

No. 6413

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

Loan Agreement—*Hot Water Supply Project* (with annexed Loan Regulations No. 3 and Project Agreement between the Bank and the City of Reykjavik). Signed at Washington, on 14 February 1962

Official text: English.

Registered by the International Bank for Reconstruction and Development on 5 December 1962.

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

Contrat d'emprunt — *Projet d'adduction d'eau chaude* (avec, en annexe, le Règlement n°3 sur les emprunts et le Contrat relatif au Projet entre la Banque et la Ville de Reykjavik). Signé à Washington, le 14 février 1962

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 5 décembre 1962.

No. 6413. LOAN AGREEMENT¹ (*HOT WATER SUPPLY PROJECT*) BETWEEN THE REPUBLIC OF ICELAND AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 14 FEBRUARY 1962

AGREEMENT, dated February 14, 1962, between REPUBLIC OF ICELAND (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS

(A) the Borrower has requested the Bank to grant a loan to the Borrower the proceeds of which the Borrower intends to relend to the City of Reykjavík (hereinafter called the City) for the purposes of expanding the Hot Water Supply System of the City ;

(B) by a Project Agreement of even date² between the City and the Bank, the City has undertaken certain obligations in respect of the carrying out of the Project and related matters ;

(C) the Bank has, on the basis of the foregoing, agreed to make a loan to the Borrower upon the terms and conditions hereinafter set forth ;

NOW THEREFORE, the parties hereto hereby agree as follows :

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961,² subject, however, to the modifications thereof set forth in Schedule 2³ to this Agreement (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

¹ Came into force on 20 June 1962, upon notification by the Bank to the Government of Iceland.

² See p. 114 of this volume.

³ See p. 112 of this volume.

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

(a) The term "the City" means the City of Reykjavík, a municipality organized and existing under the laws of the Borrower.

(b) The term "Project Agreement" means the Agreement of even date herewith between the Bank and the City, as the same shall be amended from time to time by agreement between the Bank and the City.

(c) The term "Subsidiary Loan Agreement" means the loan agreement, referred to in Section 5.03 (a) of this Loan Agreement, to be entered into between the Borrower and the City.

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 two million dollars (\$2,000,000).

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, the Loan Agreement.

Section 2.03. 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 2.04. 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 2.05. Except as the Borrower and the Bank 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 15 and November 15 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.

¹ See p. 110 of this volume.

Article III

USE OF PROCEEDS OF THE LOAN ; CURRENCIES

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in the Schedule ¹ to the Project Agreement. The specific goods to be financed out of the proceeds of the Loan shall be determined by agreement between the Borrower and the Bank, 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 used exclusively in the carrying out of the Project.

Section 3.03. Pursuant to the second sentence of Section 3.02 of the Loan Regulations, the Borrower and the Bank agree that any withdrawals on account of expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower shall be made in such currency or currencies as the Bank shall reasonably select.

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 Minister of Finance 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 of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. It is the mutual intention of the Borrower 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 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 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 :

¹ See p. 124 of this volume.

(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 Borrower" as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including assets of the Central Bank of Iceland or any institution performing the functions of a central bank.

Section 5.02. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

(b) The Borrower shall cause to be performed all the covenants, agreements and obligations of the City set forth in the Project Agreement and shall take or cause to be taken all action necessary or appropriate to enable the City to perform such covenants, agreements and obligations.

Section 5.03. (a) The Borrower shall enter into a subsidiary loan agreement with the City, satisfactory to the Bank, which shall provide for the relending of the proceeds of the Loan by the Borrower to the City and shall contain appropriate provisions with respect to the financing and carrying out of the Project and other obligations of the Borrower and the City under the Loan Agreement and the Project Agreement.

(b) Except as the Bank shall otherwise agree, the Borrower shall not amend, assign, abrogate or waive any provision of the Subsidiary Loan Agreement.

Section 5.04. The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, and to record the progress of the Project (including the cost thereof) ; 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, and the goods.

Section 5.05. (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall fur-

nish to the other all such information as either shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

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

Section 5.06. (a) It is the mutual understanding of the Borrower and the Bank that the City is primarily responsible for the provision of funds required for the Project.

(b) Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Borrower shall, whenever there is reasonable cause to believe that the funds available to the City will be inadequate to meet the estimated expenditures required for carrying out the Project, make arrangements, satisfactory to the Bank, promptly to provide the City or cause the City to be provided with such funds as are needed to meet such expenditures.

Section 5.07. 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 Borrower 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 Borrower.

Section 5.08. The Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof, and the Borrower shall pay all such 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.

Section 5.09. 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 Borrower or laws in effect in its territories.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations or in Section 6.02 of this Agreement 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. The following are specified as additional events for the purposes of Section 5.02 (h) of the Loan Regulations :

(a) A default shall have occurred in the performance of any covenant or agreement on the part of the City under the Project Agreement.

(b) A default shall have occurred in the performance of any covenant or agreement on the part of the City under the Subsidiary Loan Agreement.

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 (b) of the Loan Regulations :

(a) that the execution and delivery of the Project Agreement on behalf of the City have been duly authorized or ratified by all necessary action of the Borrower and the City ;

(b) that the Subsidiary Loan Agreement has been duly executed in form satisfactory to the Bank and has become fully effective and binding upon the parties thereto in accordance with its terms ; and

(c) that arrangements satisfactory to the Bank have been made for providing the City with sufficient funds for the carrying out of the Project.

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 :

(a) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the City and constitutes a valid and binding obligation of the City in accordance with its terms ;

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the City and has become effective and is a valid and binding obligation of the parties thereto in accordance with its terms ; and

(c) that all acts, consents and approvals of the Borrower and the City, or either of them, to be performed or given in order to authorize the construction of the Project, with all necessary powers and rights in connection therewith, have been duly and validly performed or given.

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, 1965, or such other date as may from time to time be agreed between the Borrower and the Bank.

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

For the Borrower :

Republic of Iceland
Ministry of Finance
Reykjavík, Iceland

or

Republic of Iceland
Embassy of Iceland
1906 23rd Street, N.W.
Washington 8, D. C.
United States of America

Alternative address for cablegrams and radiograms :

Ministry of Finance
Reykjavík

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 8.03. The Minister of Finance of the Borrower 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 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.

Republic of Iceland :

By Thor THORS
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

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 15, 1966	\$45,000.00	May 15, 1973	\$70,000.00
November 15, 1966	50,000.00	November 15, 1973	75,000.00
May 15, 1967	50,000.00	May 15, 1974	75,000.00
November 15, 1967	50,000.00	November 15, 1974	75,000.00
May 15, 1968	55,000.00	May 15, 1975	80,000.00
November 15, 1968	55,000.00	November 15, 1975	80,000.00
May 15, 1969	55,000.00	May 15, 1976	85,000.00
November 15, 1969	60,000.00	November 15, 1976	85,000.00
May 15, 1970	60,000.00	May 15, 1977	90,000.00
November 15, 1970	60,000.00	November 15, 1977	90,000.00
May 15, 1971	65,000.00	May 15, 1978	95,000.00
November 15, 1971	65,000.00	November 15, 1978	95,000.00
May 15, 1972	65,000.00	May 15, 1979	100,000.00
November 15, 1972	70,000.00	November 15, 1979	100,000.00

* 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	1/2 %
More than three years but not more than six years before maturity	1 1/2 %
More than six years but not more than eleven years before maturity	2 1/2 %
More than eleven years but not more than fourteen years before maturity	3 1/2 %
More than fourteen years but not more than sixteen years before maturity	4 3/4 %
More than sixteen years before maturity	5 3/4 %

SCHEDULE 2

MODIFICATIONS OF LOAN REGULATIONS No. 3

For the purposes of this Agreement the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961 shall be deemed to be modified as follows :

(a) By inserting in Section 5.06 the words "and the Project Agreement" after the words "the Loan Agreement".

(b) By inserting in Section 6.17 the words "or the Project Agreement" after the words "the Loan Agreement".

(c) By the deletion of Section 7.02 and the substitution therefor of the following section :

"SECTION 7.02. *Failure to Exercise Rights.* No delay in exercising, or omission to exercise, any right, power or remedy accruing under the Loan Agreement and the Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default ; nor shall the action of any party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default."

(d) By the deletion in Section 10.01 of paragraph 10 and the substitution therefor of the following paragraph :

"10. The term "Project" means the project for which the Loan is granted, as described in the Schedule to the Project Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and the City with the concurrence of the Borrower."

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[Not published herein. See United Nations, Treaty Series, Vol. 414, p. 268.]

PROJECT AGREEMENT (*HOT WATER SUPPLY PROJECT*)

AGREEMENT, dated February 14, 1962, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and CITY OF REYKJAVÍK (hereinafter called the City).

WHEREAS by an agreement of even date herewith between the Bank and Republic of Iceland (hereinafter called the Borrower), which agreement and the schedules and loan regulations therein referred to are hereinafter called the Loan Agreement,¹ the Bank has agreed to make to the Borrower a loan in various currencies equivalent to two million dollars (\$2,000,000), on the terms and conditions set forth in the Loan Agreement, to be relented to the City, but only on condition that the City agrees to undertake certain obligations to the Bank as hereinafter provided ; and

WHEREAS the City, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake obligations as hereinafter provided ;

NOW THEREFORE, the parties hereto hereby agree as follows :

Article I

DEFINITIONS

Section 1.01. (a) Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement and in the Loan Regulations² (as so defined) shall have the respective meanings therein set forth.

(b) Unless the context shall otherwise require : (i) the term "the System" means the department of the City known as the Hot Water Supply System (*Hitaveita Reykjavíkur*) ; and (ii) the term "imported goods" means goods (as defined in the Loan Regulations) which are imported into the territories of the Borrower.

¹ See p. 96 of this volume.

² See above.

Article II

PARTICULAR COVENANTS OF THE CITY

Section 2.01. (a) The City shall carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices.

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

(c) The City shall maintain records adequate to show the application of the proceeds of the Loan, 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 System; shall enable the Bank's representatives to inspect the Project, the goods, the City's properties 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 City, including the System.

Section 2.02. (a) The Bank and the City 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 either shall reasonably request with regard to the general status of the Loan.

(b) The Bank and the City shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the other matters covered by this Agreement. The City 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 performance by the City of its obligations under this Agreement.

Section 2.03. (a) The City shall acquire, maintain and renew all rights, powers, concessions, privileges and franchises, necessary for the conduct of its operations in respect of the System and for the construction and operation of the Project.

(b) The City, in respect of the System, 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 business, engineering and public utility practices, and shall at all times carry on its operations in an efficient manner under capable management and maintain its financial position in accordance with sound business and public utility practices.

Section 2.04. (a) The City shall import or cause to be imported into the territories of the Borrower all imported goods financed out of the proceeds of the Loan and shall

(except as the Bank shall otherwise agree) use them there or cause them to be used there exclusively in the carrying out of the Project.

(b) The methods and procedures for procuring all goods financed out of the proceeds of the Loan shall be satisfactory to the Bank.

Section 2.05. (a) The City shall, in respect of the System, establish and maintain a system of financial control satisfactory to the Bank.

(b) The City shall engage or appoint as auditor one or more independent chartered accountants satisfactory to the Bank, and the accounts of the System shall be audited by such accountants as of the end of each calendar year.

Section 2.06. (a) Except as shall be otherwise agreed between the Bank and the City, the City shall insure or cause to be insured the imported goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower. 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) The City shall, in respect of the Project and of the property used by or for the System, 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 2.07. (a) All works included in the Project which are to be constructed under contract shall be constructed by contractors satisfactory to the Bank and the City, employed under contracts satisfactory to the Bank and the City.

(b) The general design standards to be used for the Project shall be satisfactory to the Bank and the City.

Section 2.08. The City shall maintain rates for the supply of hot water which will provide revenues sufficient to enable the System to cover : (i) its operating expenses ; (ii) taxes and other charges, if any, payable from the account of the System ; (iii) adequate maintenance and adequate depreciation ; (iv) interest ; (v) repayments on indebtedness and the cost of replacement of physical assets to the System to the extent that such repayments and such replacement costs exceed provision for depreciation ; and (vi) the costs of normal year to year extension of the System ; provided, however, that rates shall be such that the System shall not earn less than a reasonable return (after operating expenses, taxes, if any, adequate maintenance and adequate depreciation) on its fixed assets, reasonably valued.

Section 2.09. The City shall not undertake for the account of the System any project or program other than the Project which cannot be financed out of the cash surplus generated by the System in its operations after payment of all its obligations, unless the Bank shall approve the plan for financing any such project or program.

Section 2.10. Except as the Bank shall otherwise agree, until the completion of the Project, the City shall not transfer funds or other assets from the account of the System to any other account of the City ; provided, however, that the foregoing provision shall not apply to transfers of funds or other assets in the ordinary course of operation of the System.

Article III

EFFECTIVE DATE ; TERMINATION

Section 3.01. This Agreement shall enter into force and effect on the Effective Date. If, pursuant to Section 9.04 of the Loan Regulations, the Bank shall terminate the Loan Agreement, the Bank shall promptly notify the City thereof, and, upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall forthwith terminate.

Section 3.02. If and when the entire principal amount of the Loan and the Bonds and the premium, if any, on the prepayment of the Loan and on the redemption of all Bonds called for redemption (as the case may be) and all interest and other charges which shall have accrued on the Loan and the Bonds shall have been paid, this Agreement and all obligations of the parties thereunder shall forthwith terminate.

Article IV

MISCELLANEOUS

Section 4.01. No holder of any Bond other than the Bank shall by virtue of being the holder thereof be entitled to exercise any of the rights conferred, or be subject to any of the conditions or obligations imposed, upon the Bank under this Agreement.

Section 4.02. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default ; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 4.03. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

For the City :

Borgarstjórnin Reykjavík
Austurstraeti 16
Reykjavík, Iceland

Alternative address for cablegrams and radiograms :

Borgarstjórnin
Reykjavík

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 4.04. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of the City may be taken or executed by the Mayor of the City or such person or persons as he shall designate in writing.

Section 4.05. This Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project 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

City of Reykjavík :

By Thor THORS
Authorized Representative

SCHEDULE

DESCRIPTION OF PROJECT

The Project is a four-year program for the expansion of the facilities of the System. It will include, *inter alia* :

- (a) a hot water well drilling program to develop additional hot water sources ;
 - (b) the construction and equipping of two pumping stations, main distribution lines to such stations and the construction of a permanent conduit for a existing main distribution line ; and
 - (c) the extension of the hot water distribution system to certain areas of the City not now served.
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