

**AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE
REPUBLIC OF COSTA RICA REGARDING A DEBT-FOR-NATURE SWAP PROGRAM UNDER THE
U.S. TROPICAL FOREST CONSERVATION ACT**

The Government of the United States of America and the Government of the Republic of Costa Rica,

Seeking to facilitate the conservation, protection, restoration, and sustainable use and management of tropical forests in Costa Rica, which provide a wide range of benefits to humankind,

Noting that rapid rates of tropical deforestation and forest degradation continue to be serious problems in many regions of the world,

Recognizing that the restructuring of external debt in the context of broader economic reforms can result in increased protection for tropical forests,

Wishing to ensure that resources from debt restructuring will be used for the conservation of tropical forests,

Further recognizing the role played by The Nature Conservancy in tropical forest protection in Costa Rica, and the success of non-governmental organizations in Costa Rica in conserving and managing tropical forest land in Costa Rica,

Further wishing to build on work resulting from the agreements concluded in 2007 under the U.S. Tropical Forest Conservation Act of 1998, as amended,

In consideration of the Debt Reduction Payment by the Government of the United States of America and the restructuring of the debt obligations owed to the U.S. Agency for International Development by the Central Bank of Costa Rica,

In furtherance of the goals of the U.S. Tropical Forest Conservation Act of 1998, Public Law No. 105-214, as amended, and the Department of State, Foreign Operations, and Related Programs Appropriations Acts for U.S. fiscal years 2008 and 2010, as contained respectively in Public Laws Nos. 110-161 and 111-117, and

Acknowledging that the U.S. Tropical Forest Conservation Act of 1998, as amended, establishes in the U.S. Department of the Treasury a Tropical Forest Facility for the administration of debt reduction involving, inter alia, concessional loans extended by the U.S. Agency for International Development,

Have agreed on this 24th day of September, 2010, and contract as follows:

ARTICLE I DEFINITIONS

1.1 Defined Terms. The capitalized terms contained and used in this Agreement shall have the respective meanings set forth in this Section 1.1 and elsewhere in this Agreement. If a capitalized term is not defined in this Agreement and it is defined in the Swap Fee Contractual Agreement, the Debt Swap Agreement, or the Forest Conservation Agreement, then it shall have the meaning set forth in the Swap Fee Contractual Agreement, the Debt Swap Agreement, or the Forest Conservation Agreement, as applicable.

- (a) "Administrator" has the meaning set forth in the Forest Conservation Agreement.
- (b) "Agreement" means this Agreement between the Government of the United States of America and the Government of the Republic of Costa Rica Regarding a Debt-for-Nature Swap Program under the U.S. Tropical Forest Conservation Act, dated as of the date hereof, as it may be amended from time to time.
- (c) "CBCR" means the Central Bank of Costa Rica.
- (d) "Closing" has the meaning set forth in Section 2.3 of the Debt Swap Agreement.
- (e) "Closing Date" has the meaning set forth in Section 2.3 of the Debt Swap Agreement.
- (f) "Debt Reduction Payment" means the transfer of nineteen million, six hundred thirty-eight thousand U.S. Dollars (US\$19,638,000.00) by the U.S. Department of the Treasury from the Debt Restructuring Account to the USAID Account.
- (g) "Debt Service Account" has the meaning set forth in the Debt Swap Agreement.

(h) "Debt Swap Agreement" means the Agreement between the Government of the United States of America and the Central Bank of Costa Rica Regarding a Debt-for-Nature Swap with Respect to Certain Debt Owed by the Central Bank of Costa Rica to the Government of the United States of America, dated as the date hereof, as it may be amended from time to time.

(i) "Endowment" has the meaning set forth in the Forest Conservation Agreement.

(j) "Forest Conservation Agreement" means the Forest Conservation Agreement among the Government of the Republic of Costa Rica, the Central Bank of Costa Rica, and The Nature Conservancy, dated as of the date hereof, as it may be amended from time to time.

(k) "GCR" means the Government of the Republic of Costa Rica, acting primarily in this Agreement through the Ministry of Finance.

(l) "Oversight Committee" has the meaning set forth in the Forest Conservation Agreement.

(m) "Party" means either the USG or the GCR, and "Parties" means, collectively, the USG and the GCR.

(n) "Restructured TFCA Obligations" has the meaning set forth in the Debt Swap Agreement.

(o) "Swap Fee Contractual Agreement" means the Swap Fee Contractual Agreement between the Government of the United States of America and The Nature Conservancy, dated as of the date hereof, as it may be amended from time to time.

(p) "TFCA" means the U.S. Tropical Forest Conservation Act of 1998, Public Law No. 105-214, as amended.

(q) "TFCA Evaluation Sheet" means a measure of TFCA program effectiveness designed by the USG in its sole discretion, as it may be reasonably amended from time to time.

(r) "TNC" means The Nature Conservancy, a non-profit corporation organized under the laws of the District of Columbia in the United States of America, and any of its successors.

(s) "Trustee" has the meaning set forth in the Forest Conservation Agreement.

(t) "USG" means the Government of the United States of America, acting primarily through the U.S. Department of the Treasury.

ARTICLE II CONDITIONS TO CLOSING

- 2.1. Conditions Precedent of the USG. The obligation of the USG to make the Debt Reduction Payment and to substitute the Restructured TFCA Obligations for the Outstanding Obligations shall be subject to the fulfillment of each of the following conditions performed to the satisfaction of the USG, or waiver of the condition by the USG, on or prior to the Closing Date:
- (a) Swap Fee Contractual Agreement. TNC shall have executed and delivered to the USG the Swap Fee Contractual Agreement, such agreement shall be in full force and effect as of the Closing Date, and TNC shall have duly performed and complied in all material respects with all agreements, covenants, and conditions applicable to it under the Swap Fee Contractual Agreement as of the Closing Date;
 - (b) Forest Conservation Agreement. The Forest Conservation Agreement shall have been executed by and delivered to the parties thereto, and the conditions set forth in Section 3.2 of the Forest Conservation Agreement shall have been satisfied or waived in accordance with that section;
 - (c) Debt Swap Agreement. The Debt Swap Agreement shall have been executed by and delivered to the parties thereto, and the conditions to closing set forth in the Debt Swap Agreement shall have been satisfied or waived in accordance with that section; and
 - (d) Other Documents. The USG shall have received from the GCR such further documents, opinions, and certificates as the USG shall reasonably request.

ARTICLE III COVENANTS OF THE GCR

- 3.1. Imposition of Taxes. The execution and delivery of this Agreement and the payment of the Restructured TFCA Obligations and Swap Fee B to the Debt Service Account are not currently taxed or are exempt under the laws of Costa Rica from any taxes, duties, fees, levies or other assessments or charges imposed by the GCR or any other local government, taxing authority, or subdivision thereof.

- 3.2. Consultation. The GCR agrees to consult with the USG, TNC, and the CBCR before undertaking any action that could reasonably be expected to affect the activities of the Administrator, the Trustee, or the Oversight Committee.
- 3.3. Financial Reports. The GCR agrees to forward to the USG, within thirty (30) days of receipt, all activity reports, financial audits, and other reports from the Administrator or the Trustee required by the Forest Conservation Agreement. The USG acknowledges that reports received from the Administrator or Trustee will fulfill the GCR's obligation to provide those reports to the USG.
- 3.4. Audits and Evaluations. The GCR agrees to make its best efforts to assist the USG in the satisfactory performance of any audits and evaluations of this program deemed necessary by the USG in its sole discretion. Such audits and evaluations may be in addition to audits and evaluations required under the Forest Conservation Agreement. The GCR further agrees to make its best efforts to assist the USG in obtaining any information requested by the USG for purposes of such audits and evaluations (such as the TFCA Evaluation Sheet). The GCR also agrees to make its best efforts to assist the USG in remedying any deficiencies identified by the USG in the performance of this program through any such audits and evaluations (including the TFCA Evaluation Sheet). The USG agrees to consult with the Oversight Committee on the existence of deficiencies identified through such audits and evaluations (including the TFCA Evaluation Sheet) and on remedies to such deficiencies.
- 3.5. Public Availability. The USG and the GCR agree that this Agreement and the Forest Conservation Agreement, including all annexes and schedules, may be made available to the public.

ARTICLE IV CONSULTATION

Upon the written request of either Party, the Parties shall consult concerning the implementation or interpretation of this Agreement. These consultations shall take place within thirty (30) days after a request for consultations is received from either of the Parties.

**ARTICLE V
AMENDMENT AND NOTIFICATION**

- 5.1. Amendment and Waiver. This Agreement may be amended with the written consent of both Parties. No provision of this Agreement may be waived orally, but only by a written instrument signed by the Party against whom enforcement of such waiver is sought. A failure or delay in exercising any right, power, or privilege in respect of this Agreement shall not be presumed to operate as a waiver, and a failure or delay in exercising a single or partial exercise of any right, power, or privilege shall not be presumed to preclude any subsequent or further exercise, of that right, power, or privilege or the exercise of any other right, power, or privilege.
- 5.2. Notice. All notices, consents, requests, instructions, approvals, and other communications provided for herein shall be in writing and shall be deemed validly given (a) on the date of delivery when delivered by hand; (b) on the date of transmission when sent by facsimile transmission during normal business hours with telephone confirmation of receipt; or (c) on the date of receipt in accordance with the records of receipt of a reputable overnight courier that maintains records of receipt, all addressed as set forth below (or to such other address as any Party shall have designated by notice in accordance with this Section 5.2 to the other Party).

(i) To the USG:

Deputy Assistant Secretary
Environment and Energy
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220 U.S.A.
(202) 622-2000 (telephone)
(202) 622-0037 (facsimile)

(ii) To the GCR:

Tesoreria Nacional
Ministerio de Hacienda
Avenida 2da. Calles 1 y 3
San Jose, Costa Rica
(506) 2284-5000 (telephone)
(506) 2233-3662 (facsimile)
Attn: Jose Adrian Vargas Barrantes

ARTICLE VI
ENTRY INTO FORCE AND TERMINATION

- 6.1. Entry into Force. This Agreement shall enter into force on the date of the last signature below ("Effective Date"). Each Party's signature below evidences that all necessary domestic legal requirements for entry into force of the Agreement have been fulfilled under the respective country's laws. If the Effective Date has not occurred on or before September 30, 2010, entry into force will be precluded.
- 6.2. Termination. This Agreement shall terminate (a) on November 12, 2010, if the Closing has not occurred on or before that date, or (b) if the Closing has occurred, upon the distribution and utilization as grants of all funds paid by the CBCR to the Trustee, including funds held in the Endowment. In addition, a Party hereto may terminate this Agreement upon or after the termination of the Forest Conservation Agreement, the Debt Swap Agreement, and the Swap Fee Contractual Agreement, provided that the Party intending to terminate this Agreement (i) notifies the other Party seven (7) days in advance of the requested termination date which shall be a Business Day ("Termination Date"); and (ii) is not in default under this Agreement, the Forest Conservation Agreement, the Debt Swap Agreement, or the Swap Fee Contractual Agreement.

[End of text, signature page follows]

IN WITNESS WHEREOF the undersigned, being duly authorized by their respective Governments, have executed and delivered this Agreement.

DONE at San Jose, Costa Rica, in the English language, this 24th day of September, 2010.

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA:

FOR THE GOVERNMENT OF THE
REPUBLIC OF COSTA RICA:


Date: Sept 24, 2010


Date: 24 Set 10