

**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