

No. 5751

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

**Guarantee Agreement—*Cañaveral Hydroelectric Project*  
(with annexed Loan Regulations No. 4 and Loan Agree-  
ment between the Bank and Empresa Nacional de  
Energía Eléctrica). Signed at Washington, on 29 June  
1960**

*Official text: English.*

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

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

**Contrat de garantie — *Projet hydro-électrique de Cañaveral*  
(avec, en annexe, le Règlement n° 4 sur les emprunts  
et le Contrat d'emprunt entre la Banque et l'Empresa  
Nacional de Energía Eléctrica). Signé à Washington,  
le 29 juin 1960**

*Texte officiel anglais.*

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

No. 5751. GUARANTEE AGREEMENT<sup>1</sup> (*CANAVERAL HYDROELECTRIC PROJECT*) BETWEEN THE REPUBLIC OF HONDURAS AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 29 JUNE 1960

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AGREEMENT, dated June 29, 1960, between REPUBLIC OF HONDURAS (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 Energía Eléctrica (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 eight million eight hundred thousand dollars (\$8,800,000), 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>3</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 Agreement, unless the context shall otherwise require, 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 13 January 1961, upon notification by the Bank to the Government of Honduras.

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

<sup>3</sup> See p. 162 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, whenever there is reasonable cause to believe that the funds available to the Borrower 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 funds as are needed to meet such expenditures.

## 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 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.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the Banco Central de Honduras.

*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 shall permit the Borrower to effect from time to time such adjustments in its rates as will provide revenues sufficient : (a) to cover operating expenses, including adequate maintenance and depreciation, taxes and interest ; (b) to meet repayments on Long-term Indebtedness but only to the extent that such repayments shall exceed provision for depreciation ; and (c) to leave a reasonable surplus for financing the expansion of its power 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 *Secretario de Estado en el Despacho de Economía y Hacienda* and the *Contralor General de la República* of the Guarantor, acting jointly, and such person

or persons as they, acting jointly, 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 :

Secretario de Estado en el Despacho de Economía y Hacienda  
Palacio de Hacienda  
Tegucigalpa, D. C.  
Honduras

Alternative address for cablegrams and radiograms :

Hacienda  
Tegucigalpa, D. C.

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 *Secretario de Estado en el Despacho de Economía y Hacienda* 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 Honduras :  
By Céleo DÁVILA  
Authorized Representative

International Bank for Reconstruction and Development :  
By Eugene R. BLACK  
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

*(CAÑAVERAL HYDROELECTRIC PROJECT)*

AGREEMENT, dated June 29, 1960, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and EMPRESA NACIONAL DE ENERGÍA ELÉCTRICA (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.* Wherever used in this Loan Agreement, unless the context shall otherwise require, the following terms shall have the following meanings :

1. The term "First Loan Agreement" shall mean the Loan Agreement (Interim Power Project) dated May 20, 1959<sup>3</sup> between the Bank and the Borrower.

2. The term "Long-term Indebtedness" shall mean any debt maturing by its terms more than one year after the date on which it is originally incurred.

3. The term "Decree Number 48" shall mean Decree No. 48 of the Guarantor, issued on February 20, 1957 and published in *La Gaceta (Diario Oficial de la República de Honduras)* of February 27, 1957, and shall include any amendments thereof in effect at the date of this Agreement.

*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 eight million eight hundred thousand dollars (\$8,800,000).

<sup>1</sup> See above.

<sup>2</sup> See p. 162 of this volume.

<sup>3</sup> United Nations, *Treaty Series*, Vol. 359, p. 119.

*Section 2.02.* The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, 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 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 May 1 and November 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>2</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.* 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.

<sup>2</sup> See p. 162 of this volume.

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

*Article V*

PARTICULAR COVENANTS

*Section 5.01. (a)* The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices and shall at all times carry out its functions in accordance with sound management principles under the direction of a qualified and experienced *Gerente* mutually satisfactory to the Borrower and the Bank.

(b) To assist it in carrying out the Project, the Borrower shall employ engineering consultants and contractors satisfactory to the Bank and the terms and conditions upon which such engineering consultants are employed shall be satisfactory to the Bank.

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

(d) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower; shall submit annually to the Bank an audit report of, and financial statements certified by, independent public accountants satisfactory to the Bank; 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 for a change in the Borrower's charges for the sale of electricity which would or might result in a change in average revenue per kilowatt-hour of the Borrower, the Borrower shall inform the Bank of such proposal and afford the Bank all opportunity which is reasonably practicable in the circumstances to exchange views with respect thereto before the proposed action is taken.



*Section 5.03.* The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect ; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property, or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

*Section 5.04.* 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 5.05.* 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 5.06.* (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 the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Guarantor. Such insurance shall be consistent with sound commercial practice and 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 business and public utility practices.

*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, 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.

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<sup>1</sup> See p. 138 of this volume.

(c) 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 of 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 5.08.* Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not incur any Long-term Indebtedness or take any other action which would result in the proportion of Long-term Indebtedness to equity exceeding a ratio of 2 to 1. For the purposes of this Section, the term "equity" shall mean 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 5.09.* The Borrower shall from time to time take all steps necessary or desirable to effect such adjustments in its rates as will provide revenues sufficient : (a) to cover operating expenses, including adequate maintenance and depreciation, taxes and interest ; (b) to meet repayments on Long-term Indebtedness but only to the extent that such repayments shall exceed provision for depreciation ; and (c) to leave a reasonable surplus for financing the expansion of its power facilities.

#### Article VI

##### REMEDIES OF THE BANK

*Section 6.01.* (i) If any event specified in paragraph (a), paragraph (b), paragraph (e), paragraph (f) or pursuant to paragraph (j) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

*Section 6.02.* For the purposes of Section 5.02 (j) of the Loan Regulations the following events are specified : (i) any event specified or referred to in Section 6.01 of the First Loan Agreement ; (ii) suspension or termination of the right of the Borrower to obtain, or demand for repayment in advance of maturity of, any of the funds to be provided to the Borrower pursuant to the arrangements referred to in Section 7.01 of this Agreement, by

reason of any default as specified in the relative arrangements ; and (iii) any amendment, abrogation or waiver of any provision of Decree Number 48 without the Bank having notified its concurrence therewith to the Borrower.

*Article VII*

EFFECTIVE DATE ; TERMINATION

*Section 7.01.* The following event is specified as an additional condition of effectiveness to this Agreement within the meaning of Section 9.01 (a) (ii) of the Loan Regulations, namely :

That arrangements satisfactory to the Bank shall have been made with respect to the financing of the balance of the costs of the Project not covered by the Loan.

*Section 7.02.* 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, namely :

That such of the arrangements referred to in Section 7.01 of this Agreement as the Bank shall have specified for the purposes of this Section are legally valid and binding.

*Section 7.03.* A date one hundred and twenty 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 December 31, 1963.

*Section 8.02.* Whenever for the purposes of this Agreement it shall be necessary to value in Honduran currency a debt or other obligation payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency would, at the time such valuation is made, be obtainable for the purposes of servicing such debt or obligation or, if such other currency would not be so obtainable, at the rate of exchange reasonably determined by the Bank.

*Section 8.03.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Empresa Nacional de Energía Eléctrica  
Apartado 99  
Tegucigalpa, D. C.  
Honduras

Alternative address for cablegrams and radiograms :

Enee  
Tegucigalpa, D. C.

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 Nacional de Energía Eléctrica :

*By* Luis BOGRÁN F.  
Authorized Representative

## 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>
May 1, 1964 . . . . .	\$ 103,000	May 1, 1975 . . . . .	\$ 197,000
November 1, 1964 . . . . .	106,000	November 1, 1975 . . . . .	203,000
May 1, 1965 . . . . .	109,000	May 1, 1976 . . . . .	209,000
November 1, 1965 . . . . .	112,000	November 1, 1976 . . . . .	216,000
May 1, 1966 . . . . .	116,000	May 1, 1977 . . . . .	222,000
November 1, 1966 . . . . .	119,000	November 1, 1977 . . . . .	229,000
May 1, 1967 . . . . .	123,000	May 1, 1978 . . . . .	236,000
November 1, 1967 . . . . .	127,000	November 1, 1978 . . . . .	243,000
May 1, 1968 . . . . .	130,000	May 1, 1979 . . . . .	250,000
November 1, 1968 . . . . .	134,000	November 1, 1979 . . . . .	257,000
May 1, 1969 . . . . .	138,000	May 1, 1980 . . . . .	265,000
November 1, 1969 . . . . .	143,000	November 1, 1980 . . . . .	273,000
May 1, 1970 . . . . .	147,000	May 1, 1981 . . . . .	281,000
November 1, 1970 . . . . .	151,000	November 1, 1981 . . . . .	290,000
May 1, 1971 . . . . .	156,000	May 1, 1982 . . . . .	298,000
November 1, 1971 . . . . .	160,000	November 1, 1982 . . . . .	307,000
May 1, 1972 . . . . .	165,000	May 1, 1983 . . . . .	317,000
November 1, 1972 . . . . .	170,000	November 1, 1983 . . . . .	326,000
May 1, 1973 . . . . .	175,000	May 1, 1984 . . . . .	336,000
November 1, 1973 . . . . .	181,000	November 1, 1984 . . . . .	346,000
May 1, 1974 . . . . .	186,000	May 1, 1985 . . . . .	356,000
November 1, 1974 . . . . .	192,000		

\* 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 PROJECT

The Project is the first stage of the Lake Yojoa-Rio Lindo hydroelectric development program of the Borrower. It includes a hydroelectric plant having an initial generating capacity of 27 MW, with adequate provision for later expansion of generating capacity by about 13.5 MW. The main works are as follows :

(a) Two earth dikes will be constructed at the south end of Lake Yojoa, to prevent loss of lake water.

(b) A diversion canal will be excavated from the north end of Lake Yojoa to an intake and gate structure which will be constructed about five kilometers to the north. The canal will be built to conduct a maximum flow of about 40 cubic meters per second. Two welded plate steel penstocks, each about 1,350 meters long and 1.8 meters in diameter, will be installed and the intake end of a third penstock will be constructed and stubbed with a blind flange. Each penstock will be designed for a maximum discharge of about 13 cubic meters per second.

(c) A powerhouse will be built near Cañaveral Creek and will be equipped with two generating units, each rated at 15,000 kva and driven by a Francis-type turbine developing 21,000 horsepower at a minimum head of 145 meters, together with all necessary switching, control and other auxiliary equipment. Provision will be made for later installation of a third generating unit. A tailrace canal will be excavated to lead the discharge from the powerhouse to Cañaveral Creek.

(d) A switchyard will be constructed adjacent to the powerhouse and will be equipped with all necessary bus structures, circuit breakers, switches and transformers. The generator voltage will be stepped up to 138 kv.

(e) A single-circuit 138 kv transmission line will be constructed from the power plant to Tegucigalpa and from the power plant to San Pedro Sula and a single-circuit 69 kv transmission line will be constructed from San Pedro Sula to Puerto Cortés. Receiving substations will be built at Tegucigalpa, Bufalo, San Pedro Sula, El Bijao and Puerto Cortés. A secondary transmission line will be built from the plant to a receiving substation to be built at the Mochito Mines.

## 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 is deleted.

(b) The first five lines of Section 5.02 are amended to 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) The last paragraph of Section 5.02 is amended to 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.”

(d) Section 9.03 is amended to read as follows :

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

(e) Paragraph 14 of Section 10.01 is amended to 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.”