
LOAN NUMBER 226 HO

Loan Agreement

(Interim Power Project)

BETWEEN

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND

EMPRESA NACIONAL
DE ENERGIA ELECTRICA

DATED MAY 20, 1959

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AGREEMENT, dated May 20, 1959, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and EMPRESA NACIONAL DE ENERGIA ELECTRICA (hereinafter called the Borrower).

ARTICLE I

Loan Regulations

SECTION 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956, subject, however, to the modifications thereof set forth in Schedule 3 to this 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.

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 one million four hundred fifty thousand dollars (\$1,450,000).

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 The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

SECTION 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time. Such commitment charge shall accrue from a date sixty days after the

date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

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 The Borrower shall pay interest at the rate of six per cent (6%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.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 Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one percent ($\frac{1}{2}$ 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. The Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively in the carrying out of the Project.

ARTICLE IV

Bonds

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

SECTION 4.02. The *Gerente* of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

ARTICLE V

Particular Covenants

SECTION 5.01. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) In the carrying out of the Project the Borrower shall employ consultants for the engineering of the Project and for the supervision of its construction, and such consultants and the terms and conditions on which they are employed shall be satisfactory to the Bank and the Borrower.

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

(d) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to

reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the operations and financial condition of the Borrower.

SECTION 5.02. (a) The Bank and the Borrower shall 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.

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

SECTION 5.03. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not incur any long-term indebtedness, or take any other action, which would result in the proportion of long-term indebtedness to equity exceeding a ratio of 2 to 1.

For the purposes of this Section:

(a) The term "long-term indebtedness" shall mean debt maturing by its terms more than one year after the date on which it is originally incurred.

(b) The term "equity" shall mean capital and surplus determined in accordance with sound accounting practices. It shall also include such advances made by the Guarantor to the Borrower as are to be serviced from surplus funds

available to the Borrower only after meeting all obligations of the Borrower, including the obligations arising from the carrying out of the Project, the operation, maintenance and expansion of the plants, equipment and property of the Borrower, the building up of an adequate reserve fund, and the maintenance of service on the Loan and on any other long-term indebtedness.

SECTION 5.04. 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; 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.

SECTION 5.05. The Borrower shall pay or cause to be paid all taxes or fees, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement 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, or fees upon, 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 5.06. The Borrower shall pay or cause to be paid all taxes and fees, 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 exe-

cution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

SECTION 5.07. (a) Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Guarantor. Such insurance shall be consistent with sound commercial practice and shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

(b) In addition, the Borrower shall insure against such risks and in such amounts as shall be consistent with sound public utility and business practices.

SECTION 5.08. (a) The Borrower shall at all times maintain its existence and right to carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

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

(c) The Borrower shall not, without the consent of the Bank, sell or otherwise dispose of all or substantially all of its property and assets or all or substantially all of the property included in the Project or any plant the cost of which is financed in whole or in part out of the proceeds of the Loan, unless the Borrower shall first redeem and pay, or make adequate provision satisfactory to the Bank for redemption or payment of, all of the Loan which shall then be outstanding and unpaid.

SECTION 5.09. The Borrower shall from time to time take all steps necessary or desirable to effect such adjustments in its rates as will provide revenues sufficient: (a) to cover operating expenses, including adequate maintenance and depreciation, taxes and interest; (b) to meet repayments on long-term indebtedness but only to the extent that such repayments shall exceed provision for depreciation; (c) to leave a reasonable surplus for financing the expansion of its power facilities. For the purposes of this Section the term "long-term indebtedness" shall mean debt maturing by its terms more than one year after the date on which it is originally incurred.

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 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.

ARTICLE VII

Miscellaneous

SECTION 7.01. The Closing Date shall be August 1, 1962.

SECTION 7.02. A date ninety days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

SECTION 7.03. Whenever for the purposes of this Agreement it shall be necessary to value in Honduran currency a debt or other obligation payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency would, at the time such valuation is made, be obtainable for the purposes of servicing such debt or obligation or, if such other currency would not be so obtainable, at the rate of exchange reasonably determined by the Bank.

SECTION 7.04. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Borrower:

Empresa Nacional de Energía Eléctrica
Apartado 99
Tegucigalpa, D.C.
Honduras

Alternative address for cablegrams and radiograms:

Enee
Tegucigalpa

For the Bank:

International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington 25, D.C.
United States of America

Alternative address for cablegrams and radiograms:

Intbafrad
Washington, D.C.

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

caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ J. BURKE KNAPP
Vice-President

EMPRESA NACIONAL DE ENERGIA
ELECTRICA

By /s/ L. E. BONILLA
Authorized Representative

SCHEDULE 1
Amortization Schedule

| Date Payment Due | Payment of Principal (expressed in dollars) * |
|-------------------|--|
| September 1, 1962 | \$40,000 |
| March 1, 1963 | 41,000 |
| September 1, 1963 | 42,000 |
| March 1, 1964 | 43,000 |
| September 1, 1964 | 45,000 |
| March 1, 1965 | 46,000 |
| September 1, 1965 | 48,000 |
| March 1, 1966 | 49,000 |
| September 1, 1966 | 50,000 |
| March 1, 1967 | 52,000 |
| September 1, 1967 | 53,000 |
| March 1, 1968 | 55,000 |
| September 1, 1968 | 57,000 |
| March 1, 1969 | 58,000 |
| September 1, 1969 | 60,000 |
| March 1, 1970 | 62,000 |
| September 1, 1970 | 64,000 |
| March 1, 1971 | 66,000 |
| September 1, 1971 | 68,000 |
| March 1, 1972 | 70,000 |
| September 1, 1972 | 72,000 |
| March 1, 1973 | 74,000 |
| September 1, 1973 | 76,000 |
| March 1, 1974 | 78,000 |
| September 1, 1974 | 81,000 |

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), 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 3 years before maturity . . . | $\frac{1}{2}$ of 1% |
| More than 3 years but not more than 6 years before maturity | 2% |
| More than 6 years but not more than 11 years before maturity | $3\frac{1}{2}$ % |
| More than 11 years but not more than 13 years before maturity | 5% |
| More than 13 years before maturity | 6% |

SCHEDULE 2**Description of Project**

The Project is an interim power program for the installation of additional diesel capacity and the rehabilitation and expansion of the distribution facilities at Tegucigalpa. It will consist of:

- (a) The installation in the La Leona station of two diesel electric generating units of 1,250 kw each.
- (b) The expansion and improvement of distribution facilities sufficient for a demand of 10,000 kw, and designed for a future expansion up to 30,000 kw; it will include the following:
 - (i) The construction of three distribution substations of 3,750 kw each, 34.5/4.16 kv.
 - (ii) The construction of approximately 7 km, 34.5 kv line, which will form part of a subtransmission ring circuit to supply the substations.
 - (iii) The installation of approximately 43 km of primary 4.16/2.4 kv circuits, approximately 72 km of 220/110 V. secondary circuits and approximately 5,000 kva of distribution transformer capacity.
 - (iv) The installation of approximately 5,000 new service connections and associated meters.
- (c) Preparation of further engineering and survey work for the Rio Lindo hydroelectric project.

SCHEDULE 3

Modification of Loan Regulations No. 4

For the purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated June 15, 1956, shall be deemed to be modified as follows:

(a) Section 2.02 is deleted.

(b) Section 9.03 is amended to read as follows:

“Section 9.03. *Effective Date.* Notwithstanding the provisions of Section 8.01, except as shall be otherwise agreed by the Bank and the Borrower, the Loan Agreement and Guarantee Agreement shall come into force and effect on the date upon which the Bank dispatches to the Borrower and the Guarantor notice of its acceptance of the evidence required by Section 9.01.”

(c) Paragraph 14 of Section 10.01 is amended to read as follows:

“14. The term “external debt” means any debt payable in any medium other than currency of the Guarantor, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium.”