

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

Guarantee Agreement—*El Chocon Power Project* (with annexed Loan Regulations No. 4, as amended, and Loan Agreement between the Bank and the Hidronor S. A. Hidroelectrica Norpatagonica Sociedad Anonima). Signed at Washington on 19 December 1968

Authentic text : English.

Registered by the International Bank for Reconstruction and Development on 13 June 1969.

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

Contrat de garantie — *Projet d'électrification d'El Chocon* (avec, en annexe, le Règlement n° 4 sur les emprunts, tel qu'il a été modifié, et le Contrat d'emprunt entre la Banque et l'Hidronor S. A. Hidroelectrica Norpatagonica Sociedad Anonima). Signé à Washington le 19 décembre 1968

Texte authentique : anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 13 juin 1969.

GUARANTEE AGREEMENT¹

AGREEMENT, dated December 19, 1968, between THE ARGENTINE REPUBLIC (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Hidronor S.A. Hidroelectrica Norpatagonica Sociedad Anonima (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 eighty-two million dollars (\$82,000,000), 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 as amended February 9, 1967,² 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 21 March 1969, upon notification by the Bank to the Government of Argentina.

² See p. 338 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 to : (a) make available to the Borrower the proceeds of the surcharges; and (b) whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures, either by receiving dividend payments on the class A common shares of the Borrower held by the Guarantor or by its agencies solely in shares of stock of the Borrower in lieu of cash or by reducing or waiving the amortization payments provided for in the Concession in respect of the Guarantor's investment in the Borrower's non-power assets or by making additional equity investment in the Borrower or otherwise.

Article III

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

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any agency of the Guarantor, including assets of the Banco Central de la República Argentina or any institution performing the functions of a central bank for the Guarantor.

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

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

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

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Agreement, the Loan Agreement and the Bonds and the protocolization, recordation and registration of the undertaking contained in Section 5.15 (a) of the Loan Agreement shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery, protocolization, recordation or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Section 3.06. The Guarantor covenants that it will from time to time grant or cause to be granted to the Borrower, rates for the sale of electricity or adjustments thereof as may be necessary to provide revenues sufficient to : (a) cover all operating expenses including taxes and provide for adequate maintenance and depreciation of assets based on realistic valuations thereof; and (b) provide the return on the Borrower's investment authorized by the Concession.

Section 3.07. The Guarantor covenants that it shall take or cause its agencies and Segba, by reason of its present beneficial ownership of all or substantially all of the shares of Segba, to take all action necessary to bring about coordination of the expansion of generation, transmission and distribution facilities of all electric utility entities furnishing power to the Greater Buenos Aires area (including the Borrower) in order to prevent waste of energy, duplication of facilities and unnecessary investment.

Section 3.08. The Guarantor shall take all reasonable steps required on its part to enable the Borrower to : (a) obtain, on reasonable terms, the credit required under Section 5.17 of the Loan Agreement, and (b) apply the proceeds of such credit to financing payments for goods not financed under the Loan Agreement or out of the proceeds of the surcharges.

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 Trabajo* of the Guarantor and such person or persons as he shall appoint in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Ministerio de Economía y Trabajo
Buenos Aires, Argentina

Cable address :

Ministerio Economía
Buenos Aires

For the Bank :

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

Cable address :

Intbafrad
Washington, D.C.

Section 5.02. The *Ministro de Economía y Trabajo* of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

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

The Argentine Republic :

By Luis M. GOTELLI
Authorized Representative

International Bank for Reconstruction and Development :

By Robert S. McNAMARA
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961,
AS AMENDED 9 FEBRUARY 1967

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

[Not published herein. See *United Nations, Treaty Series, vol. 598, p. 270.*]

LOAN AGREEMENT

AGREEMENT, dated December 19, 1968, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and HIDRONOR S.A. HIDROELECTRICA NORPATAGONICA SOCIEDAD ANONIMA (hereinafter called the Borrower).

Article I

LOAN REGULATIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961 as amended February 9, 1967¹, 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 4.01 is deleted.

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

(a) The term "*Estatuto*" means the *estatuto* of the Borrower, as approved by Resolution No. 1906 of the Secretary of Justice of the Guarantor, dated November 10, 1967.

(b) The term "Concession" means the concession regulating the activity of the Borrower to be granted by the Guarantor to the Borrower pursuant to Law No. 17,574 dated December 21, 1967 and referred to in Section 7.01 (b) of this Agreement.

(c) The term "surcharges" means the 5 % surcharge payable on consumption of electricity and the 5 % surcharge payable on crude petroleum the proceeds of which are to be made available by the Guarantor to the Borrower as provided in Article 2 of Law No. 17,574.

(d) The term "Segba" means Servicios Electricos del Gran Buenos Aires, S. A.

(e) The term "CCC Complex" means the El Chocon-Cerros Colorados complex as defined in Article I of Law No. 17,574 and in the Concession.

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 eighty-two million dollars (\$ 82,000,000).

Section 2.02. (a) 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.

(b) The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations and in accordance with the Allocation of the Proceeds of the Loan set forth in Schedule I to this Agreement, as such Allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Bank.

¹ See p. 338 of this volume.

Section 2.03. (a) The Borrower shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods required for the Project and to be financed under the Loan Agreement :

- (i) the equivalent of 48 % of such amounts as shall have been paid (or to the extent provided in Schedule I hereto, as shall be required to meet payments to be made) for civil works (Category I of such Allocation);
- (ii) such amounts as shall have been paid (or if the Bank shall so agree, as shall be required to meet payments to be made for gates, penstocks and miscellaneous steel (Category II of such Allocation) and for expenditures in currencies other than currency of the Guarantor for consulting engineers' services (Category III of such Allocation); and
- (iii) such amounts as shall be required to meet payments to be made to the Bank for interest and other charges on the Loan during construction (Category IV of such Allocation);

provided, however, that if there shall be an increase in the estimate of expenditures for civil works (Category I of such Allocation) the Bank may, from time to time, by notice to the Borrower, adjust the percentage provided for in paragraph (i) above as required in order that withdrawals from the Loan Account of the amount of the Loan then allocated to such works, and not withdrawn, shall continue to be made *pro rata* with the expenditures then remaining to be made therefor.

(b) Except as shall be otherwise agreed between the Borrower and the Bank, no withdrawals shall be made on account of expenditures prior to October 23, 1968; or (ii) expenditures made in the territories of any country which is not a member of the Bank (except Switzerland) or for goods produced in (including services supplied from) such territories.

Section 2.04. Withdrawals from the Loan Account pursuant to Section 2.03 (a) (i) of this Agreement or in respect of purchases in the currency of the Guarantor shall be in such currency or currencies as the Bank shall reasonably select.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1 %) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of six and one-half per cent ($6\frac{1}{2}$ %) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. 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 commitment outstanding from time to time.

Section 2.08. Interest and other charges shall be payable semi-annually on March 15 and September 15 in each year.

Section 2.09. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan in accordance with the provisions of the Loan Agreement to expenditures on the Project described in Schedule 3 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree: (a) the goods to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the Guidelines for Procurement under World Bank Loans and IDA Credits published by the Bank in February 1968, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Agreement; and (b) contracts for the procurement of such goods shall be subject to the approval of the Bank.

Section 3.03. Except as the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used exclusively in carrying out the Project.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

Section 4.02. The *Presidente* of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12 of the Loan Regulations. The *Presidente* of the Borrower may designate additional or other authorized representatives by appointment in writing notified to the Bank.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

Section 5.02. (a) The Borrower covenants that, 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 and the Borrower.

(b) Except as the Bank shall otherwise agree, the Borrower shall cause all works included in the Project to be constructed by contractors acceptable to the Bank and the Borrower.

Section 5.03. (a) The Borrower shall at all times take all steps necessary to: (i) maintain its corporate existence and right to carry on its operations, and (ii) 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 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 its future investment and maintain its financial position, all in accordance with sound business, financial and public utility principles and practices.

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

Section 5.05. The Borrower shall take all possible action: (a) to coordinate the operation and expansion of its generating and transmission facilities with Segba and other electric utility entities operating within the Greater Buenos Aires area in order to prevent waste of energy, duplication of facilities and unnecessary investment; and (b) to obtain such agreements with Segba and other electric utility entities in such areas as will permit the most economic operation of the Borrower and of the other generating plants supplying such area.

Section 5.06. (a) 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.

(b) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower.

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

(d) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the administration, operations and financial condition of the Borrower.

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

Section 5.07. (a) The Bank and the Borrower shall co-operate 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 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 5.08. 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,¹ the Bonds, or the protocolization, recordation and registration, if any, of the undertaking contained in Section 5.15 (a) of this Agreement, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.09. 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, or the protocolization, recordation and registration, if any, of the undertaking contained in Section 5.15 (a) of this Agreement.

Section 5.10. (a) The Borrower shall take out and maintain with responsible insurers or make other provision satisfactory to the Bank for insurance against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to acquisition, transportation and delivery

¹ See p. 330 of this volume.

thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 5.11. During the period of construction of the CCC Complex, the Borrower shall not undertake, or permit to be undertaken on its behalf, any expansion project not included in the CCC Complex or make any addition to its plants and other property not included therein, if in the opinion of the Bank such project or addition would jeopardize the carrying out of the CCC Complex or impair the financial condition of the Borrower.

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

Section 5.14. The Borrower covenants that: (a) its debt shall not exceed twice its total capital and surplus; and (b) except as the Bank shall otherwise agree, it shall not incur any debt if after the incurrence of any such debt the operating income of the Borrower for the fiscal year next preceding such incurrence or for a later consecutive twelve-month period, whichever is the greater, shall be less than one and one-half times the estimated maximum debt service requirement for any succeeding fiscal year on all debt, including the debt proposed to be incurred.

For the purposes of this Section:

1. The term "capital and surplus" means capital and surplus determined in accordance with sound accounting practices;
2. The term "debt" means all debt of the Borrower maturing by its terms on demand or more than one year after the date of its incurrence;
3. Debt shall be deemed to be incurred on the date of execution and delivery of the loan contract or agreement providing therefor or, in the case of guarantee of debt, on the date of execution and delivery of the contract providing for such guarantee;

4. The term "debt service" means the aggregate amount of amortization (including sinking fund payments, if any), interest and other charges on debt;

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

6. 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 5.15. (a) Except as the Bank shall otherwise agree : (i) the Borrower shall not voluntarily create or suffer to be created any mortgage, pledge or other right *in rem* on any of its assets in favor of third parties unless the Borrower shall at the same time create, in favor of the Bank, a mortgage, pledge or other right *in rem*, satisfactory to the Bank, which shall have priority and preference to, and shall rank ahead of, the mortgage, pledge or other right *in rem* first above mentioned, and, in the creation of any such mortgage, pledge or right *in rem*, the Borrower shall make express provision for the submission thereof to the priority, preference and prior rank of the Bank's rights; and (ii) if any such mortgage, pledge or other right *in rem* shall be created by operation of law the Borrower shall create in favor of the Bank an equivalent mortgage, pledge or other right *in rem* satisfactory to the Bank which shall secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds; provided, however, that the provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

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

Section 5.16. Except as the Bank shall otherwise agree, the Borrower shall not directly or indirectly pay or otherwise settle for a consideration, prior to maturity, any outstanding long-term debt of the Borrower. For the purposes of this Section, "long-term debt" means debt maturing by its terms more than one year after the date of its incurrence.

Section 5.17. The Borrower shall make its best efforts to obtain credit for use in financing payments for goods not financed under the Loan Agreement or out of the proceeds of the surcharges, such credit to be on such terms and conditions as shall be satisfactory to the Bank and the Borrower.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), 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 a default shall occur in the payment of principal or interest or any other payment required under any other loan agreement between the Bank and the Borrower or under any bond delivered pursuant thereto or under any credit agreement between the Association and the Borrower and such default shall continue for a period of thirty days, or (iii) if a default shall occur in the payment of principal or interest or any other payment required under any loan agreement or under any guarantee agreement between the Guarantor and the Bank or under any bond delivered pursuant to any such agreement or under any credit agreement between the Association and the Guarantor under circumstances which would make it unlikely that the Guarantor would meet its obligations under the Guarantee Agreement and such default shall continue for a period of thirty days, or (iv) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations or in Section 6.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance of any such event or default, 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 events are specified for the purposes of paragraph (l) of Section 5.02 of the Loan Regulations :

(a) a change shall have been made in the Borrower's *Estatuto* without the Bank's consent which, in the Bank's judgment, shall be a substantial change;

(b) the Guarantor or the Borrower shall, without the agreement of the Bank, have modified, or terminated, or failed to enforce or comply with, any of the provisions of the Concession; and

(c) demand shall have been made for repayment in advance of maturity of any credit obtained pursuant to the provisions of Section 5.17 of this Agreement by reason of any default on the part of the Borrower as provided in the contract or agreement establishing such credit.

Article VII

EFFECTIVE DATE; TERMINATION

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

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

- (b) The Guarantor has granted to the Borrower, on terms and conditions satisfactory to the Bank, a concession providing, *inter alia* for electricity rates, which, in the opinion of the Bank, will enable the Borrower to meet its obligations under this Agreement, and the Concession has become effective;
- (c) Arrangements satisfactory to the Bank have been made by the Borrower with Segba in respect of the purchase by Segba of electricity to be supplied by the Project to the Greater Buenos Aires area; and
- (d) Arrangements satisfactory to the Bank have been made by the Guarantor for making available to the Borrower the proceeds of the surcharges as required by the Borrower to meet its obligations under 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 the action provided for in paragraph (b) of Section 7.01 of this Agreement has been duly and validly taken, and the Concession has become fully effective in accordance with its terms;
- (b) that the arrangements provided for in paragraph (c) of Section 7.01 of this Agreement are valid and binding on the Borrower and Segba in accordance with their terms; and
- (c) that the arrangements provided for in paragraph (d) of Section 7.01 of this Agreement are valid and binding on the Guarantor and have become effective.

Section 7.03. If this Agreement shall not have come into force and effect by March 21, 1969, this Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Agreement.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1974 or such later date or dates as may be agreed by the Bank.

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

For the Borrower :

Hidronor S. A. Hidroelectrica Norpatagonica
Sociedad Anonima
L. N. Alem 1074
Buenos Aires, Argentina

Cable address :

Hidronor
Buenos Aires

For the Bank :

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

Cable address :

Intbafrad
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be 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 Robert S. McNAMARA
President

Hidronor S. A. Hidroelectrica Norpatagonica Sociedad Anonima :

By Manuel J. OLASCOAGA
Authorized Representative

SCHEDULE I

ALLOCATION OF THE PROCEEDS OF THE LOAN

<i>Category</i>	<i>U.S. Dollar Equivalent</i>
I. Civil Works (estimated foreign exchange component) :	
(a) Main contract, excluding construction equipment	27,600,000
(b) Construction equipment	<u>10,000,000</u>
	37,600,000
II. Gates, penstocks, miscellaneous steel	21,400,000
III. Consulting engineers' services	6,300,000
IV. Interest and other charges on the Loan during construction	<u>16,700,000</u>
	TOTAL
	<u><u>82,000,000</u></u>

Withdrawals under Category I

The Borrower may, within one year after the date of the Loan Agreement, withdraw from the Loan Account up to 100 % of amounts paid for the cost of construction equipment under part (b) of Category I above, but not in excess in the aggregate of the equivalent of \$ 10,000,000. Amounts so disbursed under part (b) of Category I in excess of 48 % of such cost would be subsequently adjusted by the Bank by proportionately reducing, as determined by the Bank, disbursements under part (a) of such Category I. If the total cost of such equipment amounts to less than \$ 10,000,000, the Bank will transfer the remaining balance to such part (a).

SCHEDULE 2

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
March 15, 1975	1,075,000	March 15, 1985	2,035,000
September 15, 1975	1,110,000	September 15, 1985	2,105,000
March 15, 1976	1,145,000	March 15, 1986	2,170,000
September 15, 1976	1,180,000	September 15, 1986	2,240,000
March 15, 1977	1,220,000	March 15, 1987	2,315,000
September 15, 1977	1,260,000	September 15, 1987	2,390,000
March 15, 1978	1,300,000	March 15, 1988	2,465,000
September 15, 1978	1,345,000	September 15, 1988	2,550,000
March 15, 1979	1,390,000	March 15, 1989	2,630,000
September 15, 1979	1,435,000	September 15, 1989	2,715,000
March 15, 1980	1,480,000	March 15, 1990	2,805,000
September 15, 1980	1,525,000	September 15, 1990	2,895,000
March 15, 1981	1,575,000	March 15, 1991	2,990,000
September 15, 1981	1,630,000	September 15, 1991	3,085,000
March 15, 1982	1,680,000	March 15, 1992	3,185,000
September 15, 1982	1,735,000	September 15, 1992	3,290,000
March 15, 1983	1,790,000	March 15, 1993	3,395,000
September 15, 1983	1,850,000	September 15, 1993	3,510,000
March 15, 1984	1,910,000	March 15, 1994	3,625,000
September 15, 1984	1,970,000		

* 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	$\frac{1}{4}$ of 1 %
More than three years but not more than six years before maturity	1 $\frac{1}{4}$ %
More than six years but not more than eleven years before maturity	2 $\frac{1}{4}$ %
More than eleven years but not more than sixteen years before maturity	3 $\frac{1}{4}$ %
More than sixteen years but not more than twenty-one years before maturity	5 %
More than twenty-one years but not more than twenty-three years before maturity	6 %
More than twenty-three years before maturity	6 $\frac{1}{2}$ %

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project is part of the El Chocon-Cerros Colorados Complex. The complex comprises an ultimate development of 1,200,000 kw at El Chocon, 450,000 kw at Planicie Banderita, and 500 kv transmission facilities to provide power to the Greater Buenos Aires area. The Project consists of the following principal elements :

1. The El Chocon village, including housing, a church, a school, a rest house, commercial buildings, and a social and sports center. The village will have paved streets, sidewalks, and drains; water supply and sewerage systems, and an electrical distribution network.
2. The El Chocon earthfill dam across the Rio Limay capable of storing water up to a normal maximum level of about 381 meters above sea level. A gated concrete spillway on the right bank and a gated concrete intake structure on the left bank.
3. The El Chocon powerhouse on the left bank down-stream of the dam and three 200 Mw Francis-type turbine generators and ancillary equipment related thereto. Steel-lined penstock tunnels to connect the intake to the powerhouse. A tailrace channel to return the water discharged from the powerhouse to the river.
4. A 500 kv transmission system consisting of two single-circuit three-phase overhead lines about 1,080 kilometers long. A switchyard at the El Chocon powerhouse, intermediate switching stations near Puelches and Henderson, and step-down substation(s) near Buenos Aires.

The Project is expected to be in operation before June 1, 1973 and the three generating units by December 31, 1973.

SCHEDULE 4

SUPPLEMENTARY PROCEDURES FOR PROCUREMENT

1. With respect to subcontracts for penstocks, gates, powerhouse superstructure etc., involving an amount of \$ 100,000 equivalent or more, the following procedures shall apply :

- a) Before bids are invited, the Borrower shall submit to the Bank for approval : the invitations to bid, specifications and all other tender documents, together with a description of advertising procedures.
- b) After bids have been received and analyzed, the bid analysis and recommendation for contract award, together with the reasons for such recommendation, shall be submitted by the Borrower to the Bank for approval prior to the contract award or the issuance of a letter of intent.
- c) If the proposed final contract differs substantially from the terms and conditions previously approved by the Bank, the text of the proposed changes shall be submitted to the Bank for approval.
- d) As soon as a contract is signed, the Borrower shall furnish to the Bank a signed copy thereof.

2. With respect to the main civil works contract and any contract involving an amount less than \$ 100,000 equivalent (excepting contracts for consulting engineers' services), the Borrower shall furnish to the Bank all bidding documents including the bid evaluation report before submission of the first application for withdrawal from the Loan Account on account of expenditures on the contract in question.

3. The Borrower intends to invite Argentine firms to participate in international competitive bidding for goods to be purchased under Category II of the Allocation of the Proceeds of the Loan. In the case of goods produced in Argentina, the Borrower may award the order to the lowest Argentine bidder offering satisfactory terms and conditions, provided that his offered price less 15 % does not exceed the offered price of the lowest acceptable foreign bidder. Comparison of bids will be made for goods delivered at Project site and without taking into account customs or other similar duties on importation. For firms in Argentina, the delivery at the site price will comprise the F.O.B. plant cost plus freight, insurance and other costs to the Project site. For non-Argentine firms, the delivery price will be based on C.I.F. landed cost, port of entry, before customs duties, plus inland freight, insurance and other costs to the Project site.