

No. 6991

---

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

**Guarantee Agreement—*Power and Telecommunication Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and Instituto Costarricense de Electricidad). Signed at Washington, on 10 July 1963**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 22 November 1963.*

---

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

**Contrat de garantie — *Projet relatif à l'énergie électrique et aux télécommunications* (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 10 juillet 1963**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 22 novembre 1963.*

No. 6991. GUARANTEE AGREEMENT<sup>1</sup> (*POWER AND TELECOMMUNICATION PROJECT*) BETWEEN THE REPUBLIC OF COSTA RICA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 10 JULY 1963

---

AGREEMENT, dated July 10, 1963, between REPÚBLICA 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<sup>2</sup>, the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty-two million dollars (\$22,000,000), 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<sup>3</sup>, with the same force and effect as if they were fully set forth herein (said Loan Regulations No. 4 being hereinafter called the Loan Regulations).

*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.

---

<sup>1</sup> Came into force on 17 October 1963, upon notification by the Bank to the Government of Costa Rica.

<sup>2</sup> See p. 78 of this volume.

<sup>3</sup> See p. 76 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 or any other institution performing the functions of a central bank.

*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 Mortgage and the Bonds 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 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 from time to time such adjustments in its power and telecommunication 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 future expansion of its power and telecommunication 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.

República de Costa Rica :  
By Gonzalo J. FACIO  
Authorized Representative

International Bank for Reconstruction and Development :  
By George D. WOODS  
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  
(POWER AND TELECOMMUNICATION PROJECT)

AGREEMENT, dated July 10, 1963, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and INSTITUTO COSTARRICENSE DE ELECTRICIDAD (hereinafter called the Borrower).

WHEREAS, by an agreement dated February 3, 1961<sup>1</sup> between the Bank and the Borrower, the Bank agreed to lend to the Borrower an amount in various currencies equivalent to eight million eight hundred thousand dollars to assist the Borrower in the expansion of its power generation and transmission facilities ; and

WHEREAS the Borrower has requested the Bank to make a second loan to assist it in financing (i) the further expansion of its power generation and transmission facilities and (ii) the establishment of a telecommunication system in Costa Rica ;

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. 4 of the Bank dated February 15, 1961<sup>2</sup> with the same force and effect as if they were fully set forth herein (said Loan Regulations No. 4 being hereinafter called the Loan Regulations).

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

3. The term "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.

5. The term "First Loan Agreement" shall mean the loan agreement (*Rio Macho Hydroelectric Project*), dated February 3, 1961, between the Bank and the Borrower, and shall include such changes in said agreement as may from time to time be agreed by the Bank and the Borrower.

<sup>1</sup> United Nations, *Treaty Series*, Vol. 414, p. 313.

<sup>2</sup> See p. 76 of this volume.

*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 twenty-two million dollars (\$22,000,000).

*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 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 2.04.* The Borrower shall pay interest at the rate of five and one-half per cent ( $5\frac{1}{2}\%$ ) 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 March 1 and September 1 in each year.

*Section 2.07.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1<sup>1</sup> to this Agreement.

*Section 2.08.* Except as the Bank shall otherwise agree, if the Borrower shall repay, in advance of maturity, all or part of its indebtedness then outstanding under the First Loan Agreement, the Borrower shall repay, in advance of maturity, all or a proportionate amount, as the case may be, of the Loan then outstanding. Any amount of the Loan to be repaid pursuant to the foregoing provisions of this Section which cannot be applied to the payment of an entire maturity may, notwithstanding the provisions of subsection (b) of Section 2.05 of the Loan Regulations, be applied to the payment of a part of a maturity only. In all other respects the provisions of the Loan Regulations relating to repayment in advance of maturity shall apply to any repayment of the Loan pursuant to this Section.

*Article III*

## USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2<sup>2</sup> to this Agreement. The specific goods to be financed out of the proceeds of the Loan and

<sup>1</sup> See p. 96 of this volume.

<sup>2</sup> See p. 98 of this volume.

the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

*Section 3.02.* Except as the Bank and the Borrower shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively in the carrying out of the Project.

#### *Article IV*

##### BONDS

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

*Section 4.02.* 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. To assist the Borrower 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, except with respect to any property used or to be used for the construction of the Cachi hydroelectric plant, described in Part A paragraphs 1 through 5 of Schedule 2 to this Agreement, or for the construction of such part of the telecommunication system as is described in Part B paragraph 1 of Schedule 2 to this Agreement, 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 the date on which it is originally incurred.

*Section 5.04.* 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,<sup>1</sup> the Mortgage or the Bonds, or the payment of principal, interest

<sup>1</sup> See p. 70 of this volume.

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 5.05.* 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 with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement, the Mortgage or the Bonds.

*Section 5.06.* (a) Except as the Bank and the Borrower shall otherwise agree, 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 the currency in which the cost of the goods insured thereunder shall be payable or in any convertible currency.

(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 or building 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 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 : (i) Long-term Indebtedness, (ii) any debt maturing on demand, and (iii) any debt, in excess of ten million colones (¢10,000,000), maturing by its terms in one year or less.

(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 revenue from all sources, adjusted to take account of power and telecommunication 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 power and telecommunication 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 future expansion of its power and telecommunication facilities.

*Section 5.10.* (a) The Borrower shall promptly take all steps which shall be necessary to obtain title to the properties used or to be used for the construction of the Cachi hydroelectric plant described in Part A paragraphs 1 through 5 of Schedule 2 to this Agreement, free of all liens and encumbrances.

(b) Promptly after acquiring an ownership interest in any property used or to be used for the construction of the Cachi hydroelectric plant, described in Part A paragraphs 1 through 5 of Schedule 2 to this Agreement, or for the construction of such part of the telecommunication system as is described in Part B paragraph 1 of Schedule 2 to this Agreement, the Borrower shall notify the Bank of such acquisition, specifying all liens and encumbrances, if any, existing on such property at the time title is obtained by the Borrower.

#### Article VI

#### MORTGAGE

*Section 6.01.* (a) Promptly after acquiring title to any property used or to be used for the construction of the Cachi hydroelectric plant, described in Part A paragraphs 1 through 5 of Schedule 2 to this Agreement, 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 all such property.

(b) 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 used or to be used for the construction of such part of the telecommunication system described in Part B paragraph 1 of Schedule 2 to this Agreement, as shall be specified in such request; provided, however, that if the Borrower shall so desire and the Bank shall so agree, the Borrower shall instead 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 as shall be necessary to modify the *hipoteca y prenda industrial*, constituted pursuant to Article VI of the First Loan Agreement, to the effect that such *hipoteca y prenda industrial* shall secure the Loan, in favor of the Bank and of the holders from time to time of the Loan and the Bonds, in addition to the loan made by the Bank to the Borrower under the First Loan Agreement.

(c) The *hipotecas y prendas industriales de primer grado* provided for in paragraph (a) and paragraph (b) of 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 Mortgage the Borrower shall furnish to the Bank: (i) evidence satisfactory to the Bank that such 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 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 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 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) If any event specified in paragraph (a) or paragraph (b) of Section 7.02 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 any event specified in paragraph (c) of Section 7.02 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) 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) 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 referred to in paragraph (a) of Section 8.01 of this Agreement by reason of any default as specified in the agreement covering such loan ;

(c) 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.

*Section 7.03.* The Bank and the Borrower hereby agree that for the purposes of the First Loan Agreement and this Loan Agreement, respectively, an event referred to in paragraph (c) of Section 5.02 of the Loan Regulations No. 4 of the Bank applicable to

either one of these agreements shall be deemed to be an event under paragraph (c) of Section 5.02 of the Loan Regulations No. 4 of the Bank applicable to the other of these agreements.

### 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 (c) of the Loan Regulations :

(a) The Borrower shall have made arrangements satisfactory to the Bank to borrow an amount of ten million colones (¢10,000,000) for carrying out Part B of the Project.

(b) The President of the Republic of Costa Rica shall have issued a decree or decrees by which all the properties used or to be used for the construction of the Cachi hydro-electric plant, described in Part A paragraphs 1 through 5 of Schedule 2 to this Agreement, are declared expropriated in favor of the Borrower, or the Borrower shall have acquired ownership title, free of all liens and encumbrances, to such properties, whichever shall take place earlier.

*Section 8.02.* 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, namely :

(a) That the agreement containing the arrangements referred to in paragraph (a) of Section 8.01 above constitutes a valid and binding obligation of the parties thereto in accordance with its terms.

(b) That the decree or decrees referred to in paragraph (b) of Section 8.01 above are valid and effective, or that the Borrower shall have valid title to the properties described in said paragraph (b) free of all liens and encumbrances, as the case may be.

*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 September 30, 1967, or such other date as shall be agreed upon from time to time by the Bank and the Borrower.

*Section 9.02.* 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 George D. WOODS  
President

Instituto Costarricense de Electricidad :

By R. GIL P.  
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>
September 1, 1967 . . . . .	\$320,000	September 1, 1977 . . . . .	\$555,000
March 1, 1968 . . . . .	330,000	March 1, 1978 . . . . .	570,000
September 1, 1968 . . . . .	340,000	September 1, 1978 . . . . .	585,000
March 1, 1969 . . . . .	350,000	March 1, 1979 . . . . .	600,000
September 1, 1969 . . . . .	360,000	September 1, 1979 . . . . .	615,000
March 1, 1970 . . . . .	370,000	March 1, 1980 . . . . .	635,000
September 1, 1970 . . . . .	380,000	September 1, 1980 . . . . .	650,000
March 1, 1971 . . . . .	390,000	March 1, 1981 . . . . .	670,000
September 1, 1971 . . . . .	400,000	September 1, 1981 . . . . .	690,000
March 1, 1972 . . . . .	410,000	March 1, 1982 . . . . .	705,000
September 1, 1972 . . . . .	420,000	September 1, 1982 . . . . .	725,000
March 1, 1973 . . . . .	435,000	March 1, 1983 . . . . .	745,000
September 1, 1973 . . . . .	445,000	September 1, 1983 . . . . .	765,000
March 1, 1974 . . . . .	460,000	March 1, 1984 . . . . .	785,000
September 1, 1974 . . . . .	470,000	September 1, 1984 . . . . .	810,000
March 1, 1975 . . . . .	485,000	March 1, 1985 . . . . .	830,000
September 1, 1975 . . . . .	495,000	September 1, 1985 . . . . .	855,000
March 1, 1976 . . . . .	510,000	March 1, 1986 . . . . .	880,000
September 1, 1976 . . . . .	525,000	September 1, 1986 . . . . .	895,000
March 1, 1977 . . . . .	540,000		

\* 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%
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 . . .	1½%
More than eleven years but not more than sixteen years before maturity .	2½%
More than sixteen years but not more than nineteen years before maturity	3½%
More than nineteen years but not more than twenty-one years before maturity . . . . .	4½%
More than twenty-one years before maturity . . . . .	5½%

## SCHEDULE 2

## DESCRIPTION OF PROJECT

## PART A—POWER

This part of the Project is the construction of the Cachi hydroelectric plant with a capacity of 56 mw transmission lines and substations extending the existing power system operated by the Borrower and the extension of the Liberia diesel electric plant by 300 kw. The principal items of this part of the Project are :

1. A concrete arch dam, about 54 meters high at Cachi on Rio Reventazon, designed to create a reservoir with a capacity of 10.5 million cubic meters.
2. Intake works on the right bank of Rio Reventazon upstream of the dam equipped with sliding gates and trash racks.
3. A concrete lined pressure tunnel, some 5,940 meters long with a capacity of 35 cubic meters per second and an underground surge tank located at the end of the tunnel.
4. A steel lined tunnel section about 116 meters long and a steel penstock about 450 meters long connecting the pressure tunnel with the power house.
5. A power house, located at El Congo coffee and sugar mill, equipped with two 28,000 kw turbo-generating units and associated mechanical and electrical equipment necessary for the operation of the units and a short tailrace channel to return the water to Rio Reventazon.
6. Outdoor substations located adjacent to Cachi power house and at El Radio near Cartago and Limon and extensions to existing substations and switchyards at Ciruelitas, Barranca, El Meson, Esparta, Garita, Guacimo, Marvilla, Naranjo and Puntarenas.



7. Installation of a second circuit of the 38 kilometer Rio Macho-Colima 138 kv transmission line, about 110 kilometers of new 138 kv transmission lines and about 185 kilometers of 33 kv transmission lines.
8. Expansion of the Liberia diesel electric plant by installation of 300 kw diesel generating unit.

PART B—TELECOMMUNICATION

This part of the Project is the construction of automatic telephone exchanges for a total of 26,000 lines, cable and line networks and radio installations for interurban connections. The principal items of this part of the Project are :

1. In San José two main automatic telephone exchanges, one in the center of the town with 13,500 subscriber lines and switchboards for long distance traffic and information services, and one at San Pedro with 5,000 subscriber lines. Both exchanges are to be designed for later expansion and equipped with necessary auxiliary services. Six satellite telephone exchanges with a total of about 1,300 subscriber lines would be located in suburban areas.
2. In the towns of Alajuela, Cartago, Heredia, Puntarenas and Limon automatic telephone exchanges with a total of about 4,900 subscriber lines. In an additional 17 smaller towns, automatic telephone exchanges with a total of about 1,240 subscriber lines.
3. Networks to connect the exchange with the subscribers.
4. Cables to connect the towns of Alajuela, Heredia and Cartago with San José ; microwave installations to connect San José with Limon, Puntarenas and towns in the northern and southern part of the country ; and VHF radio equipment to provide connections to 17 smaller towns.
5. 30,000 telephone subscriber sets and 300 public telephones.