

No. 4098

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
CHILE**

Guarantee Agreement—*Lota Project* (with annexed Loan Regulations No. 4 and Loan Agreement—*Lota Project*—between the Bank and Corporación de Fomento de la Producción and Compañía Carbonífera e Industrial de Lota). Signed at Washington, on 24 July 1957

Official text: English.

Registered by the International Bank for Reconstruction and Development on 14 December 1957.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
CHILI**

Contrat de garantie — *Projet de Lota* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt — *Projet de Lota* — entre la Banque, d'une part, et la Corporación de Fomento de la Producción et la Compañía Carbonífera e Industrial de Lota, d'autre part). Signé à Washington, le 24 juillet 1957

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 14 décembre 1957.

No. 4098. GUARANTEE AGREEMENT¹ (*LOTA PROJECT*)
BETWEEN THE REPUBLIC OF CHILE AND THE INTER-
NATIONAL BANK FOR RECONSTRUCTION AND DE-
VELOPMENT. SIGNED AT WASHINGTON, ON 24 JULY
1957

AGREEMENT, dated July 24, 1957, between THE REPUBLIC OF CHILE (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Corporación de Fomento de la Producción and Compañía Carbonífera e Industrial de Lota (hereinafter called the Borrowers), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrowers a loan in various currencies equivalent to nine million six hundred thousand dollars (\$9,600,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrowers in respect of such loan as hereinafter provided : and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrowers, has agreed so to guarantee such obligations of the Borrowers ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956,³ subject, however, to the modifications thereof set forth in Schedule 3⁴ to the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Guarantee Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement shall have the respective meanings therein set forth.

¹ Came into force on 3 December 1957, upon notification by the Bank to the Government of Chile.

² See p. 150 of this volume.

³ See p. 148 of this volume.

⁴ See p. 176 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Notes, and the premium, if any, on the prepayment of the Loan or the Notes, all as set forth in the Loan Agreement and in the Notes.

Section 2.02. Whenever there is reasonable cause to believe that the funds available to Fomento will be inadequate to enable it to carry out its obligations under the Loan Agreement, the Guarantor undertakes to make arrangements, satisfactory to the Bank, promptly to provide Fomento or cause Fomento to be provided with such funds as are needed to meet such obligations.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Notes, 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 and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the Banco Central de Chile.

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 Notes 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 Note to a holder thereof other than the Bank when such Note is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Agreement, the Loan Agreement, the Notes and the Mortgage 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, registration, recordation or filing thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Notes shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Section 3.06. The Guarantor shall not take or permit any of its political subdivisions or agencies to take any action which would prevent or interfere with the performance by the Borrowers of any of the covenants, agreements and obligations of the Borrowers or either of them, in the Loan Agreement contained, and will take or cause to be taken all reasonable action which shall be necessary in order to enable the Borrowers to perform such covenants, agreements and obligations. To implement these obligations the Guarantor by letter of even date herewith signed by the Ambassador of Chile to the United States has outlined its policy of assuring free market prices for the sale of coal without intervention by the Government.

Article IV

Section 4.01. In accordance with the provisions of the Loan Agreement, the Guarantor shall endorse its guarantee on the Notes to be executed and delivered

by the Borrowers. The Minister of Finance of the Guarantor and such person or persons as he shall appoint in writing are designated as authorized representatives of the Guarantor for the purposes of signature of the guarantee on the Notes. The signature of any such representative may be facsimile signature if such guarantee is also countersigned manually by an authorized representative of the Guarantor. If any authorized representative of the Guarantor whose manual or facsimile signature shall be affixed to any such guarantee shall cease to be such authorized representative, the Note on which such guarantee is endorsed may nevertheless be delivered under the Loan Agreement and such guarantee shall be valid and binding on the Guarantor as though the person whose manual or facsimile signature shall have been affixed to such guarantee had not ceased to be such authorized representative.

Article V

Section 5.01. If the Guarantor shall default in the performance of any agreement on its part in this Guarantee Agreement contained, the Bank, at its option, may by notice to the Guarantor require that the Guarantor pay the principal amount of all the Notes which shall then be outstanding and unpaid, and the interest accrued and unpaid thereon to the date of payment thereof, and forthwith upon the giving of such notice such principal and interest shall become immediately due and payable by the Guarantor, anything in this Guarantee Agreement, the Loan Agreement, the Mortgage or the Notes to the contrary notwithstanding. Such principal and interest in respect of any Note shall be paid at the place designated in the Note for the payment of principal thereof and interest thereon, upon surrender of such Note at said place, accompanied by such instruments of assignment as shall be necessary to vest in the Guarantor all the right, title and interest of the holder thereof. If and when any such Note shall have been so surrendered and such payment shall have been made with respect thereto, the Guarantor shall succeed to all rights of the holder of such Note thereunder and under the Mortgage ; provided, however, that nothing herein contained shall be deemed to confer upon the Guarantor or any successor in interest to the Guarantor any right to declare the principal of any such Note to be due and payable by the Borrowers or to require payment thereof prior to the maturity date specified therein, except upon the occurrence of an event of default as provided in the Mortgage ; and provided further that neither the Guarantor nor any successor in interest to the Guarantor shall succeed to any right of any such holder under any guarantee by the Bank. The exercise by the Bank of its right hereunder to require payment by the Guarantor of the principal of, and interest on, the Notes shall not impair or affect any right of the Bank under the Loan Agreement in respect of the commitment charge or service charge on the Loan or any other right, power or remedy which the Bank may have under this Guarantee Agreement or the Loan Agreement, none of which shall accrue to the Guarantor by reason of such payment by it.

Article VI

Section 6.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

The Republic of Chile
c/o Corporación de Fomento de la Producción
37 Wall Street
New York, New York
United States of America

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

Section 6.02. The Minister of Finance 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.

The Republic of Chile :
By M. PUGA
Authorized Representative

International Bank for Reconstruction and Development :
By W. A. B. ILIFF
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 JUNE 1956

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

[Not published herein. See *United Nations, Treaty Series, Vol. 260, p. 376.*]

LOAN AGREEMENT (*LOTA PROJECT*)

AGREEMENT, dated July 24, 1957, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, party of the first part (hereinafter called the Bank) and CORPORACIÓN DE FOMENTO DE LA PRODUCCIÓN and COMPAÑÍA CARBONÍFERA E INDUSTRIAL DE LOTA, parties of the second part (hereinafter called the Borrowers).

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956,¹ subject, however, to the modifications thereof set forth in Schedule 3² to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Agreement, unless the context shall otherwise require, the following terms shall have the following meanings :

(a) "Fomento" means Corporación de Fomento de la Producción, one of the parties of the second part hereto ;

(b) "Company" means Compañía Carbonífera e Industrial de Lota, one of the parties of the second part hereto ;

(c) "Mortgage" means any and all security instruments if and when executed and delivered to the Bank by the Company pursuant to the provisions of Article V of this Agreement ;

(d) "Notes" means notes executed and delivered by Fomento and the Company pursuant to the provisions of this Agreement ; and such term includes any such notes issued in exchange for, or on transfer of, Notes as herein defined ;

(e) "Representative" means the agent appointed pursuant to Section 5.03 (a) of this Agreement, together with any successor agent or agents.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrowers, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to nine million six hundred thousand dollars (\$9,600,000).

Section 2.02. The Bank shall open a Loan Account on its books in the names of the Borrowers and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

Section 2.03. The Borrowers 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

¹ See p. 148 of this volume.

² See p. 176 of this volume.

Loan not so withdrawn from time to time. Such commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrowers from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

Section 2.04. The Borrowers shall pay interest at the rate of five and three-fourths per cent (5³/₄ %) 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 Borrowers shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrowers 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 April 15 and October 15 in each year.

Section 2.07. The Borrowers 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 Borrowers shall apply or cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 2¹ to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods of and procedures for procurement of such goods shall be determined by agreement between the Bank and the Company, subject to modification by further agreement between them. The Company shall deliver to Fomento a copy of the original list of goods and shall, on or before the date on which it shall submit any proposed change in such list to the Bank, notify Fomento of such proposed change.

Section 3.02. The Borrowers 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

NOTES

Section 4.01. The Borrowers shall execute and deliver Notes representing the principal amount of the Loan and having the guarantee of the Guarantor endorsed thereon, as hereinafter provided.

Section 4.02. The payment of the principal of any Notes shall *pro tanto* discharge the obligation of the Borrowers to repay the principal of the Loan; and the payment of

¹ See p. 174 of this volume.

interest on any Notes and of the service charge, if any, provided for in Section 4.04, shall *pro tanto* discharge the obligation of the Borrowers to pay interest on the Loan.

Section 4.03. If and as the Bank shall from time to time request, the Borrowers shall, as soon as practicable and within such period not less than 60 days after the date of any request therefor as the Bank shall specify in such request, execute and deliver to or on the order of the Bank Notes in the aggregate principal amount specified in such request, not exceeding, however, the aggregate principal amount of the Loan which shall have been withdrawn and shall be outstanding at the time of such request and for which Notes shall not theretofore have been so delivered or requested.

Section 4.04. The Notes shall bear interest at such rate or rates as the Bank shall request, not in excess, however, of the rate of interest on the Loan. If the rate of interest on any Note shall be less than the rate of interest on the Loan, the Borrowers shall, in addition to the interest payable on such Note, pay to the Bank a service charge on the principal amount of the Loan represented by such Note at a rate equal to the difference between the interest rate on the Loan and the interest rate on such Note. Such service charge shall be payable on the dates on which and in the currency in which such interest is payable.

Section 4.05. The Notes shall be payable as to principal and interest in the several currencies in which the Loan is repayable. Each Note delivered pursuant to any request under Section 4.03 shall be payable in such currency as the Bank shall specify in such request except that the aggregate principal amount of Notes payable in any currency shall at no time exceed the outstanding amount of the Loan repayable in such currency.

Section 4.06. The maturities of the Notes shall correspond to the maturities of instalments of the principal amount of the Loan set forth in Schedule 1 to this Agreement. The Notes delivered pursuant to any request under Section 4.03 shall have such maturities as the Bank shall specify in such request except that the aggregate principal amount of Notes of any maturity shall at no time exceed the corresponding instalment of the principal amount of the Loan.

Section 4.07. Each Note shall be payable to such payee or payees, and at such place within the country in which the Note is payable, as the Bank shall specify, and shall be dated the interest payment date next preceding the date of its delivery. Upon any delivery of Notes appropriate adjustment shall be made so that there shall be no loss to the Bank or to the Borrowers in respect of commitment charge or interest and service charge, if any, on the principal amount of the Loan represented by such Notes.

Section 4.08. Notes payable in dollars shall be substantially in the form set forth in Schedule 5-a¹ to this Agreement. The form of guarantee to be endorsed by the Guarantor upon the Notes shall be substantially as set forth in Schedule 5-b² to this Agreement. Notes payable in any currency other than dollars and the guarantee endorsed thereon shall be substantially in the forms set forth in Schedules 5-a and 5-b to this

¹ See p. 180 of this volume.

² See p. 186 of this volume.

Agreement except that they shall (a) provide for principal, interest and premium on prepayment, if any, in such other currency, (b) provide for such place of payment as the Bank shall specify, and (c) contain such other modifications as the Bank shall reasonably request in order to conform to the laws or to the financial usage of the place where they are payable.

Section 4.09. The Borrowers shall authorize the issuance of Notes in such denominations as the Bank shall reasonably request. The Notes delivered pursuant to any request under Section 4.03 shall be in such authorized denominations as the Bank shall specify in such request.

Section 4.10. The Borrowers shall, as soon as practicable after the Bank shall so request, execute and deliver to or on the order of the Bank, in exchange for Notes theretofore executed and delivered to it, new Notes in accordance with the following provisions :

(a) Notes bearing interest at one rate may be exchanged for Notes bearing interest at any other rate not in excess of the rate of interest on the Loan. The Bank shall reimburse the Borrowers for the reasonable cost of any such exchange.

(b) Notes in large denominations may be exchanged without charge to the Bank for Notes in smaller denominations for purposes of sale by the Bank.

The foregoing rights of exchange are in addition to any rights of exchange provided in the Notes. Except as in this Section expressly provided, exchanges of Notes pursuant to this Section shall be subject to all provisions of the Notes relating to exchanges.

Section 4.11. The *Vicepresidente Ejecutivo* of Fomento and such person or persons as he shall appoint in writing and the *Gerente General* of the Company and such person or persons as he shall appoint in writing are designated as authorized representatives of Fomento and the Company, respectively, for the purposes of signature of the Notes in the name and on behalf of Fomento and of the Company, respectively. The signature of any such representative may be a facsimile signature if the Notes are also manually countersigned by an authorized representative of Fomento and of the Company, respectively. If any authorized representative of Fomento or of the Company whose manual or facsimile signature shall be affixed to any Note shall cease to be such authorized representative, such Note may nevertheless be delivered, and shall be valid and binding on Fomento and the Company as though the person whose manual or facsimile signature shall have been affixed to such Note had not ceased to be such authorized representative.

Section 4.12. The Company, on behalf of the Borrowers, shall maintain, or cause to be maintained, books for the registration and transfer of Notes.

Section 4.13. If the Bank shall sell any Note and shall guarantee any payment thereunder, the Borrowers shall reimburse the Bank for any amount paid by the Bank under such guarantee by reason of any failure of the Borrowers and the Guarantor to make payment in accordance with the terms of such Note.

Section 4.14. (a) The Notes shall be subject to prepayment prior to their maturity by the Borrowers in accordance with their terms, at a price equal to the principal amount thereof plus the interest accrued and unpaid thereon to the date fixed for the prepayment

thereof plus as a premium the percentages of said principal amount specified in Schedule 1 to this Agreement.

(b) If any Note so to be prepaid shall bear interest at a rate less than the rate of interest on the Loan, the Borrowers shall pay to the Bank on the date fixed for prepayment the service charge provided for in Section 4.04 accrued and unpaid to such date on the principal amount of the Loan represented by such Note.

Section 4.15. No holder (other than the Bank) of any Note shall, by virtue of being the holder thereof, be entitled to exercise any rights under the Loan Agreement or the Guarantee Agreement or be subject to any of the conditions or obligations imposed upon the Bank thereby. The provisions of this Section shall not impair or affect any rights or obligations under the terms of any Note or of any guarantee endorsed thereon.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrowers shall carry out the Project or cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering, mining and financial practices.

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

(c) The Borrowers shall maintain or cause to be maintained 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), to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Company, the financial condition of Fomento and the operations of Fomento in connection with the Project; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish or cause to be furnished 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, the operations and financial condition of the Company, the financial condition of Fomento and the operations of Fomento in connection with the Project.

Section 5.02. (a) The Bank and the Borrowers shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to any other of them all such information as it shall reasonably request with regard to the general status of the Loan.

(b) The Bank and the Borrowers 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 Borrowers 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. Prior to the Effective Date the Company shall take such action and execute such instruments (herein called the Original Mortgage) as shall be necessary to constitute in favor of the Bank, of the holders from time to time of the Loan and the Notes and of the Representative a *hipoteca y prenda industrial* of the first grade under the laws of The Republic of Chile on so much of the property described in Schedule 4¹ to this Agreement as shall be owned by the Company at the date of execution of the Original Mortgage. The Company shall thereafter from time to time within sixty days after receipt of a request from the Bank or from the Representative execute and deliver such supplemental security instruments (herein called Supplemental Mortgages) as may be required to constitute a valid and effective *hipoteca y prenda industrial* of the first grade under the laws of The Republic of Chile covering such property described in Schedule 4 to this Agreement as is specified in the request received from the Bank or from the Representative. The instrument or instruments constituting the Mortgage shall in any event contain provisions to the following effect :

(a) The Bank shall designate, and the Company and Fomento shall join with the Bank in appointing an agent who shall have the exclusive right on the terms provided in the instrument of appointment to represent the holders from time to time of the Loan and the Notes in all matters relating to or arising out of the Mortgage or the enforcement of any rights thereunder. The terms of appointment of the Representative shall include provisions entitling the Representative to take action under the Original Mortgage and under any Supplemental Mortgage at the request of, or with the consent of, the holders from time to time of not less than fifty per cent, aggregate principal amount, of the Loan and the Notes outstanding. The costs and fees of the Representative shall be paid by the Company.

(b) Notes which shall have been executed and delivered and the portion of the Loan not evidenced by Notes shall be secured by the liens of the Mortgage equally and ratably in proportion to the aggregate amount of Notes and of the Loan not evidenced by Notes outstanding, without preference, priority or distinction in respect of any part of the Notes over any other Notes or over any portion of the Loan not evidenced by Notes or of any portion of the Loan not evidenced by Notes over any Notes or over any other portion of the Loan not evidenced by Notes by reason of the date of execution, delivery or maturity thereof, or otherwise.

(c) The Company shall agree that it will not dispose of or further encumber properties subject to the liens of the Mortgage without the consent of the Representative ; provided, however, that without such consent the Company may (i) grant to Fomento a *hipoteca y prenda industrial* of a grade inferior to the Mortgage ; and (ii) sell or otherwise dispose of any property which shall have become worn-out, obsolete or otherwise unsuitable for use in its operations ; that it will pay all taxes which might, if unpaid, result in liens on, or preferential claims against, any of the properties subject to the liens of the Mortgage ; that it will maintain and renew such properties ; and that it will keep such properties insured in such amounts, against such risks and with such companies as shall be satisfactory to the Representative.

¹ See p. 180 of this volume.

Section 5.04. (a) The Company shall register and reregister, record and rerecord and file and refile the Mortgage in all such jurisdictions and offices as may be required in order that the rights and remedies of the Bank, of the holders from time to time of the Loan and the Notes and of the Representative may be established, maintained, confirmed and protected.

(b) Promptly after execution and delivery of the Original Mortgage and of each Supplemental Mortgage the Company shall furnish to the Bank and to the Representative evidence satisfactory to the Bank and to the Representative that the Original Mortgage or the Supplemental Mortgage, as the case may be, has been duly recorded or filed in accordance with applicable Chilean law in all such offices and jurisdictions as may be required under Chilean law to constitute such instrument a valid and binding first lien made by the Company in favor of the Bank, of the holders from time to time of the Loan and the Notes and of the Representative.

Section 5.05. Within 90 days after execution of the Original Mortgage and of any Supplemental Mortgage, the Company shall furnish to the Bank and to the Representative an opinion or opinions satisfactory to the Bank and to the Representative of counsel acceptable to the Bank that the Original Mortgage or Supplemental Mortgage, as the case may be, has been duly executed and delivered ; that it has created a valid lien under the laws of The Republic of Chile enforceable in accordance with its terms ; that it has been duly registered, recorded or filed in all offices or jurisdictions required in order to make it a valid and enforceable first lien ; and that at the date of the Original Mortgage or Supplemental Mortgage, as the case may be, and at the date of the registration, recordation or filing thereof the Company had valid title to the property described in such instrument free of all liens and encumbrances other than the liens of the Mortgage.

Section 5.06. Except as the Bank shall otherwise agree, the Company shall report to the Bank and to the Representative at intervals of six months after the date of execution of the Original Mortgage all property described in Schedule 4 to this Agreement, together with additions, replacements or improvements to such property, which has been acquired by the Company and which has not yet been subjected to the liens of the Mortgage.

Section 5.07. The Company undertakes that, except as the Bank shall otherwise agree, no liens other than the liens of the Mortgage shall after the date of this Agreement be created or maintained on any of its assets as security for any debt ; 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 of a grade inferior to that of the Mortgage covering assets subject to the lien of the Mortgage and granted in favor of Fomento ; and (iii) any lien on assets other than assets subject to the lien of the Mortgage and which falls within any of the following categories : (a) any lien on commercial goods to secure a debt maturing by its terms 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 ; (b) any lien created in the ordinary course of the Company's business to secure a debt maturing by its terms not more than one year after its date ; (c) any lien incurred in the normal course of the Company's operations to secure compliance with the obligations of the Company derived from

the *Código del Trabajo* or from other laws of a social character ; (d) any guarantees given to secure compliance with commercial obligations incurred in the ordinary course of the Company's business.

Section 5.08. The Company may incur (1) debt to Fomento as a result of financial needs of the Company in connection with the Project, (2) short-term debt in the ordinary course of business to cover working capital needs of the Company and (3) short-term debt in anticipation of the Company's borrowing from the Bank or from Fomento to finance needs of the Company in connection with the Project ; provided that such debt shall be repaid promptly upon receipt of funds by the Company from the Loan or from Fomento. Except as the Bank shall otherwise agree, however : (a) The Company shall not until December 31, 1962 or until construction of the Project shall have been completed, whichever shall be the later, incur any other interest-bearing debt. (b) Thereafter the Company shall not incur any interest-bearing debt in addition to debt of the types listed in (1), (2) and (3) above other than long-term debt and then only if after the incurring of such long-term debt the long-term debt of the Company would not exceed the total capital and surplus of the Company. For purposes of this Section : (i) The term "debt" shall include loans or credits contracted whether or not drawn down, together with debt assumed or guaranteed, but shall not include contingent liabilities incurred in the ordinary course of business through discount of accounts receivable. (ii) "Short-term debt" shall mean debt maturing by its terms within one year after the date on which it is incurred and shall include payments on funded debt falling due during such period but shall not include debt covered by written agreements to renew for periods in excess of one year. (iii) "Long-term debt" shall include all debt other than short-term debt. (iv) "Capital and surplus" shall mean capital and surplus determined in accordance with sound accounting practices. (v) The equivalent in currency of the Guarantor of amounts of debt payable in any other currency shall be determined on the basis of the rate of exchange which at the time of such determination is available to the Company for the purchase of such other currency for debt service.

Section 5.09. Except as the Bank shall otherwise agree :

- (1) The Company shall not make any distribution of property to its shareholders or sell any assets to them at less than market value.
- (2) The Company shall not until December 31, 1962 or until construction of the Project shall have been completed, whichever shall be the later, declare any cash dividends or acquire any of the outstanding stock of the Company for a consideration if the aggregate amount expended for such purposes after June 30, 1957, plus that required for such purposes would be greater than 20 % of the available net profit of the Company on the date of declaration of such dividend or payment for stock.
- (3) The Company shall not declare any cash dividends or acquire any of the outstanding capital stock of the Company for a consideration if, on the assumption that such dividend were paid on the date of declaration or as a result of the acquisition of stock,

the net working capital in the hands of the Company would be reduced to an amount less than 16²/₁₀₀ % of the value of coal raised for sale during the preceding 12 calendar months.

For purposes of this Section : The term "available net profit" shall mean the gross earnings accumulated after December 31, 1956 from all sources, determined in accordance with sound business and mining practices, less accumulated operating and administrative expenses, allowances for depreciation and depletion and other normal charges against earnings, including participations of employees and management in earnings, interest on debt, taxes and amounts allocated to reserves in accordance with sound business and mining practices. The term "net working capital" shall mean the excess of current assets (cash and those assets which in the regular course of business can be readily converted into cash) over current liabilities. The term "current liabilities" covers those obligations payable within one year, including payments on funded debt falling due during such period but excluding short-term credits to the extent that they are covered by written agreements to renew for periods in excess of one year. The "value of coal raised for sale" shall be the greater of (a) the actual gross proceeds of sales of coal or (b) an amount determined by subtracting from the gross tonnage of coal mined the amounts used by the Company for its own consumption and multiplying the remainder by the market price per ton of coal prevailing at the date of the calculation.

Section 5.10. Except as shall be otherwise agreed between the Bank and the Borrowers, the Company shall take out or cause to be taken out and maintain or cause to be maintained such insurance, against such risks and in such amounts, as shall be consistent with sound business practices. Insurance covering marine and transit hazards on the goods financed out of the proceeds of the Loan shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

Section 5.11. (a) The Company shall at all times take all steps necessary to maintain its corporate existence and right to carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to maintain and renew all rights, powers, privileges, franchises and concessions which are necessary or useful in the conduct of its business.

(b) The Company shall operate its undertaking and conduct its affairs in accordance with sound business, mining and financial practices and shall operate, maintain, renew and repair its plants, machinery, equipment and property as required in accordance with sound engineering and mining practices. To implement such obligations the Company shall calculate its depreciation charges in accordance with reasonable formulae designed to cover replacement costs and shall strengthen its technical staff, improve supervision at the faces and establish a planning department.

(c) At the date of this Agreement the Company has presented to the Bank an outline of its proposed mine development program for the period 1957 through 1962. The Com-

pany shall consult with the Bank from time to time concerning the progress of such program and any proposed changes therein and extensions thereto.

Section 5.12. Whenever there is reasonable cause to believe that the funds available to the Company will be inadequate to meet the estimated expenditures required for carrying out the Project, the Company shall notify the Bank, Fomento and the Guarantor of the estimated short-fall, and Fomento undertakes to make arrangements satisfactory to the Bank promptly, by means of credits, loans, guarantees or otherwise, to provide the Company or cause the Company to be provided with such funds as are needed to meet such expenditures.

Section 5.13. Fomento undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of Fomento 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 Notes, 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 by its terms 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 created in the ordinary course of Fomento's business to secure debt maturing by its terms not more than one year after the date on which it is incurred.

Section 5.14. The Borrowers 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, the Notes or the Mortgage, 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 Note to a holder thereof other than the Bank when such Note is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.15. The Borrowers 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 Notes 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, the Notes or the Mortgage.

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 Borrowers, or (iii) if any event

specified in paragraph (j) or paragraph (k) 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.

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 (a) (ii) of the Loan Regulations :

(a) Fomento and the Company shall have entered into an agreement satisfactory to the Bank whereby Fomento agrees to make available to the Company funds needed to carry out the Project, and such agreement shall have entered into force.

(b) The Company shall have duly executed and delivered and registered, recorded or filed the Original Mortgage in accordance with applicable Chilean law.

Section 7.02. The following are specified as additional matters, within the meaning of Section 9.02 (e) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

(a) That the agreement between Fomento and the Company referred to in Section 7.01 (a) above is a valid and enforceable agreement in accordance with its terms.

(b) The matters relating to the Original Mortgage set forth in Section 5.05 to this Agreement.

Section 7.03. 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 VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1962.

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

For Fomento :

Corporación de Fomento de la Producción
37 Wall Street
New York, New York
United States of America

For the Company :

Compañía Carbonífera e Industrial de Lota
Casilla 145 V
Valparaiso, Chile

Alternative address for cablegrams and radiograms :

Talo
Valparaiso, Chile

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

Section 8.03. All obligations of the Borrowers under this Agreement and the Notes, unless they shall have been expressly undertaken by only one of the Borrowers, shall be joint and several, and the obligation of either of them to comply with any provision of this Agreement is not subject to any prior notice to, demand upon or action against the other. No extension of time or forbearance given to either of the Borrowers in respect of the performance of any of its obligations under this Agreement, the Notes or the Mortgage, and no failure of the Bank or of any holder of the Notes to give any notice or to make any demand or protest whatsoever to either of the Borrowers, or strictly to assert any right or pursue any remedy against either of them in respect of this Agreement, the Notes or the Mortgage, and no failure by either of the Borrowers to comply with any requirement of any law, regulation or order, shall in any way affect or impair any obligation of the other Borrower under this Agreement or the Notes.

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 W. A. B. ILIFF
Vice President

Corporación de Fomento de la Producción :

By Joaq. FIGUEROA
Authorized Representative

Compañía Carbonífera e Industrial de Lota

By Guillermo VIDELA LIRA
Authorized Representative

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
April 15, 1962	—	October 15, 1967	\$480,000
October 15, 1962	\$362,000	April 15, 1968	494,000
April 15, 1963	372,000	October 15, 1968	508,000
October 15, 1963	383,000	April 15, 1969	523,000
April 15, 1964	394,000	October 15, 1969	538,000
October 15, 1964	405,000	April 15, 1970	554,000
April 15, 1965	417,000	October 15, 1970	570,000
October 15, 1965	429,000	April 15, 1971	586,000
April 15, 1966	441,000	October 15, 1971	603,000
October 15, 1966	454,000	April 15, 1972	620,000
April 15, 1967	467,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS OF PREPAYMENT

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 prepayment of any Note prior to its maturity pursuant to Section 4.14 of the Loan Agreement :

<i>Time of Prepayment</i>	<i>Premium</i>
Not more than 3 years before maturity	½ of 1 %
More than 3 years but not more than 6 years before maturity	2 %
More than 6 years but not more than 11 years before maturity	3½ %
More than 11 years but not more than 13 years before maturity	4¾ %
More than 13 years before maturity	5¾ %

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project is a 5-year program for the concentration and modernization of the production facilities of the Company at Lota Alto in Chile. It is intended to increase the over-all output per man shift from about 0.62 metric tons to about 1.13 metric tons and raise production capacity from about 1,000,000 metric tons to about 1,120,000 metric tons of coal per year (based upon 280 working days) between 1957 and 1961.

The Project includes :

1. Connecting roadways and ventilation galleries between the new shafts and the old mining areas. These connections would be driven in the period from 1957 to 1960.
2. New mine development work over a 5-year period beginning in 1957 including the installation of two inclined haulage systems to reach the coal reserves between the 450 and 600 meter level, to be followed by the sinking of a staple shaft to make possible the extraction of coal reserves below the 600 meter level. The total of connecting and development drivages amount to about 51 kilometers. Appropriate equipment for transportation and face work will be acquired.
3. Equipment of one of the new shafts with up-to-date hoisting and decking facilities with a capacity of about 2,000 metric tons per day, and electrification of hoisting equipment of one of the old shafts.
4. Building and equipment of a coal preparation plant with a capacity of about 300 metric tons per hour.
5. Construction and installation of other surface installations including stocking facilities, machine shop, engineers' offices, safety department and lamp room, foremen's building, pithead baths and employees' housing.
6. Acquisition of equipment for mechanization of the accounting department and of trucks for transportation of materials within the surface installations.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS No. 4

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

- (a) Section 2.02 shall be deleted.
- (b) The last sentence of Section 2.05 (b) shall read as follows :
"However, if Notes shall have been delivered in respect of any part of the Loan to be prepaid, the terms and conditions of prepayment of that part of the Loan shall be those set forth in Section 4.14 of the Loan Agreement and in such Notes."
- (c) The words "under paragraph (b) of this Section or under Section 6.16" shall be deleted from the last sentence of paragraph (c) of Section 2.05.
- (d) The words "under Section 2.05" and "under Section 6.16 on redemption" shall be deleted from the last sentence of Section 3.02.
- (e) Paragraph (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 Notes."

(f) Paragraph (j) of Section 5.02 shall be deleted, and the following paragraphs shall be inserted :

“(j) 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 property necessary for the operation thereof shall be taken from the Company.

“(k) Any event of default shall have happened under the Mortgage.”

(g) The words “pursuant to Article VI” shall be deleted from Section 5.05.

(h) Article VI shall be deleted.

(i) The second sentence of Section 7.02 shall read as follows :

“Such obligations shall not be subject to any prior notice to, demand upon or action against the Borrowers or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrowers, and shall not be impaired by any of the following : any extension of time, forbearance or concession given to the Borrowers ; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrowers or in respect of any security for the Loan ; any modification or amplification of the provisions of the Loan Agreement contemplated by the terms thereof ; any modification or amplification of any other document related to the Loan or related to any security therefor ; any failure of the Borrowers to comply with any requirement of any law, regulation or order of the Guarantor or of any political subdivision or agency of the Guarantor.”

(j) Paragraph (j) of Section 7.04 shall be deleted, and the following shall be substituted therefor :

“(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 any of the said parties 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 Notes, 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.”

(k) Paragraph 6 of Section 10.01 shall read as follows :

“6. The term ‘Borrower’ means the Borrowers, except that in Sections 5.02 (b), (c), (d), (e) and (f), Section 7.01 and Section 7.02 of the Loan Regulations such terms shall refer to the Borrowers or either of them. The term ‘Guarantor’ means The Republic of Chile.”

(l) Paragraph 10 of Section 10.01 shall be deleted, and the following shall be substituted therefor :

“10. The term ‘Bonds’ means Notes as defined in Section 1.02 of the Loan Agreement.”

(m) A new subparagraph shall be added after paragraph 20 of Section 10.01, as follows :

“21. The term ‘Mortgage’ shall have the meaning set forth in Section 1.02 of the Loan Agreement.”

(n) Schedule 1, Schedule 2 and Schedule 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 :

1. *Mining Properties : Surface Installations, Underground and Submarine Properties and Concessions of the Company*

The list of such properties shall be agreed between the Bank and the Company subject to amendment by further agreement between them.

2. *Properties 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.

3. *Miscellaneous Rights and Assets*

All other rights, interests, franchises and assets owned by the Company and necessary for fully integrated coal mining operations.

SCHEDULE 5-a

FORM OF NOTE

\$.....

No.

CORPORACIÓN DE FOMENTO DE LA PRODUCCIÓN
and
COMPAÑÍA CARBONÍFERA E INDUSTRIAL DE LOTA

Guaranteed Serial Mortgage Note

Due

Corporación de Fomento de la Producción and Compañía Carbonífera e Industrial de Lota (hereinafter sometimes called the Company and Corporación de Fomento de la Producción and the Company being hereinafter sometimes called the Borrowers), for value received, hereby jointly and severally promise to pay to, or registered assigns, on the day of, at in the Borough (Office)

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 and until payment of said principal sum has been made or duly provided for.

This note is one of the notes (hereinafter called the Notes) issued or to be issued under a Loan Agreement dated, 1957, between International Bank for Reconstruction and Development (hereinafter called the Bank) and the Borrowers, providing for a loan (hereinafter called the Loan) of an amount in various currencies equivalent to \$9,600,000 and guaranteed by The Republic of Chile pursuant to the provisions of a Guarantee Agreement dated, 1957, between The Republic of Chile and the Bank. No reference herein to the Loan Agreement or Guarantee Agreement shall confer upon the holder hereof any rights thereunder or impair the obligation of the Borrowers, which is absolute and unconditional, to pay the principal and interest on this Note at the times and place and in the amounts and in the currency herein prescribed.

The Notes and the portions of the Loan not evidenced by Notes are equally and ratably secured by means of an instrument denominated *Hipoteca y Prenda Industrial* executed in Santiago de Chile on, 1957, by the Company 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). Pursuant to the Mortgage, the Bank and the Borrowers have conferred upon (. and its successors being hereinafter called the Representative) the exclusive right on the terms therein provided to represent the Bank and the holders from time to time of the Notes in all matters relating to or arising out of the Mortgage or the enforcement of any rights thereunder. In accepting this Note, the holder hereof agrees to the appointment of such Representative pursuant to the terms and conditions of the Mortgage.

The Notes are subject to prepayment at the election of the Borrowers as hereinafter provided at a price for each Note equal to the principal amount thereof plus the interest accrued and unpaid thereon to the date fixed for the prepayment 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 prepaid at any time. All the Notes at the time outstanding of any one or more maturities may be so prepaid at any time, provided that, at the date fixed for the prepayment, there shall not be outstanding any Notes maturing after the Notes to be prepaid. If the Borrowers shall elect to prepay Notes, they shall give at least 45 days' written notice of intention to prepay all the Notes or all the Notes of one or more designated maturities as hereinabove provided, as the case may be, to the Representative and to the holder or holders of Notes then outstanding. Such notice shall designate the prepayment date and shall state the prepayment price or prices determined as hereinbefore provided. Notice of election to prepay having been given as above provided, the Notes so called for prepayment shall become due and payable on said prepayment date at their

prepayment price or prices, and upon presentation and surrender thereof on or after such date at said office in the Borough of Manhattan shall be paid at the prepayment price or prices aforesaid. From and after said prepayment date, if payment is made or duly provided for pursuant hereto, the Notes so called for prepayment shall cease to bear interest.

In certain events provided in said Loan Agreement, 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. In certain events provided in the Mortgage, the holder or holders of not less than 50 %, aggregate principal amount outstanding, of the Notes and of the portions of the Loan not evidenced by Notes, acting through the Representative, 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 prepayment 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.

There shall be kept at the office of the Company a register for the registration of ownership and transfer of Notes. This Note is transferable by the holder or by the holder's attorney duly authorized in writing upon presentation and surrender of this Note to the Company for cancellation, duly endorsed or accompanied by a proper instrument or instruments of assignment and transfer. No transfer of any Note shall be valid unless made on said register at the office of the Company. Upon transfer of this Note a new Note or Notes of the same maturity and for the same aggregate principal amount and having the guarantee of the Guarantor endorsed thereon will be issued to the transferee in exchange for this Note. The Borrowers shall not be required to make transfers of any Notes for a period of ten days next preceding any interest payment date thereof or of any Notes called for prepayment. The Borrowers and the Representative may deem and treat the person in whose name this Note is registered on the books of the Company as the absolute owner hereof for all purposes whatsoever, notwithstanding any notice to the contrary, and any payment of moneys to or on the order of such person shall discharge the liability of the Borrowers or the Representative to the extent of the payment so made.

Any notice given by the Borrowers or by the Representative to any holder of Notes shall be given to such holder at his address registered on the books of the Company or at such other address as such holder shall designate in writing to the Company. The giving of notice to the holders of Notes whose addresses are of record with the Company as herein

provided shall fully discharge the Representative and the Borrowers from any obligation on their part to give such notice to anyone.

IN WITNESS WHEREOF, and have caused this Note 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

This Note is one of the Notes referred to in the instrument dated, 1957 between [the Borrowers], the International Bank for Reconstruction and Development and [the Representative].

[Representative]

FORM OF ASSIGNMENT AND TRANSFER

FOR VALUE RECEIVED hereby sell, assign and transfer unto the within Note issued by Corporación de Fomento de la Producción and Compañía Carbonífera e Industrial de Lota and hereby irrevocably authorize them to transfer said Note on their books.

Dated

Witness :

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 prepayment price of the within Note and the interest thereon, free from taxes and restrictions as therein provided, prior notice to, demand upon or action against the obligors on said Note or The Republic of Chile being waived.

The Republic of Chile :

By

Authorized Representative

Dated