

No. 5140

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

Guarantee Agreement—*Rapel & Huasco Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and Corporación de Fomento de la Producción and Empresa Nacional de Electricidad S.A.). Signed at Washington, on 30 December 1959

Official text: English.

Registered by the International Bank for Reconstruction and Development on 17 May 1960.

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

Contrat de garantie — *Projet du Rapel et de Huasco* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque, d'une part, et la Corporación de Fomento de la Producción et l'Empresa Nacional de Electricidad S.A., d'autre part). Signé à Washington, le 30 décembre 1959

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 17 mai 1960.

No. 5140. GUARANTEE AGREEMENT¹ (*RAPEL & HUASCO PROJECT*) BETWEEN THE REPUBLIC OF CHILE AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 30 DECEMBER 1959

AGREEMENT, dated December 30, 1959, between 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 thirty-two million five hundred thousand dollars (\$32,500,000), 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, 1956,² subject, however, to the modifications thereof set forth in Schedule 3³ 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.

¹ Came into force on 15 March 1960, upon notification by the Bank to the Government of Chile.

² See p. 98 of this volume.

³ See p. 114 of this volume.

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.

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.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, 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, 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 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 :

Republic of Chile
c/o Corporación de Fomento de la Producción
37 Wall Street
New York 5, N. Y.
United States of America

Alternative address for cablegrams and radiograms :

Fomento
New York, N. Y.

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 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.

Republic of Chile :

By W. MÜLLER
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

(RAPEL & HUASCO PROJECT)

AGREEMENT, dated December 30, 1959, 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 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 Loan Agreement, unless the context shall otherwise require, the following terms shall have the following meanings :

1. The term " Fomento " means Corporación de Fomento de la Producción, one of the parties of the second part hereto.
2. 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 thirty-two million five hundred thousand dollars (\$32,500,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrowers and shall credit to such Account the amount of the Loan. The amount of the

¹ See above.

² See p. 114 of this volume.

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. 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 six per cent (6%) 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 the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2² to the 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.

¹ See p. 112 of this volume.

² See p. 114 of this volume.

Section 4.02. The *Vicepresidente Ejecutivo* of Fomento and such other 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 carry out the Project 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 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 operations and financial condition 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 operations and 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 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; or (ii) 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 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 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; or (ii) 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 originally 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 Agreement¹ 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 and to their delivery to the sites of the Project. 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.

¹ See p. 90 of this volume.

(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, 1958, 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 or callable for payment 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.

Section 5.13. Endesa shall from time to time take all steps necessary or desirable to effect such adjustments in its rates as will provide revenues sufficient: (a) to cover operating expenses, including adequate maintenance and depreciation, taxes and interest; (b) to meet repayments on long-term indebtedness but only to the extent that such repayments shall exceed provision for depreciation; (c) to leave a reasonable surplus for financing the expansion of its power facilities. For the purposes of this Section the term "long-term indebtedness" shall mean debt maturing by its terms more than one year after the date on which it is originally incurred.

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 June 30, 1965.

Section 7.02. A date sixty 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 5, N. Y.
United States of America

Alternative address for cablegrams and radiograms :

Fomento
New York, N. Y.

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 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 W. A. B. ILIFF
Vice-President

Corporación de Fomento de la Producción :

By Joaq. FIGUEROA
Authorized Representative

Empresa Nacional de Electricidad S.A. :

By S. ASTRAIN
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, 1963	\$100,000	October 15, 1974	\$769,000
October 15, 1963	100,000	April 15, 1975	792,000
April 15, 1964	100,000	October 15, 1975	816,000
October 15, 1964	100,000	April 15, 1976	840,000
April 15, 1965	400,000	October 15, 1976	866,000
October 15, 1965	450,000	April 15, 1977	892,000
April 15, 1966	450,000	October 15, 1977	919,000
October 15, 1966	450,000	April 15, 1978	946,000
April 15, 1967	475,000	October 15, 1978	974,000
October 15, 1967	510,000	April 15, 1979	1,003,000
April 15, 1968	524,000	October 15, 1979	1,034,000
October 15, 1968	539,000	April 15, 1980	1,064,000
April 15, 1969	555,000	October 15, 1980	896,000
October 15, 1969	572,000	April 15, 1981	923,000
April 15, 1970	590,000	October 15, 1981	951,000
October 15, 1970	607,000	April 15, 1982	979,000
April 15, 1971	625,000	October 15, 1982	1,009,000
October 15, 1971	644,000	April 15, 1983	1,039,000
April 15, 1972	663,000	October 15, 1983	1,070,000
October 15, 1972	684,000	April 15, 1984	1,102,000
April 15, 1973	703,000	October 15, 1984	1,135,000
October 15, 1973	725,000	April 15, 1985	1,169,000
April 15, 1974	746,000		

* 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 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 3 years before maturity	½ of 1%
More than 3 years but not more than 6 years before maturity	1%
More than 6 years but not more than 11 years before maturity	2%
More than 11 years but not more than 16 years before maturity	3%
More than 16 years but not more than 21 years before maturity	4%
More than 21 years but not more than 23 years before maturity	5%
More than 23 years before maturity	6%

SCHEDULE 2

DESCRIPTION OF PROJECT

1. *Rapel Hydroelectric Plant*

A hydroelectric plant will be constructed on the Rapel River at a site about 120 kilometers southwest of Santiago. A concrete arch dam with gravity sections on each side will be constructed across the river and create a reservoir with a total capacity of 700 million cubic meters. The powerhouse, located at the foot of the dam, will be equipped with four 70,000 kw generators, driven by Francis-type turbines. Space will be provided in the powerhouse for the possible installation of a fifth generating unit. Transformers with adequate capacity will be installed to step up the voltage from 13.8 kv to 66 kv and 220 kv. Switchgear and associated equipment will be installed in an outdoor switching station. The plant will be connected to the existing Cerro Navia substation in Santiago by a 220 kv double circuit transmission line. The Endesa network will be extended by the construction of a 154 kv single circuit transmission line between Cerro Navia and San Pedro substations and by the construction of about 140 kilometers of 66 kv transmission lines. Existing main substations, including Cerro Navia and San Pedro, will be expanded by the installation of additional transformers with a total capacity of about 360,000 kva, and associated switchgear. The existing 66 kv substation at Melipilla will be expanded and three substations and three pumping stations required for irrigation will be constructed.

Two of the generating units are scheduled to come into operation during the second half of 1964 and the remaining two at the beginning of 1965.

2. *Huasco Thermoelectric Plant*

A thermoelectric plant will be constructed at the port of Huasco in the northern part of Chile. The plant will be equipped with two turbo-generator units, with a total capacity of about 15,000 kw. Auxiliary installations will include coal handling and storage facilities, sea water cooling system and an emergency diesel generating unit. The plant will be equipped with all necessary auxiliaries. An outdoor substation will be constructed and equipped with three-phase transformers with adequate capacity and associated switchgear. A 66 kv transmission line network will be constructed, consisting of about 32 kilometers of double circuit and about 206 kilometers of single circuit lines. Four substations will be constructed at Vallenar, Copiapo, Algarrobo and Los Cristales.

The Huasco plant with associated transmission system is scheduled to be completed by the end of 1962.

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 is deleted.

(b) The following sentence is 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. ”

(c) Section 9.03 is amended to read as follows :

“ SECTION 9.03. *Effective Date.* Notwithstanding the provisions of Section 8.01 and except as shall be otherwise agreed by the Bank and the Borrower, the Loan Agreement and Guarantee Agreement shall come into force and effect on the date upon which the Bank dispatches to the Borrower and the Guarantor notice of its acceptance of the evidence required by Section 9.01. ”

(d) Paragraph 6 of Section 10.01 is amended to read as follows :

“ 6. The term ‘ Borrower ’ means the parties to the Loan Agreement to which the Loan is made, 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 the term ‘ Borrower ’ shall be deemed to mean both or either of such parties; and the term ‘ Guarantor ’ means the member of the Bank which is a party to the Guarantee Agreement. ”

(e) Paragraph 14 of Section 10.01 is amended to read as follows :

“ 14. The term ‘ external debt ’ means any debt payable in any medium other than currency of the Guarantor, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium. ”