

No. 8265

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

**Guarantee Agreement—Telecommunications Project (with
annexed Loan Regulations No. 4 and Loan Agreement
between the Bank and the Compañía Anónima Nacional
Teléfonos de Venezuela). Signed at Washington, on
13 December 1965**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
20 July 1966.*

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

**Contrat de garantie — Projet relatif aux télécommunica-
tions (avec, en annexe, le Règlement n° 4 sur les em-
prunts et le Contrat d'emprunt entre la Banque et la
Compañía Anónima Nacional Teléfonos de Venezuela).
Signé à Washington, le 13 décembre 1965**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 20 juillet 1966.*

No. 8265. GUARANTEE AGREEMENT¹ (*TELECOMMUNICATIONS PROJECT*) BETWEEN THE REPUBLIC OF VENEZUELA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 13 DECEMBER 1965

AGREEMENT, dated December 13, 1965 between the REPUBLIC OF VENEZUELA (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 COMPAÑIA ANÓNIMA NACIONAL TELÉFONOS DE VENEZUELA (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 thirty-seven million dollars (\$37,000,000), 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 modification 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 Guarantee Agreement, unless the context shall otherwise require, the term defined in Section 1.02 of the Loan Agreement shall have the same meaning as therein set forth.

¹ Came into force on 1 February 1966, upon notification by the Bank to the Government of Venezuela.

² See p. 88 of this volume.

³ See p. 86 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions 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 of its political subdivisions or of any agency of the Guarantor or of any such political subdivision.

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; 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 and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor 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.

Section 3.06. The Guarantor covenants that it will not take or permit any of its political subdivisions or any of its agencies or any agency of any political subdivision 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 action which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations.

Section 3.07. The Guarantor covenants that it will cause the Borrower's rates for its services to be set and maintained at such levels as may be required to provide the Borrower with revenues (excluding subsidies from the Guarantor) sufficient to :

- (a) cover all operating and administrative expenses, including taxes, if any, and adequate maintenance and straight-line depreciation;
- (b) meet service payments on debt to the extent not covered by depreciation; and
- (c) produce a reasonable return on the realistic value of its total net fixed assets in operation.

Section 3.08. The Guarantor undertakes that : (a) by August 15, 1966, or such other date or dates as shall be agreed by the Guarantor and the Bank, it will transfer to the Borrower title to all the telecommunications property, plant, installations and equipment (with the exception of those connected with telegraph services) of the Ministry of Communications of the Guarantor as required by law dated July 6, 1965, published in the *Gaceta Oficial* Number 27,781 of July 8, 1965, of the Guarantor, such transfers to be made as free and unconditional equity investments of the Guarantor in the Borrower's capital; and (b) until the transfer of such property is effected, it will not modify, terminate or fail to enforce the Contract of Lease with respect to such property of October 19, 1964, between the Guarantor and the Borrower.

Section 3.09. The Guarantor covenants that, except as the Guarantor and the Bank shall otherwise agree : (a) the terms and conditions under which funds, assets or proceeds of credits have been made available by the Guarantor to the Borrower up to the date of this Agreement shall be amended to the effect that such funds, assets or proceeds of credits shall constitute, legally and financially, free and unconditional equity investments in the Borrower's capital; and (b) any such funds, assets or proceeds of credits to be made available thereafter shall be made available on the said terms and conditions.

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 Finance 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 :

Republic of Venezuela
Ministro de Hacienda
Caracas, Venezuela

Alternative address for cablegrams and radiograms :

Minhacienda
Caracas

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N. W.
Washington, D.C. 20433
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

Section 5.02. The Minister of Finance of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Venezuela :
By Carlos PÉREZ DE LA COVA
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
(TELECOMMUNICATIONS PROJECT)

AGREEMENT, dated December 13, 1965 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and COMPAÑÍA ANÓNIMA NACIONAL TELÉFONOS DE VENEZUELA (hereinafter called the Borrower).

Article I

LOAN REGULATIONS; SPECIAL DEFINITION

Section 1.01. The parties to the 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 modification thereof (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations): Section 9.04 of the Loan Regulations shall be deleted.

Section 1.02. Unless the context otherwise requires, the following term wherever used in the Loan Agreement shall have the following meaning:

The term "*Estatutos*" means the *estatutos* of the Borrower as published in the *Gaceta Municipal* of the Federal District of the Guarantor, dated August 27, 1965.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to thirty-seven million dollars (\$37,000,000).

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-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time from the Loan Account.

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

¹ See p. 86 of this volume.

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 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 and the Borrower 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 or international waters 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. 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. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

(b) In order to assist in carrying out the Project, the Borrower shall employ qualified and experienced consultants acceptable to, and upon terms and conditions satisfactory to, the Bank.

(c) Upon request from time to time by the Bank the Borrower shall 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.

Section 5.02. (a) The Borrower shall at all times manage its affairs, maintain its financial position, plan its future expansion and carry on its operations, all in accordance with sound business, financial and public utility practices and under the supervision of experienced and competent management entrusted with such executive functions and duties as are established in the *Estatutos*.

(b) Except as the Bank shall otherwise agree, 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 5.03. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and any other matters relating to the purposes of the Loan.

(b) 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 goods financed out of such proceeds, the Project, and the administration, operations and financial condition of the Borrower.

(c) 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

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

Section 5.04. (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) The Borrower shall at all times operate and maintain its plants, equipment and property, and from time to time make all necessary repairs and renewals thereof, in accordance with sound engineering and public utility practices.

Section 5.05. (a) The Borrower shall insure or cause to be insured with good and reputable insurers all goods financed with the proceeds of the Loan. Such insurance shall cover such marine, transit and other risks incident to purchase and importation of the goods into the territories of the Guarantor and delivery thereof to the site of the Project, and shall be for such amounts, as shall be consistent with sound commercial practices. Except as the Bank shall otherwise agree, any indemnity under such insurance shall be payable in the currency in which the cost of the goods insured thereunder shall be payable or in a freely convertible currency.

(b) In addition, the Borrower shall, except as the Bank shall otherwise agree, take out and maintain, with good and reputable insurers, insurance against such risks and in such amounts as shall be consistent with sound public utility and business practices.

Section 5.06. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (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 the date on which it is originally incurred.

Section 5.07. (a) Except as the Bank shall otherwise agree, the Borrower shall not : (i) during the period of construction of the Project, incur any debt other than debt, on terms and conditions satisfactory to the Bank, incurred for the purposes of financing the Project; and (ii) thereafter incur any debt unless its net revenues 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 twice 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 :

1. The term " debt " shall mean all debt of the Borrower maturing by its terms more than one year after the date on which it is originally incurred;
2. Debt shall be deemed to be incurred on the day such debt becomes outstanding and repayable in accordance with the loan contract or agreement providing therefor;
3. The term " net revenues " shall mean gross revenues from all sources, adjusted to take account of the Borrower's rates in effect at the time of the incurrence of debt 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 provision for taxes, if any, but before provision covering depreciation, interest and other charges on debt;

4. The term "debt service requirement" shall mean the aggregate amount of amortization (including sinking fund payments, if any), interest and other charges on debt; and
5. Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt 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 debt.

Section 5.08. Except as the Bank shall otherwise agree, the Borrower shall not, during the period of construction of the Project, declare or pay any dividend or make any other distribution on any of the shares of common stock of the Borrower from time to time outstanding other than a dividend payable in such shares.

Section 5.09. The Borrower shall take all steps necessary to cause the rates for its services to be set and maintained at such levels as may be required to provide the Borrower with revenues (excluding subsidies from the Guarantor) sufficient to :

- (a) cover all operating and administrative expenses, including taxes, if any, and adequate maintenance and straight-line depreciation;
- (b) meet service payments on debt to the extent not covered by depreciation; and
- (c) produce a reasonable return on the realistic value of its total net fixed assets in operation.

Section 5.10. Subject to the exemptions conferred by the provisions of Sections 3.03 and 3.04 of the Guarantee Agreement,¹ 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 the Loan Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of 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 5.11. Subject to the exemptions conferred by the provisions of Sections 3.03 and 3.04 of the Guarantee Agreement, 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 the Loan Agreement, the Guarantee Agreement or the Bonds.

¹ See p. 78 of this volume.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) 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 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 of the Loan Regulations, namely :

(a) A substantial amendment of the *Estatutos* shall have been made without the agreement of the Bank.

(b) A breach of Article 13 of the *Estatutos* of the Borrower shall have been committed.

(c) Transfer to the Borrower shall have been made without the agreement of the Bank of the telegraph services now operated by the Ministry of Communications of the Guarantor or other telecommunications services not specifically referred to in clause *Primera* of Law dated July 6, 1965, published in the *Gaceta Oficial* Number 27,781 of July 8, 1965 of the Guarantor.

(d) The Guarantor shall, without the agreement of the Bank, have modified or terminated or failed to enforce Clause Eighth of the Exchange Agreement between the Guarantor and the Central Bank of Venezuela as published in the *Gaceta Oficial* of the Guarantor Number 892 of January 18, 1964.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement and the Guarantee Agreement within the meaning of Section 9.01 (c) of the Loan Regulations :

(a) Specific undertakings, on terms and conditions satisfactory to the Bank, have been received by the Borrower for financing the foreign exchange costs payable by it in respect of the telecommunications facilities between St. Thomas, Virgin Islands (U.S.A.) and Jacksonville, Florida (U.S.A.).

(b) Specific arrangements, on terms and conditions satisfactory to the Bank, have been made with the Borrower's preferred shareholders for retirement of the Borrower's outstanding preferred shares.

- (c) Contractual arrangements, on terms and conditions satisfactory to the Bank, have been made with Corporación Venezolana de Fomento, for payment, not later than April 21, 1967 or such other date or dates as the Bank and the Borrower shall otherwise agree, of the Borrower's due and unpaid unsecured bonds of 1954-1955 amounting to four million bolivares held on the date of this Agreement by Corporación Venezolana de Fomento, such arrangements to include, among other things, an endorsement on the bonds of such new payment date.

Section 7.02. If the Loan Agreement and the Guarantee Agreement shall not have come into force and effect by April 15, 1966, the Loan Agreement and the Guarantee Agreement and all obligations of the parties under such Agreements shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be March 31, 1969, or such other date or dates 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 :

Compañía Anónima Nacional Teléfonos de Venezuela
Apartado Postal No. 1226
Caracas, Venezuela

Alternative address for cablegrams and radiograms :

Multiple
Caracas

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
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

Compañía Anónima Nacional Teléfonos de Venezuela :

By Jorge ARMAND
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, 1969	\$1,050,000	March 1, 1976	\$1,490,000
March 1, 1970	1,075,000	September 1, 1976	1,535,000
September 1, 1970	1,105,000	March 1, 1977	1,575,000
March 1, 1971	1,135,000	September 1, 1977	1,620,000
September 1, 1971	1,170,000	March 1, 1978	1,665,000
March 1, 1972	1,200,000	September 1, 1978	1,710,000
September 1, 1972	1,235,000	March 1, 1979	1,755,000
March 1, 1973	1,270,000	September 1, 1979	1,805,000
September 1, 1973	1,305,000	March 1, 1980	1,855,000
March 1, 1974	1,340,000	September 1, 1980	1,905,000
September 1, 1974	1,375,000	March 1, 1981	1,955,000
March 1, 1975	1,415,000	September 1, 1981	2,005,000
September 1, 1975	1,450,000		

* 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	2%
More than six years but not more than eleven years before maturity	3½%
More than eleven years but not more than fourteen years before maturity	4½%
More than fourteen years before maturity	5½%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is a program for the modernization and expansion of local and long-distance telecommunications facilities for the period 1965-1968.

The Project includes :

1. Approximately 107,000 lines of automatic exchange equipment (of which no more than 53,000 lines are to be financed out of the proceeds of the Loan) with corresponding buildings, cable networks, telephones and accessory installations.
2. Approximately 348,000 kilometers of long-distance circuits, provided by means of :
(a) expansion of the existing Eastern microwave system; (b) construction of a Western microwave system extending from Caracas to Maracaibo and San Cristóbal; and (c) installation of carrier equipment, cables, radio and open-wire circuits.
3. The installation of equipment permitting direct subscriber long-distance dialing between 29 cities and extensions for direct operator dialing.
4. A submarine cable between La Guaira, Venezuela, and St. Thomas, Virgin Islands (U.S.A.), connecting with an existing submarine cable at St. Thomas, Virgin Islands (U.S.A.) to provide telecommunications facilities with Jacksonville, Florida (U.S.A.).
5. A new international long-distance switchboard, and high-frequency radio equipment to provide approximately 18 international telephone circuits and 37 international telegraph circuits.
6. Telex switching facilities for approximately 1,200 lines.
7. A headquarters building in Caracas.
8. Assistance of consultants in reviewing the Borrower's rate structure, planning its future expansion and improving its methods of operation.

* * *

The Project is expected to be completed by June 30, 1968.