

No. 7137

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

**Guarantee Agreement—*Paz del Río Project* (with annexed  
Loan Regulations No. 4 and Loan Agreement between  
the Bank and Acerías Paz del Río, S.A.). Signed at  
Washington, on 28 June 1963**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on  
21 February 1964.*

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

**Contrat de garantie—*Projet de Paz del Río* (avec, en annexe,  
le Règlement n° 4 sur les emprunts et le Contrat d'em-  
prunt entre la Banque et les Acerías Paz del Río, S.A.).  
Signé à Washington, le 28 juin 1963**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement  
le 21 février 1964.*

No. 7137. GUARANTEE AGREEMENT<sup>1</sup> (*PAZ DEL RÍO PROJECT*) BETWEEN THE REPUBLIC OF COLOMBIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 28 JUNE 1963

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AGREEMENT, dated June 28, 1963, between REPUBLIC OF COLOMBIA (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 Acerías Paz del Río, S.A. (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,<sup>2</sup> the Bank has agreed to make to the Borrower a loan in various currencies equivalent to thirty million dollars (\$30,000,000) 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 Borrower 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 Borrower, has agreed so to guarantee such obligations of the Borrower;

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 February 15, 1961,<sup>2</sup> subject, however, to the modifications thereof set forth in Schedule 3<sup>3</sup> 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 Agreement, unless the context shall otherwise require, the terms which are defined in the Loan Agreement shall have the same meanings as therein set forth.

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<sup>1</sup> Came into force on 3 January 1964, upon notification by the Bank to the Government of Colombia.

<sup>2</sup> See p. 122 of this volume.

<sup>3</sup> See p. 144 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 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 redemption of the Notes, all as set forth in the Loan Agreement and in the Notes.

## 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.

As used in this Section, (a) the term "assets of the Guarantor" includes assets of the Guarantor or of any of its political subdivisions or of any Agency or of Banco de la República or any other institution acting as the central bank of the Guarantor, and (b) the term "Agency" means any agency or instrumentality of the Guarantor or of any political subdivision of the Guarantor and shall include any institution or organization which is owned or controlled directly or indirectly by the Guarantor or by any political subdivision of the Guarantor or the operations of which are conducted primarily in the interest of or for account of the Guarantor or any political subdivision of the Guarantor.

*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 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 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 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 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 covenants that it will not take or permit any of its political subdivisions or any of its agencies or any agency of any political subdivision to take any action which would prevent or interfere with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower 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 Borrower to perform such covenants, agreements and obligations.

#### *Article IV*

*Section 4.01.* The Guarantor shall endorse, in accordance with the provisions of the Loan Agreement, its guarantee on the Notes to be executed and delivered by the Borrower. The Minister of Finance and Public Credit of the Guarantor and such person or persons as he shall appoint 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 Colombia  
Ministerio de Hacienda y Crédito Público  
Palacio de los Ministerios, Plaza San Agustín  
Bogotá, Colombia

Alternative address for cablegrams and radiograms :

Minhacienda  
Bogotá, Colombia

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 and Public Credit 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 Colombia :  
By Eduardo URIBE BOTERO  
Authorized Representative

International Bank for Reconstruction and Development :  
By George D. WOODS  
President

## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

## LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

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

[Not published herein. See *United Nations, Treaty Series, Vol. 400, p. 212.*]

LOAN AGREEMENT  
(PAZ DEL RÍO PROJECT)

AGREEMENT, dated June 28, 1963, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank), and ACERÍAS PAZ DEL RÍO, S.A., a *sociedad anónima* organized and existing under the laws of the Republic of Colombia, (hereinafter called the Borrower).

*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 February 15, 1961,<sup>1</sup> subject, however, to the modifications thereof set forth in Schedule 3<sup>2</sup> 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.* Unless the context otherwise requires, the following terms wherever used in this Agreement or in the Regulations shall have the following meanings :

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

(b) "Notes" means notes executed and delivered by the Borrower 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;

(c) "Representative" means the agent and any successor agent or agents appointed pursuant to an instrument of appointment, satisfactory to the Bank, 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;

(d) the term "subsidiary" shall mean any corporation of which at least a majority of the outstanding voting stock shall be owned, or which shall be effectively controlled, by

<sup>1</sup> See above.

<sup>2</sup> See p. 144 of this volume.

the Borrower or by one or more subsidiaries of the Borrower or jointly by the Borrower and one or more of its subsidiaries;

(e) the term "pesos" and the sign "Ps." means pesos in the currency of the Republic of Colombia.

## Article II

### THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to thirty million dollars (\$30,000,000).

*Section 2.02.* The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount 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, this Agreement and the Loan Regulations.

*Section 2.03.* The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

*Section 2.04.* The Borrower shall pay interest at the rate of five and one-half ( $5\frac{1}{2}\%$ ) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.05.* Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

*Section 2.06.* Interest and other charges shall be payable semi-annually on April 15 and October 15 of each year.

*Section 2.07.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1<sup>1</sup> to this Agreement.

## Article III

### USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out Part I of the Project described in Schedule 2<sup>2</sup> 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

<sup>1</sup> See p. 140 of this volume.

<sup>2</sup> See p. 142 of this volume.

agreement between the Bank and the Borrower, subject to modification by further agreement between them.

*Section 3.02.* Except as the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively in the carrying out of the Project.

#### *Article IV*

##### NOTES

*Section 4.01.* The Borrower shall execute and deliver Notes representing the principal amount of the Loan as provided in the Loan Regulations.

*Section 4.02.* The President of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

#### *Article V*

##### PARTICULAR COVENANTS

*Section 5.01. (a)* The Borrower shall carry out the Project and operate and maintain its undertaking, including the Project, all with due diligence and efficiency and in conformity with sound engineering, business and financial practices.

(b) The Borrower shall employ or cause to be employed consultants and contractors in carrying out the Project and in operating its undertaking. The consultants and major contractors and suppliers, and the terms and conditions of their contracts, shall be acceptable to the Bank and the Borrower.

(c) Upon request from time to time by the Bank, the Borrower shall promptly furnish or cause to be furnished to the Bank the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request.

(d) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower.

(e) The Borrower shall enable the Bank's representatives to inspect the Project, the goods, all other plants, sites, works, properties and equipment of the Borrower and any relevant records and documents.

(f) The Borrower 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 Borrower.



(g) The Borrower shall have its annual financial statements (balance sheet and profit and loss statement) audited by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation and not later than three months after the close of the Borrower's fiscal year transmit to the Bank copies of such statements and a signed copy of the accountant's or accounting firm's report and certificate.

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

(b) The Bank and the Borrower shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall cause each of its subsidiaries (if any) to observe and perform the obligations of the Borrower hereunder to the extent to which the same may be applicable thereto as though such obligations were binding upon each of such subsidiaries.

*Section 5.03.* The Borrower shall pay or cause to be paid all taxes, 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, notarization or registration of this Agreement, the Guarantee Agreement<sup>1</sup> or 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 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 5.04.* The Borrower shall pay or cause to be paid all taxes, 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, notarization or registration of this Agreement, the Guarantee Agreement, the Notes or the Mortgage.

*Section 5.05.* (a) The Borrower shall insure or cause to be insured with responsible insurers all goods financed out of the proceeds of the Loan. Such insurance shall cover such marine, transit and other hazards incident to purchase and importation of the goods into the territory of the Borrower and delivery thereof to the site of the Project, and shall be for such amounts, as shall be consistent with sound commercial practices. Such insurance shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

(b) In addition, except as the Bank may otherwise agree, the Borrower shall take out and maintain, with responsible insurers, insurance against such risks and in such amounts as shall be consistent with sound industrial and business practices.

<sup>1</sup> See p. 114 of this volume.

*Section 5.06.* (a) The Borrower 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 may otherwise agree, take all steps necessary to acquire and to retain such land, interests in land, mining rights and concessions, and properties and to acquire, maintain and renew such rights, powers, privileges and franchises, as may be necessary or useful for the construction and operation of the Project and the conduct of its business.

(b) The Borrower shall carry on its operations and conduct its affairs in accordance with sound engineering, business and financial practices and shall operate, maintain, renew and repair its plants, machinery, equipment and property as required in accordance with sound engineering practices.

*Section 5.07.* Except as the Bank shall otherwise agree, before the Borrower shall take any action to acquire or to create any subsidiary, the Borrower shall first have satisfied the Bank that such action would not prejudice the interest of the Bank under this Agreement, the Guarantee Agreement or the Notes.

*Section 5.08.* The Borrower shall take such action as shall be necessary to execute a Mortgage in favor of the Bank, and of the holders from time to time of the Loan and the Notes, to create an *hipoteca* of the first grade under the laws of the Guarantor on the land on which the Borrower's plant at Belencito is located, and on all substitutions, replacements, betterments and renewals of the property subject to such *hipoteca*. The Mortgage shall in any event contain provisions to the following effect :

(a) From time to time, the Bank shall designate, and the Borrower shall join with the Bank in appointing, a Representative who shall have the exclusive right on the terms provided in the instrument of appointment, satisfactory to the Bank, 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 Mortgage at the request of, or with the consent of, the holders from time to time of not less than fifty percent, aggregate principal amount, of the Loan and the Notes outstanding, provided, however, that he may act on his own initiative in those matters which in his judgment require urgent action. The costs and fees of the Representative shall be paid by the Borrower.

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

(c) The Borrower shall agree :

(i) 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, provided,

however, that as to liens arising solely by operation of law the Borrower may satisfy this requirement by subjecting to the lien of the Mortgage properties equivalent in value to those subject to said liens arising solely by operation of law;

- (ii) that it will maintain and renew such properties;
- (iii) that it will keep such properties insured in such amounts, against such risks and with such companies as shall be satisfactory to the Representative; and
- (iv) that it will not dispose of or further encumber any properties subject to the lien of the Mortgage, provided, however, that without such consent the Borrower may (A) grant an *hipoteca* of a grade inferior to the Mortgage; and (B) sell or otherwise dispose of any property, free of the lien of the Mortgage, which shall have become worn out, obsolete or otherwise unsuitable for use in its operations.

*Section 5.09.* (a) The Borrower shall register and re-register, record and re-record and file and re-file 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 Mortgage, the Borrower shall furnish to the Bank evidence satisfactory to the Bank that the Mortgage has been duly recorded, registered or filed in accordance with applicable Colombian law in all such offices and jurisdictions as may be required under Colombian law to constitute such instrument an *hipoteca* of the first grade, valid against third parties, made by the Borrower in favor of the Bank, of the holders from time to time of the Loan and the Notes and of the Representative, if any.

*Section 5.10.* Within 90 days after execution of the Mortgage, the Borrower shall furnish to the Bank an opinion or opinions satisfactory to the Bank of legal counsel acceptable to the Bank that the Mortgage has been duly executed and delivered; that it has created an *hipoteca* valid against third parties under the laws of the Guarantor 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 first lien valid and enforceable against third parties; and that at the date of the Mortgage and at the date of the registration, recordation or filing thereof the Borrower had valid title to the property described in such instrument free of all liens and encumbrances other than the liens of the Mortgage.

*Section 5.11.* Except as the Bank shall otherwise agree, the Borrower shall report to the Bank annually, within three months after the end of the Borrower's fiscal year, all properties, together with additions, replacements, betterments or improvements to such property, which have been acquired by the Borrower after the date of execution of the Mortgage.

*Section 5.12.* The Borrower 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 (iii) any lien on assets other than assets subject to the lien of the Mortgage which falls within any of the following categories : (a) 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; (b) any lien created in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date; or (c) any lien created to secure debt in an amount not exceeding in the aggregate at any one time outstanding one hundred million pesos (Ps. 100,000,000).

*Section 5.13.* In the execution of the Project, the Borrower agrees to give priority to Part I thereof. Consequently, if, from time to time, there is reasonable cause to believe that funds will not be adequate to complete on schedule all elements of both parts of the Project, the Borrower shall, unless the Bank shall otherwise agree, defer expenditures on elements of Part II of the Project until funds are available for such expenditures.

*Section 5.14.* Except as the Bank shall otherwise agree, the Borrower shall not : (a) prior to the completion of construction of the Project, undertake capital expenditures and investments (including replacements and renewals, other than relining the blast furnace) outside the scope of the Project, exceeding in the aggregate the equivalent of \$2,000,000 in any year; (b) after completion of construction of the Project, undertake capital expenditures and investments (including replacements and renewals, other than relining the blast furnace), exceeding in the aggregate the equivalent of \$3,000,000 in any year, unless the financing plan for such expenditures and investments is satisfactory to the Bank.

*Section 5.15.* Except as the Bank shall otherwise agree, the Borrower shall not incur, guarantee or assume any indebtedness and shall not permit any subsidiary to incur, guarantee or assume any indebtedness, other than advances made by banks not exceeding 100 million pesos.

*Section 5.16.* Except as the Bank shall otherwise agree, the Borrower shall not sell, lease, transfer or otherwise dispose of its property and assets or of the property included in the Project or any plant included therein, except in the ordinary course of business.

## Article VI

### REMEDIES OF THE BANK

*Section 6.01.* (i) If any event specified in paragraph (a), paragraph (b), paragraph (e), paragraph (f) or paragraph (j) of Section 5.02 of the Loan Regulations shall occur and

shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Notes then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Notes to the contrary notwithstanding.

*Section 6.02.* For the purposes of Section 5.02 (j) of the Loan Regulations, the following additional events are specified :

(a) The Borrower shall without the consent of the Bank have declared or paid cash dividends or made other cash distributions or redeemed or purchased shares of its capital stock for cash : (i) on or before December 31, 1967; or (ii) on or after January 1, 1968, (A) in excess of accumulated net earnings (after all charges, including depreciation, reserves allowed under the income tax law for protection and replenishment of assets, taxes and provision for relining the blast furnace), or (B) if, after deducting from current assets and without adding to current liabilities (both solely for the purpose of the test herein set forth) the unpaid amount of any such declaration, payment, distribution, redemption or purchase, the ratio of total current assets (other than inventories) to total current liabilities, as shown as of the date of the annual certified audited financial statements next preceding the date of decision to declare and pay dividends or to make any cash distributions or to redeem or to purchase shares, shall be less than 2 : 1 ; and, for the purposes of this Section, the term " current assets " shall mean cash and assets readily convertible to cash and all other assets, which would in the ordinary course of the Borrower's business be converted within one year into cash or assets readily convertible into cash; and " current liabilities " shall mean liabilities due and payable and all other liabilities which would be payable or could be called for payment within one year, including portions of long-term debt due within one year, all as determined in accordance with sound accounting standards.

(b) Any amendment of the Borrower's *Estatutos* which in the judgment of the Bank would be inconsistent with the purposes of this Agreement or the Mortgage;

(c) Any event of default shall have happened under the Mortgage; and

(d) 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 necessary for the Borrower's operations shall have been taken from the Borrower.

## Article VII

### EFFECTIVE DATE; TERMINATION

*Section 7.01.* The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 c c) of the Loan Regulations :

(a) that the Borrower shall have made agreements satisfactory to the Bank to borrow up to 100 million Colombian pesos;

(b) that the Borrower shall have concluded a long-term contract with Electricadora de Boyacá, S.A. for the supply of required amounts of energy;

(c) that the Borrower shall have duly executed and delivered and registered, recorded and filed the Mortgage in accordance with applicable Colombian law; and

(d) that requisite legal action has been taken to exempt the Borrower from the requirements of Extraordinary Decree No. 0053 of 1953.

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

(a) that the agreements required pursuant to Section 7.01 (a) are valid and binding; and

(b) that the actions relating to the Mortgage required pursuant to Section 7.01 (c) are valid and binding.

*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 December 31, 1967 or such other date as shall be agreed by the Bank and the Borrower as the Closing Date.

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

For the Borrower :

Acerías Paz del Río, S.A.  
Apartado Aereo 4260  
Bogotá, Colombia

Alternative address for cablegrams and radiograms :

Siderrío  
Bogotá

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.

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 George D. WOODS  
President

Acerías Paz Del Río, S.A. :

By Julian J. MORENO M.  
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, 1968 . . . . .	\$1,075,000	October 15, 1973 . . . . .	\$1,450,000
October 15, 1968 . . . . .	1,105,000	April 15, 1974 . . . . .	1,490,000
April 15, 1969 . . . . .	1,135,000	October 15, 1974 . . . . .	1,530,000
October 15, 1969 . . . . .	1,165,000	April 15, 1975 . . . . .	1,570,000
April 15, 1970 . . . . .	1,195,000	October 15, 1975 . . . . .	1,615,000
October 15, 1970 . . . . .	1,230,000	April 15, 1976 . . . . .	1,660,000
April 15, 1971 . . . . .	1,265,000	October 15, 1976 . . . . .	1,705,000
October 15, 1971 . . . . .	1,300,000	April 15, 1977 . . . . .	1,750,000
April 15, 1972 . . . . .	1,335,000	October 15, 1977 . . . . .	1,800,000
October 15, 1972 . . . . .	1,370,000	April 15, 1978 . . . . .	1,845,000
April 15, 1973 . . . . .	1,410,000		

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), 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 Note prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity . . . . .	½%
More than three years but not more than six years before maturity . . . . .	2%
More than six years but not more than eleven years before maturity . . . . .	3½%
More than eleven years but not more than thirteen years before maturity . . . . .	4½%
More than thirteen years before maturity . . . . .	5½%

## SCHEDULE 2

## DESCRIPTION OF PROJECT

The Project consists of the construction and installation of facilities designed : (i) to increase the efficiency of the plant; (ii) to raise productive capacity to about 220,000 tons of finished steel products annually (including flat products); (iii) to improve product quality; and (iv) to broaden the range of finished steel products. The Project also includes replacement of heavy mobile equipment and construction of housing and community facilities at the mill and the mines. The Project, subject to such additions and changes as may from time to time hereafter be agreed upon between the Bank and the Borrower, includes :

*Part I*1. *Raw Materials Preparation*

- a) Erection of a sinter plant complete with bedding plant and associated auxiliary equipment;
- b) Improvements to the Santa Teresa coal washer; and
- c) Improvements in ore preparation and coal handling equipment.

2. *Blast Furnace Improvements*

Installation of a new turbo-blower, filters, controls, instrumentation and dust collection equipment.

3. *Steel Melt Shop Facilities*

- a) Erection of an oxygen generating plant and associated auxiliary equipment;
- b) Construction of desiliconization station;
- c) Improvements to lime calcining plant; and
- d) Miscellaneous equipment.

4. *Rolling Mill Equipment*

- a) Erection of a combination slabbing and blooming mill with a capacity to process about 600,000 tons of ingots per year;
- b) Installation of a 48-inch steckel mill to produce hot coil strip;
- c) Installation of ingot soaking pits and associated equipment with a capacity for reheating a minimum of about 275,000 tons of ingots per year; and
- d) Installation of descaling equipment on the rolling mills; and other equipment for, and improvements to, the rolling mills.

5. *General Service Equipment*

- a) Replacement of miscellaneous heavy mobile equipment; and
- b) Installation of electrical equipment for interconnection with the Paipa power plant.



*Part II*

1. *Construction of housing and community facilities at the mines and mill*
2. *Raw Materials Preparation*
  - a) Improvements in coal storage facilities at Samaca; and
  - b) Improvements in mining facilities at La Chapa.
3. *Rolling Mills*
  - a) Extension of building which houses wire mill and relocation of machines;
  - b) Installation of new 32-strand wire galvanizing machine; and
  - c) Miscellaneous equipment, including hoist, shear and coil handling equipment.
4. *General Service Equipment*
  - a) Revision of water-treatment plant; and
  - b) Miscellaneous electrical and mechanical equipment.
5. *Purchase of Administration Facilities in Bogota*

\* \* \*

It is expected that the Project will be completed by the end of 1966.

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 February 15, 1961, are modified as follows :

(a) The second sentence of Section 7.02 is deleted and the following shall be substituted therefor :

“ Such obligations shall not be subject to any prior notice to, demand upon or action against the Borrower or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrower, and shall not be impaired by any of the following : any extension of time, forbearance or concession given to the Borrower; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower 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 to any security therefor; any failure of the Borrower to comply with any requirement of any law, regulation or order of the Guarantor or of any political subdivision or agency of the Guarantor.”

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

“(j) The provision 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.”

(c) Paragraph 9 of Section 10.01 shall be deleted, and the following shall be substituted therefor :

“ 9. The term ‘ Bonds ’ means Notes as defined in Section 1.02 (b) of the Loan Agreement. ”

(d) A new subparagraph shall be added after paragraph 18 of Section 10.01, as follows :

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

(e) By the deletion of the second paragraph of each of the Forms of Note set forth respectively in Schedule 1 and Schedule 2 and the substitution therefor in each such form of the following paragraph, namely :

“ This Note is one of an authorized issue of notes in various currencies equivalent to an aggregate principal amount of \$. . . . . known as the Guaranteed Serial Mortgage Notes of [the Borrower] (hereinafter called the Notes) issued or to be issued under a Loan Agreement dated . . . . ., 1963, between International Bank for Reconstruction and Development (hereinafter called the Bank) and [the Borrower] and guaranteed by the Republic of Colombia in accordance with the terms of a Guarantee Agreement dated . . . . . 1963, between the Republic of Colombia and the Bank. No reference herein to said Agreements shall confer upon the holder hereof any rights thereunder or impair the obligation of [the Borrower], 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 portion of the Loan not evidenced by Notes are equally and ratably secured by means of an instrument constituting an *hipoteca* created by [the Borrower] under the laws of the Republic of Colombia [such instrument being hereinafter called the Mortgage]. Pursuant to the Mortgage, the Bank and [the Borrower] have conferred upon . . . . . as 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. ”

(f) By the addition, at the end of the seventh paragraph of the Form of Note set forth in Schedule 1 and at the end of the sixth paragraph of the Form of Note set forth in Schedule 2, of the sentence following, namely :

“ In certain events provided in the Mortgage, the Representative may (subject to the conditions therein provided) declare the principal 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. ”

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