

No. 5522

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

**Guarantee Agreement—*Rio Tuma Hydroelectric Project*  
(with annexed Loan Regulations No. 4 and Loan Agree-  
ment between the Bank and Empresa Nacional de Luz y  
Fuerza). Signed at Washington, on 22 June 1960**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on  
12 January 1961.*

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

**Contrat de garantie — *Projet hydro-électrique du Rio  
Tuma* (avec, en annexe, le Règlement n° 4 sur les em-  
prunts et le Contrat d'emprunt entre la Banque et  
l'Empresa Nacional de Luz y Fuerza). Signé à Washing-  
ton, le 22 juin 1960**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement  
le 12 janvier 1961.*

No. 5522. GUARANTEE AGREEMENT<sup>1</sup> (*RIO TUMA HYDRO-ELECTRIC PROJECT*) BETWEEN THE REPUBLIC OF NICARAGUA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 22 JUNE 1960

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AGREEMENT, dated June 22, 1960, between the REPUBLIC OF NICARAGUA (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 Nacional de Luz y Fuerza (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 twelve million five hundred thousand dollars (\$12,500,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

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>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.

*Section 1.02.* Wherever used in this Guarantee Agreement, except where the context otherwise requires, the several terms defined in the Loan Agreement shall have the respective meanings therein set forth.

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<sup>1</sup> Came into force on 29 November 1960, upon notification by the Bank to the Government of Nicaragua.

<sup>2</sup> See p. 252 of this volume.

<sup>3</sup> See p. 270 of this volume.

## Article II

*Section 2.01.* Without limitation or restriction upon any of the other covenants on its part in this 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, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

*Section 2.02.* Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes to provide or cause to be provided to the Borrower promptly as they are needed the funds referred to in Section 7.01 of the Loan Agreement and, in addition, whenever there is reasonable cause to believe that the funds available to the Borrower (including funds referred to in said Section 7.01) will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such additional funds as are needed to meet such expenditures.

*Section 2.03.* Any funds supplied to the Borrower by the Guarantor pursuant to Section 2.02 or otherwise (other than funds referred to in Section 7.01 of the Loan Agreement) shall be provided under terms and conditions whereby repayment of principal and payment of interest and other charges, if required by the Guarantor, shall be met from surplus funds available to the Borrower only after meeting all obligations of the Borrower, including the obligations arising from the carrying out of the Project, the operation, maintenance and expansion of the plants, equipment and property of the Borrower, the building up of an adequate reserve fund, and the maintenance of service on the Loan and on any other long-term indebtedness.

## Article III

*Section 3.01.* It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor 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; 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 ma-

turing 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.

As used in this Section (a) the term “assets of the Guarantor” includes assets of the Guarantor or of any of its political subdivisions or of any Agency including the Banco Nacional de Nicaragua, and (b) the term “Agency” means any agency or instrumentality of the Guarantor or of any political subdivision of the Guarantor and shall include any institution or organization which is owned or controlled directly or indirectly by the Guarantor or by any political subdivision of the Guarantor or the operations of which are conducted primarily in the interest of or for account of the Guarantor or any political subdivision of the Guarantor.

*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 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.

*Section 3.06.* The Guarantor covenants that it will not take or permit any of its political subdivisions or any of its agencies or any agency of any political subdivision 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 in the Loan Agreement contained, and will take or cause to be taken all reasonable action which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations.

*Section 3.07.* The Guarantor covenants that it will cause the rates for the sale of electricity by the Borrower to be set and maintained at such levels as may be necessary to provide revenues sufficient to (a) cover all the operating costs of the Borrower, including taxes, adequate maintenance and depreciation, and interest; (b) meet amortization of the Borrower's long-term indebtedness insofar as this is not covered by provision for depreciation; and (c) create a surplus sufficient to cover a reasonable part of the costs of further expansion of the Borrower's facilities.

#### *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 de Hacienda y Crédito Público* 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.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

República de Nicaragua  
Ministerio de Hacienda y Crédito Público  
Palacio Nacional  
Managua, Nicaragua

Alternative address for cablegrams and radiograms :

Hacienda  
Managua  
Nicaragua

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 5.02.* The *Ministro de Hacienda y Crédito Público* of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, 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.

Republic of Nicaragua :  
By Karl J. C. H. HUECK  
Authorized Representative

International Bank for Reconstruction and Development :  
By W. A. B. ILIFF  
Vice President

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  
(RIO TUMA HYDROELECTRIC PROJECT)

AGREEMENT, dated June 22, 1960, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and EMPRESA NACIONAL DE LUZ Y FUERZA (hereinafter called the Borrower).

*Article I*

## LOAN REGULATIONS; SPECIAL DEFINITIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956,<sup>1</sup> subject, however, to the modifications thereof set forth in Schedule 3<sup>2</sup> to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

*Section 1.02.* Except where the context otherwise requires, the following terms have the following meanings wherever used in this Agreement or in any Schedule thereto :

(a) The term " First Loan Agreement " means the loan agreement dated July 8, 1955,<sup>3</sup> between the Bank and the Borrower.

(b) The term " Second Loan Agreement " means the supplemental loan agreement dated November 15, 1956,<sup>4</sup> between the Bank and the Borrower.

(c) The term " First Guarantee Agreement " means the guarantee agreement dated July 8, 1955,<sup>5</sup> between the Guarantor and the Bank.

(d) The term " Second Guarantee Agreement " means the supplemental guarantee agreement dated November 15, 1956,<sup>6</sup> between the Guarantor and the Bank.

(e) The term " this Agreement " shall be deemed to include the Loan Regulations.

*Article II*

## THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to twelve million five hundred thousand dollars (\$12,500,000).

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

<sup>1</sup> See p. 252 of this volume.

<sup>2</sup> See p. 270 of this volume.

<sup>3</sup> United Nations, *Treaty Series*, Vol. 229, p. 106.

<sup>4</sup> United Nations, *Treaty Series*, Vol. 272, p. 282.

<sup>5</sup> United Nations, *Treaty Series*, Vol. 229, p. 97.

<sup>6</sup> United Nations, *Treaty Series*, Vol. 272, p. 274.

*Section 2.04.* The Borrower shall pay interest at the rate of six per cent (6%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.05.* Except as the Bank and the Borrower shall otherwise agree, the charge payable for special 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 April 1 and October 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 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.* Except as the Bank and the Borrower shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively in the carrying out of the Project.

### Article IV

#### BONDS

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

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

### Article V

#### PARTICULAR COVENANTS

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

<sup>1</sup> See p. 268 of this volume.



(b) To assist it during the period of construction of the Project the Borrower shall employ engineering consultants and other experts acceptable to, and to an extent and upon terms and conditions satisfactory to, the Bank and the Borrower.

(c) Except as the Bank and the Borrower shall otherwise agree, all works included in the Project shall be constructed by contractors satisfactory to the Bank and the Borrower.

(d) Upon request from time to time by the Bank, the Borrower shall promptly furnish to the Bank the plans and specifications for the Project and any material modifications subsequently made therein, in such detail as the Bank shall request.

(e) 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.

(c) The Borrower undertakes that, if any action shall be proposed to be taken for a change in the Borrower's rate structure for the sale of electricity resulting in a change in the level of revenues of the Borrower, 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 to exchange views with respect thereto.

*Section 5.03.* The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (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 5.04.* Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not incur any long-term indebtedness if thereby the proportion of long-term indebtedness to equity would exceed a ratio of 2 to 1.

For the purposes of this Section the following terms shall have the meanings hereinafter set forth :

(a) The term " long-term indebtedness " shall mean debt maturing by its terms more than one year after the date on which it is originally incurred. Whenever for purposes of this Section it shall be necessary to value in Nicaraguan currency long-term indebtedness payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency is, at the time such valuation is made, obtainable for the purposes of servicing such debt.

(b) The term " equity " shall include capital and surplus determined in accordance with sound accounting practices. It shall also include such advances made by the Guarantor to the Borrower as are to be serviced from surplus funds available to the Borrower only after meeting all obligations of the Borrower, including the obligations arising from the carrying out of the Project, the operation, maintenance and expansion of the plants, equipment and property of the Borrower, the building up of an adequate reserve fund, and the maintenance of service on the Loan and on any other long-term indebtedness.

*Section 5.05.* 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 Agreement, the Guarantee Agreement<sup>1</sup> 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 5.06.* 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 5.07.* (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, maintain and renew all rights, powers, privileges and franchises owned by it and necessary or useful in the operation 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

<sup>1</sup> See p. 244 of this volume.

with sound engineering standards; and shall at all times manage its affairs, operate its plants and equipment and maintain its financial position in accordance with sound business and public utility practices.

(c) The Borrower undertakes that, until such time as the Project shall have been completed, it will not, without the consent of the Bank, directly or indirectly at any time (i) declare or pay to the Guarantor any sums of money by way of profits or (ii) undertake or execute any major projects other than the Project or make any major additions to its plant and other properties, unless at such time the Borrower has set aside and made available in a special reserve fund currency of the Guarantor sufficient to cover expenditures which will not be covered out of the proceeds of the Loan and which will be required for carrying out the Project.

*Section 5.08.* The Borrower shall not, without the consent of the Bank, sell or otherwise dispose of all or substantially all of its property and assets or all or substantially all the property included in the Project or any plant the cost of which is financed in whole or in part out of the proceeds of the Loan, unless the Borrower shall first redeem and pay, or make adequate provision satisfactory to the Bank for redemption or payment of, all of the Loan which shall then be outstanding and unpaid.

*Section 5.09.* (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 dollars or 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 5.10.* The Borrower shall from time to time take all steps necessary or desirable to obtain such adjustments in its rates for the sale of electricity as may be necessary to provide revenues sufficient to (a) cover all its operating costs including taxes, adequate maintenance and depreciation, and interest; (b) meet amortization of long-term indebtedness insofar as this is not covered by provision for depreciation; and (c) create a surplus sufficient to cover a reasonable part of the costs of further expansion of its facilities.

## 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 or in Section 6.02 of this Agreement for the purposes of Section 5.02 (j) of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

*Section 6.02.* For the purposes of Section 5.02 (j) of the Loan Regulations, the following additional events are specified: (a) a change in the Charter of the Borrower shall have been made without the Bank's consent; and (b) the right of the Borrower to obtain funds under the arrangements referred to in Section 7.01 (d) shall have been suspended or terminated.

### Article VII

#### EFFECTIVE DATE; TERMINATION

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

(a) any action necessary to enable the Borrower to employ the engineering consultants and other experts referred to in Section 5.01 (b) of this Agreement shall have been taken and such consultants and experts shall have been employed;

(b) all necessary corporate and governmental action shall have been taken to convert, on terms and conditions satisfactory to the Guarantor, the Bank and the Borrower, the Guarantor's loans and advances made to the Borrower up to May 1, 1960, and amounting to about 24,888,154 Nicaraguan córdobas into an equity contribution of the Guarantor to the Borrower's capital;

(c) appropriate legislative or other action of the Guarantor satisfactory to the Bank shall have been taken for provision to the Borrower of not less than 4,606,000 Nicaraguan córdobas to be made available to the Borrower during the fiscal year 1960-1961 as an equity contribution of the Guarantor to the Borrower's capital; and

(d) arrangements satisfactory to the Bank shall have been made for the provision of funds to the Borrower (in addition to the Loan and the funds referred to in paragraph (c) of this Section) in an aggregate amount of not less than \$3,642,000 or the equivalent thereof in currency of the Guarantor, to be made available to the Borrower as required for the carrying out of the Project.

*Section 7.02.* The following are specified as additional matters, within the meaning of Section 9.02 (e) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank:

(a) that all action necessary to enable the Borrower to employ the engineering consultants and other experts referred to in Section 5.01 (b) of this Agreement has been legally and validly taken;

(b) that there has been duly and validly taken all corporate and governmental action necessary to convert, on terms and conditions satisfactory to the Guarantor, the Bank and the Borrower, the Guarantor's loans and advances made to the Borrower up to May 1,

1960, and amounting to about 24,888,154 Nicaraguan córdobas into an equity contribution of the Guarantor to the Borrower's capital;

(c) that there has been duly and validly taken all corporate and governmental action for provision to the Borrower of not less than 4,606,000 Nicaraguan córdobas during the fiscal year 1960-1961 as an equity contribution of the Guarantor to the Borrower's capital; and

(d) that the action taken to make the arrangements referred to in paragraph (d) of Section 7.01 has been legally and validly taken.

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

### *Article VIII*

#### MISCELLANEOUS

*Section 8.01.* The Closing Date shall be June 30, 1965.

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

For the Borrower :

Empresa Nacional de Luz y Fuerza  
Managua, Nicaragua

Alternative address for cablegrams and radiograms :

Enaluf  
Managua, Nicaragua

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* W. A. B. ILIFF  
Vice President

Empresa Nacional de Luz y Fuerza :

*By* Enrique DELGADO  
Eduardo MONTIEL  
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>
October 1, 1965 . . . . .	\$166,000	October 1, 1975 . . . . .	\$299,000
April 1, 1966 . . . . .	171,000	April 1, 1976 . . . . .	308,000
October 1, 1966 . . . . .	176,000	October 1, 1976 . . . . .	318,000
April 1, 1967 . . . . .	181,000	April 1, 1977 . . . . .	327,000
October 1, 1967 . . . . .	187,000	October 1, 1977 . . . . .	337,000
April 1, 1968 . . . . .	192,000	April 1, 1978 . . . . .	347,000
October 1, 1968 . . . . .	198,000	October 1, 1978 . . . . .	358,000
April 1, 1969 . . . . .	204,000	April 1, 1979 . . . . .	368,000
October 1, 1969 . . . . .	210,000	October 1, 1979 . . . . .	379,000
April 1, 1970 . . . . .	216,000	April 1, 1980 . . . . .	391,000
October 1, 1970 . . . . .	223,000	October 1, 1980 . . . . .	402,000
April 1, 1971 . . . . .	229,000	April 1, 1981 . . . . .	414,000
October 1, 1971 . . . . .	236,000	October 1, 1981 . . . . .	427,000
April 1, 1972 . . . . .	244,000	April 1, 1982 . . . . .	440,000
October 1, 1972 . . . . .	251,000	October 1, 1982 . . . . .	453,000
April 1, 1973 . . . . .	258,000	April 1, 1983 . . . . .	467,000
October 1, 1973 . . . . .	266,000	October 1, 1983 . . . . .	480,000
April 1, 1974 . . . . .	274,000	April 1, 1984 . . . . .	495,000
October 1, 1974 . . . . .	282,000	October 1, 1984 . . . . .	510,000
April 1, 1975 . . . . .	291,000	April 1, 1985 . . . . .	525,000

\* 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 3 years before maturity . . . . .	½ of 1%
More than 3 years but not more than 6 years before maturity . . . . .	1%
More than 6 years but not more than 11 years before maturity . . . . .	2%
More than 11 years but not more than 16 years before maturity . . . . .	3%
More than 16 years but not more than 21 years before maturity . . . . .	4%
More than 21 years but not more than 23 years before maturity . . . . .	5%
More than 23 years before maturity . . . . .	6%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of: (a) the Mancotal dam and Centroamerica hydroelectric plant; (b) transmission line from plant to Managua; (c) new administration and maintenance headquarters in Managua; (d) additions to and improvement of the Borrower's

distribution system; and (e) miscellaneous transportation, communication and maintenance equipment for the Borrower's system.

(a) *Mancotal Dam and Centroamerica Hydroelectric Plant*

This part of the Project will consist of an earth and rockfill dam on the Tuma river, about 46 meters high and 360 meters long, and a dike in the left abutment about 500 meters long; a reservoir of about 410 million cubic meter capacity and a morning-glory type spillway; a headrace canal and tunnel about 6.7 kilometers long feeding two turbine-generators of about 50 megawatt total capacity; a step-up substation and necessary access roads to Jinotega, Sebaco and the Interamerican Highway.

(b) *Transmission Line*

The transmission facilities will consist of the following: about 75 miles of 138 kilovolt transmission line from the above plant to Managua and a step-down substation at Managua; and sub-transmission lines and substations to serve Jinotega, Matagalpa and other intervening towns.

(c) *Administration and Maintenance Headquarters*

A new building will be constructed at a suitable site convenient for the use of the Borrower.

(d) *Borrower's Distribution System*

The Borrower's distribution system will be expanded and improved and for this purpose equipment such as conductors, insulators, transformers and protective devices will be used.

(e) *Miscellaneous Equipment*

Miscellaneous transportation, communication and maintenance equipment will be acquired and will be used for maintenance and expansion of the Borrower's system.

### SCHEDULE 3

#### MODIFICATIONS OF LOAN REGULATIONS No. 4

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

(a) Section 2.02 shall be deleted.

(b) The first five lines of Section 5.02 shall read as follows :

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

(c) Paragraph (c) of Section 5.02 shall 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 First Loan Agreement, the First Guarantee Agreement, the Second Loan Agreement, the Second Guarantee Agreement or the bonds therein provided for.”

(d) The last paragraph of Section 5.02 shall read as follows :

“ The right of the Borrower to make withdrawals from the Loan Account shall continue to be suspended in whole or in part, as the case may be, until the event or events 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; provided, however, that in the case of any such notice of restoration, the right to make withdrawals shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Bank in respect of any other or subsequent event described in this Section. ”

(e) Section 9.03 shall read as follows :

“ SECTION 9.03. *Effective Date.* Notwithstanding the provisions of Section 8.01, except as shall be otherwise agreed by the Borrower and the Bank, the Loan Agreement shall come into force and effect on the date upon which the Bank dispatches to the Borrower and the Guarantor notice of its acceptance of the evidence required by Section 9.01. ”

(f) Paragraph 14 of Section 10.01 shall read as follows :

“ 14. The term ‘ external debt ’ means any debt payable in any medium other than currency of the Guarantor, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium. ”