

FINANCIAL CONVENTION

between

THE GOVERNMENT OF THE REPUBLIC OF GUATEMALA

and

THE ISTITUTO CENTRALE PER IL CREDITO A MEDIO TERMINE
- Mediocredito centrale -

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FINANCIAL CONVENTION

Pursuant to Article 26 of Law n. 227 of May 24th, 1977, of the Republic of Italy as amended by Article 6 of Law n. 38 of February 9th, 1979 of the Republic of Italy between:

- the Government of the Republic of Guatemala, acting through the Ministry of Public Finance, (hereinafter referred to as the Borrower), represented by *Ariel Rivera Irias*

Ministro de Finanzas
on the one part,

and

- the Istituto centrale per il credito a medio termine - Mediocredito centrale - a public statutory institution, tax code n. 00594040586, with registered office in Rome, Italy at Via Piemonte 51, 00187 (hereinafter referred to as Mediocredito centrale), represented by its Chairman, *M. Rodolfo BANFI*

on the other part.

Whereas

the Minister of the Treasury of the Government of the Republic of Italy, in agreement with the Minister of Foreign Trade, by decree n. 392686 dated August 1st 1985, has authorized Mediocredito centrale to grant a financial credit of US\$ 14.650.000 (fourteen million six hundred fifty thousand), to the Government of Guatemala on the following conditions:

- repayment: 26 (twenty six) half-yearly consecutive equal principal instalments, the first of which falling due 30 (thirty) months after the date of each drawdown;

Ariel Rivera Irias

- interest rate: nominal annual 2,50% (two point fifty percent) payable at the end of each period of 6 (six) months from the date of each drawdown;
- Credit purpose: financing of Italian goods and services in the framework of the "third telecommunications project".

Now therefore

the preamble being considered as an integral part of this Financial Convention together with Annexes thereto, the parties hereby agree as follows:

Article 1

Amount of financial credit

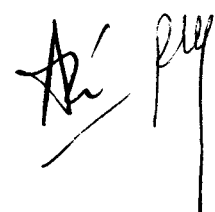
Mediocredito centrale grants to the Borrower, which accepts, a financial credit for up to the maximum amount of US\$ 14.650.000 (fourteen million six hundred fifty thousand), in accordance with the terms and conditions hereinafter set forth.

The said credit shall be used for the financing of Italian goods and services in the framework of the "third telecommunications project".

The supply contracts allocation to the credit shall be authorized by the competent Italian authorities.

The said credit will be disbursed in Italian lira at the official average rate of exchange indicated by the Ufficio Italiano dei Cambi, as quoted two working days prior to the disbursement thereof.

If on that day the market is closed, the average rate of exchange as quoted on the last two days on which the market was open will be provisionally applied, with adjustment to be made to the rate of exchange of the first day on which the market reopens officially.



Article 2Agent Bank

The funds shall be credited, in one or more times, to a "Special Temporary Account", opened in the name of the Borrower with the Rome branch of Banco di Roma (hereinafter referred to as Agent Bank), according to the conditions set forth in Article 5 below.

The Agent Bank shall control that payments to be made under this Convention are in compliance with the exchange control laws in force in Italy.

Article 3Effectiveness of the Financial Convention

This Convention shall become effective upon Mediocredito centrale having received from the Borrower the following documents:

- i) a certificate by the competent authority of the Government of Guatemala, to the effect that the signature affixed to this Convention is that of a duly empowered person under the Laws, regulations and administrative provisions in force in Guatemala, to undertake the obligations arising under the Convention to the Borrower;
- ii) the written designation by the Borrower of the person or persons duly empowered to sign the Acknowledgements of Indebtedness referred to in Article 4 below; such designation shall also specify the name and the office of said persons, and contain as well the "specimen" of the signatures thereof (copy of such designation and of the "specimen" of the signatures and subsequent variations shall be transmitted by the Borrower to the Agent Bank);
- iii) copy of the irrevocable instructions, given to the Agent Bank, to use the funds credited to the "Special Temporary Account", against simultaneous delivery to Mediocredito centrale of the

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Acknowledgements of Indebtedness, for the exclusive purpose of making such payments as the Borrower may from time to time direct and in accordance with the conditions specified by the Borrower; the said irrevocable instructions shall be in the form of Annex A), shall be expressly accepted by the Agent Bank and confirmed by the same Agent Bank to Mediocredito centrale in writing;

Mediocredito centrale shall, as soon as it will have received the aforementioned documents, notify the Borrower, by letter or telex to be subsequently confirmed by letter, of the date on which this Convention will have become effective.

Article 4

Request to credit the funds

After this Convention shall have become effective, Mediocredito centrale shall implement the requests to credit funds which the Borrower shall make directly to Mediocredito centrale by telex to be subsequently confirmed by letter, in the form of Annex B), at least 30 (thirty) days prior to the date chosen for the crediting of the funds to the "Special Temporary Account", and however not later than the 15th day of the month prior to that chosen for the said crediting operation.

At least 15 (fifteen) days before the envisaged date, the Borrower shall deliver to the Agent Bank, together with a letter of instructions in the form of Annex C), an Acknowledgement of Indebtedness in favour of Mediocredito centrale in the form of Annex D). The said Acknowledgement of Indebtedness, for a principal amount corresponding to the amount whose crediting is asked, shall indicate the place and the date of issue, the date from which interest accrues, the due dates and the repayment schedule of the credit, the Borrower's signature and all the other requirements specified in said Annex D).

Handwritten signature and initials, possibly 'A. Puy', written in black ink.

Article 5Crediting of the funds

Upon receipt of the crediting requests, referred to in Article 4 above, Mediocredito centrale shall give the necessary instructions to the Agent Bank for the crediting of the funds to the "Special Temporary Account" opened with it in the name of the Borrower.

At the same time when the funds are credited, the Agent Bank shall deliver to Mediocredito centrale the corresponding Acknowledgements of Indebtedness (and certify that the signatures thereon are true) and shall make the payments indicated by the Borrower.

The Agent Bank shall obtain from the beneficiaries in favour of whom it shall make said payments a discharging receipt in two originals, to be subsequently remitted to the Borrower and to Mediocredito centrale.

If the day fixed for the crediting of the funds to the "Special Temporary Account" and for the payments in favour of the aforementioned beneficiaries is a holiday, according to the Italian Banking usages, it is agreed that the activities referred to above shall be carried out on the following working-day.

Mediocredito centrale shall deposit the Acknowledgements of Indebtedness for the keeping and administration thereof, with the Agent Bank, after having endorsed the same for collection in favour of the Agent Bank.

If, for any reason whatsoever, the Agent Bank will not be able to deliver to Mediocredito centrale the Acknowledgements of Indebtedness or to make the payments in favour of the beneficiaries as indicated by the Borrower simultaneously with the crediting to the "Special Temporary Account", said Agent Bank shall not follow Mediocredito centrale's crediting instructions.

Once the cause which prevented the crediting of the funds shall have been eliminated, the Borrower shall submit to Mediocredito centrale a further crediting request.

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Mediocredito centrale reserves itself not to follow further requests of crediting the "Special Temporary Account", if it should result that the Borrower is in default vis à vis Mediocredito centrale under this Convention or other financial Conventions stipulated between the Borrower and Mediocredito centrale.

Article 6

Drawdown period of the Credit

The latest expiry date for the drawdown of the credit under this Convention is fixed at 48 (forty eight) months from the date of effectiveness of this Convention.

Article 7

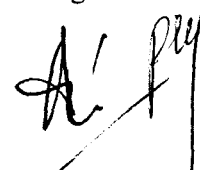
Repayment of the financial credit and payment of interest

Each amount, credited to the "Special Temporary Account" and represented by an Acknowledgement of Indebtedness, shall be repaid in 26 (twenty six) consecutive equal semi-annual instalments, the first of which falling due 30 (thirty) months from the date on which such amount was credited to the "Special Temporary Account".

On the outstanding principal amount of each Acknowledgement of Indebtedness, it shall be paid, at the end of each six-months period, an interest at annual rate of 2,50% (two point fifty percent), equal to 1,25% (one point twenty five percent) semi-annually in arrears, commencing at the end of the first six-months period immediately following the date of the crediting of the funds to the "Special Temporary Account" and ending on the date of maturity of the latest principal instalment.

The Agent Bank shall from time to time annotate on the Acknowledgement of Indebtedness any payment of amounts for principal and interest.

As soon as all payments contemplated in each Acknowledgement of Indebtedness shall have been made, the said Acknowledgement of Indebtedness shall be returned to the Borrower.



Article 8Transferability of the Acknowledgements of Indebtedness

The Acknowledgements of Indebtedness not yet matured are freely transferable by Mediocredito centrale to a public or private Italian juridical person. The transfer to a foreign public or private juridical person is subject to the obtainment of the Borrower's prior consent.

Mediocredito centrale shall notify the Agent Bank of the transfer of the Acknowledgements of Indebtedness.

Article 9Place and conditions of the payments

All amounts due for principal and interest by the Borrower under this Convention and the Acknowledgements of Indebtedness relative thereto, shall be credited in favour of Mediocredito centrale or the persons entitled thereto, with the Agent Bank.

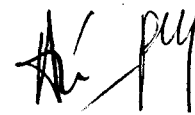
Said amounts shall be credited on the agreed maturity date, in US\$, without deduction for any bank and/or exchange fee and without any notice by Mediocredito centrale or the persons entitled thereto being required.

Article 10Borrower's commitment

The Borrower's commitment to pay the amounts due under this Convention and the Acknowledgements of Indebtedness relative thereto is unconditional and irrevocable.

Article 11Default Interest

If the Agent Bank for any reason whatsoever, including reasons beyond the Borrower's control, does not receive the amounts due for principal and interest within the agreed due date, the



Borrower shall be bound to pay on said amounts a default interest from the due date up to the date of actual crediting in favour of Mediocredito centrale or of the persons entitled thereto, with the Agent Bank.

Such default interest shall be calculated at the rate of 2,50% (two point fifty percent) for the 35 (thirty five) days immediately following the original due date and, then, at the rate of 8% (eight percent) up to the date of actual crediting in favour of Mediocredito centrale.

For the 35 (thirty five) days immediately following the original due date, such default interest shall be calculated always and in any case by applying the simple interest formula; for the following period, such default interest shall be calculated by applying the simple interest formula if this period is less than one year and by applying the compound interest formula if this period is more than one year.

Article 12

Taxes

Any present or future tax which may be due in Guatemala for any reason whatsoever in relation to this Convention and to the Acknowledgements of Indebtedness relative thereto, shall be exclusively borne by the Borrower.

Any tax which may be due in Italy shall not be borne by the Borrower.

Mediocredito centrale declares that it will avail itself of the tax status provided for under the Decree of the President of the Republic n. 601 of September 29th, 1973 and Law n. 227 of May 24th, 1977 of the Republic of Italy and subsequent amendments.

Article 13

Settlement of disputes

The parties hereto shall endeavour to settle amicably any dispute arising from the interpretation and/or execution of this

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Convention and of the Acknowledgements of Indebtedness relative thereto.

If these efforts should not lead to a settlement of the disputes within 90 (ninety) days, the same may be settled at a governmental level. Should these efforts also fail, all disputes shall be finally settled under the Rules of Conciliation and Arbitration of the International Chamber of Commerce, Paris, France, by three Arbitrators appointed in accordance with the said Rules.

The Arbitration Tribunal shall apply Italian Law to the disputes.

The decisions of the Arbitration Tribunal shall be final and binding on both parties.

No dispute which may arise between the parties hereto shall suspend the obligation of the Borrower to pay, on the agreed due dates, the amounts due under this Convention and the Acknowledgements of Indebtedness issued in accordance thereto.

Article 14

Notices

Notices to be given pursuant to this Convention shall be addressed as follows:

- GOVERNMENT OF THE REPUBLIC OF GUATEMALA - Ministry of Public Finance - Zona 1 - Guatemala - GUATEMALA - n. telex 9207 MINFIP GU;
- MEDIOCREDITO CENTRALE - Via Piemonte, 51, 00187 Roma - ITALIA - n. telex 612091;
- BANCO DI ROMA - Filiale di Roma - Segreteria Estero - Via dell'Umiltà, 79, 00187 Roma - ITALIA - n. telex 616184.

Article 15

Original texts of the Financial Convention

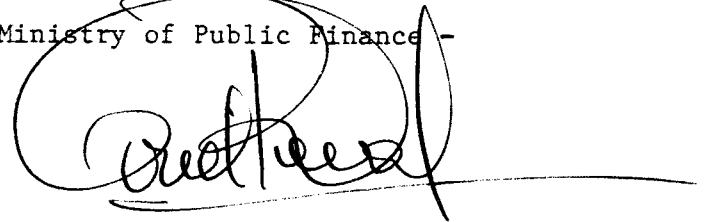
This Convention is executed in four originals in Italian and

four originals in English. The Italian version shall prevail in case of discordance.

On behalf of Istituto centrale
per il credito a medio termine
- Mediocredito centrale -

R. B. Anf.

On behalf of the Government of
the Republic of Guatemala
- Ministry of Public Finance -



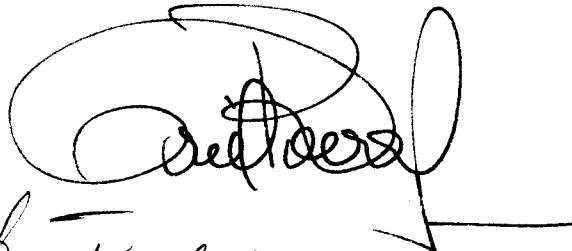
Signed on *NOV, 6, 1985* in Rome

Signed on *20.12.1985* in *Guatemala*

Arbitration clause

The Borrower expressly approves the provisions of Article 13 of this Convention about the settlement of disputes which may arise between the parties.

On behalf of the Government of the Republic of Guatemala
Ministry of Public Finance



Signed on *20.12.1985* in *Guatemala*.



(form of irrevocable instructions to the Agent Bank)

Annex A)

from: Government of the Republic of Guatemala - Ministry of Public
Finance
to : Banco di Roma - Rome Branch
to : Mediocredito centrale (copy)

Financial Convention of US\$ 14.650.000 (fourteen million six hundred
fifty thousand) signed by us in on and by
Mediocredito centrale in Rome on

In relation to the above mentioned Convention we appoint you
as our Agent Bank.

You shall therefore open with yourself a "Special Temporary
Account" in our name to which you shall credit the funds from time to
time made available to us by Mediocredito centrale.

On each date on which the funds will be credited to the
"Special Temporary Account", you shall deliver to Mediocredito
centrale an Acknowledgement of Indebtedness in favour of the same,
that we shall have deposited with you, together with a letter of
instructions, at least 15 (fifteen) days before the said date.

The funds credited by Mediocredito centrale to the above
mentioned Account shall be simultaneously utilized for the financing
of Italian goods and services in the framework of the "third
telecommunications project".

The payments that you shall make in favour of the
beneficiaries indicated by ourselves shall be subject to the
collection of a discharging receipt in two originals to be
subsequently transmitted to Mediocredito centrale and to ourselves.

Please confirm to us and to Mediocredito centrale, by letter
or by telex, to be subsequently confirmed by letter, your acceptance
of these irrevocable instructions.

Yours faithfully,



(form of the credit request)

Annex B)

from: Government of the Republic of Guatemala - Ministry of Public Finance
to : Mediocredito centrale

Financial Convention of US\$ 14.650.000 (fourteen million six hundred fifty thousand) signed by us in on and by Mediocredito centrale in Rome on

Pursuant to Article 4 of the above mentioned Convention, we ask you to credit on to the "Special Temporary Account" opened in our name with the Rome branch of Banco di Roma, the equivalent in Italian lira of US\$ (.....).


Please be advised that the crediting requested above corresponds to the payments set forth hereinbelow: (*)

.....
.....

In this connection we enclose herewith the following documents evidencing the destination of said payments: invoice/s n..... dated

Yours faithfully,

(*) For each payment it shall be indicated: amount; Italian beneficiary enterprise; reason of the payment.



(form of letter of instructions to the Agent Bank)

Annex C)

from: Government of the Republic of Guatemala - Ministry of Public Finance
to : Banco di Roma - Rome Branch

Financial Convention of US\$ 14.650.000 (fourteen million six hundred fifty thousand) signed by us in on and by Mediocredito centrale in Rome on

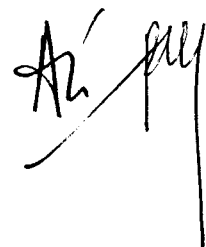
Pursuant to the provisions of Article 4 of the above mentioned Convention please find herewith enclosed the Acknowledgement of Indebtedness in favour of Mediocredito centrale for the principal amount of US\$ (.....).

The said Acknowledgement of Indebtedness is signed by in his capacity as

We ask you to transmit the Acknowledgement of Indebtedness to Mediocredito centrale on the date when the funds are credited to the "Special Temporary Account" opened in our name with you.

We also ask you to make the payments in favour of in consideration for

Yours faithfully,

A handwritten signature in black ink, appearing to be 'A. G. G. G.', is located in the bottom right corner of the page.

(form of Acknowledgement of Indebtedness)

Annex D)

GOVERNMENT OF THE REPUBLIC OF GUATEMALA
- Ministry of Public Finance -

N.:.....

.....
(place and date of issue)

Date from which interest accrues: (date of crediting
of the funds to the "Special
Temporary Account")

For value received, the Government of the Republic of Guatemala, acting through the Ministry of Public Finance, hereby unconditionally and irrevocably declares to be a debtor of the Istituto centrale per il credito a medio termine - Mediocredito centrale - with a registered office in Rome (Italy), Via Piemonte 51 for the principal amount of US\$ (.....) which it undertakes to repay in 26 (twenty six) equal consecutive semi-annual instalments, the first of which falling due on and the last on, according to the repayment schedule set forth hereinbelow.

On the outstanding principal amount of this Acknowledgement of Indebtedness, the Government of the Republic of Guatemala undertakes to pay, at the end of each six months period, an interest at the rate of 1,25% (one point twenty five percent) payable semi-annually, in arrears, commencing at the end of the first six months period following the date from which interest starts to accrue and ending on the date of maturity of the last principal instalment, according to the repayment schedule set forth hereinbelow.

The Government of the Republic of Guatemala shall repay the principal instalments and shall pay the interest contemplated in this Acknowledgement of Indebtedness, by crediting the respective amounts in US\$, on the agreed due dates, in favour of Mediocredito centrale, or of the persons entitled thereto, with the Rome branch of Banco di Roma, free of any bank and/or conversion fee.

If the Rome branch of Banco di Roma, for any reason whatsoever, including reasons beyond the Government of the Republic of Guatemala's control, does not receive the amounts due for principal and interest according to this Acknowledgement of Indebtedness within the agreed due date the Government of the Republic of Guatemala shall be bound to pay, on the said amounts, a default interest from the due date up to the date of actual crediting in favour of Mediocredito centrale, or of the persons entitled thereto, with the Rome branch of Banco di Roma.

Such default interest shall be calculated at the rate of 2,50% (two point fifty percent) for the 35 (thirty five) days

Annex D) follows

immediately following the original due date and, then, at the rate of 8% (eight percent) up to the date of actual crediting in favour of Mediocredito centrale.

For the 35 (thirty five) days immediately following the original due date, such default interest shall be calculated always and in any case by applying the simple interest formula; for the following period, such default interest shall be calculated by applying the simple interest formula if this period is less than one year and by applying the compound interest formula if this period is more than one year.

The Rome branch of Banco di Roma shall from time to time annotate on this Acknowledgement of Indebtedness, any payment of the amounts for principal and interest.

As soon as the payment of all instalments listed in the repayment schedule set forth hereinbelow will have been made, this Acknowledgement of Indebtedness shall be returned to the Government of the Republic of Guatemala.

This Acknowledgement of Indebtedness is issued pursuant to the Financial Convention signed in on and in Rome on between the Government of the Republic of Guatemala, acting through the Ministry of Public Finance, on the one part, and the Istituto centrale per il credito a medio termine - Mediocredito centrale -, on the other part, in conformity with Article 26 of Law n. 227 of May 24th, 1977 of the Republic of Italy, as modified by Article 6 of Law n. 38 of February 9th, 1979 of the Republic of Italy.

REPAYMENT SCHEDULE

Date of maturity	Principal instalments	Interest instalments	Total
a).....	
b).....	
c).....	
d).....	
1).....
2).....
3).....
4).....
5).....
6).....

.../...

Annex D) follows

7).....	.....	.....	.....
8).....	.....	.....	.....
9).....	.....	.....	.....
10).....	.....	.....	.....
11).....	.....	.....	.....
12).....	.....	.....	.....
13).....	.....	.....	.....
14).....	.....	.....	.....
15).....	.....	.....	.....
16).....	.....	.....	.....
17).....	.....	.....	.....
18).....	.....	.....	.....
19).....	.....	.....	.....
20).....	.....	.....	.....
21).....	.....	.....	.....
22).....	.....	.....	.....
23).....	.....	.....	.....
24).....	.....	.....	.....
25).....	.....	.....	.....
26).....	.....	.....	.....

GOVERNMENT OF THE REPUBLIC OF GUATEMALA
- Ministry of Public Finance -

