



BANCO CENTRAL DE CHILE

INDICE ACTA N° 927

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de Asesoría con "Salomon Smith Barney Inc." – Memorandum
N°820-A de la Fiscalía.



BANCO CENTRAL DE CHILE

ACTA CORRESPONDIENTE A LA SESION ORDINARIA N° 927
DEL CONSEJO DEL BANCO CENTRAL DE CHILE
celebrada el jueves 16 de agosto de 2001

En Santiago de Chile, a 16 de agosto de 2001, siendo las 12.00 hrs. se celebra la Sesión Ordinaria N° 927 del Consejo del Banco Central de Chile, bajo la presidencia del titular señor Carlos Massad Abud y con la asistencia del Vicepresidente don Jorge Marshall Rivera y de los Consejeros señora María Elena Ovalle Molina, señor Jorge Desormeaux Jiménez y señor José De Gregorio Rebeco.

Asisten, también, los señores:

Gerente General, don Camilo Carrasco Alfonso;
Fiscal y Ministro de Fe, don Miguel Angel Nacrur Gazali;
Gerente de División Gestión y Desarrollo, don Carlos Pereira Albornoz;
Gerente de División Estudios, don Felipe Morandé Lavín;
Gerente de División Internacional, don Esteban Jadresic Marinovic;
Revisor General, don Mario Ulloa López;
Secretaria Ejecutiva Gabinete de la Presidencia, señora Cecilia Feliú Carrizo;
Jefe de Prosecretaría, señora Cecilia Navarro García.

I. Resolución sobre Proyecto de Acta correspondiente a la Sesión N° 924, celebrada el 2 de agosto de 2001.

El Presidente presenta a los señores miembros del Consejo el Proyecto de Acta correspondiente a la Sesión N° 924, celebrada el 2 de agosto de 2001, cuya versión final se aprueba sin observaciones.

II. Acuerdos cumplidos o por cumplir.

El Presidente deja constancia que se ha hecho entrega al señor Ministro de Hacienda y a los señores Consejeros, de una relación de los acuerdos adoptados durante el mes de julio de 2001, con mención de los acuerdos cumplidos o por cumplir, conforme lo dispone el número 3.- del Artículo 22 del Párrafo Segundo del Título II de la Ley Orgánica Constitucional.

III. Tema tratado:

- Proyecto de fusión



927-01-010816 - Proyecto de fusión

– Contrato de

Asesoría con "Salomon Smith Barney Inc." - Memorandum N° 820-A de la Fiscalía

El Fiscal señala que la Superintendencia de Bancos e Instituciones Financieras, por Oficio Ordinario N° 1181 de fecha 8 de agosto de 2001, solicitó que este Banco Central emita el informe a que se refiere el artículo 25 de la Ley N° 19.396, sobre modificación de la forma de pago de la obligación subordinada, en relación con la proyectada fusión del

El inciso cuarto de la citada disposición legal expresa textualmente: “Los acuerdos del nuevo banco que puedan producir efectos económicos perjudiciales para las acciones preñadas al [redacted] deberán someterse a la aprobación previa de la Superintendencia de Bancos e Instituciones Financieras, la que deberá requerir informe previo al Banco Central de Chile.”

Señala que, sin perjuicio de los estudios internos sobre la materia indicada, se ha estimado conveniente contratar los servicios del banco de inversión “Salomon Smith Barney Inc.”, según lo resuelto en sesiones de Pre Consejo de fechas 28 de junio y 2 de agosto de 2001, previo proceso de selección en que intervinieron otros bancos de inversión calificados.

Agrega el señor Nacur que los documentos legales necesarios para formalizar la contratación de la asesoría indicada y los términos de la misma, han sido aprobados por la Fiscalía del Banco y por el abogado externo don David Williams, del estudio de abogados norteamericanos "Simpson Thacher & Bartlett", dejándose constancia que sus términos y condiciones son similares a los convenidos en otras asesorías anteriores de la misma naturaleza.

Como consecuencia de lo anterior, se hace necesario facultar expresamente al señor Gerente General para que suscriba, en representación del Banco Central de Chile, los siguientes documentos en que constan los términos y condiciones de la referida asesoría, los que formarán parte integrante del Acuerdo: Carta de Compromiso; Carta de Indemnización; Carta sobre prohibición de uso de información confidencial por parte de Salomon Smith Barney; y Carta sobre separación de funciones del banco de inversión, respecto de [REDACTED] mientras dure la asesoría de Salomon Smith Barney al Banco Central de Chile.

El Consejo acuerda lo siguiente:

1. Contratar los servicios del banco de inversión "Salomon Smith Barney Inc." a fin de que asesore al Banco Central de Chile, para los efectos del informe que le corresponderá emitir conforme al artículo 25 de la Ley N° 19.396, sobre la fusión proyectada del con el en los términos acordados por los Directorios de ambas instituciones bancarias, en Sesiones Extraordinarias, ambas de fecha 7 de agosto en curso, y que fueron comunicados a este Instituto Emisor por la Superintendencia de Bancos e Instituciones Financieras mediante Oficio Ordinario N° 1181, de 8 de agosto de 2001.
2. Aprobar los términos y condiciones en que se efectuará dicha asesoría, que constan en los siguientes documentos que se acompañan a la presente Acta y que formarán parte integrante del presente Acuerdo: Carta de Compromiso; Carta de Indemnización; Carta sobre prohibición de uso de información confidencial por parte de Salomon Smith Barney y Carta sobre separación de funciones del banco de inversión, respecto de mientras dure la asesoría al Banco Central de Chile.

2. Aprobar los términos y condiciones en que se efectuará dicha asesoría, que constan en los siguientes documentos que se acompañan a la presente Acta y que formarán parte integrante del presente Acuerdo: Carta de Compromiso; Carta de Indemnización; Carta sobre prohibición de uso de información confidencial por parte de Salomon Smith Barney y Carta sobre separación de funciones del banco de inversión, respecto de mientras dure la asesoría al Banco Central de Chile.



3. Facultar al señor Gerente General para que suscriba, en representación del Banco Central de Chile, los documentos indicados en el número 2 precedente.

No habiendo más temas que tratar, se levanta la Sesión a las 12,10 horas.



JORGE MARSHALL RIVERA
Vicepresidente



CARLOS MASSAD ABUD
Presidente



JORGE DESORMEAUX JIMÉNEZ
Consejero



MARIA ELENA OVALLE MOLINA
Consejera



MIGUEL ANGEL NACRUR GAZALI
Ministro de Fe



JOSÉ DE GREGORIO REBECO
Consejero



SALOMON SMITH BARNEY

A member of citigroup

368 Greenwich Street
New York, New York 10013

212-816-6000

F A X**CONFIDENTIAL**

DATE August 16, 2001

Recipient Information

To **Miguel Angel Naorur Gazall**
COMPANY Central Bank of Chile
TELEPHONE NO. (11-562-670-2455 **FAX NO.** 011-562-670-2232

Sender and Transmission Information

FROM **Huno Nunes**
TELEPHONE NO. 212-816-9813 **FAX NO.** 212-816-0911

CONFIRM**TELEPHONE NO.****PAGES** 4 (including this cover page)**Comments**

Attached for your information.

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SALOMON SMITH BARNEY

A member of citigroup

August 16, 2001

PERSONAL AND CONFIDENTIAL

Mr. Luis Oscar Herrera
Banco Central de Chile
Agustinas 1180
Santiago, Chile

Dear Luis Oscar:

In connection with the proposed engagement of our firm by the Central Bank of Chile (the "Central Bank"), relating to the possible merger of Banco de Chile and Banco de A. Edwards, we recognize that certain non-public, confidential, proprietary information (the "Confidential Information") may be furnished to Salomon Smith Barney Inc. ("SSB").

SSB agrees not to disclose any Confidential Information to any person who is not an officer or employee of SSB or counsel to SSB except with the consent of the Central Bank or pursuant to a subpoena or order issued by a court of competent jurisdiction or by a judicial or administrative or legislative body or committee. SSB represents that each of its officers and employees is formally apprised of his or her obligations concerning the confidentiality of all client affairs and information.

In the event that SSB receives a request to disclose any Confidential Information under such subpoena or order, we will (a) promptly notify the Central Bank thereof, (b) consult with the Central Bank on the advisability of taking steps to resist or narrow such request, and (c) if disclosure is required or deemed advisable, cooperate with the Central Bank in any attempt that it may make to obtain an order or other reliable assurance that confidential treatment will be accorded to designated portions of the Confidential Information. SSB shall be entitled to reimbursement for its expenses, including the fees and expenses of its counsel, in connection with action taken pursuant to this paragraph.

Mr. Luis Oscar Herrera
August 16, 2001
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This letter agreement shall be governed by and construed in accordance with the laws of Chile and, subject to the terms of the arbitration provisions set forth above, the parties agree to submit to the jurisdiction of the Chilean courts. For purposes of this agreement, the parties set their domiciles within the limits of the city of Santiago.

Very truly yours,

SALOMON SMITH BARNEY INC.

By:


Name: Samuel R. Coleman
Title: Managing Director

Accepted as of the date hereof:

BANCO CENTRAL DE CHILE

By:

Name:

Title:



SALOMON SMITH BARNEY

A member of citigroup

388 Greenwich Street
New York, New York 10013

212-816-6000

F A X**CONFIDENTIAL**

DATE August 17, 2001

Recipient Information

To **Luis Oscair Herrera**
COMPANY **Central Bank of Chile**
TELEPHONE NO. (11-562-670-2395 **FAX NO.** 011-562-670-2106

To **Miguel Angel Naorur**
COMPANY **Central Bank of Chile**
TELEPHONE NO. (11-562-670-2455 **FAX NO.** 011-562-670-2232

To **David Williams**
COMPANY **Simpson Thacher & Bartlett**
TELEPHONE NO. 212-455-7433 **FAX NO.** 212-455-2502

Sender and Transmission Information

FROM **Nuno Nunes**
TELEPHONE NO. 212-816-9812 **FAX NO.** 212-816-0911

CONFIRM **No**
TELEPHONE NO.

PAGES 3 (including this cover page)

Comments Please see attached, Engagement Letter, Indemnity Letter and "Chinese Wall" Letter. Thank you.

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Document#



SALOMON SMITH BARNEY

A member of citigroup

August 16, 2001

Banco Central de Chile
Agustinas 1180
Santiago, Chile

Attention: Sr. Luis Oscar Herrera

Ladies and Gentlemen:

We are pleased that the Banco Central de Chile (the "Central Bank") has chosen to engage Salomon Smith Barney Inc. ("SSB") as its financial adviser in connection with a possible merger (the "Transaction") of Banco de Chile with Banco de A. Edwards (collectively "the Banks"). We look forward to working with you on this engagement, and have set forth below the agreed upon terms of our engagement.

Scope of Engagement. As we have discussed, in the course of our engagement as your financial adviser, we will perform such financial advisory and investment banking services for the Central Bank in connection with the proposed Transaction as are customary and appropriate in transactions of this type and as you reasonably request.

We envision the process of advising the Central Bank, to be developed in two stages, depending upon whether the Central Bank requires a formal fairness opinion from SSB.

• **Phase I: Preliminary Evaluation of Luksic's proposal**

During this phase, the SSB team will work together with the Central Bank team on analyzing and evaluating the terms and conditions proposed by the Grupo Luksic (as controlling shareholder of the Banks) for merging the Banks. SSB will conduct a preliminary financial analysis of the merger according to its customary methodologies, based on publicly available information, our best judgment as to the earnings prospects for the Banks, and information provided by the Central Bank. It is understood that at the time of SSB's preliminary financial analysis, there will be no fairness opinion required, and SSB will not be directly or indirectly involved in the negotiation of terms and conditions. In the event the Central Bank decides to accept the proposed terms without requiring an Opinion (as defined below) or otherwise requires no further support from SSB, then SSB's engagement would be deemed completed.

• **Phase II: Fairness Opinion and Negotiation Process**

In the event that the initially proposed terms by Grupo Luksic are not deemed acceptable by the Central Bank and/or the Central Bank requests further support from SSB, then the scope of the work performed by SSB will increase, to include as applicable, additional due diligence and meetings with the management of the Banks, direct or indirect involvement in negotiations on behalf of the Central Bank, further valuation and financial analysis, plus, if requested, delivery of a fairness opinion (the "Opinion") in regard to the final terms received. The form and substance of such valuation report(s) and Opinion will be in SSB's sole judgement, and SSB may qualify the valuation report(s) and Opinion in any manner that it believes appropriate. The Central Bank shall be entitled to request the clarification or supplementation of any such valuation report(s) and Opinion.

Banco Central de Chile

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Fees and Expenses. For our services hereunder, the Central Bank will pay to SSB the following cash fees:

- (a) Phase I: An advisory fee of US\$100,000, payable promptly following the Central Bank's execution of this letter; plus, if applicable
- (b) Phase II: An additional advisory fee of US\$850,000 (less any amounts previously paid under the immediately preceding clause), payable promptly upon the earlier of delivery by SSB of the Opinion or completion of the Transaction.

In addition to any fees that may be payable to SSB hereunder and regardless of whether any Transaction is proposed or consummated, the Central Bank also agrees to reimburse us periodically, upon request, and upon termination of our services pursuant to this agreement, for our reasonable out-of-pocket expenses, including the reasonable fees and disbursements of our attorneys, plus any Chilean sales, use or similar taxes (including additions to such taxes, if any) arising in connection with any matter referred to in this letter; *provided, however*, that these reasonable expenses shall not include the attorneys fees to be paid by SSB by reason of the drafting and signing of this agreement. We agree not to engage or consult with any Chilean counsel in connection with the matters referred to in this letter without your prior written approval, such approval not to be unreasonably withheld; *provided* that this sentence shall not limit our ability to engage or consult with counsel in connection with any claim for which the Central Bank is obliged to indemnify SSB pursuant to this letter. However, the Central Bank shall not reimburse SSB pursuant to the preceding two sentences for expenses exceeding US\$100,000 in the aggregate incurred without the prior written consent of the Central Bank, which consent shall not be unreasonably withheld; *provided, however*, that this sentence shall not affect the Central Bank's obligations with respect to any sales, use or similar taxes or as set forth in this letter.

All payments due under this letter are to be made in U.S. Dollars, free and clear of any set-off, claim or applicable taxes imposed by Chilean law (with appropriate gross-up for withholding taxes imposed by Chilean law). If any such withholding tax is applicable, the Central Bank will provide SSB with an original or authenticated copy of the tax receipt. The mentioned gross-up shall not apply to any tax imposed by Chilean law on the net income of SSB as a result of SSB's presence or the provision of services hereunder in that jurisdiction.

Use of Information. The Central Bank recognizes and confirms that SSB in acting pursuant to this engagement will be using publicly available information and information in reports and other materials provided by others, including, without limitation, information provided by or on behalf of the Central Bank, and that SSB does not assume responsibility for and may rely, without independent verification, on the accuracy and completeness of any such information. The Central Bank agrees to furnish or cause to be furnished to SSB all necessary or appropriate information for use in its engagement and hereby warrants that any information relating to the Central Bank or the Transaction that is furnished to SSB by or on behalf of the Central Bank will be true and correct in all material respects and not misleading.

The Central Bank agrees that any information or advice including, without limitation, the Opinion rendered by SSB or any of our representatives in connection with this engagement is for the confidential use of the Central Bank only in its evaluation of a Transaction and the Central Bank will not, and will not permit any third party to, use it for any other purpose or disclose or otherwise refer to such Opinion, advice or information, or to SSB, in any manner without our prior consent, which consent will

Banco Central de Chile
August 16, 2001
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not be unreasonably withheld. In any case, the Central Bank will be authorized to disclose and make public reference to any report or opinion prepared by SSB, and to give such report or opinion to the *Superintendencia de Bancos e Instituciones Financieras*; the National Congress; the Minister of Treasury; or to any court or other Chilean governmental entity in relation with any trial, investigation or other legal proceeding related to the proposed merger of the Banks or pursuant to a subpoena or order issued by a court of competent jurisdiction or by a judicial or administrative or legislative body or committee. The Central Bank agrees to use its best efforts to provide SSB with reasonable advance notice of any such disclosure of or public reference to such report or opinion.

Certain Acknowledgments. The Central Bank acknowledges that SSB has been retained hereunder solely as an adviser to the Central Bank, and not as an adviser to or agent of any other person, and that the Central Bank's engagement of SSB is as an independent contractor and not in any other capacity including as a fiduciary. SSB may, to the extent it deems appropriate, render the services hereunder through one or more of its affiliates; *provided* that SSB will remain responsible for the correct, complete and timely performance of the services described herein and will inform the Central Bank of the identity of the affiliates and persons involved in the rendering of the services. Neither this engagement, nor the delivery of any advice in connection with this engagement, is intended to confer rights upon any persons not a party hereto (including security holders, employees or creditors of the Central Bank) as against SSB or our affiliates or their respective directors, officers, agents and employees. SSB may, at our own expense, place announcements or advertisements in financial newspapers and journals describing our services hereunder.

The Central Bank should be aware that SSB and/or its affiliates may be providing or may in the future provide financial or other services to other parties with conflicting interests. However, consistent with our long-standing policy to hold in confidence the affairs of our customers, we will not use confidential information obtained from the Central Bank except in connection with our services to, and our relationship with, the Central Bank, nor will we use on the Central Bank's behalf any confidential information obtained from any other customer. Moreover, we agree that until the completion and delivery of a valuation report(s) or/and the Opinion fulfilling the requirements of this letter, we will not provide without prior written approval from the Central Bank, and thereafter during the term of our engagement hereunder, we will not provide without giving prior notice thereof to the Central Bank, financial services or advice to either of the Banks or any of their affiliates.

Indemnity. SSB and the Central Bank have entered into a separate letter agreement, dated the date hereof, providing for the indemnification of SSB by the Central Bank in connection with SSB's engagement hereunder, the terms of which are incorporated into this agreement in their entirety.

Termination of Engagement. SSB's engagement will commence on the date hereof and will continue until the earlier of the consummation of a Transaction and 24 months after the date hereof, unless extended by mutual written consent or earlier terminated as provided below. Either the Central Bank or SSB may terminate this agreement at any time, with or without cause, by giving written notice to the other party; *provided, however*, that no such expiration or termination will affect the matters set out in this section or under the captions "Use of Information," "Certain Acknowledgments" and "Miscellaneous" or in the separate letter agreement relating to indemnification. It is expressly agreed that following the expiration or termination of this agreement, SSB will continue to be entitled to receive fees as described above that have accrued and are payable prior to such expiration or termination but are unpaid, as well as reimbursement for expenses as contemplated above.

Banco Central de Chile

August 16, 2001

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Miscellaneous. This agreement is governed by and should be construed in accordance with the laws of Chile, and subject to the arbitration provisions set forth below, the parties agree to submit to the jurisdiction of the Chilean courts. For purposes of this agreement, the parties set their domiciles within the limits of the City of Santiago.

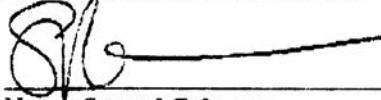
Any and all disputes or controversies arising between the Central Bank and SSB or its affiliates (together the "Parties") with respect to the interpretation, performance, breach or termination of this engagement letter, the indemnification letter or any of the transactions contemplated hereunder shall be settled by binding and final arbitration by a single arbitrator acting as an *árbitro mixto* who shall be free to establish the rules with regard to procedure but shall abide by the substantive provisions established by law. The place of arbitration shall be Santiago, Chile. The Parties hereby appoint Claudio Undurraga Abbott as arbitrator for these purposes and Carlos Eliseo Concha Gutierrez, in the event of the unwillingness or impossibility of the first appointee to serve in the post. In the event that both of the foregoing appointees are for any reason unwilling or unable to serve, the Parties agree that the arbitrator shall be an individual who shall have served as a professor of civil or commercial law at either the Universidad de Chile or the Pontificia Universidad Católica de Chile for a period of at least five years and who shall be designated by a Chilean court. The Parties shall each bear their own expenses in respect of the arbitration and shall divide the cost of the arbitration itself among themselves on a per capita basis. The Parties shall be free to present evidence and argue their respective positions in either English or Spanish, but the official record of the proceedings and the arbitral award shall be in Spanish. Any decisions issued by the arbitrator in accordance with this paragraph shall be final and binding upon the Parties and shall not be subject to recourse.

This agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

We are delighted to accept this engagement and look forward to working with you on this matter. Please confirm that the foregoing is in accordance with your understanding of our agreement by signing and returning to us a copy of this letter.

Very truly yours,

SALOMON SMITH BARNEY INC.

By 
Name: Samuel Coleman
Title: Managing Director

Accepted and agreed to as of
the date set forth above:

BANCO CENTRAL DE CHILE

By: _____
Name:
Title:



August 16, 2001

Salomon Smith Barney Inc.
388 Greenwich Street
New York, New York 10013

Ladies and Gentlemen:

If, in connection with the engagement of Salomon Smith Barney Inc. (SSB) to assist us with the merger of Banco de Chile with Banco de A. Edwards, including modifications or future additions to such engagement and related activities prior to the date of this agreement (the engagement), SSB becomes involved in any capacity in any action, proceeding or investigation brought by or against any person, the Central Bank will reimburse SSB for its reasonable legal and other expenses (including the cost of any investigation and preparation) incurred in connection therewith, as such expenses are incurred; *provided, however*, that if it is found in any such action, proceeding or investigation that any loss, claim, damage or liability of SSB has resulted from the gross negligence or bad faith of SSB in performing the services which are the subject of the engagement letter, SSB shall repay such portion of the reimbursed amounts that is attributable to expenses incurred in relation to the act or omission of SSB which is the subject of such finding.

The Central Bank will also indemnify and hold SSB harmless against any and all losses, claims, damages or liabilities suffered by it as a consequence of the engagement of SSB pursuant to the engagement letter or in connection with any of the matters contemplated thereby. Such indemnity obligation of the Central Bank shall apply only to the extent any such losses, claims, damages or liabilities do not result from the gross negligence or bad faith of SSB in performing the services that are the subject of the engagement letter.

The indemnity and reimbursement obligations of the Central Bank under the above two paragraphs shall be in addition to any liability which the Central Bank may otherwise have, and shall extend upon the same terms and conditions to any affiliate of SSB and the directors, agents, employees and controlling persons (if any), as the case may be, of SSB and any such affiliate, and shall inure to the benefit of any successors, assigns heirs and personal representatives of SSB, any such affiliate and any such person. The Central Bank agrees that (i) SSB shall not have any liability to the Central Bank for or in connection with SSB's engagement or any actual or proposed transactions or other conduct in connection therewith except for losses incurred by the Central Bank which result from the

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gross negligence or bad faith of SSB and (ii) except as set forth in the proviso to the first sentence of the first paragraph, under no circumstances shall it assert a claim for, or be entitled to, the repayment by SSB of any amounts paid out by the Central Bank.

Very truly yours,

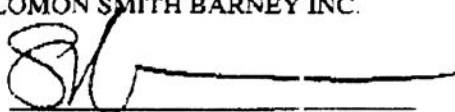
CENTRAL BANK OF CHILE

By: _____
Name:
Title:

Agreed:

SALOMON SMITH BARNEY INC.

By:



Name: Samuel Coleman
Title: Managing Director



Samuel R. Coleman
Managing Director

SALOMON SMITH BARNEY

A member of citigroup

212-816-9825
samuel.r.coleman@smb.com

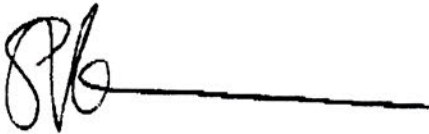
August 16, 2001

Mr. Luis Oscar Herrera
Banco Central de Chile
Agustinas 1180
Santiago, Chile

Dear Luis Oscar:

As per your request, I would like to confirm that Salomon Smith Barney's Financial Institutions Group will create a "Chinese Wall" with Citibank, during the course of our advisory to the Central Bank of Chile related to the merger between Banco de Chile and Banco de A. Edwards.

Sincerely,

A handwritten signature in black ink, appearing to be 'SR' followed by a long horizontal line.