

et des autres charges y afférents, et à ce que mention expresse en soit faite lors de la constitution de cette sûreté; toutefois, les dispositions ci-dessus du présent paragraphe ne seront pas appliquées : i) à la constitution, sur des biens achetés et au moment de leur achat, d'une sûreté ayant pour unique objet de garantir le paiement du prix d'achat desdits biens; ii) à la constitution, sur des marchandises proprement dites, d'une sûreté, ayant pour objet de garantir une dette contractée pour un an ou plus et qui doit être remboursée à l'aide du produit de la vente de ces marchandises; ou iii) à la constitution, dans le cadre normal des activités commerciales du Fomento, d'une sûreté ayant pour objet de garantir une dette contractée pour un an au plus.

Paragraphe 6.07. Les Emprunteurs paieront ou feront payer tout impôt ou droit qui pourrait être perçu en vertu de la législation du Garant ou des lois en vigueur sur ses territoires, lors ou à l'occasion de l'établissement, de l'émission, de la remise, de l'enregistrement, de l'inscription ou du dépôt du présent Contrat, du Contrat de garantie, de l'Hypothèque ou des Bons, ou lors ou à l'occasion du paiement du principal et des intérêts ou des autres charges y afférents; toutefois les dispositions du présent paragraphe ne sont pas applicables à la perception d'impôts ou de droits sur les paiements faits en vertu des stipulations d'un Bon à un porteur autre que la Banque, si c'est une personne physique ou morale résidant sur le territoire du Garant qui est le véritable propriétaire du Bon.

Paragraphe 6.08. Les Emprunteurs paieront ou feront payer tout impôt ou droit qui pourrait être perçu en vertu de la législation du pays ou des pays dans la monnaie desquels l'Emprunt et les Bons sont remboursables, ou des lois en vigueur sur les territoires de ce pays ou de ces pays, lors ou à l'occasion de l'établissement, de l'émission, de la remise, de l'enregistrement, de l'inscription ou du dépôt du présent Contrat, du Contrat de garantie, de l'Hypothèque ou des Bons.

Paragraphe 6.09. a) Sauf convention contraire entre la Banque et la Société, celle-ci conclura ou fera conclure avec des assureurs sérieux des polices couvrant toutes les marchandises achetées à l'aide des fonds provenant de l'Emprunt. Ces assurances seront contractées suivant les règles d'une saine pratique commerciale en ce qui concerne la fixation de la valeur assurée et le choix des risques à couvrir parmi ceux de mer, de transport et autres auxquels ces marchandises seront exposées du fait de leur importation dans les territoires du Garant. Les indemnités stipulées dans la police devront être payables en dollars ou dans la monnaie dans laquelle le prix des marchandises assurées doit être réglé.

b) La Société garantira les biens décrits à l'Annexe 4 du présent Contrat par des polices d'assurance conclues avec des assureurs agréés par la Banque et conçues pour donner satisfaction à la Banque en ce qui concerne la forme, les monnaies, la valeur assurée et les risques couverts.

Paragraphe 6.10. S'il y a lieu de croire, à un moment quelconque, que l'insuffisance des fonds dont dispose la Société risque de retarder l'achèvement du Projet, la Société informera immédiatement le Fomento et la Banque de cette situation et de ses besoins prévus. Si, après avoir laissé aux parties un délai raisonnable pour en conférer, la Banque est d'avis que la Société ne parviendra pas à obtenir rapidement les fonds nécessaires à des conditions raisonnables, elle le fera savoir au Fomento, lequel mettra rapidement à la disposition de la Société, à des conditions raisonnables, les sommes nécessaires pour lui permettre de poursuivre sans retard l'exécution du Projet.

Section 6.11. (a) The Company shall at all times maintain its existence and right to carry on operations and shall, except as the Bank shall otherwise agree, maintain and renew all rights, powers, privileges and franchises owned by it and necessary or useful in the operation of its business.

(b) The Company shall maintain its plants, equipment and property and from time to time make all necessary renewals and repairs thereof, all in accordance with sound business and engineering standards.

Section 6.12. The Company shall not, without the consent of the Bank, pay any cash dividends to its stockholders or acquire any of the outstanding stock of the Company for a consideration unless (a) the disbursements for such purpose will not exceed 90% of the net profit of the Company accumulated after June 30, 1953, and (b) the net current assets of the Company remaining after such disbursement will be not less than 15% of gross operating revenues for the preceding fiscal year.

For purposes of this section :

(i) The term "net profit" shall mean the gross income from all sources (except revaluation of assets on the books of the Company and profits from purchase or retirement of the Company's indebtedness) less all operating and administrative expenses, including interest on debt, taxes, provision for the *Fondo de Reserva* required by the *Estatutos* of the Company and amounts allocated to reserves for maintenance and depreciation in accordance with sound business practices.

(ii) The term "net current assets" shall mean the difference between current assets (those which in the regular course of business may be readily liquidated, such as cash, temporary investments, receivables, inventories and prepayments) and current liabilities (those obligations payable within one year, including payments on funded debt falling due during such period).

(iii) The term "gross operating revenues" shall mean revenues from all sales of goods, wares, merchandise and services in the ordinary course of business, less the amount of returns, trade discounts and sales tax collected.

Article VII

REMEDIES OF THE BANK

Section 7.01. If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days or 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 Borrowers, or if any event specified for the purposes of paragraph (j) of Section 5.02 of the Loan Regulations shall occur and be continuing, 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 Notes 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 Notes to the contrary notwithstanding.

Section 7.02. The following are specified as events for the purposes of Section 5.02 (j) of the Loan Regulations :

(a) if the Guarantor or any governmental authority shall take any action for the dissolution or disestablishment of the Company or for the suspension of its operations; or

(b) if by action of the Guarantor or of any governmental authority, the ownership, possession or control of all or substantially all of the properties which are included in the Project, or of any plant included therein, or of any property necessary for the operation thereof, shall be taken from the Company; or

(c) if the Company shall sell, mortgage or otherwise dispose of any of its property in violation of Section 6.05 of this Agreement; or

(d) if proceedings shall be instituted for the Company's reorganization [*concurso de acreedores*] and such proceedings shall not be dismissed within thirty (30) days after the institution thereof, or if the Company shall be declared a bankrupt or insolvent or if it shall make an assignment for benefit of its creditors; or

(e) if an Event of Default as defined in the Mortgage shall happen under the Mortgage.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (c) of the Loan Regulations : The Company shall have duly executed and delivered and registered, recorded or filed the Original Mortgage in accordance with applicable Chilean law.

Section 8.02. An opinion concerning the Original Mortgage, as outlined in Section 5.04 of this Agreement, is specified as an additional matter within the meaning of Section 9.02 (d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank.

Section 8.03. A date 90 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article IX

MISCELLANEOUS

Section 9.01. The Closing Date shall be December 31, 1957.

Section 9.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations.

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

For the Borrowers : Corporación de Fomento de la Producción, 37 Wall Street, New York, New York; Compañía Manufacturera de Papeles y Cartones, Calle Agustinas 1343, Santiago, Chile.

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 Eugene R. BLACK,
President

Corporación de Fomento de la Producción :

By B. PIZARRO
Authorized Representative

Compañía Manufacturera de Papeles y Cartones :

By Antonio BASCUÑAN P.
Authorized Representative

SCHEDULE 1 AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars) *</i>
November 15, 1957	—	\$20,000,000	November 15, 1964	\$1,000,000	\$11,700,000
May 15, 1958	\$135,000	19,865,000	May 15, 1965	1,000,000	10,700,000
November 15, 1958	135,000	19,730,000	November 15, 1965	1,000,000	9,700,000
May 15, 1959	230,000	19,500,000	May 15, 1966	1,000,000	8,700,000
November 15, 1959	300,000	19,200,000	November 15, 1966	1,000,000	7,700,000
May 15, 1960	400,000	18,800,000	May 15, 1967	1,000,000	6,700,000
November 15, 1960	500,000	18,300,000	November 15, 1967	1,000,000	5,700,000
May 15, 1961	600,000	17,700,000	May 15, 1968	1,000,000	4,700,000
November 15, 1961	700,000	17,000,000	November 15, 1968	1,000,000	3,700,000
May 15, 1962	800,000	16,200,000	May 15, 1969	1,000,000	2,700,000
November 15, 1962	800,000	15,400,000	November 15, 1969	1,000,000	1,700,000
May 15, 1963	900,000	14,500,000	May 15, 1970	900,000	800,000
November 15, 1963	900,000	13,600,000	November 15, 1970	800,000	—
May 15, 1964	900,000	12,700,000			

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 Note 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 5 years before maturity	1/2%
More than 5 years and not more than 10 years before maturity . .	1%
More than 10 years and not more than 15 years before maturity . .	1 3/4%
More than 15 years before maturity	2 1/2%

* 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 these columns represent dollar equivalents determined as for purposes of withdrawal.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The project will consist of two plants, a newsprint mill and a chemical pulp mill.

(a) **NEWSPRINT MILL.** The newsprint mill will be located at a site owned by the Company almost directly across the Bío-Bío River from Concepción. It will be designed to produce approximately 44,000 metric tons of newsprint and 6,600 metric tons of boxboard per annum from ground wood (mechanical pulp), chemical pulp and scrap paper. Facilities for the mill will include the following: a large wood storage yard, barking and wood handling equipment; grinders, screening and bleaching facilities; a high-speed paper machine which will operate continuously at a paper speed of about 1,800 feet per minute and will be driven by a direct-connected steam turbine with all exhaust steam being used in the drying rolls; a water pumping and treating system; outdoor substation and related auxiliaries. Steam for all the plant's needs will be supplied by a single boiler having a capacity of approximately 25 metric tons per hour at 600 pounds per square inch pressure.

The boxboard machine will be moved to Concepción from the Company's plant at Puente Alto and will be reconditioned so that it will have a capacity for production of approximately 6,600 metric tons of boxboard per annum.

(b) **CHEMICAL PULP MILL.** A chemical pulp mill for production by the sulphate process from Insignis pine of wood pulp suitable for the making of paper will be located at a site owned by the Company in the Central Valley near the village of Laja. It will have a capacity for producing about 50,000 metric tons per annum of unbleached, semi-bleached and bleached chemical pulp and about 10,000 metric tons of kraft paper per year. The mill will have facilities needed to recover the chemicals and utilize the carbonaceous material in the spent liquor in which the wood has been cooked. Equipment for this purpose will include a five-stage evaporator and a special type furnace. There will also be facilities for making chlorine, caustic soda, hypochlorites and chlorine dioxide by the electrolytic process. Total steam requirements for the chemical pulp mill will be generated by a chemical recovery boiler and a bark- and oil-fired boiler. Process steam for the plant will be supplied from the exhaust of a single 5,000 kw non-condensing extraction steam turbine unit. There will also be a water pumping and treating system, outdoor wood handling and storage yard and necessary auxiliaries to all the main equipment.

The paper machine will be moved from Puente Alto, will be reconditioned so that it will be capable of an annual production of approximately 10,000 tons of kraft paper, and will be installed in the chemical pulp plant.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS No. 4¹

For the purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated October 15, 1952, shall be deemed to be modified as follows :

(a) The words " pursuant to Article VI " shall be deleted from the first sentence of Section 2.05 (b) and from Section 5.05.

(b) Subparagraph (c) of Section 5.02 shall read as follows :

" (c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrowers, or either of them, under the Loan Agreement or the Bonds."

(c) Subparagraphs (e) and (f) of Section 5.02 shall be deleted.

(d) Sections 6.01, 6.07, 6.09, 6.11, 6.13, 6.18 and the third sentence of Section 6.12 (a) shall be deleted.

(e) The words " and subject to the provisions of Section 6.11 (c) " shall be deleted from Section 6.08.

(f) Subsections (a), (i) and (j) of Section 7.04 shall read as follows :

" (a) Any controversy between the Bank and the Borrowers or either of them or between the Guarantor and the Bank and any claim by any such party against any other such party arising under the Loan Agreement or the Guarantee Agreement which shall not be determined by agreement of the parties shall be submitted to arbitration by an Arbitral Tribunal as hereinafter provided.

" (i) The parties shall fix the amount of the remuneration of the arbitrators and such other persons as shall be required for the conduct of the arbitration proceeding. If the parties shall not agree on such amount before the Arbitral Tribunal shall convene, the Arbitral Tribunal shall fix such amount as shall be reasonable under the circumstances. The costs of the proceeding in the Arbitral Tribunal shall be divided and shared in two equal parts between the Bank on the one side and the Borrowers and the Guarantor on the other side. Any question concerning the division of the cost of the arbitration proceeding or the procedure for payment of such cost shall be determined by the Arbitral Tribunal.

" (j) The provisions for arbitration set forth in this Section shall be in lieu of any other procedure for the determination of controversies between the parties under the Loan Agreement and Guarantee Agreement or any claim by any such party against any other such party arising thereunder; provided, however, that nothing herein shall be deemed to preclude the Bank or any holder of Bonds from exercising, or instituting any legal or equitable action to enforce, any right or claim arising out of or pursuant to the Mortgage or the Bonds, and submission to arbitration hereunder shall not be deemed to be a condition precedent or in any way to prejudice such exercise or other enforcement of any such right or claim."

¹ See p. 34 of this volume.

(g) The term "Borrower" as used in the Loan Regulations shall refer to the Borrowers; except that, as used in Sections 5.02 (d), 5.02 (i), 7.01 and 7.02, such term shall refer to the Borrowers or either of them.

(h) Wherever used in the Loan Regulations, the term "Bonds" shall refer to Notes as defined in Section 1.02 of the Loan Agreement.

(i) Subparagraph 10 of Section 10.01 shall be deleted.

(j) A new subparagraph shall be added after subparagraph 20 of Section 10.01 reading as follows :

"21. The term 'Mortgage' shall have the meaning set forth in Section 1.02 of the Loan Agreement."

(k) Schedules 1, 2 and 3 shall be deleted.

SCHEDULE 4

PROPERTY TO BE SUBJECTED TO LIEN OF THE MORTGAGE

The following are the properties of the Company which are to be subjected to the lien of the Mortgage :

I. PLANT SITES AND TIMBER PLANTATIONS

A. CONCEPCIÓN PROVINCE, TOWNSHIP OF CORONEL.

1. *Fundo Los Pinares* containing approximately 1,840 hectares, acquired by the Company from Marcial Recart Novion by purchase instrument dated January 31, 1940, executed before Manuel Gaete Fagalde, notary of Santiago, and registered in the office of the Conservador de Bienes Raíces of Coronel, inscription No. 44, book 38, 1940, pp. 36 ff.
2. *Fundo Las Moradas* containing approximately 255 hectares, acquired by the Company from Raul Fuentealba by purchase instrument dated June 23, 1942, executed before Pedro Avalos, notary of Santiago, and registered in the office of the Conservador de Bienes Raíces of Coronel, inscription No. 262, book 166, 1942, p. 277.
3. *Fundo El Maitén* containing approximately 260 hectares, acquired by the Company from Manuel Sanhueza by purchase instrument dated October 28, 1943, executed before Manuel Gaete Fagalde, notary of Santiago, and registered in the office of the Conservador de Bienes Raíces of Coronel, inscription No. 300, book 715, 1943, p. 357.
4. *Fundo Loma Colorada* and bordering lands, containing approximately 1,375 hectares, being property acquired by the Company through purchase instrument from the heirs of Navarro, dated October 11, 1941, executed before Manuel Gaete Fagalde, notary of Santiago, less the lands ceded to, and with the addition of the lands obtained from, Victor Campos by instrument of exchange dated October 2, 1945, executed before Fernando Salamanca, notary of Concepción. Title is registered in the office of the Conservador de Bienes Raíces of Coronel, inscription No. 278, book 443, 1941, pp. 294 ff. and inscription No. 276, book 371, 1945, pp. 258 ff.
5. Lands in San Pedro containing approximately 23.5 hectares, being the 33.5 hectares acquired by the Company from Gonzalo Subercaseaux y Cía. by purchase instru-

ments dated November 7, 1951 and January 9, 1952, executed before Marcos Aguirre, notary of Santiago, and registered in the office of the Conservador de Bienes Raíces of Coronel, inscription No. 379, book 500, 1951, pp. 298 ff., less approximately 10 hectares to be used for an employees' housing development.

B. CONCEPCIÓN PROVINCE, TOWNSHIP OF CABRERO.

Hijuela north of the *Fundo Peñuelas* in the Province of Concepción, Township of Cabrero, containing approximately 511 hectares, acquired from the heirs of Gouet by purchase instrument dated June 22, 1950, executed before José Mateo Silva, notary of Concepción, and by instrument of division of community property dated February 27, 1952, executed before Marcos Aguirre, notary of Santiago. Title is registered in the office of the Conservador de Bienes Raíces of Yumbel, inscription No. 188, 1952, pp. 107 ff.

C. BÍO-BÍO PROVINCE, TOWNSHIP OF LA RINCONADA DE LAJA

Lands in Laja, containing approximately 71.5 hectares, being the 81.5 hectares of the lot b) "Las Casas del fundo San Lucas", acquired by the Company from Franco Carmine by purchase instrument dated February 26, 1953, executed before Rafael Zaldivar Díaz, notary of Santiago, and registered in the office of the Conservador de Bienes Raíces of Los Angeles, inscription No. 196, pp. 104 ff., book No. 351, 1953, less approximately 10 hectares to be used for an employees' housing development.

II. PROPERTY INCLUDED IN THE PROJECT

All physical goods purchased with the proceeds of the Loan and all property, real, personal or mixed included in the Project, together with all substitutions, replacements and renewals of such property and all additions which shall hereafter become physically added to or incorporated in such property, whether such additions are now owned by the Company or shall hereafter be acquired.

III. MISCELLANEOUS RIGHTS AND ASSETS

All other rights and assets, such as water rights, timber purchase contracts and power rights owned by the Company and necessary or useful for operation of fully integrated chemical pulp and newsprint plants.

SCHEDULE 5-A

FORM OF NOTE

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No.....

CORPORACIÓN DE FOMENTO DE LA PRODUCCIÓN

and

COMPAÑÍA MANUFACTURERA DE PAPELES Y CARTONES

GUARANTEED SERIAL MORTGAGE NOTE

DUE

CORPORACIÓN DE FOMENTO DE LA PRODUCCIÓN and COMPAÑÍA MANUFACTURERA DE PAPELES Y CARTONES (hereinafter called the Borrowers), for value received, hereby jointly and severally promise to pay to, or order, on the day of 19....., at in the Borough of Manhattan in The City of New York, the sum of Dollars (\$.....), in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, and to pay interest thereon from the date hereof at said office in like coin or currency at the rate of per centum (.....%) per annum, payable semi-annually on May 15 and November 15 until payment of said principal sum has been made or duly provided for, upon presentation of this Note for notation hereon of payment of such interest.

This Note is one of an authorized issue of notes of the aggregate principal amount of \$20,000,000 (or the equivalent thereof payable in other currencies), known as the Guaranteed Serial Mortgage Notes of Corporación de Fomento de la Producción and Compañía Manufacturera de Papeles y Cartones (hereinafter called the Notes) issued or to be issued under a Loan Agreement dated, 1953, between International Bank for Reconstruction and Development (hereinafter called the Bank) and the Borrowers, providing for a loan (hereinafter called the Loan) in an aggregate principal amount not to exceed \$20,000,000 or the equivalent thereof in other currencies and guaranteed by The Republic of Chile pursuant to the provisions of a Guarantee Agreement dated, 1953, between The Republic of Chile and the Bank. The Notes are equally and ratably secured by means of an instrument denominated *Hipoteca y Prenda Industrial* executed in Santiago de Chile on, 1953, by Compañía Manufacturera de Papeles y Cartones before, Notary Public of that City, as such instrument may be amended and supplemented from time to time by additional security instruments (such instrument, as so amended and supplemented being hereinafter called the Mortgage). Reference is hereby made to said Agreements and to the Mortgage for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the Notes with respect thereto and the rights and duties of the Bank under said Agreements and the Mortgage. No reference herein to said Agreements or to the

Mortgage shall impair the obligation of the Borrowers, which is absolute and unconditional, to pay the principal of and interest on this Note at the times and place and in the amounts and in the currency herein prescribed.

The Notes are subject to redemption at the election of the Borrowers, as hereinafter provided, at a redemption price for each Note equal to the principal amount thereof, plus the interest accrued and unpaid thereon to the date fixed for the redemption thereof, plus as a premium the following respective percentages of such principal amount: [Insert percentages set forth in the amortization schedule to the Loan Agreement]. All the Notes at the time outstanding may be so redeemed at any time. All the Notes at the time outstanding of any one or more maturities may be so redeemed at any time, provided that, at the date fixed for the redemption of such Notes, there shall not be outstanding any Notes maturing after the Notes to be redeemed. If the Borrowers shall elect to redeem Notes they shall give notice of intention to redeem all the Notes, or all the Notes of one or more designated maturities as hereinabove provided, as the case may be. Such notice shall designate the redemption date and shall state the redemption price or prices, determined as hereinbefore provided. Such notice shall be given by publication in two daily newspapers printed in the English language and published and of general circulation in said Borough of Manhattan at least once a week for three successive weeks, the first publication to be not less than 45 nor more than 60 days prior to said redemption date. Notice of election to redeem having been given as above provided, the Notes so called for redemption shall become due and payable on said redemption date at their redemption price or prices, and upon presentation and surrender thereof on or after such date at said office in said Borough of Manhattan shall be paid at the redemption price or prices aforesaid. From and after said redemption date, if payment is made or duly provided for pursuant thereto, the Notes so called for redemption shall cease to bear interest.

In certain events provided in said Loan Agreement or in the Mortgage, the Bank, at its option, may declare the principal of the Loan and of all the Notes then outstanding (if not already due) to be due and payable immediately, and upon any such declaration such principal shall be due and payable immediately.

The principal of the Notes, the interest accruing thereon and the premium, if any, on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature now or at any time hereafter imposed by The Republic of Chile or by any taxing authority thereof or therein and shall be paid free from all restrictions of The Republic of Chile, its political subdivisions or its agencies; provided, however, that the provisions of this paragraph shall not apply to the taxation of payments made under the provisions of any Note to a holder thereof other than the Bank when such Note is beneficially owned by an individual or corporate resident of The Republic of Chile.

IN WITNESS WHEREOF, Corporación de Fomento de la Producción and Compañía Manufacturera de Papeles y Cartones have caused this Notes to be signed in their respective names by [Here insert reference to official or officials signing the Notes, to countersignatures, attestation and seal, if used, and, if any signature is a facsimile signature, make reference thereto.]

[Signature, attestation, authentication, as may be appropriate]

Dated

SCHEDULE 5-B

FORM OF GUARANTEE

The Republic of Chile, for value received, as a primary obligor and not as surety merely, hereby absolutely and unconditionally guarantees, and pledges its full faith and credit for, the due and punctual payment of the principal and redemption price of said Note and the interest thereon.

The Republic of Chile :

By.....

Authorized Representative

Dated

No. 2521. GUARANTEE AGREEMENT¹ (*AGRICULTURAL MACHINERY PROJECT*) BETWEEN THE REPUBLIC OF PANAMA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 25 SEPTEMBER 1953

AGREEMENT, dated September 25, 1953, between REPUBLIC OF PANAMA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS Instituto de Fomento Económico (hereinafter called the Borrower) was organized for the purpose of promoting the development of the economy of the Republic of Panama; and

WHEREAS the Borrower and the Guarantor have submitted to the Bank a project for the development of agriculture in the Republic of Panama through importation and utilization of farm machinery, tools and equipment, and the Bank has agreed to assist in the financing of such project; and

WHEREAS it is the common desire of the Borrower, the Republic of Panama and the Bank that the funds and operations of the Borrower in connection with such project be kept separate and distinct from the other funds and operations of the Borrower; and

WHEREAS by an agreement of even date herewith between the Bank and 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 in an aggregate principal amount equivalent to one million two hundred thousand dollars (\$ 1,200,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the payment of the principal of, and interest and other charges on such loan and the obligations of the Borrower in respect thereof; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to guarantee the payment of the principal of, and interest and other charges on such loan and the obligations of the Borrower in respect thereof;

NOW THEREFORE, the parties hereto hereby agree as follows :

¹ Came into force on 20 February 1954, upon notification by the Bank to the Government of Panama.

² See p. 80 of this volume.

Article I

SECTION 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4¹ of the Bank dated October 15, 1952 (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 Guarantee Agreement the term "Agency" shall mean any agency or instrumentality of the Guarantor or of any political subdivision of the Guarantor and shall include any institution or organization which is owned or controlled directly or indirectly by the Guarantor or by any political subdivision of the Guarantor or the operations of which are conducted primarily in the interest of or for account of the Guarantor or any political subdivision of the Guarantor.

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 :

(a) 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, or

(b) whenever there is reasonable cause to believe that lack of funds to service any of its obligations may impair the Borrower's ability to carry out its obligations under the Loan Agreement,

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.

¹ See p. of 80 this volume.

Article III

SECTION 3.01. (a) 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.

(b) The term “ assets of the Guarantor ” as used in this Section means the assets of the Guarantor or of any of its political subdivisions or of any Agency.

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 or fees 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, 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 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes or fees 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 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.

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 Minister of Finance and Treasury (*Ministro de Hacienda y Tesoro*) of the Guarantor and such person or persons as he shall designate 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 : Gobierno de Panamá, Ministerio de Hacienda y Tesoro, Panamá, República de Panamá.

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

SECTION 5.02. The Minister of Finance and Treasury (*Ministro de Hacienda y Tesoro*) 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.

Republic of Panama :
By R. M. HUERTEMATTE
Ambassador of Panama

International Bank for Reconstruction and Development :
By Eugene R. BLACK
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 OCTOBER 1952

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

[*Not published herein. See United Nations, Treaty Series, Vol. 172, p. 124*]

LOAN AGREEMENT

(AGRICULTURAL MACHINERY PROJECT)

AGREEMENT, dated September 25, 1953, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and INSTITUTO DE FOMENTO ECONÓMICO (hereinafter called the Borrower).

WHEREAS the Borrower was organized for the purpose of promoting the development of the economy of the Republic of Panama; and

WHEREAS the Borrower and the Republic of Panama have submitted to the Bank a project for the development of agriculture in the Republic of Panama through importation and utilization of farm machinery, tools and equipment, and the Bank has agreed to assist in the financing of such project; and

WHEREAS it is the common desire of the Borrower, the Republic of Panama and the Bank that the funds and operations of the Borrower in connection with such project be kept separate and distinct from the other funds and operations of the Borrower;

NOW THEREFORE, the parties hereto agree as follows :

Article I

LOAN REGULATIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4¹ of the Bank dated October 15, 1952 (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 two hundred thousand dollars (\$1,200,000).

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

¹ See above.

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.

The date specified for the purposes of Section 2.02 of the Loan Regulations is November 15, 1953 or the Effective Date, whichever shall be the earlier.

Section 2.04. The Borrower shall pay interest at the rate of four and five-eighths per cent ($4\frac{5}{8}\%$) 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 per cent ($\frac{1}{2}$ 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 May 15 and November 15 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 1¹ 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 2² to this Agreement. The specific goods to be financed out of the proceeds of the Loan 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 General Manager (*Gerente General*) 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.

¹ See p. 90 of this volume.

² See p. 90 of this volume.

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, financial and business practices.

(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 financial condition and operations 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 financial condition and operations of the Borrower.

(c) The Borrower shall administer its operations in connection with the Project separately from its other activities and shall keep separate accounts thereof which will be made available to the Bank pursuant to the provisions of paragraph (b) of this Section.

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. The Borrower shall not, without the prior written approval of the Bank, incur, assume or guarantee any debt, or substantially modify the terms of payment of any existing debt incurred, assumed or guaranteed by it; provided, however, that the foregoing provisions of this Section shall not apply to the incurring by the Borrower in the ordinary course of its business of any debt maturing by its terms not more than one year after the date on which it is originally incurred.

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; (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.

Section 5.05. Whenever there is reasonable cause to believe :

(a) that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, or

(b) that lack of funds to service any of its obligations may impair the Borrower's ability to carry out its obligations under this Agreement,

the Borrower shall forthwith notify the Guarantor and the Bank of such fact and of its expected requirements.

Section 5.06. 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 5.07. 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 execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

Section 5.08. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured the goods financed with the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Guarantor. Each contract of insurance shall be on such terms and shall be for such amounts as 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.

Section 5.09. The Borrower shall operate and maintain the machinery and equipment included in the pools described in Schedule 2 to this Agreement, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering standards.

Section 5.10. The Borrower shall at all times be so organized, and have such management, technical and operating staff, and follow such operating policies as shall be necessary for the diligent and efficient operation of the pools described in Schedule 2 to this Agreement.

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

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 Borrower and the Guarantor shall have made arrangements mutually satisfactory to the Bank, the Borrower and the Guarantor, for the funding of past due interest owed by the Borrower on *Bonos del Banco de Urbanización y Rehabilitación, Serie A*;

(b) The Borrower shall have made arrangements satisfactory to the Bank for the provision of funds in currency of the Guarantor for use in defraying the initial expenses of the Borrower in connection with the Project.

Section 7.02. The following is specified as an additional matter within the meaning of Section 9.02 (b) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank : That the arrangements for funding of the past due interest owed by the Borrower on *Bonos del Banco de Urbanización y Rehabilitación, Serie A* are valid and binding in accordance with their terms.

Section 7.03. A date ninety days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1955.

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

For the Borrower : Instituto de Fomento Económico, Panamá, República de Panamá.

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

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 Eugene R. BLACK

President

Instituto de Fomento Económico :

By Mario DE DIEGO

Authorized Representative

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars) *</i>
May 15, 1955 . . .	—	\$1,200,000	May 15, 1958 . . .	\$121,000	\$513,000
November 15, 1955	\$108,000	1,092,000	November 15, 1958	124,000	389,000
May 15, 1956 . . .	111,000	981,000	May 15, 1959 . . .	127,000	262,000
November 15, 1956	113,000	868,000	November 15, 1959	130,000	132,000
May 15, 1957 . . .	116,000	752,000	May 15, 1960 . . .	132,000	—
November 15, 1957	118,000	634,000			

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 6 months before maturity	1½%
More than 6 months but not more than 2 years and 6 months before maturity	¾%
More than 2 years and 6 months but not more than 4 years and 6 months before maturity	1%
More than 4 years and 6 months before maturity	1½%

SCHEDULE 2

DESCRIPTION OF PROJECT

1. The Project consists of the purchase and import of farm machinery, small tools and barbed wire, and the utilization thereof in developing the agricultural resources of the Guarantor through the operation of farm machinery pools and otherwise as herein-after described.

2. Part of the farm machinery will be used in pools operated by the Borrower. The Borrower will hire out the farm machinery included in these pools together with the Borrower's operators to farmers at reasonable fixed rates, to assist them in the clearing, leveling and plowing of land, the planting and harvesting of crops, and other agricultural activities.

* 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 these columns represent dollar equivalents determined as for purposes of withdrawal.

3. Part of the farm machinery will be sold on credit to farmers.
 4. The small tools and barbed wire will be sold for cash or on credit by the Borrower to farmers with small holdings.
 5. The Borrower will make arrangements to insure that services of farm machinery technicians and an adequate supply of spare parts and other equipment necessary for the maintenance and repair of the farm machinery will be available.
 6. Except as the Bank and the Borrower shall otherwise agree, the proceeds of the cash sales referred to in 4 above, the repayments on account of the credits referred to in 3 and 4 above, and the net revenues derived from the operations described in 2 above will be set aside by the Borrower in a separate banking account to be used solely for the payment of principal of, and interest and other charges on, the Loan and the Bonds.
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