

No. 6407

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

Guarantee Agreement—*Buenos Aires Power Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and *Servicios Eléctricos del Gran Buenos Aires, S.A.*). Signed at Washington, on 19 January 1962

Official text: English.

Registered by the International Bank for Reconstruction and Development on 30 November 1962.

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

Contrat de garantie — *Projet relatif à l'énergie électrique à Buenos Aires* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et les *Servicios Eléctricos del Gran Buenos Aires, S.A.*). Signé à Washington, le 19 janvier 1962

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 30 novembre 1962.

No. 6407. GUARANTEE AGREEMENT¹ (*BUENOS AIRES POWER PROJECT*) BETWEEN THE ARGENTINE REPUBLIC AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 19 JANUARY 1962

AGREEMENT, dated January 19, 1962, between THE ARGENTINE REPUBLIC (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 Servicios Eléctricos del Gran Buenos Aires, S.A. (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 ninety five million dollars (\$95,000,000), 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 February 15, 1961,³ subject, however, to the modifications thereof set forth in Section 1.01 of 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, the terms defined in Section 1.02 of the Loan Agreement shall have the same meanings as therein set forth.

¹ Came into force on 19 April 1962, upon notification by the Bank to the Government of Argentina.

² See p. 316 of this volume.

³ See p. 314 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 an interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as set forth in the Loan Agreement and the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, and without prejudice to the obligations of the Borrower under Section 5.12 (b) of the Loan Agreement, the Guarantor, by reason of its present beneficial ownership of all or substantially all of the shares of the Borrower and in order to assure the successful completion of the Project, 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, either by making additional equity investment in the Borrower or by receiving dividend payments on its common shares solely in shares of stock of the Borrower in lieu of cash or otherwise.

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 to secure a debt maturing not more than one year after the date on which it is originally incurred.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any agency of the Guarantor, including assets of the Banco Central de la República Argentina.

The Guarantor further undertakes that, within the limits of its constitutional powers, it will make the foregoing undertaking effective with respect to liens on the assets of any of its political subdivisions and their agencies, including local governing authorities.

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 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 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 Bonds and the protocolization, recordation and registration of the undertaking contained in Section 5.15 *(a)* of the Loan Agreement shall be free from any taxes 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, protocolization, recordation 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 agencies (including the Banco Industrial) 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 governmental action (including action by the

Banco Industrial) and all reasonable action as shareholder of the Borrower which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations.

The Guarantor further covenants that, within the limits of its constitutional powers, it will make the foregoing covenant effective with respect to action by its political subdivisions and their agencies, including local governing authorities.

Section 3.07. It is the policy of the Guarantor, as stated in the Plan Pinedo, to achieve, as soon as practicable, the private ownership and control of the Borrower, by selling or causing to be sold to private investors all of the ordinary shares of capital stock of the Borrower beneficially owned by the Guarantor with a view to encourage the investment of private savings in the Borrower's electricity services. To that end, the Guarantor shall sell, and cause the Banco Industrial to sell, such shares to private investors in compliance with the provisions of the Plan Pinedo and of the arrangements referred to in Section 7.01 (d) of the Loan Agreement, but giving paramount priority to the sale of shares of stock of the Borrower pursuant to Section 5.12 (b) (ii) of the Loan Agreement.

Section 3.08. The Guarantor covenants that it will from time to time grant or cause to be granted to the Borrower, as provided in the Concession, rates for the sale of electricity as may be necessary to provide revenues sufficient to : (a) cover all operating expenses including taxes and provide for adequate maintenance and depreciation of assets based on realistic valuations thereof ; and (b) provide a reasonable return on the Borrower's net investment.

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 Minister of Economy of the Guarantor and such person or persons as he shall appoint 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 :

Ministerio de Economía
Buenos Aires, Argentina

Alternative address for cablegrams and radiograms :

Ministerio Economía
Buenos Aires

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 Minister of Economy 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.

The Argentine Republic :

By Emilio DONATO DEL CARRIL
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 FEBRUARY 1961

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

[*Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212.*]

LOAN AGREEMENT

(BUENOS AIRES POWER PROJECT)

AGREEMENT, dated January 19, 1962, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and SERVICIOS ELECTRICOS DEL GRAN BUENOS AIRES, S. A. (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 February 15, 1961,¹ with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations) :

(a) The second sentence of Section 3.02 of the Loan Regulations is deleted.

(b) Section 4.01 of the Loan Regulations is deleted.

(c) For the purposes of this Agreement the term "goods" as defined in paragraph 12 of Section 10.01 of the Loan Regulations shall include any property required for the Project.

Section 1.02. Unless the context otherwise requires, the following terms wherever used in this Agreement or in the Regulations shall have the following meanings :

(a) The term "Banco Industrial" means Banco Industrial de la República Argentina, an autonomous banking agency of the Guarantor, organized and existing pursuant to Decree Law No. 13130 of the Guarantor, or any successor thereof.

(b) The term "Plan Pinedo" means the plan of action, prepared by the coordinator appointed by Decree No. 1413 of February 21, 1961 of the Guarantor, for the reorganization of the electricity services in the Greater Buenos Aires area and approved by Decree No. 8140 of September 14, 1961 of the Guarantor.

(c) The term "*Estatutos*" means the *estatutos* of the Borrower, as approved by Resolution of the Minister of Education and Justice No. 3259 of December 29, 1961 of the Guarantor, and shall include any amendment thereof approved by the Bank.

(d) The term "Concession" means the concession providing for electricity rates to be granted by the Guarantor to the Borrower and referred to in Section 7.01 (c) of this Agreement.

(e) The term "Interconnection System" means the 132 kV interconnection system described in part B of Schedule 2 to this Agreement, the specifications of which will be determined from time to time by agreement between the Bank and the Borrower subject to modification by further agreement between them.

¹ See p. 314 of this volume.

(f) The term "First Eximbank Credit" means credit No. 1056-A for \$3,500,000 established in favor of the Borrower by the Export-Import Bank of Washington pursuant to agreement between them dated April 22, 1959.

(g) The term "Second Eximbank Credit" means credit No. 1056-X for \$13,200,000 established in favor of the Borrower by the Export-Import Bank of Washington pursuant to agreement between them dated January 4, 1962.

(h) The term "Sodec Obligations" means the obligations or notes in an aggregate amount not to exceed \$35,000,000 equivalent issued or to be issued in series by the Borrower to *Société d'Électricité de Luxembourg* or its affiliates, certain series of which have been issued pursuant to Decrees of the Guarantor Nos. 2645, 3904 and 12021 of April 12, 1960, April 6, 1961 and December 22, 1961, respectively, and the other series of which will be issued in 1963 and 1964, for the aggregate amount of about \$15 million equivalent.

(i) The term "BTH-ICL Credit" means the credit not in excess of about \$50 million equivalent extended by suppliers of goods for the Greater Buenos Aires Thermoelectric Station described in part A of Schedule 2¹ to this Agreement.

(j) The term "Metropolitan Vickers and Pirelli-Siemens Credits" means the credits not in excess of about \$23 million equivalent extended by suppliers of goods required for the Interconnection System described in part B of Schedule 2 to 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 ninety five million dollars (\$95,000,000).

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 in, this Agreement and the Loan Regulations.

Section 2.03. Except as the Bank shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Agreement to withdraw from the Loan Account :

(a) such amounts as shall have been expended for the reasonable foreign currency cost of goods to be financed under this Agreement ;

(b) the equivalent of a percentage or percentages to be established from time to time by agreement between the Bank and the Borrower of such amounts as shall have been expended for the reasonable cost of goods required for carrying out parts A and B of the Project described in Schedule 2 to this Agreement and not included in (a) above ; and

¹ See p. 340 of this volume.

(c) if the Bank shall so agree, such amounts as shall be required by the Borrower to meet payments under each of the foregoing paragraphs ; provided, however, that no withdrawals shall be made on account of : (i) expenditures prior to January 1, 1962 ; or (ii) expenditures made in the territories of any country (except Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories.

Section 2.04. Withdrawals from the Loan Account shall be in dollars or such other freely convertible currency or currencies as the Bank shall from time to time reasonably select.

Section 2.05. 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.

Section 2.06. 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 2.07. 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 2.08. Interest and other charges shall be payable semi-annually on March 1 and September 1 in each year.

Section 2.09. 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 2 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 shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Guarantor exclusively in the carrying out of the Project.

¹ See p. 338 of this volume.

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 *Presidente* 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. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

Section 5.02. The Borrower covenants that, to assist it in the carrying out of such parts of the Project as shall be agreed upon between the Bank and the Borrower, the Borrower will, except as the Bank shall otherwise agree, at all times employ competent and experienced consultants acceptable to, and upon terms and conditions satisfactory to, the Bank.

Section 5.03. (a) The Borrower shall at all times maintain its corporate existence and right to carry on its operations and shall take all steps necessary to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) Except as the Bank shall otherwise agree, the Borrower shall not amend, or consent to the amendment of, the *Estatutos*.

(c) 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 and public utility practices.

Section 5.04. (a) The Borrower shall at all times carry on its operations, conduct its affairs and maintain its financial position all in accordance with sound management, business, financial and public utility principles and practices.

(b) The Borrower shall at all times be managed by a qualified and experienced *Comité Ejecutivo* entrusted with such executive functions and duties as are established in the *Estatutos*.

(c) The *Vicepresidente Ejecutivo* of the Borrower and the *Gerente General*, if a *Gerente General* shall be appointed by the Borrower pursuant to the *Estatutos*, shall at all times be mutually acceptable to the Bank and the Borrower.

Section 5.05. (a) Upon request from time to time by the Bank, the Borrower promptly furnish or cause to be furnished to the Bank the plans, specifications and work schedules

for the Project and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request.

(b) 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.

(c) The Borrower shall enable the Bank's representatives to inspect the Project, the goods, all other plants, works, properties and equipment of the Borrower and any relevant records and documents.

(d) The Borrower 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.

(e) The Borrower shall have its financial statements (balance sheet and related statement of earnings and expenses) certified annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation and not later than four months after the close of the Borrower's fiscal year transmit to the Bank certified copies of such statements and a signed copy of the accountant's or accounting firm's report.

Section 5.06. (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 5.07. The Borrower shall pay or cause to be paid all taxes, 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 Bonds or the protocolization, recordation and registration of the undertaking contained in Section 5.15 (a) of this Agreement, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of 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 5.08. The Borrower shall pay or cause to be paid all taxes, 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

¹ See p. 306 of this volume.

with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds, or the protocolization, recordation and registration of the undertaking contained in Section 5.15 (a) of this Agreement.

Section 5.09. (a) The Borrower shall insure or cause to be insured with responsible insurers all goods financed out of 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 territory of the Borrower and delivery thereof to the site of the Project, and shall be for such amounts, as shall be consistent with sound commercial practices. 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 take out and maintain, with good and reputable insurance companies, insurance against such risks and in such amounts as shall be consistent with sound public utility and business practices.

Section 5.10. Except as the Bank shall otherwise agree, the Borrower shall not, during the period of construction of the Project, undertake, or permit to be undertaken on its behalf, any major expansion project other than the Project or make any major addition to its plants and other property.

Section 5.11. Except as the Bank shall otherwise agree: (a) the Borrower shall obtain title to all goods financed out of the proceeds of the Loan free and clear of all encumbrances; and (b) the Borrower shall not, without the consent of the Bank, sell or otherwise dispose of any of its property or assets which shall be required for the efficient carrying on of its business and undertaking, including the Project, 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 5.12. (a) Except as the Bank shall otherwise agree, the Borrower shall not: (i) until the Project shall have been completed, declare or pay any dividend or make any other distribution on any of the preferred shares of capital stock of the Borrower from time to time outstanding other than a dividend payable in such preferred shares; or (ii) exchange any such preferred shares for ordinary shares; or (iii) directly or indirectly, redeem, retire, purchase or otherwise acquire for a consideration (other than other preferred shares) any of such preferred shares.

(b) In pursuance of its corporate purposes, the Borrower shall: (i) establish and maintain a policy with respect to distribution of dividends on the outstanding ordinary shares of its capital stock consistent with sound financial practices and the encouragement of private investment in the Borrower's electricity services; and (ii) use its best efforts to place with private investors ordinary shares of its authorized but unissued capital stock sufficient to raise the equity capital required for the diligent and timely completion of the Project and, thereafter, for financing a reasonable part of the expansion of its electricity services.

Section 5.13. The Borrower shall from time to time take all steps which shall be necessary or desirable, as permitted under the Concession, to obtain such adjustments in its rates for the sale of electricity as may be necessary to provide revenues sufficient to : (a) cover all operating expenses including taxes and provide for adequate maintenance and depreciation of assets based on realistic valuations thereof ; and (b) provide a reasonable return on the Borrower's net investment.

Section 5.14. Except as the Bank shall otherwise agree, the Borrower shall not : (a) prior to the completion of the Project incur any indebtedness (other than the First Eximbank Credit, the Second Eximbank Credit, the Sodec Obligations, the BTH-ICL Credit, and the Metropolitan Vickers and Pirelli-Siemens Credits) ; and (b) after the completion of the Project incur any indebtedness if after the incurrence of any such indebtedness (i) the net assets of the Borrower would be less than one and one-half times the total indebtedness of the Borrower, including the indebtedness proposed to be incurred, and (ii) the net income of the Borrower for the fiscal year next preceding such incurrence or for a later consecutive twelve-month period, whichever is the greater, shall be less than one and three-quarters times the estimated maximum interest payments and other charges for any succeeding fiscal year on all indebtedness, including the indebtedness proposed to be incurred.

For the purposes of this Section :

1. The term "indebtedness" shall include the assumption of indebtedness and shall mean all indebtedness of the Borrower maturing by its terms more than one year after the date of its incurrence ;

2. Indebtedness shall be deemed to be incurred on the day such indebtedness becomes outstanding and repayable in accordance with the loan contract or agreement providing therefor ;

3. The term "net assets" shall mean : (i) net assets in operation plus (ii) the cost of construction work in progress determined according to sound accounting practices ; and the determination and valuation of such net assets in operation shall be made as provided in the Concession for the purpose of fixing the rate base (*base tarifaria*) for the Borrower ;

4. The term "net income" shall mean gross income from all sources, adjusted to take account of electricity rates in effect at the time of the incurrence of indebtedness even though such rates were not in effect during the fiscal year or twelve-month period to which such income relates, less all operating and administrative expenses, including provision for all taxes other than income taxes and for depreciation of assets but before provision for interest and other charges on indebtedness and income taxes ; and

5. Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, indebtedness payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such indebtedness.

Section 5.15. (a) Except as the Bank shall otherwise agree : (i) the Borrower shall not voluntarily create or suffer to be created any mortgage, pledge or other right *in rem*

on any of its assets in favor of third parties unless the Borrower shall at the same time create, in favor of the Bank, a mortgage, pledge or other right *in rem*, satisfactory to the Bank, which shall have priority and preference to, and shall rank ahead of, the mortgage, pledge or other right *in rem* first above mentioned, and, in the creation of any such mortgage, pledge or right *in rem*, the Borrower shall make express provision for the submission thereof to the priority, preference and prior rank of the Bank's rights; and (ii) if any such mortgage, pledge or other right *in rem* shall be created by operation of law the Borrower shall create in favor of the Bank an equivalent mortgage, pledge or other right *in rem* satisfactory to the Bank which shall secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds; provided, however, that the 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.

(b) As soon as practicable after the date of this Agreement, the Borrower shall: (i) in accordance with the laws of the Guarantor, duly protocolize, record and register, or at the Bank's request take any action required to enable the Bank to protocolize, record and register, the undertaking contained in paragraph (a) of this Section in such manner and places as may be required under the laws of the Guarantor to make such undertaking valid and binding in favor of the Bank and of the holders from time to time of the Loan and the Bonds and enforceable against the Borrower and all third parties in accordance with its terms; and (ii) furnish to the Bank an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank that such undertaking has been duly protocolized, recorded and registered in such manner and places as may be required under the laws of the Guarantor to make such undertaking valid and binding in favor of the Bank and of the holders from time to time of the Loan and the Bonds and enforceable against the Borrower and all third parties in accordance with its terms.

(c) The Borrower shall pay all reasonable charges, fees and expenses in connection with the foregoing.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in or for the purposes of paragraph (a), paragraph (b), paragraph (e) or 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 additional events are specified : (*a*) the arrangements referred to in Section 7.01 (*d*) of this Agreement shall have been amended or terminated without the prior consent of the Bank ; and (*b*) a change in the *Estatutos* or in the Concession shall have been made without the prior consent of the Bank.

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 (*c*) of the Loan Regulations :

(*a*) the *Tribunal de Cuentas* of the Guarantor has examined this Agreement and the Guarantee Agreement in accordance with the laws of the Guarantor and has issued its opinion thereon without formulating any objection thereto ;

(*b*) all necessary governmental and corporate action has been taken with respect to the transfer by the Guarantor to the Borrower, on terms and conditions satisfactory to the Bank, of assets of the Guarantor consisting of : (i) the Greater Buenos Aires Thermo-electric Station described in part A of Schedule 2 to this Agreement ; (ii) the Interconnection System ; and (iii) the distribution system and related property situated in the fourteen municipalities (*Partidos*) of the province of Buenos Aires listed in the second sentence of Article 4 of Law No. 14,772 of the Guarantor ;

(*c*) the Guarantor has granted the Borrower a concession providing for electricity rates which, in the opinion of the Bank, will enable the Borrower to meet its obligations under this Agreement and the Concession has become effective ;

(*d*) arrangements satisfactory to the Bank have been completed between the Guarantor and Banco Industrial, as foreseen in the Plan Pinedo, with respect to : (i) the terms and conditions under which the shares of capital stock of the Borrower beneficially owned by the Guarantor will be held by Banco Industrial for the Guarantor and (ii) the later sale of such shares by Banco Industrial to private investors ;

(*e*) the undertaking contained in Section 5.15 (*a*) of this Agreement is legally capable of being protocolized, recorded and registered and that, when duly protocolized, recorded and registered in accordance with the laws of the Guarantor, such undertaking will be valid and binding in favor of the Bank and of the holders from time to time of the Loan and the Bonds and enforceable against the Borrower and all third parties in accordance with its terms ;

(*f*) an extension of time, on terms and conditions satisfactory to the Bank, has been given to the Borrower with respect to the BTH-ICL Credit and the Metropolitan Vickers credit referred to in Section 1.02 (*j*) of this Agreement ;

(*g*) arrangements satisfactory to the Bank have been made with the consultants employed with respect to the construction of the Greater Buenos Aires Thermo-electric Station described in part A of Schedule 2 to this Agreement so that, among other things, the consultants are directly legally responsible to the Borrower ; and

(h) the Borrower has certified in writing to the Bank that, as of a date to be agreed between the Bank and the Borrower (which shall be prior to the Effective Date), there has been no material adverse change in its condition since the date of this Agreement.

Section 7.02. The following are specified as additional matters, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank subject to such exceptions, satisfactory to the Bank, as shall be stated therein :

(a) that the action provided for in Section 8.01 (b) of this Agreement has been duly and validly taken and that : (i) the Borrower has possession of, and clear title to, the properties listed in such Section and (ii) all acts, consents and approvals of the Guarantor and its agencies which are necessary therefor have been duly and validly performed or given ;

(b) that the action provided for in paragraph (c) of Section 7.01 of this Agreement has been duly and validly taken, and the Concession has become fully effective in accordance with its terms ;

(c) that the arrangements provided for in Section 7.01 (d) of this Agreement are valid and binding on the Guarantor and Banco Industrial in accordance with their terms ; and

(d) that the undertaking contained in Section 5.15 (a) of this Agreement is legally capable of being protocolized, recorded and registered and that, when duly protocolized, recorded and registered in accordance with the laws of the Guarantor, such undertaking will be valid and binding in favor of the Bank and of the holders from time to time of the Loan and the Bonds and enforceable against the Borrower and all third parties in accordance with its terms.

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 December 31, 1964, or such other date as shall be agreed by the Bank and the Borrower as the Closing Date.

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

For the Borrower :

Servicios Eléctricos del Gran Buenos Aires, S.A.
Balcarce 184
Buenos Aires, Argentina

Alternative address for cablegrams and radiograms :

Selbasa
Buenos Aires

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. LIFF
Vice President

Servicios Eléctricos del Gran Buenos Aires, S.A. :

By Enrique BUTTY
Luis M. GOTELLI
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>
March 1, 1965	1,100,000	March 1, 1976	2,055,000
September 1, 1965	1,135,000	September 1, 1976	2,115,000
March 1, 1966	1,165,000	March 1, 1977	2,175,000
September 1, 1966	1,200,000	September 1, 1977	2,235,000
March 1, 1967	1,235,000	March 1, 1978	2,300,000
September 1, 1967	1,270,000	September 1, 1978	2,365,000
March 1, 1968	1,305,000	March 1, 1979	2,435,000
September 1, 1968	1,345,000	September 1, 1979	2,505,000
March 1, 1969	1,380,000	March 1, 1980	2,575,000
September 1, 1969	1,420,000	September 1, 1980	2,650,000
March 1, 1970	1,460,000	March 1, 1981	2,730,000
September 1, 1970	1,505,000	September 1, 1981	2,805,000
March 1, 1971	1,545,000	March 1, 1982	2,885,000
September 1, 1971	1,590,000	September 1, 1982	2,970,000
March 1, 1972	1,640,000	March 1, 1983	3,055,000
September 1, 1972	1,685,000	September 1, 1983	3,145,000
March 1, 1973	1,735,000	March 1, 1984	3,235,000
September 1, 1973	1,785,000	September 1, 1984	3,325,000
March 1, 1974	1,835,000	March 1, 1985	3,420,000
September 1, 1974	1,885,000	September 1, 1985	3,520,000
March 1, 1975	1,940,000	March 1, 1986	3,620,000
September 1, 1975	1,995,000	September 1, 1986	3,725,000

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), 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	1¾%
More than eleven years but not more than sixteen years before maturity	2½%
More than sixteen years but not more than twenty-one years before maturity	3½%
More than twenty-one years but not more than twenty three years before maturity	4¾%
More than twenty-three years before maturity	5¾%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of :

- A. the completion of the Greater Buenos Aires Thermo-electric Station, presently under construction in the port area of Buenos Aires on reclaimed land north of the mouth of the Riachuelo, with an installed capacity of 600 MW represented by five 120 MW units, with all auxiliaries and installations required to put the station into operation at full capacity, including the 132 kV step-up substation ;
- B. the completion of the 132 kV interconnection system now under construction in the Greater Buenos Aires area and related facilities ; and
- C. the necessary expansion of the Borrower's distribution system to be carried out in 1962, 1963 and 1964.

LETTER RELATING TO THE LOAN AGREEMENT

SERVICIOS ELÉCTRICOS DEL GRAN BUENOS AIRES
BALCARCE 184

January 19, 1962

International Bank for Reconstruction and Development
Washington 25, D.C.

Gentlemen :

1. We request your agreement, pursuant to Section 3.01 of the Loan Agreement (Buenos Aires Power Project), between the Bank and Servicios Eléctricos del Gran Buenos Aires, S.A. of even date¹ herewith, to the List of Goods to be financed out of the proceeds of the Loan, which is attached hereto.

2. We also request your agreement that 71% be established at this time pursuant to Section 2.03 (b) of the Loan Agreement for purposes of withdrawal.

3. We understand that the amount of \$60,000,000 provided for in Category I of the List of Goods² entitled "Local currency expenditures for goods required to complete the Greater Buenos Aires Thermoelectric Station and the Interconnection System" constitutes that fraction of \$84.7 million equivalent which is the presently estimated total cost of the goods provided for in such Category I and which the Bank is, at this time, willing to finance under the Loan Agreement. The amount of \$60,000,000 is reflected in the 71% proposed above, such 71% being intended, among other things, to permit withdrawal of the portion of the Loan set forth in Category I of the List of Goods as nearly as practicable

¹ See p. 316 of this volume.

² See p. 342 of this volume.

in relation to the progress of total expenditure throughout the period of construction on goods required to complete such Station and Interconnection System.

4. We further agree that whenever there should be a substantial increase in the estimated total cost of such goods we shall promptly inform the Bank, and if the Bank shall so request, there shall be substituted a revised percentage to be used thereafter for the purposes of such Section 2.03 (b), such revised percentage to be the proportion which the amount then remaining unwithdrawn in respect of Category I of the List of Goods is of that part of the then revised estimated total cost of such goods in respect of which no withdrawals shall have been made.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Servicios Eléctricos del Gran Buenos Aires, S.A. :

Luis M. GOTELLI
Authorized Representative

Confirmed :

International Bank for Reconstruction
and Development :

By Orvis A. SCHMIDT

LIST OF GOODS

	<i>Amounts expressed in US dollar equivalents</i>
I. Local currency expenditures for goods required to complete the Greater Buenos Aires Thermoelectric Station and the Interconnection System	60,000,000
II. <i>Imported Goods</i>	
A. Equipment for distribution system expansion	24,000,000
B. Engineering Services	2,000,000
C. Shipping and Insurance for FOB contracts	4,000,000
D. Interest and other charges during construction	5,000,000
TOTAL	95,000,000