

No. 8628

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

Guarantee Agreement—*Extra-High-Voltage Transmission Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and C.V.G. Electrificación del Caroní C.A.). Signed at Washington, on 26 January 1967

Official text: English.

Registered by the International Bank for Reconstruction and Development on 9 May 1967.

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

Contrat de garantie — *Projet relatif au transport de l'énergie électrique à très haute tension* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la C.V.G. Electrificación del Caroní C.A.). Signé à Washington, le 26 janvier 1967

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 9 mai 1967.

No. 8628. GUARANTEE AGREEMENT¹ (*EXTRA-HIGH VOLTAGE TRANSMISSION PROJECT*) BETWEEN THE REPUBLIC OF VENEZUELA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 26 JANUARY 1967

AGREEMENT, dated January 26, 1967, 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 C.V.G. Electrificación del Caroní C.A. (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to fifteen million dollars (\$15,000,000), 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 Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,² 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 Agreement, the terms defined in Section 1.02 of the Loan Agreement shall have the same meanings as therein set forth.

¹ Came into force on 3 May 1967, upon notification by the Bank to the Government of Venezuela.

² See p. 44 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

tor, 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 (including CVG and CVF) 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 (including Section 5.14 of the Loan Agreement), and will take or cause to be taken all reasonable action (including action by CVG and CVF) which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations (including Section 5.14 of the Loan Agreement).

Section 3.07. The Guarantor shall, in accordance with its laws, take all such reasonable action (including the provision of adequate funds) as shall be necessary or advisable in order to complete, as soon as possible but not later

than July 1, 1970 or such other date as shall be agreed between the Guarantor and the Bank, the conversion from 50-cycle to 60-cycle operation of all electrical facilities and equipment of the power company serving the area of Caracas and of its customers in order to permit the interconnection of the Borrower's power system with the power system serving such area.

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
Ministerio 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.

Section 5.03. If the Loan Agreement terminates pursuant to Section 7.03 thereof, this Agreement and all obligations of the parties hereunder shall terminate.

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 PEREZ DE LA COVA
Authorized Representative

International Bank for Reconstruction and Development :
By J. Burke KNAPP
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
LOAN REGULATIONS No. 4, DATED 15 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
(EXTRA-HIGH-VOLTAGE TRANSMISSION PROJECT)

AGREEMENT, dated January 26, 1967, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and C.V.G. ELECTRIFICACIÓN DEL CARONÍ C.A. (hereinafter called the Borrower).

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to the Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961¹ 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 shall be deleted.

¹ See above.

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

(a) The term " CVG " means Corporación Venezolana de Guayana, a public *organismo* of the Guarantor created and existing under Decree Number 430 of December 29, 1960, of the Guarantor, and owning and controlling substantially all of the capital stock of the Borrower, or any successor to CVG.

(b) The term " First Loan Agreement " means the Loan Agreement (*Guri Hydroelectric Project*) dated September 20, 1963¹ between the Bank and the Borrower, and the terms " First Loan " and " Guri Project " mean, respectively, the loan and project provided for therein.

(c) The term " First Guarantee Agreement " means the Guarantee Agreement (*Guri Hydroelectric Project*) dated September 20, 1963, between the Guarantor and the Bank.

(d) The term " Borrower " means C.V.G. Electrificación del Caroní C.A., or any successor thereto, and includes any subsidiaries of the Borrower and any companies or businesses owned or effectively controlled by it.

(e) The term " CADAFE " means C.A. de Administración y Fomento Eléctrico, a *sociedad anónima* created and existing under the laws of the Guarantor, or any successor or successors thereto.

(f) The term " CVF " means Corporación Venezolana de Fomento, a public *organismo* of the Guarantor existing under Decree Number 416 of June 20, 1952, of the Guarantor, and owning and controlling substantially all of the capital stock of CADAFE, or any successor or successors to CVF.

(g) The term " *Estatutos* " means the *estatutos* of the Borrower as published in the *Gaceta Municipal* of the Federal District of the Guarantor, dated August 2, 1963, with such amendments as have been made up to the date of this Agreement.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to fifteen million dollars (\$15,000,000).

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.

¹ United Nations, *Treaty Series*, Vol. 482, p. 227.

Section 2.04. The Borrower shall pay interest at the rate of six per cent (6%) per annum on the principal amount of the Loan so withdrawn and outstanding 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. (a) For the purpose of facilitating the sale of portions of the Loan, the Bonds, portions of the First Loan or bonds representing the First Loan, it is agreed that in connection with any such sale :

- (i) notwithstanding the provisions of Section 3.03 of the Loan Regulations, the Borrower and the Bank may from time to time agree that any portion of the Loan or the First Loan repayable in one currency may be made repayable in one or more other currencies and from the date specified in such agreement such portion of the Loan or the First Loan shall be repayable in such other currency or currencies; and
- (ii) the Bank may from time to time, by notice to the Borrower, interchange equivalent portions of the Loan and the First Loan repayable in different currencies under the provisions of such Section 3.03, provided that the aggregate amount so to be repaid in any currency in respect of the Loan and the First Loan and the amounts of the respective maturities set forth in the amortization schedules to this Agreement and the First Loan Agreement shall not be varied.

(b) Any agreement between the Borrower and the Bank pursuant to subparagraph *(a)* (i) of this Section with respect to the First Loan, and any interchange of equivalent portions of the Loan and the First Loan pursuant to subparagraph *(a)* (ii) of this Section shall be subject to the approval of the Guarantor.

Section 2.07. Interest and other charges shall be payable semi-annually on March 15 and September 15 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule I to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

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 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 Borrower and the Bank, subject to modification by further agreement between them.

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

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.

Section 4.03. Notwithstanding the provisions of Section 6.06 of the Loan Regulations, the Bank may from time to time request pursuant to Section 6.03 or Section 6.11 of the Loan Regulations, and the Borrower shall execute and deliver, Bonds providing : (a) for the payment on a single date of two or more maturities, or parts thereof, specified in such request, of installments of the principal amount of the Loan set forth in Schedule 1 to this Agreement; (b) that the principal amount of each such Bond shall be payable in a single currency on the date of the latest maturity of the installments specified in such request; (c) that as a sinking fund for such Bonds the Borrower will, on each date specified in Schedule 1 to this Agreement as the maturity of an installment of the portion, or all, of the Loan represented by such Bonds, redeem a principal amount of such Bonds equal to the amount of such installments; (d) that the Bonds to be redeemed in whole or in part shall be selected by lot; (e) that no premium shall be payable on such redemption; (f) that the obligation of the Borrower to redeem Bonds shall be satisfied *pro tanto* by the substitution of uncanceled Bonds issued pursuant to such request, Bonds so substituted to be valued for such purpose at their principal amount; and (g) that all Bonds so redeemed or substituted shall be immediately cancelled. All the provisions of this Article IV and of Article VI of the Loan Regulations shall apply to such Bonds except that appropriate changes shall be made in the forms of Bonds as the Bank shall reasonably request in order to give effect to the provisions of this Section 4.03.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 5.02. In order to assist it in the carrying out of the Project, the Borrower shall, except as the Bank shall otherwise agree, at all times employ competent and experienced consultants acceptable to, and upon terms and conditions satisfactory to, the Bank.

Section 5.03. (a) The Borrower shall at all times maintain its corporate existence and right to carry on its operations and shall take all steps necessary to acquire, maintain and renew all such rights, powers, privileges, franchises and concessions as shall be 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 and public utility practices.

Section 5.04. (a) The Borrower shall at all times manage its affairs, plan the future expansion of its power system and maintain its financial position, all in accordance with sound business, financial and public utility principles and practices and under the supervision of experienced and competent management entrusted with such executive functions and duties as are established in the *Estatutos*.

(b) 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 5.05. 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 5.06. (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 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.

Section 5.07. 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; and 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 5.08. 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 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 5.09. 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.

Section 5.10. (a) The Borrower shall insure or cause to be insured with good and reputable insurers all goods financed out of 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 sites 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, except as the Bank shall otherwise agree, the Borrower shall 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 5.11. Except as the Bank shall otherwise agree, the Borrower shall not, during the period of construction of the Project, undertake, or permit to be undertaken on its behalf, any major expansion project (other than the Guri Project and the Project) or make any major addition to its plants and other property.

Section 5.12. Except as the Bank shall otherwise agree : (a) the Borrower shall obtain title to all goods financed out of the proceeds of the Loan free and clear of all encumbrances; and (b) the Borrower shall not, without the consent of the Bank, sell or otherwise dispose of any of its property or assets which shall be required for the efficient carrying on of its business and undertaking, including the Project, unless the Borrower shall first pay or redeem, or make adequate provision satisfactory to the Bank for payment or redemption of, all of the Loan and the Bonds which shall then be outstanding and unpaid.

Section 5.13. Except as the Bank shall otherwise agree, the Borrower shall not, during the years 1968 to 1971, both inclusive, declare or pay any dividend or make any other distribution on any of the shares of capital stock of the Borrower from time to time outstanding other than a dividend payable in such shares.

Section 5.14. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall set and maintain its rates for the sale of electricity at such levels as may be necessary to provide revenues sufficient to : (a) cover all operating expenses of the Borrower, including adequate maintenance and taxes, if any, and straight-line depreciation; (b) meet service payments on debt to the extent not covered by depreciation; and (c) produce a reasonable return on its total net fixed assets in operation.

Section 5.15. 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 its date.

Section 5.16. (a) Except as the Bank shall otherwise agree, the Borrower shall not : (i) during the period of construction of the Project incur any debt; 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 1.4 times the maximum debt service requirement for any succeeding fiscal year on all debt, including the debt to be incurred.

(b) Except as the Bank shall otherwise agree, the Borrower shall not : (i) incur any debt on its own behalf or on behalf of any other entity for purposes of frequency unification; (ii) permit any agency or *organismo* of the Guarantor or any other entity to incur debt or any other obligation on the Borrower's behalf or for the purposes of the Borrower's electricity generating, transmission or distribution operations; or (iii) consent to the contribution of funds by CVG or the Guarantor to the Borrower's capital (other than debt which would meet the requirements of subsection (a) of this Section) unless such funds

are made available to the Borrower on terms and conditions whereby such funds shall constitute, legally and financially, a free and unconditional equity investment in the capital of the Borrower.

For the purposes of this Section :

1. The term " debt " shall mean all debt except debt incurred in the ordinary course of business and maturing by its terms on demand or less than one year after it is incurred;
2. Debt shall be deemed to be incurred on the date of execution and delivery of the contract or loan agreement providing for such debt;
3. The term " net revenues " shall mean gross revenues from all sources, adjusted to take account of electricity 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 5.17. Except as the Bank shall otherwise agree, the Borrower shall not directly or indirectly acquire the ownership or effective control of any company or business, unless such acquisition is made in accordance with a financing plan satisfactory to the Bank.

Article VI

REMEDIES OF THE BANK; AMENDMENTS OF FIRST LOAN AGREEMENT

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 such Section 5.02 or in paragraphs (a) through (e), both inclusive, of 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. For the purposes of Section 5.02 (j) of the Loan Regulations, the following additional events are specified :

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

(b) A breach of Article 20 of the *Estatutos* shall have been committed;

(c) Funds hereafter made available by CVG or the Guarantor to the Borrower's capital (other than debt which would meet the requirements of subsection (a) of Section 5.16 of this Agreement) shall, except as the Bank shall otherwise agree, have been made available on terms and conditions whereby such funds shall not constitute, legally and financially, free and unconditional equity investments in the capital of the Borrower;

(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 Official Gazette of the Guarantor No. 892 of January 18, 1964;

(e) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the First Loan Agreement, the First Guarantee Agreement, or the bonds provided for therein; and

(f) Failure by the Borrower or the Guarantor to fulfill an obligation to make payment of principal or interest or any other payment required under the Loan Agreement, the Guarantee Agreement or the Bonds or under any other loan agreement between the Bank and the Borrower or under any loan agreement or guarantee agreement between the Guarantor and the Bank or any bond delivered pursuant to any such agreement even though such payment has been made by other persons.

Section 6.03. For the purposes of the First Loan Agreement, paragraph (c) of Section 5.02 of the Loan Regulations is hereby amended to read as follows :

“ (c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement, or the Bonds, or under the loan agreement dated January 26, 1967, between the Bank and the Borrower, the guarantee agreement of even date therewith between the Guarantor and the Bank or the bonds therein provided for. ”;

and the term “ Loan Regulations ” as used for the purposes of the First Loan Agreement shall mean Loan Regulations No. 4 of the Bank, dated February 15, 1961, as modified by the First Loan Agreement and as further amended hereby.

Section 6.04. Schedule 2 (Description of the Project) to the First Loan Agreement is hereby amended as follows : (i) in paragraph III of letter A thereof, the word “ three ” shall be substituted for the word “ two ” and the word “ seven ” shall be substituted for the word “ eight ”; and (ii) letter C thereof shall be deleted.

Article VII

EFFECTIVE DATE; TERMINATION

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

(a) Specific arrangements, on terms and conditions satisfactory to the Bank, have been made with CADAPE with respect to (i) joint planning by the Borrower and CADAPE of power system expansion in the Borrower's market area (including, *inter alia*, nature and timing of any power generating facilities to be constructed by CADAPE in such area); and (ii) the sale by the Borrower to CADAPE of electricity transmitted by the Project from the Borrower's generating plants to the CADAPE system.

(b) Specific arrangements, on terms and conditions satisfactory to the Bank, have been made with CADAPE with respect to the use by the Borrower of such CADAPE property as shall be required to enable the Borrower to construct and operate, at El Tigre and Santa Teresa, the substations included in Part A II of the Project.

(c) Except as the Bank shall otherwise agree, all necessary acts, consents and approvals to be performed or given by the Guarantor, its political subdivisions or agencies or by any agency of any political subdivision or otherwise to be performed or given in order to authorize the carrying out of the Project and to enable the Borrower to perform all of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained, together with all necessary powers and rights in connection therewith, have been performed or given.

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

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

(a) That all acts, consents and approvals referred to in Section 7.01(c) together with all necessary powers and rights in connection therewith, have been duly and validly performed or given and that no other such acts, consents or approvals are required in order to authorize the carrying out of the Project and to enable the Borrower to perform all of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained.

(b) That the arrangements referred to in Section 7.01(a) and (b) are valid and binding on the parties in accordance with their terms.

Section 7.03. If the Loan Agreement shall not have come into force and effect by April 30, 1967, the Loan Agreement and all obligations of the parties thereunder shall

terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Bank shall promptly notify the Borrower of such date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be August 31, 1970, 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 :

C.V.G. Electrificación del Caroní C.A.
Ave. La Estancia No. 10
Ciudad Comercial Tamanaco
Caracas, Venezuela

Alternative address for cablegrams and radiograms :

Elcaroni
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 J. Burke KNAPP
Vice President

C.V.G. Electrificación del Caroní C.A.

By Rafael Alfonso RAVARD
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 15, 1970	\$260,000	March 15, 1979	\$430,000
March 15, 1971	270,000	September 15, 1979	440,000
September 15, 1971	275,000	March 15, 1980	455,000
March 15, 1972	285,000	September 15, 1980	470,000
September 15, 1972	290,000	March 15, 1981	485,000
March 15, 1973	300,000	September 15, 1981	500,000
September 15, 1973	310,000	March 15, 1982	515,000
March 15, 1974	320,000	September 15, 1982	530,000
September 15, 1974	330,000	March 15, 1983	545,000
March 15, 1975	340,000	September 15, 1983	560,000
September 15, 1975	350,000	March 15, 1984	575,000
March 15, 1976	360,000	September 15, 1984	595,000
September 15, 1976	370,000	March 15, 1985	610,000
March 15, 1977	380,000	September 15, 1985	630,000
September 15, 1977	395,000	March 15, 1986	650,000
March 15, 1978	405,000	September 15, 1986	670,000
September 15, 1978	415,000	March 15, 1987	685,000

* 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	1½%
More than six years but not more than eleven years before maturity	2½%
More than eleven years but not more than sixteen years before maturity	3½%
More than sixteen years but not more than eighteen years before maturity	5%
More than eighteen years before maturity	6%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of : (1) a 400-kv transmission line about 570 kms in length from the Guri Hydroelectric Plant to a terminal at Santa Teresa; and (2) three 400-kv substations.

PART A

The principal works to be constructed are :

- I. A single-circuit steel-tower 400-kv transmission line with two 1033.5 MCM ACSR conductors per phase, and two ground wires.

- II. Three 400-kv substations : one at the Guri Plant; the second, adjacent to the CADAPE 230-kv substation at El Tigre; and the third, adjacent to the CADAPE 230-kv substation at Santa Teresa. Each 400-kv substation will include all necessary transformers, switchgear, control apparatus and auxiliary equipment. The 400-kv power transformer to be located at El Tigre may be ultimately relocated at Santa Teresa.

It is estimated that the facilities included in this Part of the Project will be completed by the end of 1969.

PART B

The Project also includes training of staff competent to operate the Project and all other power facilities of the Borrower efficiently by the time the Project comes into operation.
