153,000
August 1, 1962 . . . . .	100,000	August 1, 1970 . . . . .	157,000
February 1, 1963 . . . . .	103,000	February 1, 1971 . . . . .	162,000
August 1, 1963 . . . . .	106,000	August 1, 1971 . . . . .	167,000
February 1, 1964 . . . . .	109,000	February 1, 1972 . . . . .	172,000
August 1, 1964 . . . . .	112,000	August 1, 1972 . . . . .	177,000
February 1, 1965 . . . . .	115,000	February 1, 1973 . . . . .	182,000
August 1, 1965 . . . . .	119,000	August 1, 1973 . . . . .	187,000
February 1, 1966 . . . . .	122,000	February 1, 1974 . . . . .	192,000
August 1, 1966 . . . . .	126,000	August 1, 1974 . . . . .	198,000
February 1, 1967 . . . . .	129,000	February 1, 1975 . . . . .	203,000
August 1, 1967 . . . . .	133,000	August 1, 1975 . . . . .	209,000
February 1, 1968 . . . . .	137,000	February 1, 1976 . . . . .	215,000
August 1, 1968 . . . . .	141,000	August 1, 1976 . . . . .	221,000
February 1, 1969 . . . . .	145,000	February 1, 1977 . . . . .	228,000
August 1, 1969 . . . . .	149,000	August 1, 1977 . . . . .	234,000

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

## PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity . . . . .	1/2 %
More than three years but not more than six years before maturity . . . . .	1 1/2 %
More than six years but not more than eleven years before maturity . . . . .	2 1/2 %
More than eleven years but not more than sixteen years before maturity . . . . .	3 1/2 %
More than sixteen years but not more than eighteen years before maturity . . . . .	4 3/4 %
More than eighteen years before maturity . . . . .	5 3/4 %

## SCHEDULE 2

## DESCRIPTION OF PROJECT

The Project consists of :

1. The construction and installation, in Quito, of a diesel generating plant which will have a capacity of 6,000 kw at an elevation of approximately 2,860 meters above sea level.

2. The construction of about 28 kilometers of 22 kv single circuit transmission lines strung on wooden poles to bring from Machachi to Quito about 2,000 kw of power to be made available to the Borrower by the Municipality of Machachi.

3. The construction on the Río Machangara of the Cumbayá hydroelectric plant with a total installed generating capacity of 20,000 kw and a head of about 139 meters. For the most part, the tailrace waters from the existing Guangopolo hydroelectric plant will be utilized for the operation of the Cumbayá plant. A tunnel about 8.5 kilometers long and designed to handle a flow of about 21 cubic meters per second will convey the waters from the Guangopolo plant to a regulating basin which will also act as a desilting basin. From the basin a reinforced concrete non-pressure penstock will convey the water to a surge chamber. The penstock from the surge chamber to the powerhouse will be constructed of steel pipes. Excavation will be made for a second penstock. The headworks at Guangopolo will be designed to permit the supplying of water to the Cumbayá tunnel from the tailrace of the Guangopolo plant, from the forebay of the Guangopolo plant, and directly from the Río San Pedro.

4. The construction of a powerhouse which will be built above ground to accommodate four 10,000 kw generating units, of which only two will be installed initially, and which will consist of two vertical 14,200 h.p. Francis-type turbines connected to two 10,000 kw generators. The first unit is scheduled to be in commercial operation by the first quarter of 1961 to be followed a few months later by the second unit. A step-up 11/64 kv substation will be erected on the side of the hill above the plant.

5. The construction of two sets of steel towers capable of carrying two 46 kv double-circuit lines to connect, by direct route, the step-up substation with Quito and the installation of one circuit on each set of towers.

6. The replacement of the existing double-circuit 22 kv line (about 6.5 kilometers) between the Guangopolo plant and Quito by two single-circuit 46 kv lines.

7. The rehabilitation and expansion of the distribution network in Quito. The network is to be served by two main substations and a 46 kv ring bus around the city, about 37 kilometers long, with the two main substations interconnected in such a way that the supply to all parts of the city will be assured at all times. Suitable distribution feeders will connect the two main substations to various points in the city where at least four step-down substations will feed an underground network. The secondary system for the entire city and the adjoining suburban area, both underground and overhead, will be rehabilitated and expanded. Sufficient meters will be installed to reduce the number of unmetered customers to about 12 % by December 31, 1961. Spare meters will be purchased initially to provide an adequate stock for repair and expansion needs.

## SCHEDULE 3

## MODIFICATIONS OF LOAN REGULATIONS No. 4

For the purposes of this Loan Agreement the provisions of Loan Regulations No. 4 of the Bank, dated June 15, 1956, shall be deemed to be modified as follows :

(a) Section 2.02 is deleted.

(b) Paragraph (c) of Section 5.02 is amended to read as follows :

“(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement or the Bonds or under the Loan Agreement dated March 29, 1956, the Guarantee Agreement of even date therewith, or the Bonds therein provided for.”

(c) The second sentence of Section 7.02 is amended to read as follows :

“Such obligations shall not be subject to any prior notice to, demand upon or action against the Borrower or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrower, and shall not be impaired by any of the following : any extension of time, forbearance or concession given to the Borrower ; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or in respect of any security for the Loan ; any modification or amplification of the provisions of the Loan Agreement contemplated by the terms thereof ; any modification or amplification of any other document related to the Loan or related to any security therefor ; any failure of the Borrower to comply with any requirement of any law, regulation or order of the Guarantor or of any political subdivision or agency of the Guarantor.”

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