

No. 3724

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

Guarantee Agreement—*Endesa Expansion Project* (with annexed Loan Regulations No. 4 and Loan Agreement—*Endesa Expansion Project*—between the Bank and Corporación de Fomento de la Producción and Empresa Nacional de Electricidad, S.A.). Signed at Washington, on 1 November 1956

Official text: English.

Registered by the International Bank for Reconstruction and Development on 5 March 1957.

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

Contrat de garantie — *Projet d'expansion de l'Endesa* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt — *Projet d'expansion de l'Endesa* — entre la Banque et la Corporación de Fomento de la Producción et l'Empresa Nacional de Electricidad, S.A.). Signé à Washington, le 1^{er} novembre 1956

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 5 mars 1957.

No. 3724. GUARANTEE AGREEMENT¹ (*ENDESA EXPANSION PROJECT*) BETWEEN THE REPUBLIC OF CHILE AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 1 NOVEMBER 1956

AGREEMENT, dated November 1, 1956, 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 Empresa Nacional de Electricidad, S. A. (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 fifteen million dollars (\$15,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the 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 27 February 1957, upon notification by the Bank to the Government of Chile.

² See p. 34 of this volume.

³ See p. 34 of this volume.

⁴ See p. 50 of this volume.

Article II

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

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions 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 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 Borrowers. The Minister of Finance 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 :

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 cable address :
Intbafrad
Washington, D. C.

Section 5.02. 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 Mario RODRIGUEZ A.
Authorized Representative

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

[*Not published herein. See United Nations, Treaty Series, Vol. 260, No. 3721.*]

LOAN AGREEMENT (*ENDESA EXPANSION PROJECT*)

AGREEMENT, dated November 1, 1956, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, party of the first part (hereinafter called the Bank) and CORPORACIÓN DE FOMENTO DE LA PRODUCCIÓN and EMPRESA NACIONAL DE ELECTRICIDAD, S. A., parties of the second part (hereinafter called the Borrowers).

Article 1

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 modi-

¹ See above.

fications thereof set forth in Schedule 3¹ 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) The term "Fomento" means Corporación de Fomento de la Producción, one of the parties of the second part hereto ;
- (b) The term "Endesa" means Empresa Nacional de Electricidad, S. A., one of the parties of the second part hereto.

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 fifteen million dollars (\$15,000,000).

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 Loan not so withdrawn from time to time.

Section 2.04. The Borrowers shall pay interest at the rate of five per cent (5%) 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 1² 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

¹ See p. 50 of this volume.

² See p. 48 of this volume.

described in Schedule 2¹ to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Borrowers, subject to modification by further agreement between them.

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

BONDS

Section 4.01. The Borrowers shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The *Vicepresidente Ejecutivo* of Fomento and such person or persons as he shall appoint in writing and the *Gerente General* of Endesa and such person or persons as he shall appoint in writing are designated as authorized representatives of Fomento and Endesa, respectively, for the purposes of Section 6.12 (a) of the Loan Regulations.

Article V

PARTICULAR COVENANTS

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

(b) The Borrowers shall furnish or cause to be furnished to the Bank, promptly upon their preparation, the plans and specifications 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) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the Borrowers; 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 of the Borrowers, the operations of Endesa 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 the parties hereto

¹ See p. 48 of this volume.

shall furnish to any other such party all such information as such other party 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. Endesa undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of Endesa 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 and securing a debt maturing not more than one year after its date.

Section 5.04. If Endesa shall propose to incur any external debt, Endesa shall inform the Bank of such proposal and, before the proposed action is taken, shall afford the Bank all opportunity which is reasonably practicable in the circumstances to exchange views with Endesa with respect thereto; provided, however, that the foregoing provisions shall not apply to: (i) the incurring of additional debt through utilization, in accordance with the terms of any credit established prior to the date of this Agreement, of any unused amounts available under such credit; or (ii) the incurring of debt maturing not more than twelve months after the date on which it is originally incurred.

Section 5.05. Fomento 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 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; (iii) any lien arising in the ordinary course of Fomento's business and securing a debt maturing not more than one year after the date on which it is incurred.

Section 5.06. 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 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 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 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 Borrowers, the Borrowers shall insure or cause to be insured the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Guarantor. Such insurance 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. (a) Endesa shall at all times maintain its 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 and franchises which are necessary or useful in the conduct of its business.

(b) Endesa shall operate its undertaking and conduct its affairs in accordance with sound business, public utility and financial practices and shall maintain, renew and repair its plants, machinery, equipment and property as required in accordance with sound engineering practices.

Section 5.10. Whenever there is reasonable cause to believe that the funds available to Endesa will be inadequate to meet the estimated expenditures required for carrying out the Project, Fomento undertakes to make arrangements, satisfactory to the Bank, promptly to provide Endesa or cause Endesa to be provided with such funds as are needed to meet such expenditures.

Section 5.11. Except as the Bank shall otherwise agree, Endesa shall not declare or pay any dividend (except dividends payable solely in shares of capital stock) nor make any distribution on any shares of its capital stock, nor shall it acquire shares of its capital stock for a consideration, except out of earned surplus accumulated after December 31, 1955, and then only if net working capital would not be reduced thereby to an amount less than the aggregate amount of operating expenses (including administrative and general expenses) for the preceding two calendar months. For purposes of this Section 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" shall mean 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.

Section 5.12. Endesa shall not, without the prior consent of the Bank (i) sell or otherwise dispose of all or substantially all of its property and assets unless the Borrowers shall first redeem and pay or make adequate provision satisfactory to the Bank for redemption and payment of all of the Loan which shall be outstanding and unpaid ; or (ii) sell or otherwise dispose of all or substantially all of the property included in the Project or any plant included therein unless the Borrowers shall first redeem and pay or make adequate provision satisfactory to the Bank for redemption and payment of a proportionate part of the Loan which shall then be outstanding and unpaid equal to the proportionate part of the Project so sold or disposed of. Endesa may, however, without consent of the Bank, sell or otherwise dispose of any property which shall have become old, worn-out, obsolete or unnecessary for use in its operations.

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, 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

MISCELLANEOUS

Section 7.01. The Closing Date shall be October 1, 1960.

Section 7.02. A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Section 7.03. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrowers :

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 cable address :
Intbafrad
Washington, D. C.

Section 7.04. (a) All obligations of the Borrowers under this Agreement and the Bonds, 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 or the Bonds, and no failure of the Bank or of any holder of the Bonds 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 or the Bonds, 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 Bonds.

(b) All applications, demands, notices, waivers, consents, modifications or agreements required or permitted by this Agreement to be made or given by or to the Borrowers or either of them shall be deemed to have been duly made or given if made or given by or to Fomento.

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 J. SCHNEIDER
Authorized Representative

Empresa Nacional de Electricidad, S. A. :

By Reinaldo HARNECKER
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>
April 15, 1960 . . .	—	\$15,000,000	October 15, 1968 . . .	\$442,000	\$8,785,000
October 15, 1960 . . .	\$298,000	14,702,000	April 15, 1969 . . .	453,000	8,332,000
April 15, 1961 . . .	305,000	14,397,000	October 15, 1969 . . .	465,000	7,867,000
October 15, 1961 . . .	313,000	14,084,000	April 15, 1970 . . .	476,000	7,391,000
April 15, 1962 . . .	321,000	13,763,000	October 15, 1970 . . .	488,000	6,903,000
October 15, 1962 . . .	329,000	13,434,000	April 15, 1971 . . .	500,000	6,403,000
April 15, 1963 . . .	337,000	13,097,000	October 15, 1971 . . .	513,000	5,890,000
October 15, 1963 . . .	345,000	12,752,000	April 15, 1972 . . .	526,000	5,364,000
April 15, 1964 . . .	354,000	12,398,000	October 15, 1972 . . .	539,000	4,825,000
October 15, 1964 . . .	363,000	12,035,000	April 15, 1973 . . .	552,000	4,273,000
April 15, 1965 . . .	372,000	11,663,000	October 15, 1973 . . .	566,000	3,707,000
October 15, 1965 . . .	381,000	11,282,000	April 15, 1974 . . .	580,000	3,127,000
April 15, 1966 . . .	391,000	10,891,000	October 15, 1974 . . .	595,000	2,532,000
October 15, 1966 . . .	401,000	10,490,000	April 15, 1975 . . .	610,000	1,922,000
April 15, 1967 . . .	411,000	10,079,000	October 15, 1975 . . .	625,000	1,297,000
October 15, 1967 . . .	421,000	9,658,000	April 15, 1976 . . .	640,000	657,000
April 15, 1968 . . .	431,000	9,227,000	October 15, 1976 . . .	657,000	—

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

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 three years before maturity	$\frac{1}{4}$ of 1 %
More than three years but not more than six years before maturity	$\frac{1}{2}$ %
More than six years but not more than eleven years before maturity	1 %
More than eleven years but not more than sixteen years before maturity	2 $\frac{1}{2}$ %
More than sixteen years but not more than eighteen years before maturity	4 %
More than eighteen years before maturity	5 %

SCHEDULE 2

DESCRIPTION OF PROJECT

Endesa has formulated and is executing a program of power development designed to meet the requirements of Chile through 1965. The portions which constitute the Project form a part of this program and are described as follows :

1. *Isla Hydroelectric Plant and Expansion of the Cipreses System*

Downstream from the present Los Cipreses plant on the Cipreses River, a hydroelectric plant will be constructed, which will be equipped with two 34,000 kw generating units, necessary auxiliary equipment, step-up transformers and connections with the 154 kv substation at the existing plant. A system of canals, tunnels and syphons will conduct water from the Cipreses and Maule rivers to the plant at elevations to provide a head of about 97 meters on the turbines. The leakage of La Invernada Lake will be reduced by sealing the dam and lake bottom. The main substations in Itahue and Santiago will be enlarged. The works are scheduled to be completed and placed in operation during 1960.

2. *Expansion of the Abanico Systems*

Two generating units of 25,000 kw each with necessary auxiliary equipment will be installed in the existing Abanico powerhouse. The civil works will consist of an intake capable of reducing the level of Lake Laja by about 68 meters and a pressure tunnel about 2 km. in length. The existing canal will be enlarged. The capacity of the step-up substation will be increased by 43,000 kva and the capacity of the substations in Charrua, Concepción and San Vicente will be increased by a total of 120,000 kva. A single circuit 154 kv line 210 km. in length will be run from Charrua to Temuco. About 200 km. of 66 kv lines will be added to the system and about 500 km. of 13.2 kv lines will be installed to serve rural areas and small towns. The works are scheduled to be completed and placed in operation during 1959.

3. *Pullinque System*

A hydroelectric plant will be constructed on the Huanehue River consisting of three generating units having a capacity of 16,300 kw each with the necessary auxiliary equipment and a step-up substation having a capacity of 60,000 kva. The civil works consist of a short gravity tunnel, a low barrage and a canal having a length of about 5 km. A double circuit 66 kv transmission line about 125 km. long will connect the plant with the Endesa interconnected system at Temuco and a 66 kv loop about 250 km. long will serve areas to the south and west. Six receiving substations having a total capacity of 46,200 kva will be installed and about 600 km. of distribution lines will be provided to serve small towns and villages. The works are scheduled to be completed and placed in operation during 1960.

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) The following sentence shall be added to Section 6.07 :

“All Bonds shall contain appropriate provisions to the effect that the obligations

of the Borrowers are joint and several as provided in Section 7.04 of the Loan Agreement.”

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

“The term ‘Borrower’ means the Borrowers, except that in Sections 5.02 (b), 5.02 (c), 5.02 (d), 5.02 (e), 5.02 (f), 7.01 and 7.02 of the Loan Regulations such term shall be deemed to mean the Borrowers or either of them. The term ‘Guarantor’ means the member of the Bank which is a party to the Guarantee Agreement.”
