

No. 5977

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
COSTA RICA**

**Guarantee Agreement—Rio Macho Hydroelectric Project
(with annexed Loan Regulations No. 4 and Loan Agree-
ment between the Bank and Instituto Costarricense de
Electricidad). Signed at Washington, on 3 February
1961**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on 28 November
1961.*

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
COSTA RICA**

**Contrat de garantie—Projet hydro-électrique du Rio Macho
(avec, en annexe, le Règlement n° 4 sur les emprunts
et le Contrat d'emprunt entre la Banque et l'Instituto
Costarricense de Electricidad). Signé à Washington,
le 3 février 1961**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement le
28 novembre 1961.*

No. 5977. GUARANTEE AGREEMENT¹ (*RIO MACHO HYDROELECTRIC PROJECT*) BETWEEN THE REPUBLIC OF COSTA RICA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 3 FEBRUARY 1961

AGREEMENT, dated February 3, 1961, between REPUBLICA DE COSTA RICA (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 Instituto Costarricense de Electricidad (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² 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, 1956,² subject, however, to the modifications thereof set forth in Schedule 3³ 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.

¹ Came into force on 14 July 1961, upon notification by the Bank to the Government of Costa Rica.

² See p. 322 of this volume.

³ See p. 342 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 ; 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.

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 Costa Rica.

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, the Mortgage 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 take all such action within its power as will be necessary to enable the Borrower to obtain, and shall not take any action which would prevent the Borrower from obtaining, 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 create a surplus for financing a reasonable portion of planned 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 *Ministro de Economía y Hacienda* 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 :

Ministro de Economía y Hacienda
San José
Costa Rica

Alternative address for cablegrams and radiograms :

Mineconomía
San José

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 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.

Republica de Costa Rica :

By M. G. ESCALANTE
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
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 MACHO HYDROELECTRIC PROJECT)

AGREEMENT, dated February 3, 1961 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and INSTITUTO COSTARRICENSE DE ELECTRICIDAD (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, 1956,¹ subject, however, to the modifications thereof set forth in Schedule 3² 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 "Mortgage" shall mean the Original Mortgage, as defined in Section 6.01 of this Agreement, and shall include any Supplemental Mortgage constituted pursuant to the provisions of Section 6.01 of this Agreement.

2. The term "Loan-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 "colones" and the sign "¢" shall mean colones in the currency of the Guarantor.

4. The term "Decree Law No. 449" shall mean *Decreto Ley* No. 449 of the Guarantor, issued on April 8, 1949, 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).

¹ See above.

² See p. 342 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 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 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 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 1¹ 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 2² 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.

¹ See p. 340 of this volume.

² See p. 342 of this volume.

Section 4.02. In addition to the provisions set forth in the Loan Regulations, the Bonds shall contain :

- (a) provisions satisfactory to the Bank to the effect that the Mortgage will equally and ratably secure payment of the principal of, interest, premium, if any, on prepayment or redemption, and other charges on, the Loan and the Bonds ; and
- (b) in the event the Bank shall have assigned the Mortgage to a trustee or trustees or a similar fiduciary or fiduciaries, as contemplated in Section 6.03 of this Agreement, provisions satisfactory to the Bank to the effect that any and all rights or powers, under the Mortgage, of any holder of the Bonds, will be exercised by such trustee or trustees or fiduciary or fiduciaries.

Section 4.03. Bonds executed and delivered by the Borrower prior to the date on which the Bank shall have assigned the Mortgage to a trustee or trustees or a similar fiduciary or fiduciaries, as contemplated in Section 6.03 of this Agreement, shall, as soon as practicable after the Bank shall have so requested the Borrower and without charge to the Bank, be exchanged for new Bonds containing provisions complying with the terms of Section 4.02 (b) of this Agreement.

Section 4.04. The *Gerente General* 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. In carrying out the Project the Borrower shall employ consulting engineers acceptable to the Bank, upon terms and conditions satisfactory to the Bank.

(b) 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 from time to time request.

(c) 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 co-operate 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. 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,¹ the Mortgage 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, the Mortgage 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 and to the delivery thereof to the site of the Project. 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.

¹ See p. 314 of this volume.

(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.

(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 pay or redeem, or make adequate provision satisfactory to the Bank for payment or redemption of, all of the Loan and the Bonds 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 debt other than for the Project until the Project is completed and in commission. After the Project is in commission the Borrower shall not incur any debt unless its net revenue for the fiscal year next preceding such incurrence or for a later twelve-month period ended prior to such incurrence, whichever is the greater, shall be not less than 1.5 times the maximum debt service requirement for any succeeding fiscal year on all debt, including the debt to be incurred. For the purposes of this Section :

(a) The term "debt" shall include the assumption and guarantee of debt and shall mean both Long-term Indebtedness and indebtedness maturing on demand, or by its terms in one year or less, in excess of ten million colones (¢10,000,000).

(b) Debt shall be deemed to be incurred on the date of execution and delivery of a contract or loan agreement providing for such debt.

(c) The term "net revenues" shall mean revenues from all sources, adjusted to take account of power rates in effect at the time of the calculation even though they were not in effect during the fiscal year or twelve-month period to which such revenues relate, less all operating and administrative expenses, including provisions for taxes, if any, but before provision covering depreciation, interest and other charges on debt.

(d) The term "debt service requirement" shall mean the aggregate amount of amortization (including sinking fund payments, if any), interest and other charges on debt.

Section 5.09 The Borrower shall from time to time take all steps necessary or desirable to obtain 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 create a surplus for financing a reasonable portion of planned expansion of its power facilities.

Section 5.10. Promptly after acquiring an ownership interest in any property described in paragraphs 1, 2, 3 and 4 of Schedule 2 to this Agreement by not included among the properties covered by the Original Mortgage, the Borrower shall notify the Bank of such acquisition.

Article VI

MORTGAGE

Section 6.01. As soon as practicable after the date of this Agreement, but in any event before the Effective Date, the Borrower shall take such action and execute and deliver to the Bank, in form and substance satisfactory to the Bank, such instrument or instruments (hereinafter called the Original Mortgage) as shall be necessary to constitute under the laws of the Guarantor, in favor of the Bank and of the holders from time to time of the Loan and the Bonds, a *hipoteca y prenda industrial*, both *de primer grado*, on so much of the property described in paragraphs 1, 2, 3 and 4 of Schedule 2 to this Agreement as the Borrower shall have an ownership interest in at the date of the execution of the Original Mortgage. The Borrower shall thereafter from time to time within sixty days after receipt of a request from the Bank to that effect, take such action and execute and deliver to the Bank, in form and substance satisfactory to the Bank, such supplemental instrument or instruments (each such supplemental instrument being hereinafter called the Supplemental Mortgage) as shall be necessary to constitute under the laws of the Guarantor, in favor of the Bank and of the holders from time to time of the Loan and the Bonds, a *hipoteca y prenda industrial*, both *de primer grado*, on so much of the property described in paragraphs 1, 2, 3 and 4 of Schedule 2 to this Agreement as shall be specified in such request. The *hipotecas y prendas industriales de primer grado* provided for in this Section shall equally and ratably secure payment of the principal of, interest, premium, if any, on prepayment and redemption, and other charges on, the Loan and the Bonds.

Section 6.02. (a) The Borrower shall duly record, register and file and re-record, re-register and re-file the Original Mortgage and each Supplemental Mortgage in every jurisdiction for which the Bank may from time to time request any such recording, registration or filing or where such recording, registration or filing may be necessary or desirable in order to render or maintain the Mortgage a valid and enforceable first lien.

(b) Promptly after execution and delivery of each Supplemental Mortgage the Borrower shall furnish to the Bank : (i) evidence satisfactory to the Bank that such Supplemental Mortgage has been duly recorded, registered and filed in accordance with the laws of the Guarantor in all such jurisdictions as may be required under the laws of the Guarantor to make it a valid and enforceable first lien in favor of the Bank and of the holders from time to time of the Loan and the Bonds ; and (ii) an opinion or opinions satisfactory to the

Bank, of counsel acceptable to the Bank that such Supplemental Mortgage has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower, that it has been duly recorded, registered and filed in all such jurisdictions as may be required under the laws of the Guarantor to make it a valid and enforceable first lien, that it constitutes a valid first lien under the laws of the Guarantor enforceable in accordance with its terms, and that at the dates of the Supplemental Mortgage and of the recording, registration and filing thereof the Borrower had valid title to the property described therein free of all liens and encumbrances other than the liens of the Mortgage.

(c) The Borrower shall take all such other action and execute and deliver all such other documents as the Bank may from time to time reasonably request or as may from time to time be required in order to render or maintain the Mortgage a valid and enforceable first lien.

Section 6.03. The Borrower agrees to the assignment by the Bank, at any time, of the Mortgage to a trustee or trustees, or a similar fiduciary or fiduciaries, which may be the Bank, for the equal and ratable benefit of all holders of the Loan and the Bonds. The Borrower shall take all such action and execute and deliver all such documents as the Bank may from time to time reasonably request or as may from time to time be required in order to render or maintain such assignment of the Mortgage valid and enforceable.

Section 6.04. In the event the Bank shall appoint a trustee or trustees or a fiduciary or fiduciaries, as in Section 6.03 of this Agreement provided, the Borrower shall pay all costs and expenses incidental to such appointment or appointments or arising out of the exercise by such trustee or trustees or fiduciary or fiduciaries of his or their functions.

Article VII

REMEDIES OF THE BANK

Section 7.01. (i) In any event specified in Section 7.02 (a) of this Agreement shall occur, or (ii) if any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations, or the event specified in Section 7.02 (b) of this Agreement, shall occur and shall continue for a period of thirty days, or (iii) 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 7.02. For the purposes of Section 5.02 (j) of the Loan Regulations the following events are specified :

(a) suspension or termination of the right of the Borrower to obtain the proceeds of, or demand upon the Borrower for repayment in advance of maturity of, the loan granted to

the Borrower pursuant to the agreement dated August 1, 1958 between the Borrower and Caja Costarricense de Seguro Social, by reason of any default as specified in said agreement ;

(b) any amendment, abrogation or waiver of any provision of Decree Law No. 449 without the Bank having, in advance thereof, notified the Guarantor and the Borrower of its concurrence therewith.

Article VIII

EFFECTIVE DATE ; TERMINATION

Section 8.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (a) (ii) of the Loan Regulations :

(a) the Original Mortgage shall have been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower ;

(b) the Original Mortgage shall have been duly recorded, registered and filed in accordance with the laws of the Guarantor in all such jurisdictions as may be required under the laws of the Guarantor to make it a valid and enforceable first lien in favor of the Bank and of the holders from time to time of the Loan and the Bonds ;

(c) the Borrower shall have been duly authorized to adjust its rates, in order to fulfill the requirements of Section 5.09 ; and

(d) the Borrower shall have entered into arrangements satisfactory to the Bank with the Banco Nacional de Costa Rica by which the Banco Nacional de Costa Rica agrees to lend to the Borrower an amount of about 8.8 million colones for carrying out the Project.

Section 8.02. 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, namely, that the Original Mortgage has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower ; that it has been duly recorded, registered and filed in all such jurisdictions as may be required under the laws of the Guarantor to make it a valid and enforceable first lien ; that it constitutes a valid first lien under the laws of the Guarantor enforceable in accordance with its terms ; and that at the dates of the Original Mortgage and of the recording, registration and filing thereof the Borrower had valid title to the property described therein free of all liens and encumbrances other than the liens of the Mortgage.

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

Article IX

MISCELLANEOUS

Section 9.01. The Closing Date shall be December 31, 1963.

Section 9.02. Whenever for the purposes of this Agreement it shall be necessary to value in the currency of the Guarantor 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 9.03. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Instituto Costarricense de Electricidad
Apartado XXXII
San José, Costa Rica

Alternative address for cablegrams and radiograms :

ICE
San José

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 J. Burke KNAPP
Vice President

Instituto Costarricense de Electricidad :

By E. JIMENEZ A.
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	\$ 102,000	May 1, 1975	\$ 190,000
Nov. 1, 1964.	105,000	Nov. 1, 1975.	196,000
May 1, 1965	108,000	May 1, 1976	201,000
Nov. 1, 1965.	111,000	Nov. 1, 1976.	207,000
May 1, 1966	114,000	May 1, 1977	213,000
Nov. 1, 1966.	118,000	Nov. 1, 1977.	219,000
May 1, 1967	121,000	May 1, 1978	226,000
Nov. 1, 1967.	124,000	Nov. 1, 1978.	232,000
May 1, 1968	128,000	May 1, 1979	239,000
Nov. 1, 1968.	132,000	Nov. 1, 1979.	246,000
May 1, 1969	135,000	May 1, 1980	253,000
Nov. 1, 1969.	139,000	Nov. 1, 1980.	260,000
May 1, 1970	143,000	May 1, 1981	267,000
Nov. 1, 1970.	147,000	Nov. 1, 1981.	275,000
May 1, 1971	152,000	May 1, 1982	283,000
Nov. 1, 1971.	156,000	Nov. 1, 1982.	291,000
May 1, 1972	161,000	May 1, 1983	300,000
Nov. 1, 1972.	165,000	Nov. 1, 1983.	308,000
May 1, 1973	170,000	May 1, 1984	317,000
Nov. 1, 1973.	175,000	Nov. 1, 1984.	326,000
May 1, 1974	180,000	May 1, 1985	335,000
Nov. 1, 1974.	185,000	Nov. 1, 1985.	345,000

* 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	½ of 1 %
More than three years but not more than six years before maturity	1 %
More than six years but not more than eleven years before maturity	1 ¾ %
More than eleven years but not more than sixteen years before maturity	2 ½ %
More than sixteen years but not more than twenty-one years before maturity	3 ½ %
More than twenty-one years but not more than twenty-three years before maturity	4 ¾ %
More than twenty-three years before maturity	5 ¾ %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of the first stage of the Río Macho hydroelectric scheme with an initial capacity of 30 MW, the expansion of the existing transmission facilities of the Borrower, and the provision of 8 MW of additional diesel generating plant at Colima and of 1 MW of additional diesel generating plant at Limón. Although the initial capacity of the Río Macho scheme is only 30 MW, the size of tunnels and other essential features will be sufficient for an ultimate capacity of 90 MW. The output of the Río Macho and Colima generating plants will be fed into the Borrower's Central Transmission Network which is being developed to cover the Central Zone of the country. The principal features of the Project are :

1. Intake works at El Salto on the Río Macho, at about elevation 1,560 meters above sea level.
2. A regulating reservoir at El Llano, with a capacity of some 470,000 cubic meters.
3. A power station, at about elevation 1,100 meters above sea level, with two 15 MW turbo-generating sets. Provision will be made for the expansion of the building and other works to cover an ultimate total of six 15 MW sets. A tailrace channel some 760 meters in length to carry the waters from the power station to the Río Reventazon.
4. Tunnels and pressure shafts, with a total length of some 3,800 meters, connecting the intake, the reservoir, and the power station.
5. The expansion of Colima diesel station building and the installation of two diesel alternator sets, each of approximately 4 MW capacity, and auxiliaries.
6. The expansion of Limón diesel station building and the installation of two diesel alternator sets, each of approximately 0.5 MW capacity, and auxiliaries.
7. Outdoor substations and switchyards adjacent to Río Macho power station and at Colima, Barranca and La Garita.
8. Approximately 80 Km of 138 KV transmission lines.

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) By the deletion of Section 2.02.
- (b) By the deletion of the first five lines of Section 5.02 and the substitution thereof of the following lines :

"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) By the deletion of subparagraph (i) of Section 5.02 and the substitution thereof of the following subparagraph :

"(i) On or after the date of the Loan Agreement and prior to the Effective Date there shall have been any act or omission to act which would have constituted a violation of any covenant contained in the Loan Agreement or the Guarantee Agreement if the Loan Agreement and Guarantee Agreement had been effective on the date of such act or omission."

(d) By the deletion of the last paragraph of Section 5.02 and the substitution thereof of the following paragraph :

"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) By the deletion of Section 5.03 and the substitution thereof of the following Section :

"SECTION 5.03. *Cancellation by the Bank.* (a) If any of the events described or referred to in Section 5.02 shall have happened and be continuing, the Bank may by notice to the Borrower terminate in whole or in part the right of the Borrower to make withdrawals from the Loan Account and, upon the giving of such notice, the unwithdrawn amount of the Loan with respect to which such notice of termination shall have been given shall be cancelled.

(b) If the Borrower shall not at the Closing Date have withdrawn from the Loan Account the full amount of the Loan, the Bank may by notice to the Borrower terminate the right of the Borrower to make withdrawals from the Loan Account. Upon the giving of such notice the unwithdrawn amount of the Loan shall be cancelled."

(f) By the deletion of Section 9.03 and the substitution thereof of the following Section :

"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 the 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."

(g) By the deletion in Section 10.01 of paragraph 12 and the substitution therefor of the following paragraph, namely :

“12. The term ‘Project’ means the project, for which the Loan is granted, as described in Schedule 2 to the Loan Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and the Borrower with the concurrence of the Guarantor.”

(h) By the deletion of paragraph 14 of Section 10.01 and the substitution therefor of the following paragraph :

“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.”
