
LOAN NUMBER 153 CH

Loan Agreement

(Endesa Expansion Project)

BETWEEN

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND

CORPORACION DE FOMENTO DE LA PRODUCCION

AND

EMPRESA NACIONAL DE ELECTRICIDAD, S. A.

DATED NOVEMBER 1, 1956

LOAN NUMBER 153 CH

Loan Agreement

(Endesa Expansion Project)

BETWEEN

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND

CORPORACION DE FOMENTO DE LA PRODUCCION

AND

EMPRESA NACIONAL DE ELECTRICIDAD, S. A.

DATED NOVEMBER 1, 1956

Loan Agreement

AGREEMENT, dated November 1, 1956, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, party of the first part (hereinafter called the Bank) and CORPORACION DE FOMENTO DE LA PRODUCCION 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, 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 Agreement, unless the context shall otherwise require, the following terms shall have the following meanings:

- (a) The term "Fomento" means Corporación de Fomento de la Producción, one of the parties of the second part hereto;
- (b) The term "Endesa" means Empresa Nacional de Electricidad, S. A., one of the parties of the second part hereto.

ARTICLE II

The Loan

SECTION 2.01. The Bank agrees to lend to the Borrowers, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to fifteen million dollars (\$15,000,000).

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 The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

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at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

SECTION 2.04. The Borrowers shall pay interest at the rate of five per cent (5%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

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

SECTION 2.06. Interest and other charges shall be payable semi-annually on April 15 and October 15 in each year.

SECTION 2.07. The Borrowers shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

ARTICLE III

Use of Proceeds of the Loan

SECTION 3.01. The Borrowers shall apply or cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 2 to this Agreement. The specific goods to be

financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Borrowers, subject to modification by further agreement between them.

SECTION 3.02. The Borrowers shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively in the carrying out of the Project.

ARTICLE IV

Bonds

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

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

ARTICLE V

Particular Covenants

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

(b) The Borrowers shall furnish or cause to be furnished to the Bank, promptly upon their preparation, the plans and specifications for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(c) The Borrowers shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the Borrowers; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the financial condition of the Borrowers, the operations of Endesa and the operations of Fomento in connection with the Project.

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

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

SECTION 5.03. Endesa undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of Endesa as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time

of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

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

SECTION 5.05. Fomento undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; (iii) any lien arising in the ordinary course of Fomento's business and securing a debt maturing

not more than one year after the date on which it is incurred.

SECTION 5.06. The Borrowers shall pay or cause to be paid all taxes or fees, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

SECTION 5.07. The Borrowers shall pay or cause to be paid all taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

SECTION 5.08. Except as shall be otherwise agreed between the Bank and the Borrowers, the Borrowers shall insure or cause to be insured the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Guarantor. Such insurance shall be consistent with sound commercial practice and shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

SECTION 5.09 (a) Endesa shall at all times maintain its existence and right to carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

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

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

SECTION 5.11. Except as the Bank shall otherwise agree, Endesa shall not declare or pay any dividend (except dividends payable solely in shares of capital stock) nor make any distribution on any shares of its capital stock, nor shall it acquire shares of its capital stock for a consideration, except out of earned surplus accumulated after December 31, 1955, and then only if net working capital would not be reduced thereby to an amount less than the aggregate amount of operating expenses (including administrative and general expenses) for the preceding two calendar months. For purposes of this Section the term "net working capital" shall mean the excess of current assets (cash and those assets which in the regular course of business can be readily converted into cash) over current liabilities. The term "current liabilities" shall mean obligations payable within one year, including payments on funded debt falling due during such period, but excluding short-term credits to the extent that they are covered by written agreements to renew for periods in excess of one year.

SECTION 5.12. Endesa shall not, without the prior consent of the Bank (i) sell or otherwise dispose of all or substantially all of its property and assets unless the Borrowers shall first redeem and pay or make adequate provi-

sion satisfactory to the Bank for redemption and payment of all of the Loan which shall be outstanding and unpaid; or (ii) sell or otherwise dispose of all or substantially all of the property included in the Project or any plant included therein unless the Borrowers shall first redeem and pay or make adequate provision satisfactory to the Bank for redemption and payment of a proportionate part of the Loan which shall then be outstanding and unpaid equal to the proportionate part of the Project so sold or disposed of. Endesa may, however, without consent of the Bank, sell or otherwise dispose of any property which shall have become old, worn-out, obsolete or unnecessary for use in its operations.

ARTICLE VI

Remedies of the Bank

SECTION 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrowers, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

ARTICLE VII

Miscellaneous

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

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

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

For the Borrowers:

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

For the Bank:

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

Alternative cable address:

Intbafrad
Washington, D. C.

SECTION 7.04. (a) All obligations of the Borrowers under this Agreement and the Bonds, unless they shall have been expressly undertaken by only one of the Borrowers, shall be joint and several, and the obligation of either of them to comply with any provision of this Agreement is not subject to any prior notice to, demand upon or action against the other. No extension of time or forbearance given to either of the Borrowers in respect of the performance of any of its obligations under this Agreement or the Bonds, and no failure of the Bank or of any holder of the Bonds to give any notice or to make any demand or protest whatsoever to either of the Borrowers, or strictly to assert any right or pursue any remedy against either of them in respect of this Agreement or the Bonds, and no failure by either of the Borrowers to comply with any requirement of any law, regulation or order, shall in any way affect or impair any obligation of the other Borrower under this Agreement or the Bonds.

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

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
By EUGENE R. BLACK
President

CORPORACION DE FOMENTO
DE LA PRODUCCION
By J. SCHNEIDER
Authorized Representative

EMPRESA NACIONAL DE ELECTRICIDAD,
S. A.
By REINALDO HARNECKER
Authorized Representative

SCHEDULE 1
Amortization Schedule

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

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

Premiums on Prepayment and Redemption

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	$\frac{1}{4}$ of 1%
More than three years but not more than six years before maturity	$\frac{1}{2}$ %
More than six years but not more than eleven years before maturity	1%
More than eleven years but not more than sixteen years before maturity	$2\frac{1}{2}$ %
More than sixteen years but not more than eighteen years before maturity	4%
More than eighteen years before maturity	5%

SCHEDULE 2**Description of Project**

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

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

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

2. *Expansion of the Abanico Systems*

Two generating units of 24,500 kw each with necessary auxiliary equipment will be installed in the existing Abanico powerhouse. The civil works will consist of an intake capable of reducing the level of Lake Laja by about 68 meters and a pressure tunnel about 2 km. in length. The existing canal will be enlarged. The capacity of the step-up substation will be increased by 43,000 kva and the capacity of the substations in Charrua, Concepción and San Vicente will be increased by a total of 120,000 kva. A single circuit 154 kv line 210 km. in length will be run from Charrua to Temuco. About 200 km. of 66 kv lines will be added to the system and about 500 km. of 13.2 kv lines will be installed to serve rural

areas and small towns. The works are scheduled to be completed and placed in operation during 1959.

3. *Pullinque System*

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

SCHEDULE 3

Modifications of Loan Regulations No. 4

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

- (a) The following sentence shall be added to Section 6.07:
"All Bonds shall contain appropriate provisions to the effect that the obligations of the Borrowers are joint and several as provided in Section 7.04 of the Loan Agreement."
- (b) Paragraph 6 of Section 10.01 shall read as follows:
"The term 'Borrower' means the Borrowers, except that in Sections 5.02 (b), 5.02 (c), 5.02 (d), 5.02 (e), 5.02 (f), 7.01 and 7.02 of the Loan Regulations such term shall be deemed to mean the Borrowers or either of them. The term 'Guarantor' means the member of the Bank which is a party to the Guarantee Agreement."