

No. 8618

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

**Guarantee Agreement—*Fifth Power Project* (with annexed
Loan Regulations No. 4 and Loan Agreement between
the Bank and the Corporación de Fomento de la Produc-
ción and the Empresa Nacional de Electricidad, S. A.).
Signed at Washington, on 23 December 1966**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on 27 April
1967.*

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

**Contrat de garantie — *Cinquième projet relatif à l'énergie
électrique* (avec, en annexe, le Règlement n° 4 sur les
emprunts et le Contrat d'emprunt entre la Banque, la
Corporación de Fomento de la Producción et la Empresa
Nacional de Electricidad, S. A.). Signé à Washington,
le 23 décembre 1966**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement le
27 avril 1967.*

No. 8618. GUARANTEE AGREEMENT¹ (*FIFTH POWER PROJECT*) BETWEEN THE REPUBLIC OF CHILE AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 23 DECEMBER 1966

AGREEMENT, dated December 23, 1966, 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 sixty million dollars (\$60,000,000), 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 February 15, 1961,² subject, however, to the modifications thereof set forth in Schedule 3 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 17 February 1967, upon notification by the Bank to the Government of Chile.

² See p. 150 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.

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 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.

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 Guarantor shall, promptly when necessary, take all action required to permit tariffs for the sale of electricity by Endesa to be established and maintained at such levels as shall be required from time to time to provide Endesa with revenues sufficient to cover all operating costs (including taxes and adequate provisions for maintenance and straight-line depreciation) and to produce a reasonable return on its revalued net fixed assets in operation, under the provisions of the Electricity Law. The Guarantor shall promptly inform the Bank of any proposal to amend any provision of the Electricity Law concerning tariffs for electric power.

Section 3.04. 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 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 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 3.05. This Agreement, the Loan Agreement and the Bonds 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 3.06. 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 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 Chile
c/o Corporación de Fomento de la Producción
80 Pine Street
New York, N.Y. 10005
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, D.C. 20433
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 Radomiro TOMIC
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice 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
(FIFTH POWER PROJECT)

AGREEMENT, dated December 23, 1966, 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 February 15, 1961,¹ subject, however, to the modifications thereof set forth in Schedule 3 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.
3. The term "Electricity Law" means the *Ley General de Servicios Electricos* (DGFL No. 4 of 1959 as amended to December 19, 1962) of the Guarantor.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrowers, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to sixty million dollars (\$ 60,000,000).

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.

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 Borrowers shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($\frac{3}{8}$ 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 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 commitment outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on January 1 and July 1 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 1 to this Loan Agreement.

Section 2.08. Notwithstanding the provisions of Section 3.03 and 3.04 of the Loan Regulations the Bank and the Borrowers may from time to time agree that any portion of the Loan payable in one currency may be made payable in one or more other currencies, and from the date specified in such agreement such portion of the Loan and the principal of any Bond representing such portion of the Loan and any premiums and interest payable on or with respect thereto shall be payable in such other currency or currencies.

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 2 to this Loan 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 carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

(b) In order to assist Endesa in the carrying out of such parts of its planning and operations, including the carrying out of the Project, as shall be agreed upon between the Bank and Endesa, Endesa will employ competent and experienced consultants acceptable to, and upon terms and conditions satisfactory to, the Bank.

(c) Except as the Bank shall otherwise agree, Endesa shall have its financial statements (balance sheet and profit and loss statement) certified annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation and not later than four months after the close of Endesa's fiscal year transmit to the Bank certified copies of such statements and a signed copy of the accountant's or accounting firm's report.

(d) Upon request from time to time by the Bank, the Borrowers 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.

(e) 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, all other plants, sites, works, properties and equipment of Endesa, 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 administration, operations and financial condition 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 the performance by the Borrowers of their obligations

under the Loan Agreement, the administration, operations and financial condition of Endesa, the operations of Fomento in connection with the Project and matters relating to the purposes of the Loan, including 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, the maintenance of the service thereof, or the performance by the Borrowers of their obligations under the Loan Agreement.

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. Except as the Bank shall otherwise agree, Endesa shall not incur any debt unless its net revenues during the fiscal year last preceding such incurrence or during any later consecutive twelve-month period preceding such incurrence, whichever is the greater, shall be not less than 1.5 times the maximum debt-service requirements on all of Endesa's outstanding debt (including the debt proposed to be incurred) in any succeeding fiscal year (including the fiscal year in which such debt would be incurred). For the purposes of this Section :

- (1) the term "debt" shall mean all debt incurred by Endesa except debt incurred in the ordinary course of business maturing by its terms on demand or less than one year from the date on which it is originally incurred and interest-bearing advances by Fomento which have no repayment terms ;
- (2) debt shall be deemed to be incurred on the date it is drawn down pursuant to the contract or loan agreement providing for such debt, or, in the case of a guarantee, on the date of the contract providing for such guarantee ;
- (3) the term "net revenues" shall mean gross operating revenues of Endesa adjusted to take account of tariffs in effect at the time of incurrence of debt as if such tariffs had been in effect during the twelve consecutive months to which such revenue related, less all operating and administrative expenses, including provisions for taxes (except income tax), if any, but before provision for depreciation, debt-service requirements and any other financial charges ;
- (4) the term "debt-service requirements" shall mean the aggregate amount of amortization, interest and other charges on debt ; maximum future debt service shall include interest due on the Fomento advances described in subparagraph (1) above outstanding as of the date when additional debt is to be incurred ;

- (5) whenever it shall be necessary to value in the currency of the Guarantor debt payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency is obtainable by Endesa, at the time such valuation is made, for the purposes of servicing such debt or, if such other currency is not so obtainable, at the rate of exchange that will be reasonably determined by the Bank.

The agreement set forth in this Section supersedes all prior agreements between Endesa and the Bank relating to limitations on the incurring of debt by Endesa.

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, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor 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 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, 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. (a) Endesa shall take out and maintain with responsible insurers or make other provision satisfactory to the Bank for insurance against such risks and in such amount as shall be consistent with sound practice. Compliance with this obligation shall be deemed compliance by Endesa with any prior agreement with the Bank concerning insurance against such risks.

(b) Without limiting the generality of the foregoing, the Borrowers undertake to insure the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrowers to replace or repair such goods.

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 acquire, 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. 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 and the Bonds which shall then 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 and the Bonds 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, wornout, obsolete or unnecessary for use in its operations.

Section 5.12. Endesa shall from time to time take all steps necessary or desirable to effect such adjustments in its tariffs as will provide revenues sufficient to cover all operating costs (including taxes and adequate provisions for maintenance and straight-line depreciation) and to produce a reasonable return on its revalued net fixed assets in operation. The Borrowers shall promptly inform the Bank of any proposal to amend any provision of the Electricity Law concerning tariffs for electric power. Compliance by Endesa with the terms of this Section shall be deemed compliance with any undertaking in respect of adjustments to tariffs entered into between Endesa and the Bank prior to the date of this Agreement.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations or in paragraph (a) of Section 6.02 of this Agreement 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.

Section 6.02. The following are specified as additional events for the purposes of Section 5.02 of the Loan Regulations :

- (a) A default shall have occurred in the payment of principal or service charges or any other payment required under any development credit agreement between the Guarantor and the International Development Association.
- (b) The Borrowers or the Guarantor shall have failed to fulfill an obligation to make payment of principal, interest or any other payment required under the Loan Agreement, the Guarantee Agreement¹ or the Bonds or under any other loan agreement between the Bank and the Borrowers or under any loan or guarantee agreement between the Guarantor and the Bank or any development credit agreement between the Guarantor and the International Development Association or under any bond delivered pursuant to any such agreement, even though such payment has been made by other persons.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1973, or such other date as shall be agreed by the Bank and the Borrowers.

Section 7.02. If this Loan Agreement shall not have come into force and effect by March 23, 1967, this Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrowers and the Guarantor of such later date.

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
80 Pine Street
New York, N.Y. 10005
United States of America

Alternative address for cablegrams and radiograms :

Fomento
New York, N.Y.

¹ See p. 142 of this volume.

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
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 J. Burke KNAPP
Vice President

Corporación de Fomento de la Producción :

By Enrique VIAL
Authorized Representative

Empresa Nacional de Electricidad S.A. :

By Jorge BASCUR
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>
January 1, 1974	\$ 600,000	January 1, 1986	\$1,215,000
July 1, 1974	615,000	July 1, 1986	1,250,000
January 1, 1975	635,000	January 1, 1987	1,290,000
July 1, 1975	655,000	July 1, 1987	1,325,000
January 1, 1976	670,000	January 1, 1988	1,365,000
July 1, 1976	695,000	July 1, 1988	1,410,000
January 1, 1977	715,000	January 1, 1989	1,450,000
July 1, 1977	735,000	July 1, 1989	1,495,000
January 1, 1978	755,000	January 1, 1990	1,540,000
July 1, 1978	780,000	July 1, 1990	1,585,000
January 1, 1979	805,000	January 1, 1991	1,630,000
July 1, 1979	825,000	July 1, 1991	1,680,000
January 1, 1980	850,000	January 1, 1992	1,730,000
July 1, 1980	875,000	July 1, 1992	1,785,000
January 1, 1981	905,000	January 1, 1993	1,835,000
July 1, 1981	930,000	July 1, 1993	1,895,000
January 1, 1982	960,000	January 1, 1994	1,950,000
July 1, 1982	990,000	July 1, 1994	2,010,000
January 1, 1983	1,015,000	January 1, 1995	2,070,000
July 1, 1983	1,050,000	July 1, 1995	2,130,000
January 1, 1984	1,080,000	January 1, 1996	2,195,000
July 1, 1984	1,110,000	July 1, 1996	2,260,000
January 1, 1985	1,145,000	January 1, 1997	2,330,000
July 1, 1985	1,180,000		

* 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 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 four years before maturity	½%
More than four years but not more than eight years before maturity	1%
More than eight years but not more than fourteen years before maturity	2%
More than fourteen years but not more than twenty years before maturity	3%
More than twenty years but not more than twenty-six years before maturity	4%
More than twenty-six years but not more than twenty-eight years before maturity	5%
More than twenty-eight years before maturity	6%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists in the expansion of Endesa's facilities and power system as a part of its program for expansion during the period 1966/1972. It includes :

- (i) The construction of the 400 MW El Toro hydroelectric power plant and related civil works to create the Alto Polcura diversion and modifications at the Abanico hydroelectric plant.
- (ii) The addition of equipment associated with the fifth 70MW generating unit in the Rapel hydroelectric plant.
- (iii) The construction of a trunk high-voltage transmission system to interconnect Santiago with the El Toro plant and Concepción area and other transmission and distribution line extensions, including associated substations at various locations.
- (iv) The procurement of equipment and supplies for Endesa's new office building.
- (v) The procurement of consulting services required for the Project and to carry out studies of future expansion of the power system.

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, shall be deemed to be modified as follows :

(a) 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."

(b) Section 9.04 is deleted and the following Section substituted therefor :

"SECTION 9.04. *Termination of Guarantee Agreement Upon Termination of Loan Agreement.* If, in accordance with the provisions thereof, the Loan Agreement shall be terminated for failure to become effective, the Guarantee Agreement and all obligations of the parties thereunder shall also terminate. The Bank shall promptly give notice of such terminations to the Guarantor."

(c) 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."