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CIVIL AFFAIRS HANDBOOK - ITALY

SECTION 3D: BOOK FOUR - ITALIAN CIVIL CODE - OCT. 1944

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ARMY SERVICE FORCES MANUAL M353-3D

CIVIL AFFAIRS HANDBOOK

ITALY

SECTION 3D: BOOK FOUR

ITALIAN CIVIL CODE

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ARMY SERVICE FORCES MANUAL

M 354-3D
Civil Affairs

CIVIL AFFAIRS HANDBOOK

ITALY

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Headquarters, Army Service Forces 31 October 1944

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NUMBERING SYSTEM OF
ARMY SERVICE FORCES MANUALS

The main subject matter of each Army Service Forces Manual is indicated by consecutive numbering within the following categories:

M1 - M99	Basic and Advanced Training
M100 - M199	Army Specialized Training Program and Pre-Induction Training
M200 - M299	Personnel and Morale
M300 - M399	Civil Affairs
M400 - M499	Supply and Transportation
M500 - M599	Fiscal
M600 - M699	Procurement and Production
M700 - M799	Administration
M800 - M899	Miscellaneous
M900 - up	Equipment, Materiel, Housing and Construction

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HEADQUARTERS, ARMY SERVICE FORCES
Washington 25, D. C., October 1944

Army Service Forces Manual M 353 - 3D, Civil Affairs Handbook, Italy, Section 3D, Book Four, Italian Civil Code, has been prepared under the supervision of The Provost Marshal General, and is published for the information and guidance of all concerned.

[SPX 461 (21 Sep 43)]

By command of Lieutenant General SOMERVELL:

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Major General
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This translation of the Fourth Book of the Italian Civil Code was prepared for the

MILITARY GOVERNMENT DIVISION, OFFICE OF THE PROVOST MARSHAL GENERAL

by the

RESEARCH AND ANALYSIS BRANCH OF THE OFFICE OF STRATEGIC SERVICES

OFFICERS USING THIS MATERIAL ARE REQUESTED TO MAKE SUGGESTIONS AND CRITICISMS INDICATING THE REVISIONS OR ADDITIONS WHICH WOULD MAKE THIS MATERIAL MORE USEFUL FOR THEIR PURPOSES. THESE CRITICISMS SHOULD BE SENT TO THE CHIEF OF THE LIAISON AND STUDIES BRANCH, MILITARY GOVERNMENT DIVISION, PMGO, 2807 MUNITIONS BUILDING, WASHINGTON 25, D.C.

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INTRODUCTION

Purposes of the Civil Affairs Handbook

The basic purpose of civil affairs officers are (1) to assist the Commanding General by quickly establishing those orderly conditions which will contribute most effectively to the conduct of military operations, (2) to reduce to a minimum the human suffering and the material damage resulting from disorder, and (3) to create the conditions which will make it possible for civilian agencies to function effectively.

The preparation of Civil Affairs Handbooks is a part of the effort to carry out these responsibilities as efficiently and humanely as possible. The Handbooks do not deal with plans or policies (which will depend upon changing and unpredictable developments). It should be clearly understood that they <u>do not imply any given official program of action</u>. They are rather ready reference source books containing the basic factual information needed for planning and policy making.

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CIVIL AFFAIRS HANDBOOKS

TOPICAL OUTLINE

1. Geographical and Social Background
2. Government and Administration
3. Legal Affairs
   3D. Book Four - Italian Civil Code
4. Government Finance
5. Money and Banking
6. Natural Resources
7. Agriculture
8. Industry and Commerce
9. Labor
10. Public Works and Utilities
11. Transportation Systems
12. Communications
13. Public Health and Sanitation
14. Public Safety
15. Education
16. Public Welfare
17. Cultural Institutions

This translation of Book Four of the Italian Civil Code was prepared for the MILITARY GOVERNMENT DIVISION, OFFICE OF THE PROVOST MARSHAL GENERAL by the RESEARCH AND ANALYSIS BRANCH, OFFICE OF STRATEGIC SERVICES.

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This handbook is a translation of Book Four of the Italian Civil Code and is one of a series of six books covering the complete Code. The following outline indicates the place of this handbook in the series.

ITALIAN CIVIL CODE

3A. Book One (OF PERSONS) Italian Civil Code

3B. Book Two (OF SUCCESSIONS) Italian Civil Code

3C. Book Three (OF THE RIGHTS OF PROPERTY) Italian Civil Code

3D. Book Four (OF OBLIGATIONS) Italian Civil Code

3E. Book Five (OF THE RIGHTS OF LABOR) Italian Civil Code

3F. Book Six (OF THE PROTECTION OF RIGHTS) Italian Civil Code

This series of handbooks is believed to be the only available English translation of the Italian Civil Code.

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ITALIAN COURT SYSTEM

Corte di Cassazione

Numero Collegio — 1 (Roma)
Presidente di Cassazione
Consiglieri de Corte di Cassazione

Numero dei Giudici — 7 per sezione

Divisioni del Minorenni
- C. — Sotto anni 18
- App. — Sezione speciale di Corte d'Appello

Tribunale delle Acque Pubbliche
- No. 8
- G.V. 3
- C.T. — Comuni di Cagliari, Firenze, Milano, Napoli, Palermo, Roma, Torino, Venezia
- App. — Tribunale Supremo delle Acque Pubbliche — No.1 / J.12

Competenza per Territorio — Distretto

Competenza — Illimitata

Appello — Dai Tribunali

Pubblico Ministero — Procuratore Generale di Corte d'Appello

Court of Cassation

Number — 1 (Rome)
Title — President of Cassation
Councillors of Court of Cassation

Number of Judges per Court — 7 for each section
15 for united sections

Divisions of Court
- S.M. — Under 18
- App. — Special session of Court of Appeals

Regional Tribunal of Public Waters
- No. 8
- J. 3
- T.J. — Municipalities of Cagliari, Florence, Milan, Naples, Palermo, Rome, Turin, Venice
- App. — Supreme Tribunal of Public Waters — No.1 / J.12

Territorial Jurisdiction — District

Subject Matter — Unlimited

Appeal — From Tribunals

Public Attorney — Procurator General of Court of Appeals

RESTRICTED

ITALIAN COURT SYSTEM

Corte di Cassazione

Numero Collegio	1 (Roma) Presidente di Cassazione Consiglieri de Corte di Cassazione
Numero dei Giudici Votanti	7 per sezione 15 per sezioni unite
Suddivisioni	3 sezioni civili 2 sezioni penali 1 sezione unite
Competenza per Territorio	Regno e colonie
Competenza	Illimitata - solo su questioni di diritto
Appello	Da ogni giudizio appellabile di corti di grado inferiore - dalla corte di rimando in determinate circostanze alle sezioni unite il cui giudizio e finele
Pubblico Ministero	Procuratore Generale presso la Corte di Cassazione

Court of Cassation

Number Title	1 (Rome) President of Cassation Councillors of Court of Cassation
Number of Judges per Court	7 for each section 15 for united sections
Subdivisions	3 civil sections 2 criminal sections 1 united section
Territorial Jurisdiction	All territory subjectto Italian State
Jurisdiction over Subject Matter	Unlimited - on points of law only
Appeal	From any judgment of a lower court which may be appealed - under certain specified circumstances; from the court to which the case was referred, to the united sections, the decisions of which are final
Public Attorney	Procurator General of the Court of Cassation

Corte d'Appello

Numero Collegio	18 Presidente di Corte d'Appello Consiglieri di Corte d'Appello
Numero dei Giudici Votanti	5 Sezioni di C. d'A. No. varia Una sezione per Magistratura del Lavoro

Court of Appeals

Number Title	18 President of Court of Appeals Councillors of Court of Appeals
Number of Judges per Court	5 Sections of C.of A. No. varies 1 section for Magistracy of Labor

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Appello	Da ogni giudizio appellabile di corti di grado inferiore - dalla corte di rimando in determinate circostanze alle sezioni unite il cui giudizio e finele	Appeal	From any judgment of a lower court which may be appealed - under certain specified circumstances; from the court to which the case was referred, to the united sections, the decisions of which are final
Pubblico Ministero	Procuratore Generale presso la Corte di Cassazione	Public Attorney	Procurator General of the Court of Cassation

	Corte d'Appello		**Court of Appeals**
Numero Collegio	18 Presidente di Corte d'Appello Consiglieri di Corte d'Appello	Number Title	18 President of Court of Appeals Councillors of Court of Appeals
Numero dei Giudici Votanti	5 Sezioni di C. d'A. No. varia Una sezione per Magistratura del Lavoro	Number of Judges per Court	5 Sections of C.of A. No. varies 1 section for Magistracy of Labor
Sud-divisioni	Corte d'Assise: No. 91; G.V. 7; C.T. Circolo; C. Penale per determinati reati; App. Inappellabile	Sub-divisions	Assize Court: No. 91; J. 7; T.J. Circuit; S.M. Criminal only for certain specified crimes; App. None
	Tribunale dei Minorenni: No. 24; G.V. 3; C.T. Distretto; C. Sotto anni 18; App. Sezione speciale di Corte d'Appello		Juvenile Court: No. 24; J. 3; T.J. District; S.M. Under 18; App. Special session of Court of Appeals
	Tribunale delle Acque Pubbliche: No. 8; G.V. 3; C.T. Comuni di Cagliari, Firenze, Milano, Napoli, Palermo, Roma, Torino, Venezia; App. Tribunale Supremo delle Acque Pubbliche — No.1 J.12		Regional Tribunal of Public Waters: No. 8; J. 3; T.J. Municipalities of Cagliari, Florence, Milan, Naples, Palermo, Rome, Turin, Venice; App. Supreme Tribunal of Public Waters — No.1 J.12
Competenza per Territorio	Distretto	Territorial Jurisdiction	District
Competenza	Illimitata	Subject Matter	Unlimited
Appello	Dai Tribunali	Appeal	From Tribunals
Pubblico Ministero	Procuratore Generale di Corte d'Appello	Public Attorney	Procurator General of Court of Appeals

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ITALIAN COURT SYSTEM (cont'd)

	Tribunali		Tribunals
Numero Collegio	142 Presidente - Giudici	Number Title	142 President - Judges
Numero dei Giudici Votanti	3	Number of Judges per Court	3
Suddivisioni	Sezioni - No. varia	Subdivisions	Sections - No. varies
Competenza per Territoria	Circondario	Territorial Jurisdiction	Department
Competenza	In materia penale reati non di competenza del pretore o della corte d'assise - in materia civile oltre 5000 lire o indeterminabile	Jurisdiction over Subject Matter	In criminal matters, all crimes which do not fall under the jurisdiction of local magistrate or assizes; in civil cases, matters involving value over 5000 lire or undetermined value
Appello	Dalle sentenze dei pretori	Appeal	From judgments of local magistrates
Pubblico Ministero	Procuratore del Re	Public Attorney	Procurator for the King

	Pretura		Local Magistrate's Court
Numero Collegio	986 Pretore	Number Title	986 Local Magistrate
Numero dei Giudici Votanti	1	Number of Judges per Court	1

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civile oltre 5000 lire o indeterminabile

Appello	Dalle sentenze dei pretori	Appeal	From judgments of local magistrates
Pubblico Ministero	Procuratore del Re	Public Attorney	Procurator for the King

Pretura

Local Magistrate's Court

Numero Collegio	986 Pretore	Number Title	986 Local Magistrate
Numero dei Giudici Votanti	1	Number of Judges per Court	1
Suddivisioni	Pretori Aggiunti - Vice Pretori - Giudice Tutelare	Subdivisions	Substitute or extra local magistrate - Judge in charge of minors and incapacitated persons
Competenza per Territorio	Mandamento	Territorial Jurisdiction	District
Competenza	In materia penale, reati punibili con pena non superiore ai 3 anni o pecuniaria non oltre lire 10,000. In materia civile azioni reali e personali non superiore a lire 5,000. Senza limite di valore per azioni di sfratto per locazione finita, danni a fondi rustici, denunce di nuova opera o di danno temuto e distanze legali nel piantamento di alberi e ingiunzione a termini.	Jurisdiction of Subject Matter	In criminal matters, crimes punishable with penal servitude, not over 3 years or fine not over 10,000 lire. In civil matters for actions involving value not over 5,000 lire. For actions involving unlimited value in matters of expulsion for termination of lease, damages to country property, injunctions, legal distance in planting of trees and in boundaries.
Appello	Dalle sentenze dei conciliatori	Appeal	From judgments of the justices of the peace
Pubblico Ministero	Uditori, Vice Commissari di Pubblica Sicurezza, Segretario Comunale, Avvocato, Notaio, o Procuratore scelto dal Pretore	Public Attorney	Junior Magistrate, Local Chief of Police, Secretary attached to municipality, Lawyer, Notary, or Procurator chosenby the local Magistrate

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Gradi della Magistratura

Primo Presidente della Corte di Cassazione
*Procuratore Generale della Corte di Cassazione

Presidente di Sezione della Corte di Cassazione
Primo Presidente della Corte d'Appello
*Procuratore Generale di Corte d'Appello
*Avvocato Generale di Corte di Cassazione

Consigliere di Corte di Cassazione
*Sostituto Procuratore Generale di
Corte di Cassazione
Presidente di Sezione di Corte d'Appello

Consigliere di Corte d'Appello
*Sostituto Procuratore Generale di Corte d'Appello
Presidente di Tribunale
*Procuratore del Re

Giudice di Tribunale
*Sostituto Procuratore del Re

Aggiunti Giudiziani

Pretore
**Vice Pretore

**Uditore

*Fanno parte del pubblico ministero - sono funzionari dell ordine giudiziario renza le guarentigia dell'inamovibilite.

**In materia penale - possono adempiere le funzioni del pubblico ministero su richiesta del pretore.

Grades of Judiciary

First President of the Court of Cassation
*Procurator General of the Court of Cassation

President of Section of the Court of Cassation
First President of the Court of Appeals
*Procurator General of the Court of Appeals
*Solicitor General of the Court of Cassation

Councillor of Court of Cassation
*Deputy Procurator General of the
Court of Cassation
President of Section of Court of Appeals

Councillor of Court of Appeals
*Deputy Procurator General of Court of Appeals
President of Tribunal
*Procurator for the King

Judge of the Tribunal
*Deputy Procurator for the King

Adjuncts

Local Magistrate
**Assistant Local Magistrate

**Junior Magistrate

*Members of the public attorney's office who come under Dept. of Justice, but do not enjoy the guarantee of irremovability (privilege of magistrates - beginning 3 years after their appointment as judges of tribunals- by virtue of which they cannot be dismissed or transferred to other jurisdictions for the duration of their office except after trial in which they must appear in person.

**May function as public attorney, in criminal matters, on request of the local magistrate.

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ITALIAN CIVIL CODE

BOOK FOUR

OF OBLIGATIONS

TITLE ONE

OF OBLIGATIONS IN GENERAL

CHAPTER I

PRELIMINARY PROVISIONS

ARTICLE 1173 - Sources of obligations.

Obligations originate from contracts, wrongful acts, or any other acts or facts which are apt to produce obligations under law.

ARTICLE 1174 - Property value of performance.

The performance which constitutes the subject of an obligation must be of such nature as to be capable of economic evaluation and must satisfy an interest of the creditor (the obligee), even tho such interest be not related to property.

ARTICLE 1175 - Proper behaviour.

The debtor (the obligor) and the creditor shall follow the rules of decency in accordance with the principles of corporative solidarity.

CHAPTER II

OF THE DISCHARGE OF OBLIGATIONS

SECTION I

OF DISCHARGE IN GENERAL

ARTICLE 1176 - Diligence to be observed in discherge.

The debtor shall use the diligence expected of a good pater familias.

In the discharge of obligations connected with the exercise of an occupational activity, such diligence shall be evaluated with respect to the nature of the activity.

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ARTICLE 1177 - Obligation to safeguard the property.

The obligation to deliver a specified object includes the obligation to safeguard it until delivery.

ARTICLE 1178 - Obligations consisting of things specified as to their nature.

When the subject of an obligation consists of delivery of things specified only as to their nature, the debtor shall deliver such things not below average in quality.

ARTICLE 1179 - Obligation to furnish security.

Whoever is bound to furnish security, such security not being specified as to manner or form, has the choice of furnishing an adequate property security, a personal guarantee, or other satisfactory security.

ARTICLE 1180 - Obligation discharged by a third party.

An obligation may be discharged by a third party even contrary to the wish of a creditor, if the latter has no interest in having the debtor discharge his obligation personally.

However, the creditor may refuse the discharge of an obligation by a third party, if the debtor has notified such creditor of his objection to such manner of discharge.

ARTICLE 1181 - Partial discharge of an obligation.

A creditor may refuse to accept a partial discharge of an obligation, even if the subject of such obligation is divisible in character, unless law or custom provides otherwise.

ARTICLE 1182 - Place of performance.

If the place where the obligation is to be discharged is not specified by agreement or custom, and if such place cannot be inferred from the nature of the performance or from other circumstances, the following provisions are applicable.

The obligation to deliver a definite and specified object shall be discharged in the place where such object was to be found when the obligation originated.

Obligations consisting of a sum of money shall be discharged at the residence of the creditor at the time of expiration of the obligation.

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If such residence is different from the one which the creditor had when the obligation originated and if this causes the discharge of the obligation to be more burdensome, the debtor has the right of discharging the obligation at his own residence, having previously so notified the creditor. In all other cases, the obligation shall be discharged at the domicile of the creditor at the time when the obligation expires.

ARTICLE 1183 - Time of discharge.

If the time for performance of an obligation has not been specified, the creditor may demand immediate payment. However, when the customs, the subject of the performance, or the mode or place of execution requires time, this may be set by the judge in the absence of agreement between the parties.

If the time for the discharge is left to the discretion of the debtor, the judge shall likewise establish the time according to circumstances; if it is left to the discretion of the creditor, the time may be established by the judge upon request of any debtor who wishes to free himself from the obligation.

ARTICLE 1184 - Term.

If a term is stipulated for the discharge of an obligation, such term is presumed to be in favor of the debtor unless it appears to have been set in favor of the creditor or of both.

ARTICLE 1185 - Pendency of the term.

A creditor cannot demand what is due before the expiration of the term, unless such term be set for his benefit exclusively.

However, the debtor cannot be reimbursed for payments made in advance, even if such payments were made in ignorance of the existence of the term. In this case the debtor may demand reimbursement, within the limits of the loss incurred by him, in the amount by which the creditor has benefited by reason of such anticipatory payment.

ARTICLE 1186 - Expiration of the term.

Although the term is stipulated to be in favor of the debtor, a creditor may demand immediately what is due if the debtor has become insolvent, or has voluntarily reduced the security he had furnished, or has failed to furnish the security agreed upon by him.

ARTICLE 1187 - Computation of the term.

The term for the performance of an obligation is reckoned in accordance with the provisions of Article 2963. The provisions regarding ex-

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tension of a term falling on a holiday are observed unless the existing customs are otherwise.

In all cases, an agreement may provide otherwise.

ARTICLE 1188 - Person to whom payment must be made.

The payment must be made to the creditor or to the person who represents him, or to some person having a power from the creditor to receive payment, or who is authorized by law or by the judge to receive such payment.

Payments made to a person, not having power to receive such for the creditor, is valid, if the creditor has ratified it or has profited thereby.

ARTICLE 1189 - Payment to apparent creditor.

A debtor who makes payment to a person who, on the basis of unequivocal circumstances, seems authorized to receive it, is freed from the obligation if he proves to have made such payment in good faith.

The person who received payment is obliged to restore it to the real creditor, in accordance with the laws regulating restitution of payments not due.

ARTICLE 1190 - Payment to creditor suffering under incapacity to accept.

A payment made to a creditor under an incapacity to receive it does not free the debtor, unless the debtor proves that the payment was applied to some advantage for the creditor.

ARTICLE 1191 - Payment made by a debtor suffering under incapacity.

A debtor who has discharged an obligation cannot attack the payment on the grounds of his own incapacity.

ARTICLE 1192 - Property of another given in payment.

A debtor cannot attack a payment made with property he had no right to deliver, unless he offers to make such payment with property of which he is entitled to dispose.

A creditor who has received such payment in good faith may attack it, and his right to compensation for damages is unaffected.

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ARTICLE 1193 - Debts to which payment applies.

A person who owes several debts of the same kind to the same person, may declare, at the time of payment, which particular debt he intends to satisfy.

In the absence of such declaration, the payment shall be applied to a debt, if any, which is already due; among several debts which are due, it shall be applied to the one with the least security; among debts with equal security, it shall be applied to the debt which is the most burdensome to the debtor; among several equally burdensome debts, it shall be applied to the oldest.

If these rules cannot be followed the payment shall be applied proportionately to the various debts.

ARTICLE 1194 - Payment applied to interest.

A debtor may not apply a payment to the principal of a debt in preference to the interest and expenses thereof, without the consent of the creditor.

Payments made in satisfaction of principal and interest shall be applied to interest before principal.

ARTICLE 1195 - Acquittance applied to specific debt.

Whoever has several debts and accepts an acquittance in which the creditor declares that he applied the payment to a specific debt, cannot demand that the payment be otherwise applied unless there has been fraud or surprise on the part of the creditor.

ARTICLE 1196 - Expenses connected with payment.

The expenses connected with payment are chargeable to the debtor.

ARTICLE 1197 - Performance in lieu of discharge.

A debtor cannot free himself from the obligation by performing it in a different manner, even if such performance is equal or greater in value, unless the creditor gives his consent thereto. In this case, the obligation is extinguished when such performance is carried out.

If performance consists of the transfer of property or of other rights, the debtor is bound to post security against eviction and defects in the property in accordance with the rules governing sales, unless the creditor prefers to demand performance in the original manner and compensation for damages.

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Any security furnished by third parties is not revived.

ARTICLE 1198 - Surrender of a claim in lieu of discharge.

When a claim is surrendered in lieu of the discharge of an obligation such obligation is extinguished with the satisfaction of the claim, unless the parties have a different intention.

The provisions of the second paragraph of Article 1267 are unaffected.

ARTICLE 1199 - Right of debtor to receive acquittance.

A creditor who receives payment, shall, upon request of the debtor and at the expense thereof, give acquittance to the debtor and make an annotation of such acquittance on the instrument evidencing the debt, unless such instrument is returned to the debtor.

An acquittance which is given for the release of the principal of a debt is deemed to apply also to the interest thereon.

ARTICLE 1200 - Release of security.

A creditor who has received payment shall agree to free the property from the liens given to secure the debt and from any other resulting burden which may in any way restrict the disposition of the property.

SECTION II

OF PAYMENT WITH SUBROGATION

ARTICLE 1201 - Subrogation determined by the creditor.

A creditor, in receiving payment from a third party, may subrogate such party with respect to his rights as creditor. Such subrogation shall be express and shall be made at the time of the payment.

ARTICLE 1202 - Subrogation determined by the debtor.

A debtor who borrows a sum of money or other fungible thing for the purpose of satisfying a debt, may subrogate the lender to the creditor's rights, even without the consent of the latter.

Subrogation is effective when the following conditions are present:

1. That the loan and the acquittance be evidenced by a dated document.

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2. That the document evidencing the loan make an express reference to the purpose for which the amount borrowed is intended.
3. That the acquittance mention the declaration of the debtor regarding the origin of the sum which was used in payment. The creditor cannot refuse to insert such declaration in the acquittance, upon request of the debtor.

ARTICLE 1203 - Subrogation by operation of law.

Subrogation takes place by operation of law in the following cases:

1. In favor of a creditor, even of a debt evidenced by a handwritten document, who pays another creditor having -- by reason of his preferences, pledges or mortgages -- a preferential claim.
2. In favor of the purchaser of an immovable who has paid any sum up to the limit of the purchase price, to one or more creditors in whose favor the immovable is mortgaged.
3. In favor of a person who, while bound with other persons or for other persons to the payment of a debt, has an interest in the satisfaction thereof.
4. In favor of heirs with benefit of inventory who pay the hereditary debts out of their own funds.
5. In the other cases established by law.

ARTICLE 1204 - Third party guarantors.

The subrogation contemplated in the preceding Article is also effective with respect to third parties who have given security for the debtor.

If a debt is secured by a pledge, the provisions of the second paragraph of Article 1263 is observed.

ARTICLE 1205 - Partial subrogation.

In case of partial payment, a third party who has been subrogated and the creditor are co-claimants with respect to the debtor, in proportion to what is due them, except for agreements to the contrary.

SECTION III

OF CREDITORS' DEFAULT

ARTICLE 1206 - Conditions.

A creditor is in default when, without legitimate cause, he does not accept payment offered in the manner indicated in the following Articles, or when he fails to do what is necessary to permit the debtor to discharge the obligation.

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ARTICLE 1207 - Effects.

When the creditor is in default, he is responsible for any ensuing impossibility of the performance which may arise for reasons which cannot be attributed to the debtor. The interest and the fruits of the property which is the subject of the obligation are no longer due unless they are collected by the debtor.

A creditor is also bound to give compensation for damages caused by his default and to sustain the expenses for the safekeeping and conservation of the property which is due.

The effects of the default become operative from the day when tender was made if such tender is subsequently declared to be valid thru judgment which can no longer be appealed, or if such tender is accepted by the creditor.

ARTICLE 1208 - Essentials for the validity of tender.

To make tender valid, it is necessary:

1. That it be made to a creditor having capacity to receive it or to a person who has the authority to receive such tender for him.
2. That it be made by a person capable of making valid payment.
3. That it comprise the whole amount of the sum due, or of the property which is due, and all the fruits and interest as well as all the liquidated expenses, and a sum to be applied to expenses which have not been liquidated, reserving a supplementary amount for that purpose, if necessary.
4. That the term has expired, if such term is stipulated for the benefit of the creditor.
5. That the condition on which the debt has been contracted is fulfilled.
6. That tender be made to the creditor in person or at his residence.
7. That tender be made by a duly authorized public official.

The debtor may make the tender conditional upon such consent of his creditor as is necessary for the release of the property from the lien constituting security for the obligation, or from other resulting burdens which in any way limit the disposal of the property.

ARTICLE 1209 - Actual tender and tender by notice.

If the subject of the obligation is money, securities, or movables to be delivered at the residence of the creditor, the offer to discharge the obligation must be accompanied by the actual tender or performance.

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In the case of movables to be delivered in a place other than the creditor's residence, the offer shall consist of a notice to the creditor to receive such movables; the tender shall be made pursuant to a document, notice of which shall be given to the creditor with the formalities prescribed for the serving of summonses.

ARTICLE 1210 - Debtor's right to deposit tendered property and effect of such deposit as a release.

If the creditor refuses to accept the actual tender or is not present to receive the property tendered to him in settlement by means of notice, the debtor may deposit such tendered property.

Following the deposit, if such deposit is accepted by the creditor, or if it is declared valid for the performance of the obligation by a judgment which is subject to no further appeal, the debtor may no longer withdraw such tender and is released from his obligation.

ARTICLE 1211 - Perishable goods or goods the care of which is expensive.

If the property forming the basis of the obligation cannot be preserved or is perishable, or if the expenses for its care are excessive, the debtor, after making the actual tender or after notification to receive it, may secure authorization from the local magistrate to sell such goods in the manner established for the sale of pledged goods and to deposit the price thereof.

ARTICLE 1212 - Requirements for deposit.

For the validity of the deposit it is necessary:

1. That the deposit be preceded by a notice to the creditor containing an indication of the day, hour, and place, when and where the tender which is offered in settlement will be deposited.
2. That the debtor make delivery of the tender, together with the interest and fruits which are due up until the day of the tender, in the place indicated by law or, in absence thereof, by the judge.
3. That an official report be made by a public official containing an indication of the nature of the property tendered, the creditor's refusal to accept it or his failure to be present to receive it, and finally the making of the deposit.
4. That in the case of non-appearance of the creditor, notice shall be given of the official report of the deposit with the request that the things deposited be withdrawn. Deposits consisting of money may be made with credit institutions.

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ARTICLE 1213 - Withdrawal of deposit.

A deposit is not effective if the debtor withdraws it before acceptance thereof by the creditor or before its validity is acknowledged by a judgment which may no longer be appealed.

If, after acceptance of the deposit or after the time for appeal of the judgment declaring its validity has expired, the creditor consents to the debtor's withdrawal of the deposit, the creditor has no longer any recourse with respect to the co-debtors and the sureties, and can no longer avail himself of the preference pledges and mortgages which secured the credit.

ARTICLE 1214 - Tender made in accordance with customs and deposit.

If a debtor makes tender in accordance with usage instead of in accordance with the provisions of Articles 1208 and 1209, the default takes effect from the date on which deposit is made in accordance with Article 1212, provided the deposit has been accepted by the creditor or is declared valid by a judgment which may no longer be appealed.

ARTICLE 1215 - Expenses.

When the actual tender and the deposit are valid, the expenses which have been sustained are chargeable to the creditor.

ARTICLE 1216 - Notice to receive delivery of an immovable.

When an immovable is to be delivered, tender shall be made by notice to the creditor to take possession thereof. Such notice shall be made with the formalities prescribed by the second paragraph of Article 1209.

The debtor, after such notice to the creditor, may obtain from the judge the appointment of a sequestrator. In this case the debtor is freed from his obligation from the time when he delivers the immovable to the sequestrator.

ARTICLE 1217 - Obligations to do.

If the performance consists in doing something, a creditor is placed in default by means of notice to such creditor to receive the performance or to do what is necessary on his part to make such performance possible. Notice may be made in the usual manner.

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CHAPTER III

OF NON PERFORMANCE OF OBLIGATIONS

ARTICLE 1218 - Liability of a debtor.

A debtor who does not perform his obligation exactly is liable for damages unless he can establish that the non-performance or the delay in performing it is due to a cause which cannot be charged to him.

ARTICLE 1219 - When debtor is placed in default.

A debtor is placed in default by means of notice or by a written request for performance.

It is not necessary to place a debtor in default:

1. When the debt originates from a wrongful act.
2. When the debtor has made a written declaration stating that he does not intend to perform the obligation.
3. When the term has expired, if the obligation must be performed at the residence of the creditor. If the term expires after the death of the debtor, the heirs are not placed in default except by means of notice or written request for performance and after the lapse of eight days from the date of such notice or request.

ARTICLE 1220 - Tender made without formalities.

A debtor cannot be considered in default if he made tender in due time, even if such tender was made without the formalities required by Section III of the preceding Chapter, unless the creditor refused the tender for a legitimate reason.

ARTICLE 1221 - Effect of default on the liability for hazard.

A debtor who is in default is not released from his obligation by the ensuing impossibility of the performance due to causes which cannot be charged to him, unless he can prove that the subject of the performance would have perished also if it had been in care of the creditor.

Regardless of the manner in which wrongfully taken property is destroyed or lost, the loss thereof does not release the person who has taken it from the obligation to restore its value.

ARTICLE 1222 - Non-performance of negative obligations.

The provisions relative to default are not applicable to obligations requiring omission of an act. Any act performed in violation of such an obligation constitutes, per se, non-performance thereof.

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ARTICLE 1223 - Compensation for damages.

Compensation for damages deriving from non-performance or delay of performance shall include the loss sustained by the creditor and the profits lost by him, insofar as such lost profits are a direct and immediate consequence of the non-performance.

ARTICLE 1224 - Damages in money obligations.

In obligations consisting of payment of a sum of money, interest at the legal rate is due from the date of the default even if such interest was not due previously and even if the creditor does not esteblish the fact that he has suffered any damage. If a higher rate of interest was due before the default, such higher rate shall be maintained for the duration of default.

A creditor who can prove to have suffered damages greater than compensation received as legal interest, is entitled to such additional compensation, unless the rate of interest to be paid during the default has been agreed upon.

ARTICLE 1225 - Anticipation of damages.

If the non-performance or delay is not caused by fraud of the debtor, the compensation is limited to the damages which could have been anticipated at the time when the obligation originated.

ARTICLE 1226 - Just evaluation of damages.

If the exact amount of damages cannot be proved, such is settled by the judge with a just value.

ARTICLE 1227 - Contributory negligence of creditor.

If a culpable act of a creditor has contributed to cause the damages, the compensation is reduced in accordance with the degree of the creditor's fault and the extent of the consequences of his act.

Compensation is not due for damages which the creditor could have avoided by using ordinary diligence.

ARTICLE 1228 - Liability for acts of accessories.

A debtor who employs other persons in the discharge of obligations is also liable for their fraudulent or culpable acts unless the parties intend otherwise.

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ARTICLE 1229 - Clauses which exonerate from liability.

Any agreement which, in anticipation, excludes or limits the liability of a debtor for fraud or serious negligence, is null.

Any agreement which, in anticipation, exonerates from or limits liability in cases in which the act of the debtor of his accessories constitutes a violation of obligations deriving from rules of public order, are also null.

CHAPTER IV

OF OTHER WAYS, BESIDES PERFORMANCE, OF EXTINGUISHING OBLIGATIONS

SECTION I

OF NOVATION

ARTICLE 1230 - Novation of subject matter.

An obligation is extinguished when the party substitutes for the original obligation a new one having a different subject matter or evidenced by a new instrument.

The intention to extinguish the preceding obligation must appear in an unequivocal manner.

ARTICLE 1231 - Acts which do not imply novation.

The release or renewal of a document, the fixing or elimination of a term or any other accessory modification to the obligation does not produce a novation.

ARTICLE 1232 - Preferences, pledges and mortgages.

Preferences, pledges and mortgages of the original obligation are extinguished if the parties do not expressly agree to maintain them for the new obligation.

ARTICLE 1233 - Limitations on security in novation of obligation in solido.

If novation occurs between a creditor and one of the debtors in solido, such novation having releasing effects for all debtors, the preferences, pledges and mortgages of the previous obligation may be retained only on the property of the debtor who makes the novation.

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ARTICLE 1234 - Lack of effect of novation.

Novation is without effect if the original obligation was non-existent.

If such obligation originated from a voidable instrument, the novation is valid if the debtor has validly contracted the new debt with the knowledge of the defect in the original instrument.

ARTICLE 1235 - Novation consisting of subrogation of parties.

When a new debtor is subrogated for the original one who is released from his debt, the provisions contained in Chapter VI of this Title are applicable.

SECTION II

OF THE REMISSION OF THE DEBT

ARTICLE 1236 - Declaration of remission of the debt.

Remission of the debt, if declared by the creditor, extinguishes the obligation when such declaration is communicated to the debtor, unless the latter declares within a reasoneble time that he is unwilling to avail himself of the remission.

ARTICLE 1237 - Voluntary restitution of the instrument evidencing the obligation.

The voluntary restitution by the creditor to the debtor of the original instrument representing the claim constitutes evidence of release from the debt, even with respect to co-debtors in solido.

If the instrument representing the obligation is publicly certified, the voluntary delivery of a copy thereof, drafted in a form suitable for execution, results in a presumption of release from the debt.

ARTICLE 1238 - Renunciation of security.

Renunciation of the security of an obligation does not raise the presumption of remission of the debt.

ARTICLE 1239 - Sureties.

Remission granted to the principal debtor discharges the sureties.

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Remission granted to one of the sureties does not discharge the other sureties except for the share of the released surety. However, if the other sureties consented to the release, they remain liable for the whole amount.

ARTICLE 1240 - Renunciation of a security in exchange for a consideration.

A creditor who, for a consideration, has renounced a security posted by a third party, shall charge such consideration received by him to the principal debt, for the benefit of the debtor and of the sureties who have given security for the discharge of the obligation.

SECTION III

OF COMPENSATION (SET-OFF)

ARTICLE 1241 - Extinguishment of obligation by compensation.

When two persons are indebted to each other, both debts are extinguished in the amount of their respective sums in accordance with the rules hereafter expressed.

ARTICLE 1242 - Effects of compensation.

Compensation extinguishes both debts from the time of their simultaneous existence. The judge cannot pronounce it ex-officio. Compensation is not barred by prescription if such prescription was not in effect when the simultaneous existence of the two debts was ascertained.

ARTICLE 1243 - Compensation by operation of law and by judicial decree.

Compensation operates only between two debts having as their subject a sum of money or a quantity of fungible goods of the same nature and equally liquid and collectable. If the debt proposed as a set-off is not liquidated but susceptible of easy and prompt liquidation, the judge may declare the compensation operative for that part of the debt of which he acknowledges the existence and may also suspend judgment with respect to the liquidated obligation until the obligation proposed as a set-off is ascertained.

ARTICLE 1244 - Delay.

A delay gratuitously granted by the creditor does not bar compensation.

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ARTICLE 1245 - Debts not payable in the same place.

When two debts are not payable in the same place, the expenses connected with transportation to the place designated for payment shall be accounted for.

ARTICLE 1246 - Cases in which compensation is not operative.

Compensation is operative regardless of the instrument evidencing one or both debts except:

1. In the case of claims for the restitution of property of which the owner has been unjustly deprived.
2. In the case of claims for the restitution of property which has been deposited or loaned for use.
3. In the case of claims which have been declared as not susceptible of being pledged.
4. When the creditor has renounced compensation in advance.
5. When the law prohibits it.

ARTICLE 1247 - Compensation opposed by third party sureties.

A surety may offer as a set-off the debt which the creditor owes to the principal debtor.

Third party sureties who hold mortgages or pledges have the same right.

ARTICLE 1248 - When compensation cannot be set up in defense.

A debtor who has accepted, purely and simply, the transfer of his creditor's rights to a third party, cannot set up as a defense against such party the right of compensation which he might have asserted in defense against the original creditor.

A transfer, notice of which has been given to the debtor but not accepted by him, bars compensation of claims which have originated after such notification.

ARTICLE 1249 - Compensation of several debts.

When a person owes to another person several debts which can be compensated, the provisions of the second paragraph of Article 1193 are observed for such compensation.

ARTICLE 1250 - Compensation with respect to third parties.

Compensation is not operative when it is prejudicial to third parties who have acquired rights of usufruct or pledge in one of the claims.

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ARTICLE 1251 - Security attached to the claim.

A person who, while entitled to request compensation, has paid his debt, may no longer avail himself of the preferencesand security attached to his claim, to the prejudice of third parties, unless he had just cause to be ignorant of his claim.

ARTICLE 1252 - Voluntary compensation.

Compensation may take place by choice of the parties, even if the conditions mentioned in the preceding Articles are not present.

The parties may also establish beforehand the conditions for such compensation.

SECTION IV

OF CONFUSION OF RIGHTS (MERGER)

ARTICLE 1253 - Effects of confusion.

When the rights and duties of debtor and creditor are merged in the same person, the obligation is extinguished and third parties who have given security for the debtor, are released.

ARTICLE 1254 - Confusion with respect to third parties.

Confusion is not operative when it is prejudicial to third parties who have acquired rights of pledge or usufruct in the claim.

ARTICLE 1255 - Merger of surety and debtor.

When the rights and duties of surety and principal debtor are merged in the same person the suretyship remains in force, if the creditor has an interest in its retention.

SECTION V

SUPERVENING IMPOSSIBILITY OF PERFORMANCE FOR CAUSES WHICH CANNOT BE CHARGED TO THE DEBTOR

ARTICLE 1256 - Definitive and temporary impossibility.

An obligation is extinguished when it has become impossible of performance for causes which cannot be charged to the debtor.

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If such impossibility is only a temporary one, the debtor is not liable for the delay in the performance for the duration of such impossibility. However, the obligation is extinguished if the impossibility continues until the debtor can no longer be considered liable for the performance of the obligation, or until the creditor is no longer interested in its performance because of the instrument evidencing the obligation, and/or because of the nature of the subject thereof.

ARTICLE 1257 - Loss of a specified object.

A performance, the subject of which is a specified object, is considered to be impossible even when such object is lost without it being possible to establish the destruction thereof.

If the object is subsequently found, the provisions of the second paragraph of the preceding Article are applicable.

ARTICLE 1258 - Partial impossibility.

If performance has become impossible only in part, the debtor is released from the obligation by performing that part of the obligation which is still possible.

The same provision is applicable when, in the case of a specified object, such object has suffered damages, or when anything remains after the loss of such object.

ARTICLE 1259 - Subrogation of the creditor in the debtor's rights.

If the subject of the obligation, which is a specified object, has become impossible of performance, wholly or in part, the creditor is subrogated in the rights of the debtor with respect to the circumstance which has caused the impossibility, and may demand from the debtor any benefits which the latter receives as compensation for damages.

CHAPTER V

OF THE TRANSFER OF CLAIMS

ARTICLE 1260 - Transferability of claims.

A creditor may transfer his claim, gratuitously or for a consideration, even without the consent of the debtor, provided such claim be not of a strictly personal one or forbidden by law.

The parties may bar the transfer of the claim; but an agreement to that effect cannot be set up in defense against a grantee of such claim, unless it is proved that such grantee had knowledge of the agreement at the time of the transfer.

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ARTICLE 1261 -Transfers of rights prohibited.

Judicial officers, clerks of the court's office and of the Court's secretary's office, employees of the court, lawyers, procurators, attorneys and notaries, cannot become the grantees, even thru an intermediary, of rights which are subject to litigation in which they may be parties or in which they have participated in the exercise of their functions, under penalty of nullity and liability for damages.

The provisions of the preceding paragraph are not applicable to transfers of causes of action among co-heirs which relate to inheritance, nor to transfers made for the payment of debts or for the protection of property owned by the grantee.

ARTICLE 1262 - Instruments evidencing the claim.

A grantor shall deliver to the grantee the documents in his possession evidencing the claim.

If only a portion of the claim was transferred, the grantor is bound to give the grantee an authenticated copy of such documents.

ARTICLE 1263 - Accessories to the claim.

The claim is transferred to the grantee together with any preference, personal guarantee, or property which has constituted security for the obligation, and all the other accessories.

The grantor cannot, without the consent of the pledgor, give the grantee possession of the object received as pledge; in case of disagreement the grantor retains custody of the pledge.

The transfer does not include the income and profits which have fallen due.

ARTICLE 1264 - Validity of transfer with respect to the debtor whose debt has been transferred.

The transfer is effective with regard to the debtor, when the latter has accepted it or received notice of it.

However, even before such notification, a payment made to the grantor does not release the debtor, if the grantee proves that the debtor had knowledge that the transfer had taken place.

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ARTICLE 1265 - Validity of transfer with respect to third parties.

If the same claim has been subject to several transfers to different persons, the first transfer of which notice is given to the debtor, or the first transfer accepted by the debtor in a dated document, prevails over other transfers, even of a later date. The same applies when rights of usufruct or pledge have been established in the claim.

ARTICLE 1266 - Security required of grantor.

When the transfer is made for a consideration, the grantor is bound to guarantee the existence of the claim at the time of the transfer.

Agreements may bar guarantees but the grantor is still under obligation by reason of his own act.

If the transfer is a gratuitous one, the guarantee is due only in such cases and within such limits as are provided for by the law which requires the donor to post security against eviction.

ARTICLE 1267 - Guarantee for the solvency of the debtor.

The grantor does not warrant the solvency of the debtor unless he has undertaken to guarantee it. In this case the grantor is liable within the limits of the amounts received from the debtor; the grantor must furthermore pay the interest, reimburse the expenses connected with the transfer and those borne by the grantee in the exercise of his legal rights of seizure of the property of the debtor, and compensate for damages. Any agreement for the purpose of adding to the liability of the grantor is without effect.

When the grantor has guaranteed the solvency of the debtor, the guarantee ceases if a failure of the claim to materialize thru insolvency of the debtor is caused by negligence of the grantor in commencing or prosecuting an action against such debtor.

CHAPTER VI

OF DELEGATION, EXPROMISSIO AND ASSUMPTION OF DEBT

ARTICLE 1268 - Cumulative delegation.

If a debtor gives to his creditor another debtor in his stead, who becomes bound to such creditor, the original debtor is not released from his obligation except by an express declaration of the creditor.

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However, a creditor who accepts the obligation of such third party (the delegated party) cannot request that the obligation be discharged by the original debtor (the party delegating) unless he has previously requested payment from the third party.

ARTICLE 1269 - Delegation of payment.

When the debtor indicates to the creditor a person from whom he may receive payment, such person may bind himself to the creditor, unless this is barred by the debtor.

The party delegated to make payment is not bound to accept such charge even if indebted to the delegating party.

ARTICLE 1270 - Termination of delegation.

The original debtor may revoke the delegation up until the time when the delegated debtor has assumed the obligation to the creditor, or until payment to the creditor.

The delegated debtor may assume the obligation and make the payment to the creditor even after the death or subsequent incapecity of the original debtor.

ARTICLE 1271 - Defenses which may be used by the delegated debtor.

The delegated debtor may use against the creditor the defenses which are based upon his relationship to the creditor.

Except in the case of agreements to the contrary, the delegated debtor cannot use against the creditor those defenses which the original debtor might have used against the creditor, even if the creditor had knowledge of such defenses.

The delegated debtor may not even use the defenses arising from the relationship between the original debtor and the creditor unless the parties made express reference to such defenses.

ARTICLE 1272 - Expromissio (assumption of debt without delegation).

A third party who assumes the obligation of the debtor to the creditor, without delegation from the debtor, is bound in solido with the original debtor, unless the creditor specifically releases the latter.

Except for agreements to the contrary, such third party cannot use against the creditor the defenses arising from the third party's relationship with the original debtor.

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The third party may, on the other hand, use the defenses which the original debtor might have set up against the creditor, unless such defenses be of a personal nature with respect to the original debtor or unless derived from acts subsequent to the assumption of the obligation. The third party cannot raise as defense the compensation he might have asserted in defense against the original debtor, even if such compensation was operative prior to the assumption of the obligation.

ARTICLE 1273 - Assumption of debt.

If a debtor and a third party agree to have the latter assume the obligation of the former, the creditor may concur in the agreement and cause such stipulation to become irrevocable in his favor. The concurrence of the creditor results in the release of the original debtor only if this is specifically included in the stipulation or if the creditor makes a specific declaration to that effect.

If the debtor is not released, he remains jointly and severally bound with a third party.

In all cases, such third party is bound, within the limits of the debt he has assumed, to the creditor who has concurred in the stipulation, and the third party may use against such creditor the defenses founded on the obligation on the basis of which the assumption of the debt occurred.

ARTICLE 1274 - Insolvency of the new debtor.

A creditor who has released the original debtor subsequent to delegation, has no cause of action against such original debtor if the delegated debtor becomes insolvent, unless the creditor made specific reservation for that contingency.

However, if the delegated debtor was insolvent at the time when he assumed the obligation to the creditor, the original debtor is not released.

The same provisions apply when the creditor has concurred in the assumption of the debt stipulated in his favor and the release of the original debtor is a specific condition in such stipulation.

ARTICLE 1275 - Extinguishment of security.

Whenever the creditor releases the original debtor, all the security attached to the claim is extinguished unless the person who posted such security agrees specifically to continue it.

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ARTICLE 1276 - Invalidity of new obligation.

If the obligation which the new debtor assumed toward the creditor is void, or is declared void, and the creditor has released the original debtor, the obligation of the latter revives, but the creditor may not avail himself of the security posted by third parties.

CHAPTER VII

OF CERTAIN TYPES OF OBLIGATIONS

SECTION I

OF MONEY OBLIGATIONS

ARTICLE 1277 - Money debts.

Money debts are extinguished with currency which is legal tender in the state at the time of payment, and for its face value.

If the sum due was determined in currency which is no longer legal tender at the time of payment, such payment shall be made with legal tender equal in value to the former.

ARTICLE 1278 - Debts payable in money which is not legal tender.

If the sum due is payable in currency which is not legal tender in the state, the debtor has the power to pay with legal tender at the rate of exchange prevailing on the day when the sum is due and at the place agreed upon for payment.

ARTICLE 1279 - Clause providing for payment in currency stated, which is not legal tender.

The provision of the preceding Article is not applicable if currency which is not legal tender in the state is specified by the phrase "as stated", or another phrase having the same meaning, unless it be impossible to secure such currency when the debt becomes due.

ARTICLE 1280 - Debt consisting in specie having intrinsic value.

Payment shall be made with specie having intrinsic value, if it is so provided in the instrument evidencing the debt, provided that such specie was legal tender at the time when the obligation was assumed.

However, if such specie is unavailable or no longer in circulation, or if its intrinsic value has changed, payment is made with current money representing the intrinsic value of the specie at the time when the obligation was assumed.

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ARTICLE 1281 - Special laws.

The preceding provisions are observed insofar as they do not violate the principles derived from special laws.

The special provisions relative to payments to be made outside national territory are unaffected.

ARTICLE 1282 - Interest on money obligations.

Liquidated and collectable claims consisting of money draw interest by operation of law, unless the law or the instrument evidencing the debt provides otherwise.

Except for agreements to the contrary, claims based on rents, including house rents, do not produce interest until they are put in default.

If the subject of the claim is reimbursement for expenditures incurred for property which must be restored, no interest is due for the period in which the person who has sustained such expenses had the enjoyment of the property without charge and without being obliged to account for the enjoyment of such property.

ARTICLE 1283 - Anatocism (compound interest).

In the absence of custom to the contrary, interest which is due can only produce interest from the date of the judicial petition therefore, or by agreement subsequent to the date when the interest has fallen due, and provided that, in all cases, such interest has been due for at least six months.

ARTICLE 1284 - Rate of interest.

The legal rate of interest is five percent per annum.

Interest derived from agreements are computed at the same rate, unless a different rate was determined by the parties.

Interest above the legal rate shall be specified in writing; otherwise such interest is due at the legal rate.

SECTION II

OF ALTERNATIVE OBLIGATIONS

ARTICLE 1285 - Alternative obligations.

The debtor in an alternative obligation is discharged by performance of one of the two alternatives specified in the obligation, but cannot force the creditor to receive a part of the one and a part of the other.

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ARTICLE 1286 - Party to whom choice belongs.

The choice belongs to the debtor, unless it has been granted to the creditor or to a third party.

The choice becomes irrevocable by performing one of the two alternatives, or by making the choice known thru a declaration to the other party, or to both parties, if such choice is made by a third person.

If the choice is granted to several persons, the judge may give them a time limit. If the choice is not made within such time limit, it is made by the judge.

ARTICLE 1287 - Loss of the right of choice.

If a debtor who has the choice of performing an alternative obligation, fails to perform either alternative within the time limit set by the judge, the choice passes to the creditor.

If the right of choice belongs to the creditor and he fails to exercise it within the established time limit or within the time limit set by the debtor, the choice passes to the latter.

If the choice is granted to a third party who fails to exercise such right of choice within the allotted time limit, the choice is made by the judge.

ARTICLE 1288 - When performance of one alternative is impossible.

An alternative obligation is considered an ordinary obligation if one of the alternatives could not be the subject of the obligation, or if the delivery of one has become impossible of performance for causes which cannot be charged to either party.

ARTICLE 1289 - Impossibility of performance of one of the alternatives thru the fault of the parties.

When the choice belongs to the debtor, an alternative obligation becomes an ordinary obligation if the performance of one becomes impossible, even for causes which can be charged to such debtor. If one of the two alternatives becomes impossible of performance thru the fault of the creditor, the debtor is released from the obligation, unless he chooses to perform the other alternative specified in the obligation and requests compensation for damages.

When the choice belongs to the creditor, the debtor is released from the obligation if one of the two alternatives becomes impossible of per-

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formance thru the fault of the creditor, unless the latter chooses to receive performance of the other alternative and requests compensation for damages. If the debtor is responsible for the impossibility, the creditor has the choice of demanding performance of the other alternative or requesting compensation for damages.

ARTICLE 1290 - Supervening impossibility of both alternatives.

When both alternative performances have become impossible and the debtor is responsible with respect to one of them, he shall pay the value of the performance which was the last to become impossible, if the choice of delivery belonged to such debtor. If the choice belonged to the creditor, the latter may demand payment of the value of either performance.

ARTICLE 1291 - Obligations with multiple alternatives.

The provisions contained in this section also apply to cases involving the performance of more than two alternatives.

SECTION III

OF JOINT AND SEVERAL OBLIGATIONS (IN SOLIDO)

ARTICLE 1292 - Definition.

An obligation is joint and several when several debtors are bound for the performance of the same obligation in such manner that payment may be demanded from each of them and when the payment made by one of them discharges the other debtors; or, if there are several creditors, each creditor having the right to demand payment of the total sum due, the payment made to any one of them discharges the debtor from all the other creditors.

ARTICLE 1293 - Variation in terms or conditions in a single contract between several debtors.

The obligation may be joint and several although each of the debtors is bound under different terms from the others or although the debtor common to all creditors is bound under different terms with respect to some of said creditors.

ARTICLE 1294 - Co-debtors bound in solido.

The co-debtors are bound in solido, unless the law or the instrument evidencing the debt provide otherwise.

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ARTICLE 1295 - Division among heirs.

An obligation is divided among the heirs of one of the co-debtors in solido, or of one of the co-creditors in solido, in proportion to their respective shares, except for agreement to the contrary.

ARTICLE 1296 - Choice of creditor for payment.

Payment to one or the other creditor is optional with the debtor, unless payment is demanded by one of such creditors by judicial petition.

ARTICLE 1297 - Personal defenses.

One of the debtors in solido can not use against the creditor the personal defenses of the other debtors.

A debtor may not use against one of the creditors in solido his personal defenses with respect to the other creditors.

ARTICLE 1298 - Relationship between debtors in solido or creditors in solido among themselves.

Obligations in solido are divided among the various debtors or creditors, respectively, unless contracted for the sole benefit of some of them.

The shares of each are presumed to be equal, unless otherwise provided.

ARTICLE 1299 - Right of contribution from co-debtors.

If a debtor in solido pays the whole debt he can only claim from the co-debtors the portion of each.

If one of them is insolvent, the loss occasioned by his insolvency must be equally shared by the other co-debtors and by him who has made the payment.

The same rule applies in the case of insolvency of a co-debtor for whose sole benefit the obligation was assumed.

ARTICLE 1300 - Novation.

Novation between the creditor and one of the debtors in solido releases the other debtors. However, if such novation was intended to be limited to a single debtor, the other debtors are released only for the latter's share.

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If the novation was agreed upon between one of the creditors in solido and the debtor, such novation is only operative, with respect to the other creditors, for the share of the one creditor.

ARTICLE 1301 - Remission.

Remission of the debt for the benefit of one of the debtors in solido releases the other debtors as well, unless the creditor has reserved his right with respect to the other debtors; in which case the creditor may demand satisfaction from the other debtors, and shall deduct such portion as belonged to the debtor whose share of the debt he had agreed to remit.

If the remission is made by one of the creditors in solido, such remission releases the debtor with respect to the other creditors for such portion of the debt as belonged to the creditor who granted remission.

ARTICLE 1302 - Compensation.

Each debtor in solido may set-off the claim of a co-debtor in compensation of his debt up to the limit of the liability of such co-debtor.

A debtor may set-off what is due him by one of the creditors in solido, but only for the latter's share.

ARTICLE 1303 - Confusion.

If the rights and duties of creditor and debtor in solido are merged in the same person, the obligation of the other debtors is extinguished insofar as concerns the portion of such co-debtor.

If the rights and duties of debtor and creditor in solido are merged in the same person, the obligation is extinguished insofar as concerns the portion of such creditor in solido.

ARTICLE 1304 - Settlement.

A settlement made by the creditor with one of the debtors in solido does not affect the co-debtors, unless such co-debtors state that they intend to take advantage of it.

Likewise, in the case of settlement between one of the creditors in solido and the debtor, such settlement is not effective with respect to the other creditors, unless the latter state that they intend to take advantage of it.

ARTICLE 1305 - Statement under oath.

A statement under oath regarding the debt, but not asserting that the obligation is in solido, deferred by one of the debtors in solido

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to the creditor, or by one of the creditors in solido to the debtor, or by the creditor to one of the debtors in solido, or by the debtor to one of the creditors in solido, produces the following effects:

Other co-debtors or co-creditors may avail themselves of the oath if the creditor or the debtor refuses to take it, or if the co-debtor or the co-creditor in solido takes it.

An oath taken by the creditor or by the debtor, or refused to be taken by the co-debtor or the co-creditor in solido, is only prejudicial to the party who has deferred the oath or to the person who was selected to take the oath.

ARTICLE 1306 - Judgment.

A judgment pronounced in a case between a creditor and one of the debtors in solido, or between the debtor and one of the creditors in solido has no effect with regard to the other debtors or the other creditors.

The other debtors may set up said judgment in defense against the creditor, unless such judgment is based on considerations which are personal to the co-debtor; the other creditors may plead the judgment against the debtor except for personal defenses which may be set up against each of the creditors.

ARTICLE 1307 - Non-performance.

If the obligation has become impossible of performance for causes which may be charged to one of several of the co-debtors, the other co-debtors are not released from the joint and several obligations to pay the value of the performance which was due. The creditor may request compensation for additional damages from the co-debtor or from each of the co-debtors who failed to perform.

ARTICLE 1308 - Putting in default.

The putting in default of one of the debtors in solido has no effect with regard to the other debtors, except for the provisions of Article 1310.

When the debtor has been put in default by one of the creditors in solido, the other creditor may take advantage of his act.

ARTICLE 1309 - Acknowledgment of the debt.

An acknowledgment of the debt made by one of the debtors in solido has no effect with regard to the other debtors; if the debt is acknowledged to one of the creditors in solido by the debtor, the other creditors can avail themselves of such acknowledgment.

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ARTICLE 1310 - Prescription.

Acts by which a creditor interrupts prescription running against one of the debtors in solido, and acts by which one of the creditors in solido interrupts prescription running against the common debtor, take effect with regard to the other debtors or to the other creditors.

The suspension of prescription affecting one of the debtors or one of the creditors in solido has no effect with regard to the others. However, a debtor who has been obliged to make payment has recourse against his co-debtors who have been released as a result of prescription.

Renunciation of the right to claim prescription made by one of the debtors in solido has no effect with respect to the others. Other creditors may avail themselves of the renunciations as applied to one of such creditors in solido. A co-debtor who has renounced the right to claim prescription has no recourse against the other debtors released as a result of said prescription.

ARTICLE 1311 - Renunciation of joint and several status.

A creditor who renounces his joint and several status in favor of one of the debtors, retains his joint cause of action against the other debtors. The following constitute renunciation of joint status:

1. A creditor who, without reservation, gives an acquittance to one of his debtors for his portion of the debt.
2. A creditor who has instituted judicial proceedings against one of the debtors for the portions due him, if such debtor has complied with the request to make payment, or if judgment to that effect has been entered.

ARTICLE 1312 - Separate payment of income profits or of the interest.

A creditor who, separately and without reservation, receives his portion of income and profits or of interest due from one of the debtors, loses his right of action in solido against such debtor for such income and profits or interest as has already fallen due, but retains his right to future income and profits or interest.

ARTICLE 1313 - Insolvency of a co-debtor in case of renunciation of joint and several status.

If a creditor has renounced his joint and several status in favor of any of the debtors, in the case of insolvency of one of the other debtors the portion of such insolvent debtor is divided between all co-debtors, including the co-debtor in whose favor the renunciation of the joint and several status was made.

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SECTION IV

OF OBLIGATIONS DIVISIBLE AND INDIVISIBLE

ARTICLE 1314 - Divisible obligations.

If, in a divisible performance, there are several debtors or creditors and the obligation is not one in solido, each creditor may demand satisfaction only of his portion of the obligation, and each debtor is bound to pay only his portion of the debt.

ARTICLE 1315 - Limitation of divisibility among the heirs of a debtor.

The advantage of divisible obligations cannot be set up as a defense by a particular heir of a debtor, who has been charged with performance, or who is in possession of the property which is due, if such property is certain and determined.

ARTICLE 1316 - Indivisible obligations.

An obligation is indivisible when the thing or the fact which is the subject of performance is not susceptible of division either by its nature or in the light in which it was considered by the parties.

ARTICLE 1317 - Regulation of indivisible obligations.

Indivisible obligations are governed by the provisions relating to joint and several obligations, when applicable, except for the provisions of the following Articles.

ARTICLE 1318 - Indivisibility as applied to heirs.

Indivisibility is also applicable with regard to heirs of the debtor or those of the creditor.

ARTICLE 1319 - Right to demand complete performance.

Each of the creditors may require the execution of the entire indivisible obligation. However, an heir of a creditor who acts to obtain satisfaction of the entire claim, shall post security for the protection of the co-heirs.

ARTICLE 1320 - Partial extinguishment.

If one of the creditors makes renunciation of the debt or agrees to accept a performance different from the one which was due, the debtor is not released with respect to the other creditors. The latter however,

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cannot demand the performance of the indivisible obligation except by charging to themselves or reimbursing the value of the portion of the creditor who has made remission or who has accepted the different performance.

The same provision is applicable in the case of settlement, novation, compensation and confusion.

TITLE TWO

OF CONTRACTS IN GENERAL

CHAPTER I

PRELIMINARY RULES

ARTICLE 1321 - Definition.

A contract is an agreement between two or more parties for the purpose of establishing, regulating, or extinguishing a juridical relationship having property value.

ARTICLE 1322 - Freedom of contract.

The parties may freely determine the contents of a contract within the limits imposed by law or by the corporative rules.

The parties may also enter into contracts falling in categories which are not regulated by any particular set of rules, provided such contracts are directed to the materialization of interests which the juridical system considers worthy of protection.

ARTICLE 1323 - Provisions which regulate contracts.

All contracts, whether or not they belong to categories regulated by a special set of rules, are subject to the general provisions contained in this title.

ARTICLE 1324 - Provisions applicable to unilateral acts.

All unilateral acts, intervivos, which have property value, are regulated by the provisions relative to contracts, insofar as compatible, except when the law provides otherwise.

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CHAPTER II

OF THE REQUISITES FOR A CONTRACT

ARTICLE 1325 - Essential elements of a contract.

The requisites necessary for the validity of a contract are:

1. The consent of the parties.
2. The cause (cause).
3. The subject matter.
4. The form, when prescribed by law, under penalty of nullity.

SECTION I

OF THE CONSENT OF THE PARTIES

ARTICLE 1326 - Integration of contract.

A contract is complete when he who makes an offer has knowledge of the other party's acceptance.

The acceptance must reach the offeror within the period set by him, or the period usually required by the particular nature of the transaction, or by custom.

The offeror may receive as valid a belated acceptance, provided he gives immediate notice thereof to the other party.

When the offeror requests a special form of acceptance, acceptance is not effective if given in a different form.

Acceptance varying from the offer is considered to be a new offer.

ARTICLE 1327 - Acceptance by performance.

When the performance is to be made without a previous reply to the offer because this is so requested by the offeror or because it is implied from the nature of the transaction or because of custom, the contract is completed at the time and place of the commencement of such execution.

The party accepting shall promptly notify the other party of the commencement of the performance, and is otherwise liable to damages.

ARTICLE 1328 - Revocation of offer or of acceptance.

An offer may be revoked before formation of the contract. However, if a consenting party has, in good faith, undertaken execution of such

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contract before being notified of the revocation, the offeror is bound to indemnify the other party for the expenses and losses sustained by reason of such initiated performance.

Acceptance may be revoked, provided the offeror is made aware of it before such acceptance.

ARTICLE 1329 - Irrevocable offer.

If the offeror binds himself to keep open the offer for a certain period of time, revocation is not effective.

In such case, the death or supervening legal incapacity of the offeror does not affect the validity of the offer, unless such validity is barred by the nature of the transaction or other circumstances.

ARTICLE 1330 - Death or incapacity of broker.

When the offer or the acceptance is made by a broker in the exercise of his activity, it does not lose its validity if such broker dies or becomes incapacitated prior to the completion of the contract, except in the case of brokers on a small scale or when the nature of the transaction or other circumstances require otherwise.

ARTICLE 1331 - Option.

When the parties agree that the declared offer of one of the parties shall be binding on himself but that the other party has the option to accept it or refuse it, such declaration of the first party is considered as an irrevocable offer with regard to the effects of Article 1329.

If no time limit has been set for acceptance, it may be set by the judge.

ARTICLE 1332 - Consent of third parties to a contract.

If third parties may join in a contract and no procedure has been set therefor, the declaration of consent to join shall be directed to the body responsible for the performance of the contract or, in absence thereof, to all the original contracting parties.

ARTICLE 1333 - Contract binding on offeror only.

An offer for the purpose of entering a contract imposing duties only on the offeror is irrevocable as soon as the party to whom it is directed has received notice.

The offeree may refuse the offer within the time limit required by the nature of the transaction or by custom. In the absence of such a refusal the contract is completed.

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ARTICLE 1334 - Validity of unilateral acts.

Unilateral acts produce effects from the time when brought to the knowledge of the person to whom they are directed.

ARTICLE 1335 - Presumption of notice.

Offer, acceptance, revocation and any other declaration contained in offers directed to specified persons, are deemed to have been brought to the knowledge of the latter from the time when they reach his address, unless he proves that without his fault it was impossible for him to obtain notice of the offer.

ARTICLE 1336 - Offer made to the public.

An offer made to the public, when containing the essentials required for the contract which is contemplated, is effective as an offer unless custom or circumstances require otherwise.

Revocation of the offer, if made with the same or equivalent formalities as the offer, is valid also with respect to those who have not received notice of it.

ARTICLE 1337 - Negotiations and pre-contractual duties.

In the conduct of negotiations and formation of the contract the parties shall proceed in good faith.

ARTICLE 1338 - Knowledge of causes for invalidity.

A contracting party who, while knowing or being bound to know, the causes for invalidity of a contract, does not give notice thereof to the other party, is obliged to compensate for the damages suffered by such other party who, without fault of his own, relied upon the validity of the contract.

ARTICLE 1339 - Autometic insertion of clauses.

All stipulations and prices of property or services, which are required by law or by corporative rules, shall be automatically inserted in the contract, even in substitution of other clauses inserted by the parties which do not conform thereto.

ARTICLE 1340 - Clauses covering usage and custom.

Clauses covering usage and custom of the trade are considered as being inserted in the contract, unless it appears that the parties intended to dispense therewith.

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ARTICLE 1341 - General stipulations attached to a contract.

General stipulations, inserted by one of the parties preliminary to a contract, are valid with respect to the other party if known by the latter at the time when the contract was entered into or if he might have known thereof by using ordinary diligence.

In all cases the following stipulations do not produce effects unless specifically approved in writing:

1. Conditions limiting the liability of the party who has inserted them.
2. Conditions affecting power to withdraw from the contract or to suspend the execution thereof, or conditions providing for time limits for the other contracting party, or limitations to such party's power to raise defenses.
3. Restrictions to the freedom of contracts with respect to third parties.
4. Tacit extension or renewal of the contract.
5. Clauses providing for settlements or derogations from the jurisdiction of the judicial authorities.

ARTICLE 1342 - Contracts made by means of forms or formularies.

In contracts made by subscribing to forms or formularies issued in advance for the purpose of regulating in a uniform manner specified contractual relationships, the clauses added to such forms or formularies prevail over the original clauses of said form or formulary, even if incompatible, and even tho the latter have not been stricken out.

In addition the provision of the second paragraph of the preceding Article is applicable.

SECTION II

OF THE CAUSE OF CONTRACTS

ARTICLE 1343 - Unlawful cause.

The cause of a contract is unlawful when it is contrary to mandatory rules, to public order, or moral conduct.

ARTICLE 1344 - Contract in fraud of laws.

The cause of a contract is likewise considered to be unlawful when the contract constitutes the means to evade the application of a mandatory rule.

ARTICLE 1345 - Unlawful cause for both parties.

A contract is unlawful when the parties have determined to enter into it solely for a cause unlawful to both parties.

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SECTION III

OF THE SUBJECT MATTER OF CONTRACTS

ARTICLE 1346 - Requisites.

The subject matter of a contract must be possible of performance, lawful, and determined or determinable.

ARTICLE 1347 - Supervening possibility of performance.

A contract subject to suspensive condition or time limit is valid if the performance which was originally impossible becomes possible before the fulfilment of the condition or the expiration of the time limit.

ARTICLE 1348 - Future property.

Future property may be the subject of contracts, except when specifically forbidden by law.

ARTICLE 1349 - Determination of subject matter.

If the determination of the subject matter of a contract is referred to a third party and it does not appear that the contracting parties intended to rely on such third party's discretion, the latter shall be guided by a just and reasonable appraisal. If the third party fails to make the determination or if his determination is manifestly wrong or unjust, the determination is made by the judge.

A determination left to the discretion of the third party cannot be attacked except by proving such third party's bad faith. In the absence of a determination by the third party, and if the parties do not agree to provide a substitute, the contract is void.

The third party shall also take into account the general conditions of the subject matter referred to in the contract in determinating the subject matter.

SECTION IV

OF THE FORM OF CONTRACTS

ARTICLE 1350 - Acts which must be reduced to writing.

The following shall be made by public document or by private writing under penalty of nullity:

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1. Contracts contemplating the transfer of property of immovables.
2. Contracts which constitute, modify or transfer the rights of usufruct in immovable property, surface rights, and the rights of the grantor and emphyteutic tenant.
3. Contracts as indicated in the preceding numbers which involve joint rights.
4. Contracts which constitute or modify prediel servitudes, the rights of use on immovable property, and the right of habitation.
5. Documentsevidencing renunciation of the rights indicated in the preceding numbers.
6. Contracts for the redemption of emphyteutic properties.
7. Contracts of antichresis.
8. Contracts contemplating lease of immovable property for a term longer than nine years.
9. Contracts of partnerships or associations which convey the enjoyment of immovable property or of other rights in rem in immovable property for a period of time exceeding nine years or for an undetermined length of time.
10. Documents constituting perpetual incomes or life annuities, except for the provisions referring to government annuities.
11. Documents regarding the division of immovable property and of other rights in rem in immovable property.
12. Compromises of controversies resulting from juridical relationships in cases arising in the preceding numbers.
13. Other documents specified by the law.

ARTICLE 1351 - Preliminary contracts.

A preliminary contract is null if it is not made with the same formalities that the law requires for definitive contracts.

ARTICLE 1352 - Form agreed upon for contracts.

If the parties have agreed in writing to use a specified form for the future making of a contract, such form is presumed to have been required by the parties for the validity of such contract.

CHAPTER III

OF THE CONDITION IN CONTRACTS

ARTICLE 1353 - Conditional contracts.

The parties may make the validity or the termination of a contract, or of a single covenant of the contract, depend on a future and uncertain event.

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ARTICLE 1354 - Impossible or unlawful conditions.

A condition, whether suspensive or resolutory, renders void the contract to which it is attached, if contrary to mandatory rules, public order or good morals.

An impossible condition renders the contract void if it is a suspensive condition; if it is a resolutory condition it is considered to be non-existent.

If an impossible or unlawful condition is attached to a single covenant of the contract, the provisions of the preceding paragraph are observed for the validity of such covenant. The provisions of Article 1419 are unaffected.

ARTICLE 1355 - Potestative conditions.

The alienation of a right or the assumption of an obligation subject to a suspensive condition which makes it depend only on the exercise of the alienor's or the debtor's will, respectively, is null.

ARTICLE 1356 - Rights of parties pending fulfilment of conditions.

A person who acquires a right may take measures to preserve it during the pendency of a suspensive condition.

A person who acquires a right under resolutory condition may exercise such right while the condition is pending, but the other party to the contract may take measures of preservation.

ARTICLE 1357 - Disposition of rights while condition is pending.

The owner of a right subject to suspensive or resolutory condition may dispose of such right while the condition is pending; but the effects of an act disposing of such right are also subject to the same condition.

ARTICLE 1358 - Conduct of the parties during pendency of a condition.

A person who has become bound or who has alienated a right under suspensive condition, or a person who has acquired a right under resolutory condition, shall conduct himself in good faith, while the condition is pending, in order to safeguard the interests of the other party.

ARTICLE 1359 - Fulfilment of condition.

A condition is deemed to have been fulfilled when the failure of its fulfilment is due to causes which may be charged to the party whose interest was opposed to the fulfilment of the condition.

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ARTICLE 1360 - Retroactive effect of condition.

Effects of the fulfilment of a condition refer back to the time when the contract was entered into, unless the determination of the parties or the nature of the agreement cause the contract or of the termination of the contract to be effective as of a different time.

However, if a resolutory condition is attached to a contract the execution of which is continuous or by instalments, the fulfilment of such condition has no effect with regard to deliveries already made unless a covenant provides otherwise.

ARTICLE 1361 - Acts of administration.

The fulfilment of a condition does not prejudice the validity of administrative acts taken by the party who was entitled to take such action during the pendency of such condition.

The income and profits are due from the day on which the condition is fulfilled unless otherwise provided by law or agreements to the contrary.

CHAPTER IV

OF THE INTERPRETATION OF CONTRACTS

ARTICLE 1362 - Intention of contracting parties.

In interpreting a contract, the mutual intent of the parties shall be sought, the literal meaning of the words having no restrictive effect. In order to ascertain what is the mutual intent of the parties, the general course of their conduct, even after the conclusion of the contract, shall be taken into account.

ARTICLE 1363 - Comprehensive interpretation of clauses.

The clauses of a contract shall be interpreted with reference to each other, giving to each the meaning resulting from the entire contract.

ARTICLE 1364 - General terms.

However general the expressions used in a contract, they include only what the contracting parties have undertaken to include in the contract.

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ARTICLE 1365 - Specific enumerations.

When, in order to explain the meaning of a covenant, a particular instance has been mentioned, other instances which have not been mentioned but which may reasonably be included in the same contract are not deemed to have been excluded.

ARTICLE 1366 - Interpretation in good faith.

A contract shall be interpreted in good faith.

ARTICLE 1367 - Preservation of the contract.

In case of doubt, the contract, or the individual clauses thereof, shall be interpreted as having the meaning in which they may produce some effect, rather than a meaning which would render it nugatory.

ARTICLE 1368 - General rules for interpretation.

Ambiguous clauses shall be interpreted in the light of the general practice of the locality in which the contract is made.

In contracts where one of the parties is a broker, ambiguous clauses shall be interpreted in the light of the general practices in the locality where the headquarters of the broker are located.

ARTICLE 1369 - Terms with several possible interpretations.

In case of doubt, terms which may be interpreted in several ways shall be understood to have the meaning which is most suitable to the nature and subject of the contract.

ARTICLE 1370 - Interpretation against the originator of the clause.

Clauses in the general conditions of a contract or in forms or formularies which have been prepared in advance by one of the contracting parties, shall be interpreted, in case of doubt, in favor of the other party.

ARTICLE 1371 - Final rules.

When, notwithstanding the provisions contained in this chapter, the contract remains obscure, the construction least burdensome for the obligee shall be adopted, in the case of a gratuitous contract; and, in onerous contracts, the construction which provides for the interests of the parties in equitable proportion.

The mutual intent of the parties shall be construed as having the meaning which most nearly conforms with the principles of the corporative regime.

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CHAPTER V

OF THE EFFECTS OF CONTRACTS

SECTION I

GENERAL PROVISIONS

ARTICLE 1372 - Binding effect of contract.

A contract has the force of law between the parties. It cannot be dissolved except by mutual consent or for causes permitted by law.

A contract does not produce effects with regard to third parties except in cases provided by law.

ARTICLE 1373 - Withdrawal.

If one of the parties has the power to withdraw from a contract, such power can be exercised up until the contract has begun to be performed.

In contracts where the execution is continuous or by instalments, the power of withdrawal may be exercised even after the beginning of performance, but the withdrawal has no effect with regard to the payments already made or in the process of being made.

When a certain sum has been stipulated for the withdrawal, the withdrawal may be effected when payment thereof is made.

In all cases, covenants to the contrary are unaffected.

ARTICLE 1374 - Integration of contract.

A contract binds the parties not only as to what is stated in the contract, but also to all the consequences of such contract which derive from the law, or in the absence of a law, the consequences derived from customs and fairness.

ARTICLE 1375 - Performance in good faith.

A contract shall be performed in good faith.

ARTICLE 1376 - Contracts which effect rights in rem.

In contracts which effect the transfer of ownership of ascertained property, or the acquisition or the transfer of a right in rem or of another right, the ownership or the right is transferred by the parties' consent when expressed in legal form.

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ARTICLE 1377 - Transfer of property by lot.

When the subject of the transfer is ascertained property by lot, the provision of the preceding Article is applicable, even if such property consists of things which are homogeneous, and regardless of the fact that, for specified purposes, the things have to be numbered, weighted or measured.

ARTICLE 1378 - Transfer of property specified only as to its nature.

In contracts contemplating the transfer of property specified only as to its nature, ownership is transferred upon particular designation of the property, made by agreement between the parties or in the manner agreed upon by the parties. In the case of property which must be carried from one place to another, the particular designation may be made also by delivery to the carrier or to the forwarding agent.

ARTICLE 1379 - Prohibition of alienation.

In contracts which prohibit alienation, such prohibition has effect only between the parties and is not valid unless restricted to a suitable period of time and unless such prohibition is obviously to the advantage of one of the parties.

ARTICLE 1380 - Several conflicting rights of enjoyment.

If a person grants, with successive contracts,to several contracting parties, a personal right of enjoyment in property, such right of enjoyment belongs to the party who was the first to obtain it.

If none of the contracting parties has obtained the enjoyment, the party with the prior dated title has preference.

Provisions relative to the effects of registration are unaffected.

ARTICLE 1381 - Promised performance of an act or obligation of third party.

When an act or an obligation of a third party has been promised, the promissor is bound to indemnify the other contracting party if such third party refuses to bind himself or to perform the act which was promised.

SECTION II

OF PENALTIES AND OF EARNEST

ARTICLE 1382 - Effects of penalties.

A clause stipulating that, in case of non-performance or delay, one

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of the contracting parties is liable for a specified penalty, has the effect of limiting the compensation for the non-performance, unless compensation for additional damages has been agreed upon.

The penalty is due independently from proof of damage sustained.

ARTICLE 1383 - Demand for both performances prohibited.

A creditor cannot demand performance of both the principal obligation and the penalty, unless the penalty was stipulated for mere delay.

ARTICLE 1384 - Reduction of penalty.

The penalty may be equitably reduced by the judge when the principal obligation has been partly executed or if the penalty is obviously excessive, taking always into account the interest which the obligee had in the performance.

ARTICLE 1385 - Earnest as confirmation of contract.

If at the time when the contract was entered into, one party gives to another, as earnest, a sum of money or a quantity of other fungible things, upon performance such earnest shall be returned or charged against the performance which is due.

If the party who has given the earnest is in default, the other party may withdraw from the contract and retain the earnest; if, on the other hand, the party who has received the earnest is in default, the other party may withdraw from the contract and demand twice the amount of the earnest.

However, if the party who is not in default prefers to demand the execution or the termination of the contract, the compensation for damages is regulated by the general rules.

ARTICLE 1386 - Earnest as penalty clause.

If the right to withdraw is stipulated for one or both parties to the contract, the only function of the earnest is to compensate for the withdrawal.

In this case the party who withdraws forfeits the earnest given or returns twice the earnest received.

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CHAPTER VI

OF PRINCIPAL AND AGENT

ARTICLE 1387 - Origin of power of representation.

The power of representation is conferred by law or by a party with an interest.

ARTICLE 1388 - Contract entered into by agent.

A contract entered into by an agent in the name and in the interest of the principal, produces direct effect with regard to the principal, within the limit of the powers granted to said agent.

ARTICLE 1389 - Capacity of principal and agent.

In the case of agency, it is sufficient for the validity of a contract entered into by the agent that he have the capacity of intention and volition with regard to the nature and the substance of the contract, and always provided that the principal has legal capacity.

In all cases, it is necessary for the validity of a contract made by an agent that said contract not be one into which the principal is forbidden to enter.

ARTICLE 1390 - Defect in intent.

A contract is voidable in case of defect in the intent of the agent. However, if such defect contemplates facts previously taken into account by the principal, the contract is voidable only in case of defect in the intent of the latter.

ARTICLE 1391 - Relevant personal conditions.

In cases where it is relevent to ascertain the good or the bad faith, or the knowledge or the ignorance of specified circumstances, on the part of the agent, his character is taken into account, unless the facts under consideration have been previously taken into account by the principal.

A principal who is in bad faith may under no circumstances avail himself of the ignorance or of the good faith of the agent.

ARTICLE 1392 - Form of power of attorney.

An agent's power of attorney has no effect unless it is granted with the formalities prescribed for the contract which is to be entered into by the agent.

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ARTICLE 1393 - Verification of powers of agent.

A third party who is contracting with an agent may always demand that the powers of such agent be demonstrated and, if the agency is based on a written document, he may demand display of a copy signed by the agent.

ARTICLE 1394 - Conflict of interests.

If an agent makes a contract which is in conflict with the interest of the principal, such contract may be voided on request of the principal if the conflict was known or was recognizable by the other contracting party.

ARTICLE 1395 - Contract with oneself.

A contract which an agent makes with himself is voidable, whether such contract is entered into by such party in his own name or as the agent of another party, unless specifically authorized by the principal or unless the substance of the contract be so determined as to bar the possibility of a conflict of interests.

Such contracts may be attacked only by the principal.

ARTICLE 1396 - Modification and termination of power of attorney.

The modification or the revocation of the power of attorney shall be made known to third parties by adequate means. In the failure to do so, such modification or revocation cannot be pleaded against third parties, unless it is proved that the latter was cognizant of said modification or revocation at the time when the contract was made. Other causes for termination of the agency cannot be pleaded against third parties who, without fault, had no knowledge thereof.

ARTICLE 1397 - Return of the document evidencing the agency.

The agent is bound to return the document evidencing his powers, when such powers have terminated.

ARTICLE 1398 - Agency without power.

A person who, as agent, has made a contract without having the power to do so, or in excess of the powers granted to him, is liable for the damages which third parties suffer as a result of having, without fault, relied on the validity of such contract.

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ARTICLE 1399 - Ratification.

In the case contemplated in the preceding Article, a contract may be ratified by the interested party by observing the formalities prescribed for the formation of such contract.

Ratification has retroactive effect, but the rights of third parties are unaffected.

A third party and the party who has contracted as agent may agree to dissolve the contract before the ratification.

The third party may request the principal to make his intention known as to ratification and may give him a time limit at the expiration of which, in case of silence of the principal, the ratification is deemed to have been denied.

The power of ratification descends to the heir.

ARTICLE 1400 - Special forms of agency.

Special forms of agency applicable to commercial and agricultural concerns are regulated by Book Five.

CHAPTER VII

OF CONTRACTS CONCERNING UNDISCLOSED PRINCIPALS (APPOINTED PERSONS)

ARTICLE 1401 - Naming of principal reserved by contracting party.

When making a contract, one party may reserve for himself the power to name subsequently the person who is to acquire the rights and assume the obligations originating by said contract.

ARTICLE 1402 - Time limits and formalities attaching to declaration of disclosure.

Declaration of the undisclosed principal shall be made to the other party within three days from the making of the contract, unless the parties have set another time limit.

Such declaration is not effective unless accompanied by the acceptance of the person named or unless there is in force a power of attorney prior to the contract.

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ARTICLE 1403 - Form and publication.

The declaration of the undisclosed principal, and the power of attorney or the acceptance of the undisclosed principal, have no effect unless made with the same formalities used by the parties in making the contract, even if such formalities are not prescribed by law.

If the contract requires a form of publication to produce certain effects, the declaration of the undisclosed principal shall also, for such effects, be published with reference made to the power of attorney or the acceptance of the undisclosed principal.

ARTICLE 1404 - Effects of declaration disclosing identity of principal.

When the declaration of the undisclosed principal has been validly made, he acquires the rights and assumes the obligations derived from the contract, with retroactive effect to the date when such contract was made.

ARTICLE 1405 - Effects of failure to disclose the principal.

If the declaration of appointment is not validly made within the time limit set by law or by the parties, the contract produces its effects between the original contracting parties.

CHAPTER VIII

OF THE ASSIGNMENT OF CONTRACTS

ARTICLE 1406 - Elements.

A third party may be substituted for each party to a contract providing for performance by both parties, provided the performance has not taken place and the other party consents thereto.

ARTICLE 1407 - Procedure.

If a contracting party has previously consented to the substitution of a third person by the other party, in their relationship derived from the contract, the substitution is valid with regard to such third person from the time when the contracting party was notified of the substitution, or from the time when it was accepted.

If the contract is based in all respects on a document bearing the clause "to the order", or another equivalent clause, the indorsement of said document causes the indorsee to stand in the position of the indorser.

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ARTICLE 1408 - Relationship between the assignor and the original contracting party.

The assignor is released from his obligations with regard to the original contracting party from the time when the substitution becomes effective with regard to the latter.

However, unless the original contracting party has acknowledged the release of the assignor, said contracting party may take action against the assignor if the assignee fails to perform the obligation he has assumed.

In the case contemplated in the preceding paragraph, the original contracting party shall give notice to the assignor of the non-performance of the assignee within fifteen days from the date of the failure of performance; if he fails to do so he is liable for damages.

ARTICLE 1409 - Relationship between original contracting party and assignee.

The original contracting party may raise against the assignee all the defenses derived from the contract, but not those based on other relationships with the assignor, unless he expressly reserved a right thereto when he consented to the substitution.

ARTICLE 1410 - Relationship between assignor and assigned.

The assignor is bound to guarantee the validity of the contract.

If the assignor undertakes to guarantee the performance of the contract, he is liable as a surety for the obligations of the original contracting party.

CHAPTER IX

OF CONTRACTS IN FAVOR OF THIRD PARTIES

ARTICLE 1411 - Contract in favor of third parties.

A contract in which one of the parties makes a stipulation in favor of a third party is valid when the stipulator has an interest. The third party acquires the right against the other party (the promissor) as a result of such contract, except for agreements to the contrary. The contract, however, may be revoked or modified by the stipulator up until the time when the third party declares his intention of availing himself of the stipulation with respect to the promissor.

In case of revocation of the contract or of refusal of the third party to take advantage of it, the performance remains in favor of the stipulator,

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unless otherwise provided for by the will of the parties, or by the nature of the contract.

ARTICLE 1412 - Performance due to third party after the death of the stipulator.

If the performance is to be made to the third party after the death of the stipulator, the latter may revoke his benefit, even by a testamentary provision, and notwithstanding such third party's declaration of acceptance, unless, in this case, the stipulator has renounced in writing his power of revocation.

The performance must be carried out for the benefit of the heirs of the third party if the latter dies before the stipulator, unless the benefit has been revoked or unless the stipulator has provided otherwise.

ARTICLE 1413 - Defenses which may be raised by the promissor against the third party.

The promissor may raise against the third party defenses resulting from the contract from which the rights of the third party originate, but not those based on other relations between the promissor and the stipulator.

CHAPTER X

OF SIMULATION

ARTICLE 1414 - Effects of simulation between the parties.

A simulated contract does not produce effects between the parties.

If the parties want to enter into a contract different from the simulated contract, the former contract is binding between them provided the requisites of form and substance are present.

The preceding provisions are also applicable to unilateral acts directed towards a specified person, when such acts have been simulated by agreement between the originator and the person towards whom they were directed.

ARTICLE 1415 - Effects of simulation with regard to third parties.

Simulation cannot be pleaded as a defense by the contracting parties, by those whose interests derive from such parties, nor by the creditors of a simulated seller, against third parties who, in good faith, have acquired rights from the simulated holder of the title. The effects of the regis-

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tration of a petition for simulation are unaffected. The third parties may plead the simulation with respect to a contracting party when the simulation is prejudicial to their rights.

ARTICLE 1416 - Simulation with respect to creditors.

Simulation cannot be pleaded as a defense by the contracting parties against the creditors of a simulated holder of a title when said creditors have, in good faith, levied execution on the property which was the subject of the simulated contract.

The creditors of a simulated seller may plead the simulation when it is prejudicial to their rights; and when their interests are conflicting with the chirograph creditors of the simulated buyer, they are preferred to the latter creditors if their claim is prior to the simulated contract.

ARTICLE 1417 - Proof of simulation.

There are no restrictions on the admissibility of proof by witnesses of the simulation when such proof is requested by creditors or by third parties, if the request is for the purpose of indicating the invalidity of the simulated contract and even though such proof is sought by the contracting parties.

CHAPTER XI

OF VOID CONTRACTS

ARTICLE 1418 - Causes which render a contract void.

Contracts which are contrary to mandatory rules are void, unless the law provides otherwise. Contracts are rendered void by the lack of one of the requisites indicated by Article 1325, by the wrongfulness of the cause, by the wrongfulness of the motives in the instance indicated in Article 1345, and when the subject of the contract lacks the requisites set forth by Article 1346.

A contract is also void in the other instances established by law.

ARTICLE 1419 - Contracts which are partially void.

The partial nullity of a contract or the nullity of individual clauses in a contract results in the nullity of the entire contract if it appears that the contracting parties would not have entered into the contract without including that part of the contract which is a nullity.

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The nullity of individual clauses does not cause the nullity of the contract when, by operation of law, other clauses are substituted for such void clauses, by mandatory rules.

ARTICLE 1420 - Nullity in multilateral contracts.

When there are more than two parties to a contract, and the performance of one of the parties is intended to be for the fulfilment of a common objective, a nullity covering the obligation of one of the parties does not cause nullity of the contract, unless the participation of such party is considered essential, according to circumstances.

ARTICLE 1421 - By whom action for nullity may be brought.

Nullity of a contract may be pleaded by any interested party and may be declared, ex-officio, by the judge, unless the law provides otherwise.

ARTICLE 1422 - Action for nullity not subject to prescription.

An action for a declaration of nullity of a contract is not subject to prescription but the effects of usucaption and of prescription of actions for restitution are unaffected.

ARTICLE 1423 - Ratification inadmissible.

A contract which is void cannot be ratified, unless the law provides otherwise.

ARTICLE 1424 - Transformation of void contract.

A contract which is void may produce the effects of a different contract of which it may have the requisites of substance and of form, when, considering the objectives sought by the parties, it must be assumed that these parties would have wanted to enter such other contract if they had been aware of the nullity.

CHAPTER XII

OF VOIDABLE CONTRACTS

SECTION I

OF INCAPACITY

ARTICLE 1425 - Of the incapacity of the parties.

A contract is voidable if one of the parties is suffering under legal incapacity to contract.

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Contracts made by persons who are incapable of forming an intent or of volition are likewise voideble, when the conditions set by Article 428 are present.

ARTICLE 1426 - Subterfuge used by minors.

A contract is not voidable if a minor has concealed the fact of his infancy by subterfuge; but the simple declaration made by such minor that he has reached majority does not prevent the contract from being impugned.

SECTION II

OF DEFECTS IN CONSENT

ARTICLE 1427 - Mistake, duress and fraud.

A contracting party whose consent is given by mistake, extorted under duress, or obtained by fraud, may request the annulment of the contract, according to the following provisions.

ARTICLE 1428 - Extent of mistake.

Mistake is cause for annulment of a contract when it is essential and recognizeble by the other contracting party.

ARTICLE 1429 - Essential mistake.

The mistake is essential:

1. When it concerns the nature or the subject matter of the contract.
2. When it concerns the identity of the subject matter of the performance, or else a characteristic of said subject matter which should be considered as determining the consent in view of the importance to both parties or according to the circumstances.
3. When it concerns the identity or a characteristic of the other contracting party, provided the assent has been based upon said identity or characteristic.
4. When, in the case of mistake of law, such error concerns the only cause or the principal cause for the contract.

ARTICLE 1430 - Mistake as to calculation.

Mistake as to calculation is not cause for annulment of a contract but only for rectification unless, the quantity having determined the consent, the mistake amounts to a mistake as to quantity.

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ARTICLE 1431 - Recognizable mistake.

A mistake is considered to be recognizable when, in relation to the content, to the circumstances of the contract, or to the quality of the contracting parties, it could have been detected by a person using normal diligence.

ARTICLE 1432 - Validity of rectified contract.

A party who has acted under mistake cannot demand the annulment of a contract if, prior to the time when such party might have been prejudiced by the mistake, the other party offers to perform the contract in a manner which substantially and formally conforms to the contract into which the party under mistake intended to enter.

ARTICLE 1433 - Mistake in the statement of the contract or in the transmission of such statement.

The provisions of the preceding Article are also applicable if the mistake is in the statement of the contract, or when such statement was erroneously transmitted by the person or by the office charged with the transmission.

ARTICLE 1434 - Duress.

Duress is cause for annulment of a contract even if exercised by a third party.

ARTICLE 1435 - Characteristics of duress.

Duress must be such as to make an impression upon a reasonable person and cause such person to fear an unjust and considerable injury to himself or his property. In this respect the age, sex and the condition of the person is taken into consideration.

ARTICLE 1436 - Duress directed against third parties.

Duress is cause for annulment of a contract even when the threatened injury is directed toward the spouse, an ascendant, or a descendant, of a contracting party, or toward their property.

If the threatened injury is directed toward other persons, the annulment of the contract is left to the fair evaluation of the circumstances by the judge.

ARTICLE 1437 - Reverential fear.

Mere reverential fear is not cause for annulment of a contract.

ARTICLE 1438 - Threat to enforce a right.

A threat to enforce a right may be cause for annulment of a contract only when such threat is for the purpose of obtaining unjust gains.

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ARTICLE 1439 - Fraud.

Fraud is cause for annulment of a contract when the artifices used by one of the contracting parties have been of such nature, that, except for it, the other contracting party would not have entered into the contract.

When the artifices have been used by a third party, the contract is voidable if the artifices were known to the party who derived benefits from said artifices.

ARTICLE 1440 - Fraud in matters incidental to the contract.

If the artifices have not been of such nature as to constitute the motive for consent of the contract, the contract is valid, even though without such artifices the contract would have been made with different conditions. However, the contracting party who is in bad faith is liable for damages.

SECTION III

OF THE ACTION FOR NULLITY OF CONTRACTS

ARTICLE 1441 - Persons who may demand annulment.

The annulment of a contract may be demanded only by those persons in whose interest the law provides for annulment.

The incapacity of a person who has been convicted and is under legal interdiction may be pleaded by any interested party.

ARTICLE 1442 - Prescriptive period.

An action for nullity is barred after five years. When a contract is voidable on the basis of defects in consent or legal incapacity; in the cases of duress, the time commences to run from the day on which the duress has ceased; in the case of mistake or fraud, from the day on which discovered; in the case of interdiction or disability, from the time when the interdiction or disability ceased or from the time when the minor attained majority.

In all other cases the time commences to run from the day when the contract was made.

The fact that a contract is voidable may be pleaded as a defense by the party who is a defendant in an action for the performance of the contract, even if the prescriptive period for the action to plead such nullity has expired.

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ARTICLE 1443 - Restitution from contracting party suffering under incapacity.

If a contract is annulled on the basis of incapacity of one of the parties, such party is not bound to restore to the other party the delivery he received, except to the extent to which it has benefited him.

ARTICLE 1444 - Ratification of a contract.

A voidable contract may be ratified by the contracting party entitled to sue for annulment of such contract. The ratification is made through an instrument containing a reference to the contract and to the cause for voidability thereof, together with a declaration stating the intention to ratify it.

A contract is likewise ratified if the contracting party who had the right of action for annulment has voluntarily performed said contract, being cognizant of the cause for annulment.

The ratification has no effect if the person who made it is not qualified, validly, to enter into a contract.

ARTICLE 1445 - Effects of annulment with regard to third parties.

Annulment of a contract when it is not caused by the legal disability of one of the parties is not prejudicial to the rights acquired under a contract for a consideration by third parties in good faith, except for the effects of filing of a petition for annulment.

ARTICLE 1446 - Voidability of multilateral contracts.

With reference to the contracts indicated in Article 1420, the voidability relative to the obligation of one of the parties, only, does not cause annulment of the contract, unless the participation of such party in the contract is considered essential, according to circumstances.

CHAPTER XIII

OF THE RESCISSION OF CONTRACTS

ARTICLE 1447 - Contract made while in danger of bodily injury.

A contract entered into by one of the parties who is laboring under the necessity, known to the other party, of saving himself or others from an actual danger of serious bodily injury and who thus assumes obligations under unfair conditions may be rescinded on demand of such contracting party.

In granting rescission, the judge may, according to circumstances, allow the other party a fair compensation for the portion of the contract completed.

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ARTICLE 1448 - General action for rescission based on lesion.

When the performance due by one party to a contract is out of proportion to the performance due by the other party, if such inequality is due to a condition of want of the former of which the latter party has taken advantage, the injured party may demand rescission of the contract.

The action is not permitted if the lesion does not exceed one-half of the value of the performance already made or promised by the injured party at the time when the contract was made.

The lesion must continue up until the time when the demand for rescision is made.

Aleatory contracts cannot be rescinded on grounds of lesion.

The provisions relative to the rescission of partition (see Book Two) are unaffected.

ARTICLE 1449 - Prescriptive period.

An action for rescission is barred after one year from the conclusion of the contract; but if the act upon which this action is based is a criminal offense, the last paragraph of Article 2947 is applicable.

ARTICLE 1450 - Offer to modify the contract.

When rescission of a contract is demanded from a contracting party, such party may prevent the rescission by offering a modification of the contract sufficient to restore it to an equitable basis.

ARTICLE 1451 - Ratification not permitted.

A contract which may be rescinded may not be ratified.

ARTICLE 1452 - Effects of rescission with regard to third parties.

Rescission of the contract does not prejudice the rights acquired by third parties, except for the effects of the filing of a petition for rescission.

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CHAPTER XIV

OF THE DISCHARGE OF CONTRACTS

SECTION I

DISCHARGE FOR NON-PERFORMANCE

ARTICLE 1453 - Discharge of the contract for non-performance.

In contracts providing for performance by both parties, when one of the parties fails to fulfill his obligations, the other party has the choice to demand either performance or discharge of the contract; in either case the party has the right to recover damages.

Discharge may be demanded even when a suit to enforce performance has been instituted; but performance may no longer be demanded after the petition for discharge has been instituted.

A party who fails to perform may no longer fulfill his obligation after the date of the filing of the petition for discharge.

ARTICLE 1454 - Written demand to perform.

A party to a contract may make a written demand that a defaulting party thereto fulfill his obligation within a reasonable period of time, stating that the contract shall be considered to have been discharged in case of failure of performance within such time limit.

Such time limit can not be less than fifteen days, unless the parties have agreed otherwise or unless a shorter period appears justified by the nature of the contract or by custom.

At the expiration of the time limit, the contract is discharged by operation of law if the terms have not been fulfilled.

ARTICLE 1455 - Importance of performance.

A contract cannot be discharged if the non-performance of one of the parties has slight importance in relation to the interest of the other party.

ARTICLE 1456 - Clause containing express resolutory conditions.

The contracting parties may agree specifically to discharge the contract if a specified obligation is not performed in a certain designated manner.

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In this case, the discharge takes place by operation of law when the interested party declares to the other party his intention of availing himself of such resolutory clause.

ARTICLE 1457 - Period for performance essential for one of the parties.

If the period set for the performance of one of the parties must be considered essential to the interest of the other party, in case such other party intends to demand performance of the obligation notwithstanding the expiration of the period set for the performance, the latter shall so notify the former within three days from the termination of said period unless there is an agreement or custom to the contrary.

In the absence of such notice, the contract shall be considered discharged, even if discharge was not expressly agreed upon.

ARTICLE 1458 - Effects of discharge.

Discharge of a contract by non-performance has retroactive effects with reference to the parties, except in cases of contracts providing for continuous performance or performance in instalments, when the effects of discharge do not extend to performance which has already been made.

Discharge, even if expressly agreed upon, does not prejudice the rights acquired by third parties, except for the effects of the filing of the petition for discharge.

ARTICLE 1459 - Termination in multilateral contracts.

Non-performance by one of the parties in contracts indicated in Article 1420, does not cause the contract to be discharged with respect to the other party unless the non-performance is essential under the circumstances.

ARTICLE 1460 - Defense based upon non-performance.

In contracts providing for performance by both parties, each party may refuse to perform his obligation if the other party does not fulfill or offer to fulfill his own at the same time unless a different time has been set for performance of the contract or appears evident from the nature of the contract.

However, the execution cannot be refused if, considering the circumstances, such refusal would not be in good faith.

ARTICLE 1461 - Change in financial conditions of contracting parties.

Each party may suspend execution of his share of the performance if

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the financial conditions of the other party have become such as obviously to jeopardize the fulfilment of the performance due by said other party, unless adequate security is posted.

ARTICLE 1462 - Clauses limiting pleading of offenses.

Clauses providing that one of the parties may not plead offenses for the purpose of avoiding or delaying performance, are not effective with regard to defenses based on nullity, voidability and rescission of the contract.

In cases where the clause is effective, if the judge acknowledges the presence of grave reasons, he may suspend sentence, requiring bond, if necessary.

SECTION II

OF SUPERVENING IMPOSSIBILITY

ARTICLE 1463 - Total impossibility.

In contracts providing for performances by both parties, the party who has been released in consequence of supervening impossibility of performance cannot request performance by the other party and is bound to restore that part of the performance already received, in accordance with the rules relative to restitution of payments not due.

ARTICLE 1464 - Partial impossibility.

When the performance due by one party has become only partially impossible, the other party has a right to a corresponding reduction of his performance and may also withdraw from the contract if he lacks a sufficient interest in the partial performance.

ARTICLE 1465 - Contracts, transferring or returning rights.

In contracts which provide for the transfer of ownership of specified property and in contracts which establish or transfer rights in rem, the destruction of the property due to causes which cannot be charged to the seller does not release the buyer from the obligation of performing his share, even though said property was not delivered to him.

The same provision is applicable if the effects of such transfer or establishment have been deferred until the expiration of a period of time.

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If the subject of the transfer is an object specified only as to its nature, the buyer is not released from his obligation to perform his share if the seller has made delivery or if the property is ascertained.

In all cases the buyer is released from his obligation if the transfer is subject to a suspensive condition and impossibility intervenes before fulfilment of the condition.

ARTICLE 1466 - Impossibility in multilateral contracts.

In the contracts indicated in Article 1420, the impossibility of performance by one of the parties does not cause cancellation of the contract with regard to the other party unless the performance in default is considered essential under the circumstances.

SECTION III

OF EXCESSIVELY ONEROUS CONTRACTS

ARTICLE 1467 - Contracts providing for performances by both parties.

In contracts providing for continuous performance or performance in instalments, or in contracts in which execution is deferred, if performance of one of the parties becomes excessively onerous by reason of extraordinary contingencies, or contingencies which cannot be foreseen, the party who must carry out such performance may demand the discharge of the contract with the effects set forth by Article 1458.

The discharge cannot be demanded if the supervening hardship is part of the normal risk of the contract.

A party against whom discharge is demanded may avoid such discharge by offering to modify, equitably, the conditions of the contract.

ARTICLE 1468 - Contracts providing for obligations of one party only.

In the case contemplated in the preceding Article, if the contract is one where only one of the parties has assumed obligations, said party may demand an abatement in his performance, or a modification in the manner of execution of said contract, sufficient to restore it to an equitable basis.

ARTICLE 1469 - Aleatory contracts.

The provisions of the preceding Article are not applicable to contracts which are aleatory in nature or by the will of the parties.

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TITLE THREE

OF SPECIFIC CONTRACTS

CHAPTER I

OF SALE

SECTION I

GENERAL PROVISIONS

ARTICLE 1470 - Elements.

Sale is a contract by which the ownership of property or of other rights is transferred in exchange for a price.

ARTICLE 1471 - Persons who cannot become purchasers.

The following may not become purchasers, even at public auction, either directly or through an intermediary.

1. Administrators of government property, of communes, provinces or other public entities with respect to property which is sold in discharge of their office.
2. Public officials, with respect to property which is sold in discharge of their office.
3. Those who, legally or by decree of public authorities, administer other persons' property, with respect to such property.
4. The mandataries, with respect to the property they have been engaged to sell, except for the provision of Article 1395.

In the first two cases the purchase is void; in the other cases, it is voidable.

ARTICLE 1472 - Sale of property in future.

In the sale of property in future, the purchase takes effect as soon as the property comes into existence. If the sale has for its subject the trees or fruits of a property, ownership thereof is acquired when the trees have been cut or the fruits have been separated.

The sale is void if the property does not come into existence, unless the parties intended to enter into an aleatory contract.

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ARTICLE 1473 - Price left to the determination of a third person.

The parties may leave the determination of the price to a third party designated in the contract or to be designated at a later date.

If said third party is unable or unwilling to act, or if the parties do not agree as to the appointment or substitution of such third party, the appointment is made by the President of the Tribunal in the locality where the contract was concluded, upon request of one of the parties.

ARTICLE 1474 - Rules when there is no express determination of the price.

If the contract concerns property of a kind habitually sold by the seller and the parties have neither determined the price nor agreed as to the manner to determine it, it is presumed that the parties had reference to the price normally set by the seller, unless such price has been established by decree of the public authorities or by corporative rules.

In the case of property having an exchange or market price, the price is taken from the quotations or price lists of the locality where delivery is to be made, or those of the nearest market.

If the parties intended a fair price, the provision of the preceding paragraph is applicable; in cases when said paragraph does not apply, the price, in the absence of agreement, is determined by a third party appointed in accordance with the preceding Article.

ARTICLE 1475 - Expenses of sale.

The expenses connected with the contract of sale and other accessory expenses are charged to the buyer, except for agreements to the contrary.

SUB-SECTION I

OF THE OBLIGATIONS OF THE SELLER

ARTICLE 1476 - Principal obligations of the seller.

The principal obligations of the seller are:

1. To deliver the property to the buyer.
2. To cause the buyer to acquire ownership of the property or other right, if the purchase is not an immediate consequence of the contract.
3. To warrant the buyer against ejection and defects in the title of the property.

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ARTICLE 1477 - Delivery of the property.

The property must be delivered in the same condition as it was at the time of sale.

The property must be delivered with the accessories, appurtenances and rruits as of the dey of the sale, unless the parties intended otherwise.

The seller shall also deliver the deed and the documents pertaining to the property and use of the thing sold.

ARTICLE 1478 - Sale of another person's property.

If the property which was sold was not owned by the seller at the time of the contract, said seller is bound to acquire ownership thereof for the buyer.

The buyer becomes the owner of such property from the time when the seller acquires ownership from the holder of the title thereto.

ARTICLE 1479 - Good faith of buyer.

A buyer may request the rescission of the contract if, at the time when he entered into said contract, he did not know that the property sold was not owned by the seller and if the seller, meanwhile, has not caused said buyer to acquire possession of the thing.

The seller is bound to restore to the buyer the price paid, even if the property has diminished in value or has been damaged; he shall furthermore, reimburse him for all expenses and payments legitimately made under the contract. If the diminished value or the damage is caused by an act of the buyer, an amount equal to the value of the profits secured by said buyer shall be deducted from the afore-mentioned amount.

The seller is, moreover, bound to reimburse the buyer for necessary expenses and those made for maintenance of the thing sold, and, if he was in bad faith, also for the expenses for pleasure.

ARTICLE 1480 - Sale of property owned in part by others.

If the property regarded by the buyer as being owned by the seller is owned in part by others, the buyer may request the cancellation of the contract and compensation for damages, according to the preceding Article, when it is presumed, according to circumstances, that said buyer would not have acquired the property without that part of which he has not become the owner; otherwise, the buyer may only obtain a reduction of the price, in addition to compensation for damages.

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ARTICLE 1481 - Possibility of claim by others.

A buyer may suspend payment of the price for the property sold if he has reason to fear that said property, or part of it, may be claimed by third parties, unless the seller posts adequate bond.

The payment cannot be suspended if such possibility was known to the buyer at the time of the sale.

ARTICLE 1482 - Property encumbered by liens to secure debts or by other encumbrances.

A buyer may likewise suspend payment of the price of the property sold if such property is encumbered by liens to secure debts or by other encumbrances resulting from pledge or sequestration, when such encumbrances were not declared by the seller and not known by the buyer.

The buyer may, moreover, cause the judge to set a time limit, at the expiration of which, if the property is not released, the contract shall be cancelled, with the obligation of the seller to compensate for damages according to Article 1479.

If the aforementioned liens or encumbrances were known to the buyer, he cannot demand the cancellation of the contract, and the seller is only liable to the buyer in case of dispossession for defects in title.

ARTICLE 1483 - Total dispossession for defects in title.

If, because of a defect in the title, the buyer suffers total dispossession from the purchased property as a result of rights enforced by third parties in said property, the seller is bound to compensate him for damages according to Article 1479.

The seller, moreover, is bound to reimburse the buyer for such fruits of the property as the buyer may be bound to return to the party by whom he is dispossessed, as well as for the expenses sustained in connection with the defense of the action or with the reimbursement due to the plaintiff.

ARTICLE 1484 - Partial dispossession for defects in title.

In the case of partial dispossession from the property as a result of defects in title, the provisions of Article 1480 and those of the second paragraph of the preceding Article are observed.

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ARTICLE 1485 - Seller summoned to appear in suits regarding claims on property sold.

A buyer who is a defendant in a suit brought by third parties claiming rights in the property sold shall summon the seller to appear in the suit. If he fails to do so and sentence is passed from which an appeal can no longer be taken, the buyer loses his right to the warranty, if the seller proves that sufficient reasons existed to reject the claim.

A buyer who has voluntarily recognized the rights of third parties in the property loses his right to the warranty, unless he proves the absence of sufficient reasons to avoid dispossession.

ARTICLE 1486 - Limitation in liability of the seller.

If the buyer has avoided dispossession from the property sold by means of payment of a sum of money, the seller may exonerate himself from all consequences derived from the warranty, by reimbursing the sum paid, the interest and all expenses.

ARTICLE 1487 - Warranty modified or excluded by agreement.

The contracting parties may increase or lessen the effects of the warranty and may also agree to exempt the seller from warranty entirely.

Even if warranty has been omitted the seller is always liable for dispossession caused by his own act. Any agreement to the contrary is null.

ARTICLE 1488 - Effects of omission of warranty.

When warranty has been omitted, the provisions of Articles 1479 and 1480 are not applicable; in the case of dispossession, the buyer may only request from the seller the restitution of the price paid and reimbursement for expenses.

The seller is also exempted from this obligation when the sale has been agreed upon to be at the risk and peril of the buyer.

ARTICLE 1489 - Property encumbered by burdens or by rights of enjoyment of third parties.

If the property sold is encumbered by burdens, rights in rem, or personal rights, which are not manifest and which diminish the free enjoyment of the property and have not been declared in the contract, a buyer who did not know of the existence of said encumbrances may demand the cancellation of the contract or a reduction of the price according to the provisions of Article 1480.

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Moreover, the provisions of Articles 1481, 1485, 1486, 1487 and 1488 are observed, as far as applicable.

ARTICLE 1490 - Warranty against the defects in the thing sold.

A seller is bound to warrant against defects in the thing sold which render it unfit for the use for which it was intended, or which diminish considerably its value.

An agreement excluding or limiting such warranty is not effective if the seller has, in bad faith, omitted to mention such defects to the buyer.

ARTICLE 1491 - Exclusion of warranty.

The warranty is not operative if the buyer had knowledge of the defects in the property at the time when he entered into the contract; likewise, it is not operative if the defects were easily detectible, unless the seller declared that the property was free from defects.

ARTICLE 1492 - Effects of warranty.

In the instances specified in Article 1490, the buyer has the choice of demanding the cancellation of the contract or a reduction of the price, unless, for certain specified defects, custom bars cancellation.

The choice is irrevocable when it is made through a judicial petition.

If the property delivered is destroyed as a result of its defects, the buyer is entitled to cancellation of the contract; if, instead, it is destroyed accidentally or through the fault of the buyer, or if the latter has alienated the property or transformed it, he may only demand a reduction of the price.

ARTICLE 1493 - Effects of cancellation of the contract.

In case of cancellation of the contract, the seller is bound to restore the price he has received and to reimburse the buyer for the expenses and payments legitimately made in connection with the sale.

The buyer is bound to restore the property to the seller unless said property has been destroyed as a result of its defects.

ARTICLE 1494 - Compensation for damages.

In all cases, the seller is bound to compensate the buyer for damages, unless he proves, without fault, to have been ignorant of the defects.

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The seller shall also compensate the buyer for damages arising as a result of defects in the property.

ARTICLE 1495 - Time limits and conditions for action based on warranty.

A buyer loses his right of warranty, if he fails to notify the seller of the defects in the property within eight days from discovery thereof, unless a different time limit has been agreed upon between the parties or is set by law.

Notification is not necessary if the seller has acknowledged the existence of said defects or if he had concealed them from the buyer.

In all cases, the action is barred after one year from delivery; however, a buyer who is a defendant in an action to enforce the contract, may always plead the warranty, provided notice of the defects in the property has been given to the seller within eight days from discovery of such defects and within one year from delivery.

ARTICLE 1496 - Sale of animals.

In the sale of animals, the warranty against defects is regulated by special laws or, in absence thereof, by local customs. If not even customs are available, the aforementioned provisions are observed.

ARTICLE 1497 - Defect in quality.

When the property sold is wanting in a quality which it was declared to possess, or those essential for the use for which it is intended, the buyer has the right to obtain cancellation of the contract in accordance with the general provisions relative to discharge of a contract by non-performance, provided such defect in quality exceeds the limits for which allowance is made by custom.

However, the right to obtain cancellation is subject to the time limitations and prescriptions set forth in Article 1495.

SUB-SECTION II

OF THE OBLIGATIONS OF THE BUYER.

ARTICLE 1498 - Payment of purchase price.

The buyer is bound to pay the purchase price within the time limit and in the place determined in the contract.

In the absence of agreement and unless custom provides otherwise, payment must be made at the time of delivery and in the place where

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such delivery is made.

If payment of the purchase price is not due at the time of delivery, payment is made at the residence of the seller.

ARTICLE 1499 - Interest payable to compensate for fruits of property purchased.

If the property sold and delivered to the buyer is productive of fruits or other profits, interest on the purchase price is owed by the buyer from the time of sale, even if payment of said purchase price is not yet due.

SUB-SECTION III

OF REDEMPTION BY AGREEMENT

ARTICLE 1500 - Agreement of redemption.

The seller may reserve to himself the power of taking back the thing sold by returning the purchase price paid for it and by making the reimbursements set forth in the following provision.

An agreement to return a price greater than the purchase price stipulated in the sale is null as to the amount in excess.

ARTICLE 1501 - Valid period.

A valid period for redemption cannot be in excess of two years from the time of the sale for movable property, and five years for immovable property. If the parties establish a longer period, said period is reduced to the length of a legal one.

The period set by the law is peremptory and cannot be extended.

ARTICLE 1502 - Duties of seller who wishes to redeem.

A seller who exercises the right of redemption is bound to reimburse the buyer for the purchase price, the expenses, and all other payments which have legitimately attended the sale, the expenses resulting from necessary repairs, and the price of improvements which have increased the value of the property, up to that increased value.

The buyer has the right to retain the property until he is reimbursed for the necessary and beneficial expenses. The judge, however, may grant a delay for the reimbursement of the beneficial expenses by ordering measures necessary for the security of the property.

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ARTICLE 1503 - Exercise of right of redemption.

The seller loses his right of redemption if, within the stipulated time limit, he fails to give to the buyer notice of his declaration to redeem and to pay him the liquidated sum due for the reimbursement of the price, of the expenses, and of any other payment which has legitimately attended the sale.

If the buyer refuses to receive payment for such reimbursement, the seller loses his right of redemption, unless he makes actual tender therefor within eight days from the expiration of the time limit.

In a sale of immovable property, the declaration for redemption shall be made in writing under penalty of nullity.

ARTICLE 1504 - Effects of redemption as against successive buyers.

A seller who has legitimately exercised his right of redemption with respect to the buyer, may obtain the surrender of the property from successive purchasers, provided the agreement for redemption is one which may be pleaded against such purchasers.

If notice of the alienation was given to the seller, the right of redemption must be exercised with respect to the third party assignee.

ARTICLE 1505 - Rights created by purchaser in the property.

A seller who has exercised his right of redemption recovers the property free from mortgages and encumbrances which have been created; but he is bound to continue the leases made in good faith, provided said leases are of certain date and are not made for a period longer than three years.

ARTICLE 1506 - Redemption of undivided portion of property sold.

In the case of a sale, with a redemption agreement, of an undivided portion of property, a co-owner seeking partition of such property shall make his demand therefor also on the seller.

If the property is not conveniently divisible and sale at auction is resorted to, a seller who fails to exercise his right of redemption prior to confirmation of the sale, loses his right of redemption, even if the property is awarded to the purchaser of such undivided portion.

ARTICLE 1507 - Joint sale of undivided property.

If several persons jointly sell, in a single contract, an undivided property, each one of them can individually exercise the right of redemp-

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tion for that share only which belonged to him.

The same provision governs when a seller leaves several co-heirs.

But in the cases provided for in the two preceding paragraphs, the purchaser may require that all the co-vendors and co-heirs jointly exercise their right of redemption of the whole property; and in case the co-vendors or co-heirs cannot agree, the right of redemption may only be exercised by the person or persons who offer to redeem the property as a whole.

ARTICLE 1508 - Separate sale of undivided property.

If property belonging to several persons has not been sold by them jointly and as a whole, and if each co-owner has only sold individually his share of that property, the co-owners may separately exercise the right of redemption on the respective portions which belonged to each of them, and in such case the purchaser cannot avail himself of the power set forth in the last paragraph of the preceding Article.

ARTICLE 1509 - Redemption against the heirs of purchaser.

If the purchaser has left several heirs, the right of redemption can be exercised against them individually for the portion belonging to each of them respectively, even when the property sold is still undivided.

But if a partition has already taken place, by which the property subject to redemption has fallen to the share of only one of the co-heirs, the right of redemption may be exercised against this heir, but only for the property as a whole.

SECTION II

OF THE SALE OF MOVABLES

SUB-SECTION I

GENERAL PROVISIONS

ARTICLE 1510 - Place of delivery.

Unless agreement or custom provides otherwise, the delivery of the property sold must be made in the same place where the property was at the time of the sale, if the parties had knowledge of such place, or else in the place where the seller had his residence or where the concern had its headquarters.

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Except for agreement or custom to the contrary, if the property sold must be transported from one place to another, the seller is released from his duty to deliver when he hands over the property to the common carrier or to the shipper; the expenses of transportation are charged to the buyer.

ARTICLE 1511 - Notice in sales of property which must be transported.

In sales of property which must be transported from one place to another, the time limit within which notice must be given of defects in the property, and of the patent defects in quality, runs from the day of delivery.

ARTICLE 1512 - Guarantee of sound operation.

If the seller has guaranteed sound operation for a specified period of time of the thing sold, the buyer, except for agreements to the contrary, shall give notice to the seller of any defect in the functioning of said thing, within thirty days from discovery thereof, under penalty of nullity.

The judge may, according to circumstances, grant the seller a time limit in which to make substitutions or repair the thing sold in such manner as to ensure its sound functioning, without affecting the compensation for damages suffered by the buyer.

The validity of customs which provides that the aforementioned warranty is implied even in absence of an express agreement, is unaffected.

ARTICLE 1513 - Verification of defects.

In case of disagreement as to the quality or condition of the property sold, the seller or the buyer may request verification thereof, in the manner set forth by Article 696 of the code of civil procedure. The judge, upon request of the interested party, may order that said property be deposited or sequestrated, or even sold by the party who has the power to sell, by determining the conditions of such sale.

The party who did not request verification of the property is bound to give a strict accounting of identity of said property and its condition, in case of litigation.

ARTICLE 1514 - Deposit of property sold.

If the buyer is not present to receive the purchased property, the seller may deposit it for the account of said buyer, and at his expense, in a place used as a public depository or in another adequate place de-

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termined by the local magistrate of the locality where the delivery was to have been made.

The seller shall give prompt notice to the buyer of the deposit which has been made.

ARTICLE 1515 - Forced sale for non-performance of the buyer.

If the buyer fails to perform his obligation to pay the price, the seller may cause, without delay, the sale of the property for the account of said buyer and at his expense.

The sale is made at auction by a person authorized to make such sales, or, in the absence of such person in the locality where the sale must take place, by an official of the court. The seller shall give timely notice to the buyer, of the day, place, and hour in which the sale is to be made.

If the property has a current price, set by decree of the public authorities or by corporative rules, or given by market quotations or price lists, the sale may be made, without auction, at the current price, by the persons indicated in the preceding paragraph, or by a commissioner named by the local magistrate. In this case, the seller shall give to the buyer prompt notice of the sale.

The seller is entitled to the difference between the price agreed upon and the net proceeds of the sale, in addition to compensation for greater damages.

ARTICLE 1516 - Forced sale for non-performance of the seller.

If the sale concerns fungible things having a current price as specified in the third paragraph of the preceding Article, and the seller fails to perform his obligation, the buyer may without delay cause such things to be sold, at the vendor's expense, by one of the persons indicated in the second and third paragraphs of the preceding Article. The buyer shall give prompt notice of the purchase thereof to the seller.

The buyer is entitled to the difference between the sum acquired by the sale and the price agreed upon, in addition to compensation for any greater damages.

ARTICLE 1517 - Discharge by operation of law.

Discharge takes place by operation of law in favor of a contracting party who, prior to the expiration of the established time limit, with the prevailing formalities, makes tender to the other contracting party of the property sold or of the price thereof, if the other party fails to perform his obligation.

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Discharge by operation of law also takes place in favor of a seller, if, at the expiration of the time limit established for delivery, the buyer whose obligation to pay the price has not yet fallen due is not present to receive the property which was originally offered, or if he refuses to accept it.

A contracting party who intends to avail himself of the right to discharge his obligation in the manner provided for in this Article, shall give notice thereof to the other party within eight days from the expiration of the time limit; in the absence of such notification the general provisions referring to discharge of contracts by non-performance are observed.

ARTICLE 1518 - Standards for determining compensation.

If the sale concerns a thing having a current price in accordance with the third paragraph of Article 1515, and the contract is discharged by non-performance of one of the parties, the amount of the compensation is determined by the difference between the price agreed upon and the current price in the locality and on the day delivery was to be made, except for proof of greater damages.

In sales providing for instalments, settlement of damages is made on the basis of the current prices in the place and on the day set for the particular deliveries.

ARTICLE 1519 - Recovery of unpaid for property.

If no delay for payment was provided for in the contract of sale, the seller, upon default of payment, may recover possession of the property sold, insofar as said property is still in the possession of the buyer, provided the demand for recovery be made within fifteen days from the time of delivery and provided the property is in the same condition as it was at the time of said delivery.

The right to recover possession of the property cannot be exercised in prejudice to the preferences set forth in Articles 2764 and 2765, unless it is proved that when the property was placed in the house, or on the leased real property, or on the real property for which there was an agreement of metayage or association between the grantor and the farmer, such creditor was cognizant of the fact that the payment of the price was still due.

The provisions of the preceding paragraph are also applicable in favor of creditors of the buyer who might have sequestrated or seized the property, unless it is proved that such creditors knew that the payment of the price was still due at the time of the sequestration or seizure.

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SUB-SECTION II

OF SALE ON APPROVAL, WITH RESERVATION OF VIEW AND TRIAL AND TRIAL BY SAMPLE

ARTICLE 1520 - Sale on approval.

When property is sold on approval by the buyer, the sale is not complete until notice of such approval is given to the seller.

If the property is to be examined in care of the seller, it is released if the buyer does not proceed with such examination within the time limit set in the contract or established by custom, or in absence thereof, within an adequate time limit set by the seller.

If the property is in the possession of the buyer and he fails to make his intention known within the above mentioned period, the property is deemed to be to his satisfaction.

ARTICLE 1521 - Sale with reservation of view and trial.

A sale with reservation of view and trial is presumed to have been made under a suspensive condition that the property have the qualities agreed upon or that it be fit for the use for which it is intended.

Trial must be made within the time limit and in accordance with the formalities established in the contract or by custom.

ARTICLE 1522 - Sale by sample and by standard of sample.

When a sale is made by sample, it is understood that said sample is the exclusive criterion of the quality of the goods and, if the bulk does not correspond with the sample, the buyer is entitled to the discharge of the contract.

However, if agreement or custom provides that the sample merely indicates an approximate degree of the quality, the discharge of the contract may only be demanded if there is a considerable lack of correspondence between the bulk and the sample.

In all cases, the action is subject to the time limitations and to the prescription set forth in Article 1495.

SUB-SECTION III

OF SALES WITH RESERVATION OF TITLE

ARTICLE 1523 - Passing of title and assumption of risks.

In sales by instalments with reservation of title by vendor, the

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title passes when the last instalment of the price is paid, but the buyer assumes the risk for the property from the time of delivery.

ARTICLE 1524 - Reservation of title as a defense against third parties.

The reservation of the title by the seller may be pleaded against the creditors of the buyer, but only if it appears from a written document bearing certain date prior to the date of the pledge.

If the sale concerns machinery and the price is more than thirty thousand lires, the reservation of the title may be pleaded against a second purchaser, provided the agreement evidencing such reservation be registered in a special register which is kept in the office of the Tribunal in the jurisdiction where the machinery is located, and provided that when such machinery is acquired by the third party, it is still in the same place where the registration was made.

The provisions relative to movable property registered in public registers are unaffected.

ARTICLE 1525 - Non-performance of the buyer.

Notwithstanding any agreement to the contrary, the default of only one payment of the instalment, if not in excess of one-eighth of the price, does not cause the discharge of the contract, and the buyer retains the benefit of the agreed time limit for the subsequent instalments.

ARTICLE 1526 - Discharge of the contract.

If the contract is discharged by non-performance of the buyer, the seller shall return the instalments he has received, but is entitled to a fair compensation for the use of the property and for damages.

If it was stipulated that the instalments paid should be applied as an indemnity to the seller, the judge may, according to circumstances, grant a reduction of the indemnity agreed upon.

The same provision is applicable if the contract is considered as a lease and it is stipulated that at the end of such lease the title to the property passes to the grantee as a consequence of the payment of the perpetual rentals agreed upon.

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SUB-SECTION IV

OF SALES MADE BY TRANSFER OF DOCUMENTS AND WITH PAYMENT AGAINST PRESENTATION OF DOCUMENTS

ARTICLE 1527 - Delivery.

In sales which are made by transfer of documents, the seller is released from his duty to make delivery upon turning over to the buyer the documents evidencing title to the property and the other documents provided for in the contract or, in absence of such provision, by custom.

ARTICLE 1528 - Payment of the price.

Unless agreement or custom provides otherwise, the payment of the price and of the accessories shall be made at the time and in the place where the deeds and other documents indicated in the preceding Article are delivered.

When the documents are in order, the buyer cannot refuse to pay the price, pleading defenses which concern the quality or condition of the property, unless such defects appear to have already been verified.

ARTICLE 1529 - Risks.

If the sale concerns goods in transit and the insurance policy covering the transportation risks is among the documents delivered to the buyer, the risks to which such goods are liable are assumed by the buyer from the time of consignment of the goods to the carrier.

This provision is not applicable if the vendor, being cognizant of the loss or damage of the goods, has concealed these facts, in bad faith, from the buyer.

ARTICLE 1530 - Payment through a bank against presentation of documents.

When payment of the price is to be made through a bank, the seller cannot request the payment from the buyer except after rejection of the payment by said bank at the time of the presentation of documents, with the customary formalities.

A bank having acknowledged the seller's claim may only raise against such seller the exceptions based on incompleteness or irregularity of the documents, and those connected with the notice of the verification of the claim.

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SUB-SECTION V

OF SALE OF SECURITIES UNDER CONTRACT OF FUTURE DELIVERY

ARTICLE 1531 - Interest, dividends and right to vote.

In sales of securities under contract of future delivery, if the interest and the dividends which fall due after the making of the contract and before the expiration of the term for delivery are collected by the seller, they are credited to the buyer.

If the sale concerns stock certificates, the seller retains his right to vote until time for delivery.

ARTICLE 1532 - Rights of option.

Rights of option attached to the securities which have been sold under contract of future delivery are exercised by the purchaser.

If the purchaser calls on the seller in due time for the exercise of such a right, the seller shall place the purchaser in a position to exercise such right or he shall exercise it himself for the account of the purchaser if the latter has furnished him with the necessary funds.

In the absence of a request by the purchaser, the seller shall attend to the sale of rights of option for the account of the purchaser through a broker or a credit institution.

ARTICLE 1533 - Drawing of lottery bonds for distribution of prizes or for reimbursements.

If the securities sold under contract of future delivery are subject to lotteries for the distribution of prizes or for redemption, the rights and duties deriving from such drawing belong to the buyer, provided the contract was made prior to the day set for the commencement of the drawing.

In order to achieve the purpose of the preceding paragraph, the seller shall, at least one day before the commencement of the drawing, give to the buyer a written statement listing the numbers of the securities.

In the absence of such statement, the buyer has the right to acquire, at the expense of the seller, the rights representing a corresponding amount of securities, giving notice thereof to the seller before the commencement of the drawing.

ARTICLE 1534 - Amount due on securities.

The buyer shall furnish the seller with the sums necessary to make

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payments on amounts due on the securities not yet released, at least two days before the expiration date for such payments.

ARTICLE 1535 - Extension of contracts with future delivery.

If the parties agree to delay the execution of the contract at the expiration of the term, the difference between the original price and the current price on the day of expiration shall be considered, except when custom provides otherwise.

ARTICLE 1536 - Non-performance.

In case of non-performance in sales of securities under contract of future delivery, the provisions of Article 1515 and 1516 are observed, except for special laws applying to stock exchange transactions.

SECTION III

OF THE SALE OF IMMOVABLES

ARTICLE 1537 - Sale based on measurement.

When a specified immovable is sold with the indication of its measurement and for a price agreed upon on the basis of a certain sum per unit of measurement, the buyer is entitled to a reduction if the actual measurement of the immovable is less than that indicated in the contract.

If such measurement is found to exceed the one indicated in the contract, the buyer shall pay the increase of the price, but he has the right to withdraw from the contract if the amount in excess is more than one-twentieth of the measurement which was declared.

ARTICLE 1538 - Sale of a specific piece of property.

In cases where the price has been determined with respect to a specific piece of property and not with respect to its measurement, even if such measurement has been indicated, no reduction or increase of the price is due, unless the actual measurement be less or more than one-twentieth of the measurement indicated in the contract.

In cases where an increase of price is due, the buyer has the choice of withdrawing from the contract or paying the increase.

ARTICLE 1539 - Withdrawal from the contract.

When the buyer exercises his right of withdrawal, the seller is bound to restore the price and to reimburse the expenses of the contract.

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ARTICLE 1540 - Cumulative sales of several immovables.

If two or more immovables have been sold in the same contract for one and the same price, with the indication of the measurement of each, and the measurements are found to be in excess in some and insufficient in others, compensation is made to the amount necessary to make a balance; the right to increase or reduce the price is regulated in accordance with the aforementioned provision.

ARTICLE 1541 - Prescriptive period.

The right of the seller to the increase of the price and the right of the buyer to a reduction thereof or to the withdrawal from the contract are barred after one year from delivery of the immovable.

SECTION IV

OF SALE OF INHERITANCE

ARTICLE 1542 - Warranty.

Whoever sells an inheritance without specifying what constitutes the subject thereof, is only bound to warrant his quality as heir.

ARTICLE 1543 - Formalities.

The sale of an inheritance shall be made by written document, under penalty of nullity.

The seller is bound to perform all acts necessary on his part to make effective with respect to third parties the transfer of each of the rights included in the inheritance.

ARTICLE 1544 - Duties of vendor.

If the vendor obtains the fruits of some property or of some claim included in the inheritance, or if he sells some property in such inheritance, he is bound to reimburse the buyer, except for agreements to the contrary.

ARTICLE 1545 - Duties of purchaser.

The purchaser shall reimburse the vendor for all sums expended for debts and burdens of the inheritance, reimbursing him in an amount equal to the amount such vendor would have received from the estate, unless otherwise agreed upon.

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ARTICLE 1546 - Liability for debts in the inheritance.

The purchaser is bound jointly and severally with the vendor for the payment of debts of the inheritance, unless agreements provide otherwise.

ARTICLE 1547 - Other forms of alienation of inheritance.

The preceding provisions are also applicable to other forms of alienation of the inheritance for a valuable consideration.

For gratuitous alienations, the warranty is regulated by Article 797.

CHAPTER II

OF "RIPORTO" CONTRACTS (SECURITY REPURCHASE CONTRACTS)

ARTICLE 1548 - Elements.

A contract of riporto is one by which one party transfers to another the ownership of securities at a specified price, and the latter agrees to transfer to the former the ownership of a like number of securities of the same kind, within an agreed period of time, against reimbursement at an increased or decreased price for said securities in an amount specified.

ARTICLE 1549 - Completion of contract.

Riporto contracts are perfected by delivery of the securities.

ARTICLE 1550 - Accessory rights and duties attached to securities.

The exercise of accessory rights, and the obligation for liabilities attached to the securities, vest in the contracting party who acquired the securities for the account of the other party. The provisions of Articles 1531, 1532, 1533, and 1534 are applicable.

The right to vote belongs to the contracting party who originally delivered the securities.

ARTICLE 1551 - Non-performance.

In case of non-performance by one of the parties, the provisions of Articles 1515 and 1516 are observed except for stock market contracts, in which case official laws are applied.

If both parties fail to perform their obligations within the esteb-

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lished period, the carry over ceases to have effect and each party retains what he received at the time of the stipulation of the contract.

CHAPTER III

OF EXCHANGE OR BARTER

ARTICLE 1552 - Principle.

Barter is a contract by which the ownership of goods or of other rights is exchanged mutually between two contracting parties.

ARTICLE 1553 - Dispossession for defect in title.

If a barterer suffers dispossession for defect in title and does not intend to take back the property he has given in exchange, he is entitled to receive the value of such property in accordance with the provision relative to the contract of sale, in addition to compensation for damages.

ARTICLE 1554 - Expenses of barter.

The expenses connected with the barter and the other accessory expenses are chargeable to both contracting parties in equal shares, unless agreements provide otherwise.

ARTICLE 1555 - Application of rules relative to sales.

The rules which have been established for sale apply to barter, insofar as they are applicable.

CHAPTER IV

OF SALE OR RETURN

ARTICLE 1556 - Elements.

A contract of sale or return is a contract by which one party delivers to another one or more items of movable property and the latter obliges himself to pay to the first party the price thereof unless said property is returned to him within a time limit agreed upon.

ARTICLE 1557 - Impossibility of restitution.

The party who has received the goods is not released from the duty to pay the price thereof if reasons which cannot be charged to such per-

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son cause the complete restitution of the goods to become impossible.

ARTICLE 1558 - Disposition of the property.

All acts for the disposition of the property made by the party who has received the goods are valid; but the creditors of such party cannot subject the goods to seizure or sequestration until payment of the price thereof has been made.

The party who delivered the goods cannot dispose of them until such goods are returned to him.

CHAPTER V

OF CONTRACTS FOR THE PURVEYANCE OF GOODS

ARTICLE 1559 - Elements.

A contract to purvey goods is one by which a party binds himself, in consideration of a price, to supply another with goods continuously or periodically.

ARTICLE 1560 - Amount to be purveyed.

If the amount to be purveyed is not established, such amount is deemed to correspond to the normal requirements of the party entitled to receive it, having regard to the time of the making of the contract.

If the parties have established a maximum and a minimum to be purveyed in whole or by each instalment, the right to establish the amount due, within those limits, vests in the party entitled to what is being purveyed.

If the amount of the purveyance is to be determined with respect to the requirements and a minimum quantity was agreed upon, the party entitled to receive what is being purveyed is limited to the quantity corresponding to his requirements if in excess of said minimum.

ARTICLE 1561 - Fixing of the price.

If, in purveyancesto be made in instalments, the price is to be fixed in accordance with the provision of Article 1474, this is done by taking into account the expiration date of the particular instalments and the place where the instalments are to be delivered.

ARTICLE 1562 - Payment of the price.

In purveyances to be made in instalments, payment is made at the time of each instalment and for the amount of each.

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In purveyances providing for continuous performance, the price is paid in accordance with the customary terms of payment.

ARTICLE 1563 - Expiration of term for particular instalment.

The term set for the particular instalment is presumed to have been agreed upon in favor of both parties.

If the party entitled to receive what is purveyed has the power to set the expiration date or the term for the particular instalments, he shall give notice of such date to the purveyor, in due time.

ARTICLE 1564 - Cancellation of the contract.

In case of a non-fulfilment of a particular instalment by one of the parties, the other party may request the cancellation of the contract if such non-fulfilment has considerable importance and is such as to weaken the confidence in the punctuality of subsequent instalments.

ARTICLE 1565 - Suspension of purveyance.

If the party entitled to receive what is purveyed is in default and the non-performance is trivial in character, the purveyor cannot suspend the execution of the contract without giving adequate notice.

ARTICLE 1566 - Preference agreement.

An agreement whereby the party entitled to receive what is purveyed binds himself to give priority to the purveyor for the stipulation of a future contract of the same kind, is valid, provided the duration of this stipulation is not in excess of five years.

If a longer period is agreed upon, it is reduced to five years.

The party entitled to receive what is purveyed shall give notice to the purveyor of the conditions of offers made to him by third parties and the purveyor, under penalty of losing his right, shall state within the established period or, in absence thereof, within the period required by circumstances or custom, whether or not he intends to avail himself of his right of priority.

ARTICLE 1567 - Clause providing for exclusive rights in favor of purveyor.

If a contract contains an exclusive clause in favor of the purveyor, the other party may not receive performances of the same kind from third parties nor contribute with his own means to the production of the goods which are contemplated in the contract.

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ARTICLE 1568 - Exclusive clause in favor of party entitled to receive what is purveyed.

If an exclusive clause is agreed upon in favor of the party entitled to receive what is purveyed, the purveyor may not make, directly or indirectly, any delivery of goods of the same nature as those contemplated in the contract, within the territory for which the exclusive rights were granted and for the duration of the contract.

A party entitled to receive the delivery who undertakes the duty to further the sale of the goods for which he has exclusive rights within the territory assigned to him, is liable for damages in case of non-performance of this duty, even if he has carried out the provisions of the contract relative to the minimum requirement therein agreed upon.

ARTICLE 1569 - Contract undetermined as to duration.

If the duration of the purveyance is not established, each of the parties may withdraw from the contract by giving notice within the period agreed upon or established by custom, or, in absence thereof, within an adequate period considering the nature of the goods to be purveyed.

ARTICLE 1570 - Reference.

The rules relative to contracts corresponding to the particular performances are applicable to contracts to purvey, insofar as compatible with the aforementioned provisions.

CHAPTER VI

OF LEASE AND HIRE

SECTION I

GENERAL PROVISIONS

ARTICLE 1571 - Elements of the contract.

A contract of lease and hire is one by which one party binds himself to give to the other the enjoyment of an item of movable or immovable property for a given period of time at a fixed price.

ARTICLE 1572 - Contracts of lease or hire and advances which are beyond ordinary administration.

A contract of lease or hire for a period of more than nine years is an act beyond ordinary administration.

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Advance payments of the rentals for a period in excess of one year are also acts beyond ordinary administration.

ARTICLE 1573 - Duration of contract of lease or hire.

A contract of lease or hire cannot be stipulated to be for a period in excess of thirty years, unless the law provides otherwise. If it is stipulated to be for a longer period, or in perpetuity, it is reduced to the aforementioned limit.

ARTICLE 1574 - Contract of lease or hire not determined as to duration.

When the parties have not specified the duration of a contract of lease or hire, it is presumed to be:

1. For one year, except for local customs, in the case of unfurnished houses or establishments for professional, industrial, or commercial activities.

2. For a period of time corresponding to the time unit by which rental is computed, in the case of furnished rooms or apertments.

3. For a period of time corresponding to the time unit on the basis of which payment is computed, in the case of moveble property.

4. For the duration of the contract of lease of urban properties, in the case of movables provided by the lessor to furnish said urban property.

ARTICLE 1575 - Principal obligations of the lessor.

The lessor shall:

1. Deliver the property to the lessee in good condition.
2. Maintain the property in a condition suitable for the use agreed upon.
3. Warrant quiet enjoyment of the property during the continuance of the lease.

ARTICLE 1576 - Maintenance of the property in good condition for leasing purposes.

The lessor is bound to make, during the continuance of the lease, all the necessary repairs, except those for minor upkeep, which are chargeable to the lessee.

In the case of movable property, the expenses for conservation and of ordinary upkeep are chargeable to the lessee, except for agreements to the contrary.

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ARTICLE 1577 - Necessary repairs.

When the property leased is in need of repairs which are not chargeable to the lessee, the latter is bound to give notice thereof to the lessor.

In the case of urgent repairs, the lessee may make them himself, subject to reimbursement, provided he gives notice thereof to the lessor at the same time.

ARTICLE 1578 - Defects in leased property.

If, at the time of delivery, the leased property contains defects which considerably impair its use for the purpose agreed upon, the lessee may request the revocation of the contract or a reduction of the price, except in the case of defects known by the lessee or easily detectable.

The lessor is bound to compensate the lessee for the damages caused by the defects in the property leased, unless the lessor proves to have been ignorant of such defects at the time of delivery.

ARTICLE 1579 - Agreements limiting liability.

An agreement barring or limiting the liability of the lessor for the defects in the property is of no effect, if the lessor passed over such defects in bad faith with regard to the lessee, or if the defects are such as to make the enjoyment of the property impossible.

ARTICLE 1580 - Insanitary conditions.

If the leased property or a considerable part of it contains defects which subject the lessee, or his family or dependents, to serious danger to their health, the lessee may be granted a cancellation of the contract, even if such defects were known to him, and notwithstanding any waiver on his part.

ARTICLE 1581 - Unforeseen defects.

The provisions of the preceding Article are observed, insofar as they are applicable, even if the defects in the property have arisen during the period of the lease.

ARTICLE 1582 - Prohibition of alterations.

The lessor may not make any alteration in the property which would cause a diminution of the enjoyment of said property by the lessee.

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ARTICLE 1583 - Impairment of enjoyment due to urgent repairs.

If, during the continuance of the lease, the property leased or hired should be in want of repairs which cannot be postponed until termination of the contract, the lessee must allow such repairs to be made even though he be deprived of the enjoyment of part of the thing leased.

ARTICLE 1584 - Rights of lessee in case of repairs.

If the carrying out of the repairs is protracted for a period in excess of one-sixth of the duration of the lease and, in all cases, for over twenty days, the lessee is entitled to a reduction of the rent in proportion to the duration of the entire period devoted to repairs and to his impaired rights of enjoyment.

ARTICLE 1585 - Warranty of quiet possession.

The lessor is bound to warrant the lessee against disturbances which diminish the use or the enjoyment of the property leased or hired, or which arise from claims by third parties to rights in said property.

The lessor is not bound to warrant against disturbances caused by third parties who do not claim to have rights in the property leased or hired, but the lessee has the power to bring action against them in his own name.

ARTICLE 1586 - Claims of third parties.

If the third parties who cause the disturbances claim to have rights in the property leased or hired, the lessee is bound to give prompt notice to the lessor, under penalty of liability for damages.

If said third parties resort to court action, the lessor is obliged to take over the litigation, if he is summoned in the suit. The lessee shall be excluded from the suit by merely indicating the identity of the lessor, unless the lessee has an interest to remain in the suit.

ARTICLE 1587 - Principal obligations of the lessee.

The lessee shall:

1. Take delivery of the property leased or hired and observe the diligence of a good pater familias in using it for the purpose specified in the contract or for other purposes which may otherwise be presumed by circumstances.

2. Pay the sum due, at the periods agreed upon.

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ARTICLE 1588 - Loss and damage to leased or hired property.

The lessee is liable for the loss of and damages to the leased or hired property which occur during the period of the lease or hire, even if occasioned by fire, unless he proves that such loss or damages have been caused by reasons beyond his control.

The lessee is also liable for loss and damages caused by persons whom he has admitted, even temporarily, to the use or enjoyment of the property.

ARTICLE 1589 - Damage to insured property.

If the property damaged or destroyed by fire was insured by the lessor, or for his account, the liability of the lessee with respect to said lessor is limited to the difference between the indemnity paid by the insurer and the actual damage.

In the case of movable property which has been appraised, if the property was insured for a value equal to the appraisal, all liability of the lessee with respect to the lessor ceases, if said lessor is indemnified by the insurer.

In all cases the rules relative to the rights of subrogation of the insurer are unaffected.

ARTICLE 1590 - Return of leased or hired property.

The lessee shall restore the property to the lessor in the same condition in which it was received, in accordance with the description of such property made by the parties, making the necessary allowance for wear and tear caused by the use of the property as agreed upon in the contract.

In the absence of a description, the lessee is presumed to have received the property in good order.

The lessee is not liable for the destruction of or damages to the property due to obsolescence.

The return of movable property shall be made in the same place where it was delivered.

ARTICLE 1591 - Damages due for delayed return.

A lessee who fails to return the property is bound to pay to the lessor the rental agreed upon until re-delivery, in addition to the liability to compensate said lessor for additional damages occasioned by the delay.

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ARTICLE 1592 - Improvements.

The lessee is not entitled to an indemnity for the improvements which he has made to the thing leased or hired, unless special laws or customs provide otherwise. However if such improvements were made with the consent of the lessor, the latter is obliged to indemnify the lessee in an amount equal to the total of the sum expended or to the actual value of the improvements at the time of re-delivery, whichever is the lesser.

Even when the lessee is not entitled to an indemnity, the value of the improvements may compensate for the damages which have occurred without grave negligence on the part of the lessee.

ARTICLE 1593 - Increments.

At the termination of the lease, the lessee has the right to remove the increments he has made to the property leased or hired, provided this can be done without injuring said property, unless the owner prefers to retain them. In the latter case, he shall indemnify the lessee in an amount equal to the total expenditure or the value of such increments at the time of re-delivery, whichever is the lesser.

If the increments cannot be separated without injuring the property or if they constitute an improvement, the provision of the preceding Article are observed.

ARTICLE 1594 - Sublease or assignment of lease.

The lessee has the power to sublet the property leased or hired, unless otherwise agreed upon, but he may not assign the contract to third parties without the consent of the lessee.

In the case of movable property, the contract of subletting must be authorized by the lessor or permitted by custom.

ARTICLE 1595 - Relationship between the lessor and the sub-lessee.

The lessor, without prejudice to his rights with respect to the lessee, has a direct cause of action against a sub-lessee to require him to pay the rent which he may still owe at the time of the filing of the suit and to compel him to discharge all the other obligations deriving from the contract of subletting.

The sub-tenant may not plead advance payments against the lessor, unless said payments were made in accordance with local custom.

Without affecting the merits of the sub-tenant's claim with regard to the original tenant (who is now landlord), the nullity or the cancella-

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tion of the contract of lease or hire have effect also with respect to the sub-tenant and the judgment which has been pronounced between landlord and tenant is also enforceable against such sub-tenant.

ARTICLE 1596 - Termination of a contract of lease or hire by expiration of the term.

A contract of lease or hire contracted for a definite time agreed upon by the parties, ceases with the expiration of the term, without need of notice of termination.

Contracts of lease or hire for an unspecified length of time do not cease until one of the parties, within the time limits established by Article 1574, gives his notice to the other to terminate the contract within the period determined by the parties or by custom.

ARTICLE 1597 - Implied renewal of the contract.

The contract of lease or hire is considered to be renewed if, at the expiration of the term thereof, the lessee remains on the leased premises and is left in retention thereof or if, in the case of contracts of lease or hire for an unspecified period of time, there has been failure to give notice to vacate as provided for in the preceding Article.

The new contract of lease or hire is regulated by the same conditions as the preceding one, but its duration is governed by the rules relative to the contract of lease or hire for an undetermined period of time.

If there has been notice to vacate, the lessee may not plead implied renewal of the contract of lease or hire unless the intention of the landlord or lessor to renew the contract is apparent.

ARTICLE 1598 - Security given for rent.

The security given by third parties for rent does not extend to the obligations resulting from the prolongation of the duration of the contract of lease or hire.

ARTICLE 1599 - Transfer under particular title of leased or hired property.

A contract of lease or hire may be pleaded against third parties who have purchased the leased property, provided such contract bears certain date prior to said alienation of the property.

The provision of the preceding paragraph is not applicable to contracts of hire of movable property not registered in public registers if said purchaser has acquired possession of the property in good faith.

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Contracts of lease of unregistered immovable property cannot be pleaded against a third party purchaser, except within nine years from the commencement of the lease.

In all cases, the purchaser is bound to abide by the contract of lease if he has assumed that duty with respect to the seller.

ARTICLE 1600 - Retention of leased or hired property by lessee prior to transfer.

If the contract of lease or hire does not bear a definite date, but the retention of the leased or hired property ante-dates the transfer, the purchaser is only bound to abide by the provisions of said contract for a period corresponding to the duration of contracts of lease or hire for an undetermined period.

ARTICLE 1601 - Compensation for damages for lessee requested to vacate leased or hired property.

If the purchaser has requested the lessee to vacate the leased or hired property due to the fact that the contract lacks a definite date prior to the transfer, the landlord or lessor is obliged to compensate the lessee for damages.

ARTICLE 1602 - Liability of third-party purchaser deriving from contract of lease or hire.

A third-party purchaser who is obliged to abide by the contract of lease or hire succeeds to the rights and obligations deriving from the contract of lease or hire from the day of his acquisition.

ARTICLE 1603 - Clause providing for dissolution of the contract in case of alienation.

If it was stipulated that the contract of lease or hire could be terminated in case of alienation of the property leased or hired, a third-party purchaser who intends to use such power shall give the lessee previous notice to vacate, abiding by the terms for notice provided for in the second paragraph of Article 1596. In this case the lessee who has been notified to quit the premises is not entitled to compensation for damages, unless otherwise agreed upon.

ARTICLE 1604 - Sale with redemption clause of leased or hired property.

A purchaser who may avail himself of the redemption clause cannot exercise his right to request the lessee to vacate the leased or hired property until his purchase has become irrevocable by reason of the expiration of the period set for redemption.

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ARTICLE 1605 - Release or assignment of the amount owed under the contract of lease or hire.

In contracts of lease or hire the release or assignment of the amount owed under the contract of lease or hire which has not as yet fallen due, cannot be pleaded against a third-party purchaser of the property leased or hired, unless such release or assignment is evidenced by a written document bearing a definite date prior to the transfer of the property to said purchaser.

Advance payments which have been made in accordance with local custom may be pleaded at all times.

If the release or assignment has been made for a period in excess of three years and has not been registered, such release or assignment may only be pleaded within the period of three years; if such period has already expired, the release or assignment may only be pleaded within the current year, the year to be reckoned from the day of the transfer of the property to the purchaser.

ARTICLE 1606 - Extinction of rights of lessor.

In cases where the rights of the lessor in the property leased or hired is terminated with retroactive effects, the contract of lease or hire entered into, and bearing definite date, by said lessor is maintained, provided it is made without fraud and not exceeding three years.

The cases when the law provides otherwise are unaffected.

SECTION II

OF LEASES OF URBAN PROPERTIES

ARTICLE 1607 - Maximum duration of the contract of leases of urban property.

A contract of lease of a dwelling house may be stipulated for the entire life of the resident tenant and two consecutive years after his death.

ARTICLE 1608 - Security for payment of the rent.

In contracts of lease of unfurnished houses the resident tenant may be requested to vacate the premises if he fails to furnish the house sufficiently or if he fails to post other adequate security for the payment of the rent.

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ARTICLE 1609 - Small repairs chargeable to resident tenant.

Slight maintenance repairs which must be made at the expense of the resident tenant in accordance with Article 1576, are those which are caused by deterioration through use and not those caused by decay or unforeseen events.

Local custom, in the absence of agreements, shall determine of what the above mentioned light maintenance repairs consist.

ARTICLE 1610 - Cleaning of wells and privies.

The cleaning of wells and privies falls within the duties of the resident tenant.

ARTICLE 1611 - Destruction by fire of house inhabited by several tenants.

If a house is occupied by several tenants, they are all liable to the lessor for the damages caused by such fire in proportion to the value of that portion occupied by each tenant. If the house is also inhabited by the lessor an amount shall be deducted from the sum due, corresponding to the portion occupied by said landlord.

The provision of the preceding paragraph is not applicable if it is proved that the fire originated in the dwelling of one of the tenants or if any of said tenants prove that it could not have originated in his quarters.

ARTICLE 1612 - Rescission clause in favor of lessor.

A lessor who has reserved to himself the power to rescind the contract in order for him to inhabit the leased premises, shall give notice to vacate, with reasons stated, within the period set by local custom.

ARTICLE 1613 - Rescission privilege of public officials.

Public officials may, notwithstanding any agreement to the contrary, rescind the contract in case of transfer, provided same be not ordered at their request.

Such privilege is exercised by means of notice of termination, with reasons stated, and the rescission is effective beginning with the second month following the month in which such notice to quit was dated.

ARTICLE 1614 - Death of residing tenant.

In case of death of the residing tenant, the heirs may rescind the contract within three months from the death, if said contract of lease

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has more than one year to run, and the right to sublease has been barred.

Such rescission shall be exercised by means of notice of termination to be given at least three months in advance.

SECTION III

OF LEASE OR HIRE OF PRODUCTIVE PROPERTY

SUB-SECTION I

GENERAL PROVISIONS

ARTICLE 1615 - Management and enjoyment of productive property.

When a contract of lease or hire has for its object the enjoyment of productive property, movable or immovable, the lessee shall look after the management of such property in accordance with the economic purpose of the property and the interest of production. The lessee is entitled to the fruits and other profits deriving from the property.

ARTICLE 1616 - Contract undetermined as to its duration.

If the parties have not specified the duration of the contract of lease or hire of productive property, each party may withdraw from the contract by giving adequate notice to the other party.

Corporative rules and customs which provide otherwise are unaffected.

ARTICLE 1617 - Duties of lessor.

The lessor is bound to deliver the productive property,with its accessories and appurtenances, in condition suitable for the use and production for which it is intended.

ARTICLE 1618 - Non-performance by lessee.

The lessor may request the cancellation of the contract if the lessee fails to take adequate measures for the management of the property, if he fails to observe the rules of sound operation, or if he permanently alters the economic purpose of the property.

ARTICLE 1619 - Right to supervise conditions.

The lessor may ascertain at all times whether the lessee is abiding by his duties, even by means of investigation on the premises.

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ARTICLE 1620 - Increased productivity of the property.

The lessee may introduce measures designed to increase the profits of the property leased or hired provided such measures do not entail duties on the part of the lessor or are not prejudicial to him, and provided they conform with the general interests of production.

ARTICLE 1621 - Repairs.

The lessor, at his own expense, is obliged to make extraordinary repairs for the duration of the contract of lease or hire of productive property. The other repairs are chargeable to the lessee.

ARTICLE 1622 - Losses caused by repairs.

If the carrying out of the repairs chargeable to the lessor causes the lessee to sustain a loss in excess of one-fifth of the total income, the lessee may demand a reduction in the rent commensurate with the cut in the income, or else the dissolution of the contract, as the case may be.

ARTICLE 1623 - Supervening changes in contractual relationship.

If, pursuant to law, corporative rules, or decree of the authorities concerning the management of the productive property, the contractual relationship between the parties is changed substantially in such manner as to cause a loss or a profit to either party respectively, an increase or reduction of the rent, or else, according to circumstances, the dissolution of the contract may be demanded.

The law, corporative rules, and decrees of the authorities may provide otherwise.

ARTICLE 1624 - Prohibition to sublet or to assign the contract.

The lessee may not sublet the property without the consent of the lessor.

The power to assign the contracts of lease or hire of productive property includes the power to sublet; the power to sublet does not include the power to assign the contract.

ARTICLE 1625 - Dissolution clause of the contract in case of alienation.

If it was stipulated that the contract of lease or hire could be terminated in case of alienation of the property leased or hired, a purchaser who intends to give notice of termination to the lessee shall observe the provision of Article 1616.

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When the contract of lease or hire concerns rural property, the notice to quit shall be given six months in advance and is effective at the end of the crop year which is current at the time of the expiration of the period of said notice.

ARTICLE 1626 - Incapacity or insolvency of the lessee.

A contract of lease or hire of productive property is dissolved in case of interdiction, disability or insolvency of the lessee, unless adequate security is posted in favor of the lessor for the faithful performance of the duties of said lessee.

ARTICLE 1627 - Death of lessee.

In case of death of the lessee, the lessor or the heirs of the lessee may rescind the contract within three months of the date of the demise, by means of a notice of termination to be given to the other party six months in advance. If the contract concerns rural property, the notice of termination takes effect at the termination of the crop year which is current at the expiration of the period of said advance notice.

SUB-SECTION II

OF LEASES OF RURAL PROPERTIES

ARTICLE 1628 - Minimum duration of contract.

If corporative rules provide a minimum period for lease of rural properties, any contract of lease which is stipulated for a lesser period is extended to such minimum period thus established.

ARTICLE 1629 - Lands leased for the purpose of reforestation.

The lease of rural lands for the purpose of reforestation may be stipulated for a maximum period of ninety-nine years.

ARTICLE 1630 - Leases for unspecified period.

The duration of contracts of lease, for lands subject to crop rotation, is deemed to have been stipulated for the time necessary in order to allow the tenant to harvest and round out the normal cycle of successive crops and cultivations raised on said land.

If the land is not subject to successive crops and cultivations, the lease is deemed to last for the time necessary in order to harvest said crops and cultivations.

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The lease does not terminate if, before the expiration thereof, one of the parties has not given notice of termination six months in advance.

Different provisions of corporative rules are unaffected.

ARTICLE 1631 - Size of properties.

In the case of leases or property of stated measurement, or leases of a specific piece of property with an indication of its measurement, the rights and obligations of the parties with respect to the excess or insufficiency of the property as compared to its stated measurement are determined according to the rules contained in the Chapter on Sales.

ARTICLE 1632 - Improvements.

If one of the parties intends to carry out on the property leased specified improvements not susceptible of radically changing the productive scheme of such property, and the other party objects to such improvements, the judge, after hearing the parties, may authorize the carrying out of the improvements, when the competent authorities, in the manner and with the formalities established by the special law on the subject, recognize such improvements as being definitely useful for the property and for the purpose of production. The judge shall assign an adequate time limit for the carrying out of the improvements.

When the suggestion for the improvements has been advanced by the tenant, the authorization for carrying out such improvements cannot be granted if his technical and economic qualifications for the task are not established, if he has failed in the performance of his contractual obligations or if the duration of the unexpired period of the lease does not permit the tenant to enjoy for a suitable length of time the increased income resulting from the improvements.

If the tenant is authorized to carry out the improvements, the landlord, within a peremptory time limit set by the judge, may declare that the improvements be carried out at his own expense; in this case the landlord succeeds the tenant in the duties established by the decree granting authorization.

ARTICLE 1633 - Rights arising from execution of the improvements.

A landlord who has carried out improvements has the right to increase the rent in proportion to the increase in the income from the land, taking into account the subsidies from the government or public entities, if any, such increased rent to be effective from the date when the increase has materialized.

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A tenant who has carried out improvements is entitled to an indemnity corresponding to the increased value to the land existing at the termination of the lease. Such indemnity shall not be greater than one-quarter of the total amount of the rental for the entire period of the lease.

The judge, taking into consideration the economic condition of the landlord, may order that the payment of the indemnity be made in instalments, and require the posting of adequate security, if necessary. The payment cannot be spread over a period in excess of ten years, unless the parties agree otherwise.

ARTICLE 1634 - Peremptoriness.

The provisions of the preceding Article are peremptory.

ARTICLE 1635 - Accidental loss of crops in leases of several years duration.

If during a lease stipulated for several years, at least one-half of the unseparated crops of one year are lost by accident, the tenant may demand a reduction of the rent, unless such loss be compensated by previous harvests.

If the loss has not been compensated by previous harvests, the reduced rate is determined at the end of the lease, after an averaging of all the harvest gathered in all the years gone by. The judge may temporarily exempt the tenant from paying a part of the rent, proportionately to the loss suffered by such tenant.

The amount of the reduction may never exceed one-half of the rent. In all cases the indemnities which the tenant has received or may receive in connection with the loss he has suffered, shall be taken into account.

Failure of the fruits to materialize is equivalent to loss.

ARTICLE 1636 - Accidental loss of crops in annual leases.

If the lease is for one year only, and there has been a loss by accident of at least one-half of the crops, the tenant may be exempted from paying a part of the rent, such exemption not to exceed one-half of such rent.

ARTICLE 1637 - Assumption of liability for accidental loss.

An express agreement may cause the tenant to assume liability for accidental loss.

By accidental loss is meant whatever accident the parties might reasonably think of as probable in view of the locality and of all other circumstances.

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An agreement whereby the tenant assumes liability for extraordinary accidental losses, is null.

ARTICLE 1638 - Expropriation for public use.

In case of expropriation for public use or of temporary occupation of the leased premises, the tenant has the right to receive from the landlord the amount of indemnity paid to the latter for damages arising from the failure to gather the fruits or harvest the crops.

ARTICLE 1639 - Rental.

The rent may also consist of a fixed or variable amount of crops of the leased property.

ARTICLE 1640 - Farm equipment.

The farm equipment with which the leased property is supplied and which has been delivered to the tenant at the commencement of the lease, with a declaration concerning the nature, quality and quantity of such farm equipment, must be restored to the landlord at the termination of the lease in the same nature, quality and quantity, even if a money value was given to the farm equipment. Permanent equipment such as tools and machinery shall be restored in the same operational condition. Any excess or insufficiency shall be compensated for in money in accordance with the value of the equipment computed at the time of re-delivery. The necessary supplies which constitute the equipment shall not be diverted to other purposes and shall be kept up in accordance with the demands of the cultivations and local usages.

The provisions of the preceding paragraph are also appliceble if, at the commencement of the lease, the tenant has deposited with the landlord a sum representing the value of the equipment, except for the latter's obligation to return such sum at the time of re-delivery of the equipment.

If the delivery of the equipment was made with only an indication of the value, the tenant acquires ownership thereof and, at the end of the lease, is bound to restore either the amount of the value received or the equipment in kind of a corresponding value, determined on the basis of the current price at the time of re-delivery, or else part of one and part of the other.

Agreements to the contrary and different provisions of corporative rules are unaffected.

ARTICLE 1641 - Supplied live stock.

If the beasts of burden or breeding stock with which the property

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is supplied was furnished in whole or in part by the landlord, the provisions of the following Article are observed, unless corporative rules or agreements establish otherwise.

ARTICLE 1642 - Ownership of live stock of which delivery is made.

If the live stock delivered to the tenant was specified as to species, number, sex, quality, age and weight, the ownership thereof remains with the landlord, even if a money value is stipulated. The tenant, however, may dispose of the individual stock, but must keep the necessary number on the property.

ARTICLE 1643 - Risks related to supplied live stock.

The risks related to the loss of the supplied live stock are assumed by the tenant from the time of delivery, unless otherwise agreed upon.

ARTICLE 1644 - Increase and products of live stock.

The increase of animals, and all products, increments and other profits deriving from the live stock, belong to the tenant.

The manure, however, shall be exclusively for the enrichment of the property.

ARTICLE 1645 - Return of live stock.

In the case contemplated in Article 1642, the tenant shall return, at the termination of the lease, live stock corresponding in species, sex, number, quality, age and weight to the live stock received. If there are differences in quality or quantity which may be considered as being within the limits set by the demands of cultivation of the property, the tenant shall return live stock equal in value.

If there is excess or insufficiency in the value of the live stock, the parties shall compensate the differences in money, according to the value at the time of the return.

The provision of the preceding paragraph is also applicable if, at the commencement of the lease, the tenant has deposited with the landlord a sum representing the value of the live stock. The provision of the third paragraph of Article 1640 is also applicable.

Agreements to the contrary and corporative rules are unaffected.

ARTICLE 1646 - Relationship between incoming and outgoing tenants.

The outgoing tenant shall place at the disposal of whoever succeeds him in the cultivation, the space and other facilities necessary for pro-

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duction in the subsequent year; the new tenant shall leave to his predecessor the necessary space and other facilities for using the fodder and for harvesting the remaining crops.

The relationship between the incoming and outgoing tenant is established in further detail by the provisions of the corporative rules which are observed or, in absence thereof, by local customs.

SUB-SECTION III

OF LEASE DIRECTLY TO THE FARMER

ARTICLE 1647 - Elements.

When the lease concerns property which is cultivated mainly by the tenant's labor or that of his family, the following provisions are applicable, provided the size of the property does not exceed the extent which, with respect to specific areas and cultivations, is regulated by provisions of corporative rules.

ARTICLE 1648 - Ordinary accidental losses.

The judge, in consideration of the economic conditions of the tenant, may order the payment of the rent to be made in instalments if at least one-half of the crops on the property are lost as a result of ordinary accidental losses, the risks of which were assumed by the tenant.

ARTICLE 1649 - Sub-lease.

If the landlord consents to the subletting, the sub-lease is considered as a contract entered into between the landlord and the new tenant directly.

ARTICLE 1650 - Death of the tenant.

In case of death of the tenant, the landlord, without affecting the provisions of Article 1627, may substitute the heirs at once in the tenancy of the property. In this case the landlord is entitled to deduct from the value of the crops the expenses thus sustained by him.

ARTICLE 1651 - Improvements.

If the tenant carries out improvements of permanent value to the property without authorization from the landlord, the judge may assign him an indemnity, unless such improvements be the result of orderly and reasonable cultivation.

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The existence of such improvements shall be ascertained at the end of each agricultural year within which they are made, and the indemnity shall be paid at once.

The amount of the indemnity shall be determined equitably by the judge, who will take into account the advantages which the tenant may derive from the increased income due to the improvements. In all cases, the indemnity for the improvements made within each year shall never exceed one-quarter of the annual rent.

ARTICLE 1652 - Advances to the tenant.

If the tenant is unable to make any other arrangement, the landlord is bound to advance to such tenant the seed, fertilizer and insecticides necessary for the cultivation of the land.

The landlord's credit is productive of interest at the legal rate.

ARTICLE 1653 - Tenant substituted by landlord.

When, through the tenant's lack of means, the cultivation becomes so difficult as to jeopardize the harvest, the landlord, having previously given notice to the tenant, may find a substitute for such tenant in carrying out the urgent and necessary works, and is entitled to deduct from the harvest the amount of the expenses sustained by him. The provisions of Article 1618 remain in force and may be applied.

ARTICLE 1654 - Peremptoriness.

The preceding provisions are peremptory.

CHAPTER VII

OF INDEPENDENT CONTRACTORS.

ARTICLE 1655 - Elements.

An independent contractor is a person who stipulates with another contracting party to undertake to do a piece of work or render certain services, with his own methods and under management at his own risk, in consideration of a money equivalent.

ARTICLE 1656 - Sub-contractors.

An independent contractor cannot transfer the carrying out of the work or the service to a sub-contractor without authorization from his employer.

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ARTICLE 1657 - Determination of money equivalent.

If the parties failed to specify the amount of the consideration and have not decided on any manner for determining it, such amount is computed on the basis of existing rates or of custom; in the absence of both, it is determined by the judge.

ARTICLE 1658 - Furnishing the materials.

The materials necessary to carry out the work shall be furnished by the independent contractor, unless an agreement or custom provides otherwise.

ARTICLE 1659 - Variations which are agreed upon in the works planned.

An independent contractor cannot make any changes from the stipulated manner in which the work is to be done without authorization from his employer. Proof of such authorization must be in writing.

Even when the changes have been authorized, the contractor is not entitled to any compensation on the basis of such changes if the price of the entire work has been determined as a whole, unless it is otherwise agreed upon.

ARTICLE 1660 - Necessary variations in the plans.

If, in order to carry out the work according to technical standards, it is necessary to make variations from the plans, and the parties fail to agree in that respect, it is left to the judge to determine what variations are to be made and the price changes accordingly.

If the amount of the variations is in excess of one-sixth of the total price agreed upon, the independent contractor may withdraw from the contract and may receive, according to circumstances, a just indemnity.

If the variations are of considerable importance, the principal may withdrew from the contract and is bound to pay a just indemnity.

ARTICLE 1661 - Variations ordered by the employer.

The employer may make variations from the plan, provided they do not involve an amount in excess of one-sixth of the total price agreed upon, but the independent contractor is entitled to compensation for the additional work performed by him, even if the price for the work has been determined as a whole.

The provision of the preceding paragraph is not applicable when the variation, even though contained within the above mentioned limits, involves considerable changes in the nature of the work or in the quantity of materials involved in a special category of work which is provided for in the contract for the execution of the entire work.

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ARTICLE 1662 - Examination while work is carried out.

The employer has the right to verify the execution of the work and to ascertain the condition thereof at his own expense.

If, in the course of the undertaking, it is ascertained that the work is not proceeding in accordance with the conditions of the contract and according to technical standards, the employer may establish a suitable time limit within which the contractor may conform to such conditions; if such time limit expires without results, the contract is terminated, except for the right of the employer to be compensated for damages.

ARTICLE 1663 - Reporting defects in materials.

The contractor is bound to give prompt notice to the employer of any defect found in the materials furnished by said employer if the defects are discovered in the course of the execution of the work and if they may jeopardize the normal execution thereof.

ARTICLE 1664 - Supervening hardship or difficulty in execution.

If for unforeseeable circumstances there occur such increases or reductions in the cost of labor or of the materials as to cause an increase or a reduction in excess of one-tenth of the total price agreed upon, the independent contractor or the employer may request such price to be revised.

The revision may only be granted for that part of the difference which is in excess of one-tenth.

If, while performing the work, there occur difficulties of execution deriving from geologic conditions, water, or other similar causes, not foreseen by the parties, which render considerably more onerous the performance of the contractor, he is entitled to a just compensation therefor.

ARTICLE 1665 - Examination and payment of the work.

The employer has the right to examine the completed work before taking delivery.

The examination shall be made by the employer as soon as the contractor makes it possible for him to do so.

If, notwithstanding the tender made to him by the contractor, the employer fails, without justifiable reason, to proceed with the examination, or if he fails to make known the result thereof within a short time, the work is considered to have been accepted.

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If the employer takes delivery of the work without reservation, such work is considered as having been accepted even if there was no examination.

The contractor is entitled to the payment of the price when the work has been accepted by the employer, unless an agreement or custom provides otherwise.

ARTICLE 1666 - Examination and payment of individual parts.

In the case of work to be carried out in parts, either contracting party may request that the examination be made for each part. In this case the independent contractor may demand payment in proportion to the work already accomplished.

Payment presumes the acceptance of such part of the work as has been paid for; payments made simply on account do not produce this effect.

ARTICLE 1667 - Divergences or defects in the work.

The independent contractor is bound to warrant the employer against divergences or defects in the work.

Such warranty does not attach if the employer has accepted the work with the changes or if the defects were known to the employer or apparent, provided that such defects were passed over in silence by the contractor, in bad faith.

The employer, under penalty of forfeiture, shall notify the contractor of the divergences or defects within sixty days from discovery thereof.

This notice is not necessary if the contractor acknowledged or concealed such divergences or defects.

The action against the contractor is barred after two years from the date of delivery of the work.

An employer who is a defendant in an action for payment brought by the contractor may always enforce the warranty, provided information of the divergences or defects was given within sixty days from discovery thereof and within two years from delivery.

ARTICLE 1668 - Elements of warranty against defects in the work

The employer may demand that the divergences or defects be eliminated at the expense of the contractor or that the price be reduced pro-

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portionately, except for compensation for damages in the case of negligence of the contractor.

However, if the divergences or defects in the work are such as to render such work completely inadequate for its purpose, the employer may demand the cancellation of the contract.

ARTICLE 1669 - Destruction and defects in movable property.

In the case of a building or other immovable property intended by its nature to last for a long period of time, if within ten years from termination of the work, it is totally or partially destroyed by reason of defects in the soil or in the construction, or if such work appears to be in evident danger of destruction or of developing serious deficiencies, the contractor is liable with respect to the employer, provided notice of the pertinent information was given within a year from discovery of said destruction or defects.

ARTICLE 1670 - Liability of sub-contractors.

In order for an independent contractor to exercise his right of redress with respect to a sub-contractor he shall give notice of the pertinent information regarding the work to said sub-contractor within sixty days from the time the information is received by him, under penalty of forfeiture.

ARTICLE 1671 - Unilateral withdrawal from the contract.

The employer may withdraw from the contract even after commencement of the execution of the work or of the performance of the service, provided he indemnifies the contractor for the expenses sustained by him for the work already completed and provided he compensates the contractor for his lost profit.

ARTICLE 1672 - Impossibility of performance of the work.

If the contract is dissolved through supervening impossibility in the execution of the work due to causes which cannot be charged to either party, the employer must pay for that part of the work which has already been completed, within the limits of the usefulness of such work to the employer, such payment to be in proportion to the price agreed upon for the whole work.

ARTICLE 1673 - Destruction of or damages to the property.

If, before acceptance by the employer or before the employer is in default of such acceptance, the work is destroyed or damaged for causes which cannot be attributed to either party, the loss or damages are chargeable to the contractor, if he furnished the materials.

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If the materials were furnished wholly or in part by the employer, the loss or damages to the work is chargeable to such employer insofar as the materials contributed by him are concerned, and for the remainder, they are chargeable to the contractor.

ARTICLE 1674 - Death of independent contractor.

A contract entered into with an independent contractor is not dissolved by the death of the contractor, unless a consideration of the person of such contractor was a determining reason for the contract. The employer may always withdraw from the contract if the heirs of the contractor cannot be relied upon for the satisfactory execution of the work or of the services.

ARTICLE 1675 - Rights and duties of contractor's heirs.

If the contract is dissolved by the death of the independent contractor, the employer is bound to pay to his heirs the value of the work already performed, in proportion to the price agreed upon, and to make reimbursement for the expenses sustained in the execution of the work which remains to be completed; but, in both cases, only within the limits of the usefulness of the work to said employer.

The employer is entitled to demand the delivery of the materials and of the plans in process of execution, in return for an adequate indemnity, except as limited by the laws protecting inventions.

ARTICLE 1676 - Rights of the employees of an independent contractor with respect to the employer.

Those who, working under an independent contractor, have contributed with their activities in carrying out the work or in performing the service, have a direct cause of action against the employer for the purpose of obtaining what is due them, up to the limit of the indebtedness of the employer at the time of the filing of the petition.

ARTICLE 1677 - Continuous performance and performance in instalments.

If the subject of the services contemplated in the contract with the independent contractor is continuous or ininstalments, the provisions of this Chapter and those relative to the contract of purveyance of goods shall be observed when applicable.

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CHAPTER VIII

OF CARRIERS

SECTION I

GENERAL PROVISIONS

ARTICLE 1678 - Elements.

A contract of carriage is one by which the carrier binds himself, in consideration of a money equivalent, to transport persons or goods from one place to another.

ARTICLE 1679 - Lines of communication operated as a public service.

Those who operate through an administrative concession a line of communication for the transportation of persons or goods are bound to accept such demands for transportation as are compatible with the ordinary facilities of the enterprise, in accordance with the general conditions set forth or authorized in the document evidencing the concession and in the notice given to the public.

Transportation shall be made in accordance with the priority of the demands therefor; in case of several simultaneous demands, preference shall be given to the longer route.

If the general conditions provide for special concessions, the carrier is bound to apply such concessions, impartially, to all applicants.

Except for such special concessions as are granted in the general conditions, any derogation from such general conditions is null, and the provisions thereof are enforceable against any clause providing otherwise.

ARTICLE 1680 - Extent to which the rules may be applied.

The provisions of this Chapter are also applicable to transportation by air and water as well as to postal communication and communications by rail, insofar as such provisions are not affected by the code of navigation and by other special laws.

SECTION II

OF TRANSPORTATION OF PERSONS

ARTICLE 1681 - Liability of carriers.

In addition to the liability for delay and non-performance in providing

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transportation, the carrier is liable for injuries to the passengers during the voyage or for damages to the property which the passengers carry with them, unless the carrier proves to have taken all measures to avoid the damages.

Clauses limiting the liability of the carrier with respect to injury to passengers are null.

The provisions of this Article are observed also in contracts of gratuitous transportation.

ARTICLE 1682 - Liability of carrier in transportation involving connecting carriers.

In transportation involving connecting carriers, each carrier is liable for the transportation on its own route.

However, damages for delay or interruption of the voyage are computed for the entire route.

SECTION III

OF TRANSPORTATION OF GOODS

ARTICLE 1683 - Information and documents to be furnished to the carrier.

The shipper shall indicate to the carrier the exact name of the consignee, the place of destination, the nature, weight, quantity and number of the goods to be transported, and other essential information to effect transportation.

If any particular document is necessary to effect transportation, the shipper shall turn over such document to the carrier at the time of delivery of the goods to be transported.

Damages deriving from omission or inaccuracy of the information and damage caused by failure to deliver the documents, or irregularities therein, are chargeable to the shipper.

ARTICLE 1684 - Bill of lading and shipping receipts.

The shipper shall release, on request of the carrier, a bill of lading with his signature, containing the information set forth in the preceding Article and the conditions agreed upon for the transportation.

The carrier, on request of the shipper, shall release a duplicate of such bill of lading with his signature, or, if no bill of lading was re-

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leased, a shipping receipt containing the same information.

The duplicate of the bill of lading and of the shipping receipt may be released with the clause "to the order", unless otherwise provided by laws.

ARTICLE 1685 - Rights of shipper.

The shipper may suspend the transportation of the goods, demand the return of same, or order that delivery be made to a consignee other than the one who was indicated originally, and he may also otherwise dispose of the goods, but he is obliged to make reimbursement of the expenses and compensate for damages arising out of such countermand.

If the carrier releases to the shipper a duplicate of the bill of lading or a shipping receipt, the shipper may not dispose of the goods delivered for transportation, unless he produces such duplicate or receipt for the carrier to make the new notations. The latter shall be signed by the carrier.

The shipper may not dispose of the goods which have been transported after they have been placed at the disposal of the consignee.

ARTICLE 1686 - Obstacles and delays in effecting the transportation.

If obstacles exist in the departure of the goods or the continuance of the transportation, or if there is excessive delay for causes which cannot be charged to the carrier, the latter shall seek at once the instructions of the shipper, and shall take custody of the goods delivered.

If circumstances make such inquiry impossible or if the instructions cannot be followed out, the carrier may deposit the goods in accordance with Article 1514, or if the goods are subject to rapid deterioration, he may cause the sale thereof according to Article 1515. The carrier shall give prompt notice to the shipper of such deposit or sale.

The carrier is entitled to be reimbursed for expenses. If transportation has already started it is also entitled to payment of the price corresponding to the route covered, unless the interruption of the transportation is caused by the total loss of the goods due to accidental cause.

ARTICLE 1687 - Delivery of the goods.

The carrier shall place the transported goods at the disposal of the consignee, in the place, within the period, and with the formalities set forth in the contract, or in absence of such provisions, as determined by custom.

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If delivery is to be made in care of the consignee, the carrier shall give prompt notice of the arrival of the goods.

If the shipper released a bill of lading, the carrier must show it to the consignee.

ARTICLE 1688 - Time limit for the delivery of the goods.

When several partial time limits have been set for the delivery of the goods, the time limit is determined by the total of such partial time limits.

ARTICLE 1689 - Rights of consignee.

The rights deriving from the contract of carriage with respect to the carrier accrue to the consignee from the time when, after the goods have reached their destination or after the expiration of the period in which the goods were due to arrive, the consignee demands that said goods be returned to the carrier.

The consignee cannot exercise the rights deriving from the contract unless he satisfies the carrier for the claims resulting from transportation and pays the charges which attach to the goods transported.

In case of disagreement as to the amount due, the consignee shall deposit the contested difference in a credit institution.

ARTICLE 1690 - Impediments in delivery.

If the consignee cannot be found, or if he refuses or delays in demanding delivery of the goods transported, the carrier shall immediately request instructions from the shipper, and the provisions of Article 1686 are applicable.

If a disagreement arises between several consignees, or if the right of the consignee to have the goods delivered to him is disputed, or in case of disagreement as to whom delivery is to be made, or if the consignee delays accepting delivery of the goods transported, the carrier may deposit such goods in accordance with Article 1514; or, if the goods are susceptible to rapid deterioration, he may cause the sale thereof for the account of the interested party in accordance with Article 1515. The carrier shall give prompt notice to the shipper of the deposit or sale.

ARTICLE 1691 - Bill of lading to the order or shipping receipt to the order.

If the carrier remitted to the shipper a duplicate of the bill of lading "to the order" or a shipping receipt "to the order", the rights

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deriving from the contract of carriage with respect to the carrier are transferred through indorsement.

In this case the carrier is exempt from the duty of giving notice of the arrival of the goods transported, unless there be an indication of a person domiciled in the place of destination and such indication be contained in the duplicate of the bill of lading or in the shipping receipt.

The party in possession of the duplicate bill of lading "to the order" or of the shipping receipt "to the order" shall return the instrument to the carrier at the time of delivery of the goods transported.

ARTICLE 1692 - Liability of the carrier with respect to the shipper.

A carrier who makes delivery to the consignee without collecting its claim or the charges against the goods or without requiring that the controversial amount be deposited, is liable with respect to the shipper for the amount of said charges to the shipper, and may not demand satisfaction of his own claim from the shipper. The action against the consignee is unaffected.

ARTICLE 1693 - Liability for loss and damage.

The carrier is liable for loss or damage to the goods delivered for transportation, from the time when it receives said goods to the time when it makes delivery to the consignee, unless the carrier proves that such loss or damage was due to accidental causes, to the nature of or defects in the goods or their packing, or to other causes which may be charged to the shipper or to the consignee.

If the carrier accepts without reservation the goods to be transported, it is presumed that such goods do not contain any apparent defect in packing.

ARTICLE 1694 - Presumption of accident.

Clauses whereby a presumption of accidental causes is stipulated for events which, in view of the facilities and conditions of transportation are due to accidental causes, are valid.

ARTICLE 1695 - Natural shrinkage.

With regard to goods which by their particular nature are susceptible to shrinkage in weight or measurement during transportation, the carrier is only liable for such shrinkage as is beyond the natural rate of shrinkage, unless the shipper or the consignee proves that such shrinkage was not due to causes inherent in the goods, or that, in view of the circumstances, the shrinkage could not have reached the extent ascertained.

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Each item shall be taken seperately in accounting for the shrinkage.

ARTICLE 1696 - Computation of damages in case of loss or deterioration.

Damages deriving from loss or deterioration to the goods are computed on the basis of the current prices of the goods transported, in the place and at the time of delivery.

ARTICLE 1697 - Ascertainment of loss or deterioration.

The consignee has the right to ascertain, at his own expense, the identity and condition of the goods transported, before delivery.

If loss or deterioration exist, the carrier shall reimburse the consignee for the expenses incurred.

The loss or deterioration are ascertained in the manner set forth in Article 696 of the Code of Civil Procedure, unless the law provides otherwise.

ARTICLE 1698 - Extinguishment of cause of action against the carrier.

The acceptance of delivery of the goods transported by the consignee without reservation, together with the payment of what is due the carrier, extinguishes the causes of action arising from the contract, except in cases of fraud or grave negligence of the carrier.

Actions based on partial loss or non-apparent deterioration of the goods at the time of delivery are not affected, provided, in the latter case, that the damages be reported as soon as they are ascertained and not more than eight days after receiving delivery.

ARTICLE 1699 - Transportation with forwarding of the goods.

If the carrier binds itself to forward the goods transported beyond its own lines of communication by means of consecutive carriers, without requiring from the shipper a bill of lading for the place of destination, said carrier is presumed to have assumed the duties of a forwarding agent for such shipment beyond its own route.

ARTICLE 1700 - Connecting carriers.

If the carriage of goods is undertaken collectively under one contract by several consecutive carriers, the carriers are jointly and severally liable for the execution of the contract of transportation, from the original point of departure to the place of destination.

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A carrier who is charged with liability for acts not its own, may bring action for redress against the other carriers, either individually or collectively.

If it becomes manifest that the act which produces damage occurred on the line of one of the carriers, said carrier is liable for compensation for the entire damage; otherwise, all the carriers are liable for such compensation in shares proportionate to their own section of the route, except those carriers who prove that the damage did not occur on their own line.

ARTICLE 1701 - Ascertainment of condition of goods.

Consecutive carriers have the right to require a declaration, in the bill of lading or in a separate document, evidencing the condition of the goods at the time of delivery to such carriers. In absence of a declaration, the goods are presumed to have been received in good condition and in accordance with the bill of lading.

ARTICLE 1702 - Collection of claims by last carrier.

The last carrier represents the preceding carriers in the collection of claims arising from the contract of transportation and in the exercise of privileges attaching to the goods transported.

If the carrier fails to demand satisfaction of such claims or exercise such privileges, it is liable for the sums due the preceding carriers.

The action against the consignee is unaffected.

CHAPTER IX

OF MANDATE[1] (POWER OF ATTORNEY)

SECTION I

GENERAL PROVISIONS

ARTICLE 1703 - Elements.

A mandate is a contract by which one party binds himself to effect one or more legal transactions for another.

1/ For the difference between "Procura" and "Mandato", note the following (continued)

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ARTICLE 1704 - Mandate with agency.

If the attorney in fact or mandatary is given power to act in the name of the principal, the provisions of Chapter VI of the Second Title of this Book are also applicable.

ARTICLE 1705 - Mandate in the case of an undisclosed principal.

A mandatary acting in his own name acquires the rights and assumes the duties deriving from such acts with regard to third parties, even if the latter had knowledge of the mandate.

Third parties have no relationship to the principal. However, said principal may, by substituting himself for the mandatary, exercise the rights deriving from claims connected with the carrying out of the mandate, unless this is prejudicial to the rights pertaining to the mandatary in accordance with the following provisions.

ARTICLE 1706 - Purchases by the mandatary.

A principal may reclaim movable property acquired for his account by the mandatary who has made the transaction in his own name, except for the rights acquired by third parties as a result of bona fide possession.

If the property acquired by the mandatary is immovable property, or movable property which is recorded in public registers, the mandatary is bound to transfer such property to the principal. In case of non-performance, the provisions relative to the carrying out of the contract are observed.

ARTICLE 1707 - Creditors of mandatary.

The creditors of a mandatary may not enforce their rights on the property which the mandatary has acquired in his own name in execution of the mandate; provided that, in the case of claims or of movable property, such mandate be evidenced by a writing bearing a definite date prior to the attachment of the property, or, in the case of immovable property or movable

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translation from "Nuovo digesto Italiano" number 45, page 83: "The reason for dealing separately with "mandato" and "procura" is based on the difference between the two institutions; a "mandato" is a contract which may normally be revoked because it normally concerns the transacting of affairs of one of the parties only; the "procura" is a unilateral declaration of intention, directed to third parties, which springs from the intention of the party represented and which the third party must accept at its face value,...." (Professor Nattini)

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property recorded in public registers, the entry in the records of the document witnessing the transfer to the principal, or the judicial petition for the purpose of obtaining said transfer, be prior to such attachment.

ARTICLE 1708 - Scope of power of attorney or mandate.

A mandate covers not only the acts for which it was granted, but also those necessary to perform such acts.

A general mandate does not cover acts which exceed ordinary administration, unless such acts are expressly indicated.

ARTICLE 1709 - Presumption of consideration.

A mandate is presumed to be an onerous contract. If the parties have not established the measure of compensation, it is determined on the basis of trade rates or by custom; in the absence of either, it is determined by the judge.

SUB-SECTION I

OF THE OBLIGATIONS OF MANDATARIES

ARTICLE 1710 - Diligence required of mandatary.

A mandatary is bound to carry out the mandate with the diligence of a good pater familias; but if the mandate is a gratuitous one, the liability for negligence is applied with less strictness.

A mandatary is bound to give notice to the principal of any supervening circumstances which might cause the revocation or modification of the mandate.

ARTICLE 1711 - Limitations on the mandate.

A mandatary must act within the limits set in the mandate. Any act which exceeds such limits is chargeable to the mandatary, unless the principal ratifies it.

A mandatary may depart from his instructions whenever circumstances unknown to the principal, may reasonably create the assumption that the principal would have given his approval if there had been time to give notice prior to the departure.

ARTICLE 1712 - Notice of performance of mandate.

A mandatary shall give notice of the execution of the mandate without delay.

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Delay of the principal in acknowledging receipt of such notice for a time longer than required by the transaction or by custom, shall be interpreted as approval, even if the mandatary had departed from his instructions or had exceeded the limits of the mandate.

ARTICLE 1713 - Duty to render account.

A mandatary shall give an account of his activities to the principal and shall turn over to him all that which he received under the mandate.

A previous exemption from the duty of giving an account has no effect in cases where the mandatary must answer for fraud or gross negligence.

ARTICLE 1714 - Interest on sums collected.

A mandatary shall pay the principal the legal interest on the sums collected for the account of said principal, such interest to be computed from the day on which the mandatary should have turned over said sums to the principal or invested them in accordance with his instructions.

ARTICLE 1715 - Liability for obligations of third parties.

Unless otherwise agreed upon, a mandatary who is acting in his own name is not answerable to the principal for the performance of obligations assumed by the persons with whom he has contracted, unless the insolvency of such persons was known to said mandatary or if it should have been known to him at the time when the contract was made.

ARTICLE 1716 - Several mandataries.

A mandate directed to several persons who are supposed to act jointly has no effect unless it is accepted by all such persons, except for agreements to the contrary.

If the mandate does not contain a declaration that all the mandataries must act jointly, each one may carry out the transaction. In this case, the principal, as soon as he is notified of the close of such transaction, shall give notice thereof to the other mandataries; otherwise he is liable for damages deriving from the omission or delay.

If several mandataries have in any way acted jointly, they are jointly and severally liable to the principal.

ARTICLE 1717 - Substitute for mandatary.

A mandatary who, in the performance of the mandate, substitutes others for himself without authorization or when not necessary to the nature of the

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task to be performed, is liable for the activities of such substitute.

If the principal had authorized the substitution without specifying the person, the liability of the mandatary is limited to his negligence in selecting the substitute.

The mandatary is liable for his instructions to the substitute.

The principal may exercise his right of action directly against the substitute for the mandatary.

ARTICLE 1718 - Custody of the property and protection of the rights of the principal.

A mandatary shall provide for the custody of the property forwarded to him for the account of the principal, and shall protect the rights of the latter against the carrier if the property shows signs of deterioration or if it suffers delay in arrival.

In urgent cases, the mandatary may proceed with the sale of the property in accordance with Article 1515. In this case, as in the case of delay in arrival of the goods, the mandatary shall give prompt notice to the principal.

The provisions of this Article are also applicable if the mandatary does not accept the undertaking proposed by the principal, provided such undertaking comes within the trade or performance activities of the mandatary.

SUB-SECTION II

OF THE OBLIGATIONS OF THE PRINCIPAL

ARTICLE 1719 - Means necessary for executing the mandate.

Unless otherwise agreed upon, a principal is bound to furnish the mandatary with the means necessary to carry out the mandate and to perform the obligations which the mandatary has contracted for in his own name pursuant to such mandate.

ARTICLE 1720 - Expenses and remuneration of mandatary.

A principal shall reimburse the mandatary for sums advanced by the latter together with the legal interest computed from the day on which such advances were made, and he shall pay the mandatary the remuneration to which he is entitled.

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The principal shall, moreover, compensate the mandatary for damages incurred by him in pursuance of his undertaking.

ARTICLE 1721 - Right of mandatary to satisfy his claims.

A mandatary has the right to satisfy his own money claims deriving from the transactions made by him, taking precedence over the principal and the creditors of the principal.

SUB-SECTION III

OF EXTINGUISHMENT OF MANDATE

ARTICLE 1722 - Causes for extinguishment.

A mandate is extinguished:

1. By the expiration of the time limit or by performance of the transaction by the mandatary under the terms of the mandate.
2. By revocation by the principal.
3. By renunciation by the mandatary.
4. By the death, interdiction or declared incapacity of the principal or of the mandatary. However, a mandate concerning transactions connected with the exercise of a business concern is not extinguished, if the activities thereof continue. The right of the parties or of the heirs to withdraw remains unaffected.

ARTICLE 1723 - Revocability of mandate.

A principal may revoke the mandate; but if irrevocability of the mandate was agreed upon, he is liable for damages except for the existence of justifiable reasons.

A mandate which is granted also in the interest of the mandatary or of third parties is not extinguished by revocation by the principal, unless it is otherwise agreed upon or unless there is justifiable reason for such revocation; it is not extinguished by the death or supervening incapacity of the principal.

ARTICLE 1724 - Tacit revocation.

Appointment of a new mandatary for the same transaction, or for performance of the same transaction, by the principal, implies a revocation of the mandate and produces effect from the day on which the mandatary received notice thereof.

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ARTICLE 1725 - Revocation of non-gratuitous mandate.

A revocation of a non-gratuitous mandate given for a specified period of time or for a specified transaction binds the principal to compensation for damages if such revocation is made before the expiration of the time limit or before the close of the transaction, unless there are justifiable reasons for the revocation.

If the duration of the mandate is not determined, the revocation binds the principal to the payment of compensation for damages if no adequate advance notice is given, unless there are justifiable reasons for the revocation.

ARTICLE 1726 - Revocation of mandate given by several principals.

If the mandate was given by several persons through one instrument and for a transaction affecting interests in common, the revocation has no effect unless it is made by all the principals, unless there are justifiable reasons for such revocation.

ARTICLE 1727 - Renunciation by the mandatary.

A mandatary who, without justifiable reason, renounces the mandate is obliged to compensate the principal for damages. If the duration of the mandate is for an undetermined period a mandatary who renounces the mandate without justifiable reason is bound to give compensation for damages, unless he gives adequate advance notice.

In all cases the renunciation must be made in such manner and at such time as will allow the principal to make other arrangements, except in case of grave impediment on the part of the mandatary.

ARTICLE 1728 - Death or incapacity of the principal or of the mandatary.

When a mandate is extinguished by the death or supervening incapacity of the principal, a mandatary who has commenced the execution of the mandate must proceed with it, if there is danger in a delay.

When the mandate is extinguished by the death or supervening incapacity of the mandatary, his heirs or the person who represents or assists such mandatary, if they have knowledge of the mandate, shall give prompt notice to the principal, and take, meanwhile, all the measures which circumstances may require in his interest.

ARTICLE 1729 - Causes for extinguishment unknown to mandatary.

All acts performed by the mandatary before being apprised of the extinguishment of the mandate are valid with respect to the principal and his heirs.

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ARTICLE 1730 - Extinguishment of mandate given to several mandataries.

A mandate given to several persons who are to act jointly is extinguished even if the cause for the extinguishment concerns only one of the mandataries, unless otherwise agreed upon.

SECTION II

OF COMMISSION AGENCY

ARTICLE 1731 - Elements.

A contract of commission agency is a mandate concerning the purchase or sale of goods to the account of the principal and in the name of the agent.

ARTICLE 1732 - Credit transactions.

A commission agent is presumed to be authorized to allow delays in payment, in accordance with the trade custom of the place where the business is carried on, in the absence of instructions to the contrary from his principal.

If the agent, disregarding the instructions of the principal or the trade custom of the place, allows delay in payment, the principal may demand immediate payment of the price from the agent, but the agent may claim any advantage deriving from the granting of the delay in payment.

The agent who has granted a delay in payment must indicate to the principal the party with whom he contracted and the extent of the delay granted; otherwise, the transaction is considered as having been carried out without delay and the provisions of the preceding paragraph are applicable.

ARTICLE 1733 - Amount of commission.

The amount of commission to which the agent is entitled is determined by the trade custom of the place where the transaction is carried out, if it is not established by the parties.

In the absence of a trade custom, it is determined by the judge according to equitable standards.

ARTICLE 1734 - Revocation of commission.

A principal may revoke his order to carry out a transaction until the commission agent has closed such transaction. In the case of such revoca-

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tion, the agent is entitled to part of the commission, which is determined on the basis of the sums expended and of the work contributed.

ARTICLE 1735 - Transactions executed by the agent as vendor or purchaser.

Unless the principal orders otherwise, under a commission to buy or sell securities, currency or merchandise having a current or market price which may be determined in accordance with Article 1515, a commission agent may furnish, at such price, goods which he is commissioned to purchase, or he may acquire on his own account, goods which he was commissioned to sell.

In both cases his right to the commission is unaffected.

Even when the principal has fixed a price, an agent who is executing the purchase in his own name is not entitled to charge his principal a price lower than the price current on the day on which the transaction is carried out, if the current price is higher than the price set by the principal. A commission agent who supplies the goods which is is commissioned to purchase, may not charge his principal a price higher than the current or market price, if such price is lower than the price set by the principal.

ARTICLE 1736 - Del credere allowance.

A commission agent who either by agreement or by reason of local trade custom is operating under a "del credere" commission, is liable to his principal for the performance of the transaction.

He is entitled in such a case to an additional commission or compensation, which, in the absence of agreement, is determined in accordance with the local custom of the place where the business is carried out. In the absence of such a custom, the amount shall be determined by the judge, according to equitable standards.

SECTION III

OF FORWARDING AGENCY

ARTICLE 1737 - Elements.

A contract of forwarding agency is a mandate by which a forwarding agent undertakes the duty to enter, in his own name and to the account of the principal, a contract of carriage and to perform all accessory operations.

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ARTICLE 1738 - Revocation.

The principal may revoke his order for forwarding until the time when the forwarding agent contracts with the carrier for the carriage of the goods.

In such a case the principal shall reimburse the agent for the expenses sustained by him, and give him a fair compensation for his services.

ARTICLE 1739 - Duties of forwarding agent.

A forwarding agent must follow the instructions of his principal with regard to the choice of the route and the mode and the formalities of transportation of the goods, and, in the absence of instructions, he is bound to proceed in the manner most conducive to the principal's best interest.

A forwarding agent is not bound to insure the goods forwarded unless the principal orders it, except for trade custom providing otherwise.

Premiums, rebates and cut-rates shall be credited to the principal in the same measure in which they are received by the forwarding agent.

ARTICLE 1740 - Rights of forwarding agent.

The amount of compensation due the forwarding agent for the execution of the order is determined, in the absence of agreement, on the basis of the trade rates, or, in absence thereof, by the custom of the place where the forwarding is undertaken.

Advances and compensation for accessory services performed by the agent are settled on the basis of the documents evidencing such services, unless an inclusive amount was agreed upon previously for such reimbursements and compensation.

ARTICLE 1741 - Forwarding agent who is a carrier.

A forwarding agent who undertakes, wholly or in part, the carriage of the goods, with his own or other parties' means, has the duties and rights of a carrier.

CHAPTER X

OF BRANCH AGENCY

ARTICLE 1742 - Elements.

A contract of branch agency is one by which one party undertakes, for

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a compensation, permanently to promote the making of contracts within a specified territory.

ARTICLE 1743 - Exclusive rights.

A principal may not employ, simultaneously, several branch agents in the same territory and in the same line of business. A branch agent may not undertake to transact the business of competitive concerns in the same territory and in the same line of business.

ARTICLE 1744 - Collection of claims.

A branch agent may not collect the claims of the principal. If such agent is granted this power, he may not grant reductions or delay without special authorization.

ARTICLE 1745 - Representation by branch agent.

All declarations concerning the execution of the contract entered into through the branch agent, and all complaints of non-performance of such contract, may validly be made to the branch agent.

The agent may demand protective measures in the interest of the principal and submit any claim necessary to preserve the rights of the principal.

ARTICLE 1746 - Duties of branch agent.

A branch agent shall fulfill the mission with which he is entrusted in accordance with his instructions and shall furnish his principal with all information concerning market conditions in his territory, as well as any other information which may be useful in appraising the advantages of the individual transactions.

He shall likewise conform with the duties inherent in commission agents, insofar as such duties are not excluded by the nature of the agency contract.

ARTICLE 1747 - Impediments of branch agent.

A branch agent who is not in a position to carry out his undertaking shall give immediate notice thereof to his principal. If he fails to give such notice he is liable for damages.

ARTICLE 1748 - Rights of branch agent.

A branch agent is entitled to receive a commission only for the transactions which have been carried out in the regular course of business. If the transaction is only partially executed, the agent is only entitled

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to a commission proportionate to that part which was carried out.

A commission is due the agent also for the transactions which have been concluded by the principal directly in the territory reserved to said branch agent, except for agreements to the contrary.

A branch agent is not entitled to reimbursement for expenses connected with the branch agency.

ARTICLE 1749 - Unexecuted contracts due to actions of the principal.

A branch agent is entitled to receive a commission for those transactions which have not been executed for causes chargeable to the principal.

If the principal and the third party join for the purpose of preventing, wholly or in part, the execution of such contract, the agent is entitled to a commission for that part of the transaction which was unfulfilled, such commission being reduced in an amount which is determined by corporative rules, trade custom or, in absence of both, by the judge according to equitable standards.

ARTICLE 1750 - Withdrawal from the contract.

If the contract of agency is not determined as to its duration, each party may withdraw from the contract by giving such advance notice to the other party as may be provided for by corporative rules or trade custom. In the place of advance notice, payment of an adequate indemnity may be substituted.

ARTICLE 1751 - Indemnity in case of dissolution of the contract.

If a contract which is not determined as to its duration, is dissolved for causes which cannot be charged to the agent, the principal is bound to pay him an indemnity proportionate to the total amount of commissions settled for with such agent for the duration of the contract and in an amount set by corporative rules, custom, or, in absence of both, by the judge according to equitable standards.

The sums which the agent is entitled to receive as a result of acts inspired by the foresight of the principal and voluntarily performed by said principal, must be deducted from the aforementioned indemnity.

The indemnity is due even if the relationship of principal and branch agent is dissolved for permanent and total infirmity of the agent.

In case of death of the branch agent the indemnity is payable to his heirs.

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ARTICLE 1752 - Agent with power to represent principal in the conclusion of contracts.

The provisions of this Chapter are also applicable in cases where the agent was granted by the principal the power to represent him in the making of contracts.

ARTICLE 1753 - Insurance agents.

The provisions of this Chapter are also applicable to insurance agents, insofar as corporative rules or trade custom do not provide otherwise and insofar as they are compatible with the field of insurance business concerned.

CHAPTER XI

OF MEDIATING AGENCY

ARTICLE 1754 - Intermediaries.

A person who undertakes to establish contact between two or more parties for the purpose of concluding a transaction without being connected with either of such parties by mutual bonds of collaboration, dependency, or representation, is an intermediary.

ARTICLE 1755 - Commission.

An intermediary is entitled to a commission from each of the parties if the transaction is concluded through his mediation.

The amount of such commission, and the proportion in which it is chargeable to each of the parties, is determined by the judge in accordance with equitable standards unless there are pertinent agreements, trade rates or custom.

ARTICLE 1756 - Reimbursement of expenses.

Unless agreement or trade custom provides otherwise, an intermediary is entitled to be reimbursed for his expenses by the person who requested his services, even if the transaction is not concluded.

ARTICLE 1757 - Commission due in case of void or conditional contracts.

If a contract is subject to a suspensive condition, the intermediary is entitled to his commission at the time when such condition is fulfilled.

The provisions of the preceding paragraph are also applicable when

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the contract is voidable, or if it may be rescinded, provided the intermediary was not cognizant of the causes for invalidity of the contract.

ARTICLE 1758 - Mediation by several intermediaries.

If a transaction is concluded with the mediation of several intermediaries, each intermediary is entitled to receive a share of the commission.

ARTICLE 1759 - Liability of intermediary.

An intermediary must give to the parties all data known to him relative to the appraisal and soundness of the transaction which may have a bearing on the conclusion of such transaction.

An intermediary is liable for the authenticity of the signature to the documents and for the last indorsement on the securities forwarded through his mediation.

ARTICLE 1760 - Duties of commercial broker.

The duties of a commercial broker of merchandise or securities are as follows:

1. In all cases where goods are sold by sample, to keep the sample as long as there is a possibility of a controversy regarding the identity of the goods.

2. To give the buyer a signed statement describing the securities which have been traded, indicating their serials and their numbers.

3. To post in a special book extracts of the essentials of the transaction negotiated, and to furnish to the parties a signed copy of any of said extracts.

ARTICLE 1761 - Intermediary representing one of the parties.

One of the parties may authorize the intermediary to act as his representative with regard to the proceedings connected with the execution of the contract concluded through said intermediary.

ARTICLE 1762 - Undisclosed contracting party.

An intermediary who fails to reveal to one contracting party the name of the other contracting party is responsible for the execution of the contract, and, after performance of said contract, he is subrogated

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to the rights of the disclosed contracting party with respect to the contracting party whose identity has not been disclosed.

If, after the conclusion of the contract, the undisclosed contracting party reveals himself to the other or is named by the intermediary, each contracting party may take direct action against the other, but the liability of the intermediary remains unaffected.

ARTICLE 1763 - Intermediary acting as surety.

An intermediary may act as surety for one of the parties.

ARTICLE 1764 - Penalties.

An intermediary who fails to comply with his duties as set forth in Article 1760, is punishable by fine of from 50 to 5,000 lires.

In the more aggravated cases such penalty may be accompanied by suspension from exercising his trade for a period up to six months.

An intermediary who exercises his activities on behalf of a person who is known to be insolvent or whose state of incapacity he is aware, is subject to the same penalties.

ARTICLE 1765 - Special laws.

The provisions contained in special laws are unaffected.

CHAPTER XII

OF DEPOSIT OR BAILMENT OF CUSTODY.

SECTION I

GENERAL PROVISIONS

ARTICLE 1766 - Elements.

Deposit is a contract by which one of the parties receives from the other movable property under a duty to preserve it and restore it in kind.

ARTICLE 1767 - Contract presumed to be gratuitous.

A deposit is presumed to be gratuitous unless the business activities of the depositary or other circumstances imply a different intention of the parties.

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ARTICLE 1768 - Degree of care.

A depositary is bound to exercise the care of a good pater families in the custody of the deposit.

If the deposit is gratuitous, the liability for negligence of the depositary is less strictly enforced.

ARTICLE 1769 - Liability of depositary suffering under incapacity.

A depositary who is suffering under incapacity is liable for the preservation of the property in his care within the limits in which he is answerable for wrongful acts.

In all cases, the depositor is entitled to be restored to possession of his property as long as said property remains in the hands of the depositary; otherwise, the depositor may claim reimbursement for that part which has redounded to the benefit of the depositary.

ARTICLE 1770 - Manner in which custody may be exercised.

A depositary may not make use of the property deposited in his care, or transfer the deposit to others, without the consent of the depositor.

A depositary may exercise the custody of the property in a manner different from the one agreed upon, if urgent circumstances require it, but shall give notice thereof to the depositor as soon as possible.

ARTICLE 1771 - Restoration on demand and duty to reclaim the property deposited.

A depositary shall restore the property upon request of the depositor to return the property, unless a term for the benefit of the depositary was agreed upon.

A depositary may at any time request the depositor to take back the property, unless a term for the benefit of the depositor was agreed upon. Even if no term was agreed upon, the judge may grant the depositor an adequate term in which to reclaim the property.

ARTICLE 1772 - Several persons acting as depositors or depositaries.

When several persons have received the same property in deposit and do not agree with regard to restoration thereof, such restoration shall take place as provided by the judicial authority.

The same rule is applicable when one depositor has left several heirs, if the property is not divisible.

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If there are several depositaries, a depositor may demand restitution from the particular depositary who retains the property. The latter shall give prompt notice to the other depositaries.

ARTICLE 1773 - Third party with an interest in the deposit.

If the property was deposited also in the interest of a third party who has given notice to the depositary of his concurrence in the deposit, the depositary is not released by restoring the property to the depositor without the consent of said third party.

ARTICLE 1774 - Place of restoration and expenses relative thereto.

Unless otherwise agreed upon, the restoration of the property shall be made in the same place in which the property was to be kept in custody.

The expenses relative to restoration are chargeable to the depositor.

ARTICLE 1775 - Restoration of proceeds.

If the property deposited has produced an income which has been collected by the depositary, he is obliged to return such income.

ARTICLE 1776 - Duties pertaining to the heir of a depositary.

The heir of a depositary who has, in good faith, alienated property which was kept in deposit without his knowledge, is only bound to restore the price received in payment for such property. If said price has not yet been paid, the depositor is subrogated to the rights of the seller.

ARTICLE 1777 - Person to whom property must be restored.

A depositary shall restore the property to the depositor or to the person who was designated to receive the property, and may not compel the depositor to prove ownership of the property deposited.

If a depositary is made the defendant in an action for recovery of property by a person claiming ownership of the property or rights therein, such depositary, under penalty of liability for damages, shall bring such litigation to the knowledge of the depositor, and the depositary may be eliminated from the suit by indicating the identity of the depositor. In this case, the depositary may even exonerate himself from the duty to restore the property by depositing it at the expense of the depositor in the manner provided for by the judge.

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ARTICLE 1778 - Deposit of stolen property.

If a depositary discovers that the property has been stolen, and knows the person from whom it was stolen, he must give notice to such person of the deposit.

Unless objection to restoration of the property is made to the depositary, he is released if he returns the property to the depositor after ten days from such notice.

ARTICLE 1779 - Depositary proving himself owner.

A depositary is released from any obligation if he proves that he is the owner of the property and that the depositor has no right therein.

ARTICLE 1780 - Loss of possession of property for causes not chargeable to depositary.

If the depositary loses possession of the property deposited, for causes beyond his control, he is released from his obligation to restore the property, but he shall give immediate notice of the facts causing such loss, under penalty of liability for damages.

The depositor is entitled to receive what the depositary has collected in consequence of the above-mentioned fact, and assumes the rights pertaining to the depositary.

ARTICLE 1781 - Rights of depositary.

A depositor is bound to reimburse the depositary for the expenses incurred for the preservation of the property, to indemnify him for losses caused by the deposit, and to pay him the compensation agreed upon.

ARTICLE 1782 - Irregular deposit.

If the deposit concerns a sum of money or other fungible goods and the depositary is authorized to make use of it, the latter acquires ownership thereof and is bound to restore an equal number of things of the same kind and quality.

In this case, the laws relative to loans are pertinent, insofar as they are applicable.

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SECTION II

OF DEPOSITS IN HOTELS

ARTICLE 1783 - Liability for property delivered to innkeepers or hotel-keepers.

Innkeepers are responsible as depositaries for the effects entrusted by the guests to their care.

ARTICLE 1784 - Liability for property which is brought into a hotel.

An innkeeper is liable, up to a maximum of 5,000 lires, for the theft, loss of or damage to property which is brought into the hotel by the guests and which is not delivered to the innkeeper.

There are no limits on the liability of innkeepers in the following cases:

1. If the damage was caused by gross negligence of the innkeeper, members of his family or his employees.
2. If he refused, without justifiable reason, to take in custody the property of the guest. The excessive value of the goods as compared with the value of the hotel and the cumbersome nature of such goods with regard to the available space of the premises, are considered justifiable reasons for such refusal.

In all cases an innkeeper is exempted from liability if he proves that the theft, loss or damage was due to gross negligence of the guest, his dependents, or persons who visited or accompanied such guest, or if the loss or damage was attributable to the nature of or to defects in the property, or else is due to unavoidable causes.

Any agreement tending to exclude or diminish the liability contemplated in the preceding paragraph is null.

ARTICLE 1785 - Duty to report damage.

Except for the case set forth in number 1 of the second paragraph of the preceding Article, the innkeeper is not liable if the guest fails to report to him the damage he has suffered as soon as he has knowledge thereof.

ARTICLE 1786 - Establishments and places classified with hotels.

The provisions of this section are also applicable to those persons who manage sanitariums, places of public entertainment, Spas, pensions, restaurants, sleeping cars, and similar establishments.

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SECTION III

DEPOSIT IN GENERAL WAREHOUSES

ARTICLE 1787 - Liability of warehousemen.

Warehousemen are liable for the preservation of the goods deposited, unless it is proved that the loss, shrinkage, or damage to the goods was due to unavoidable causes, to the nature of such goods, or to defects in the goods or packing thereof.

ARTICLE 1788 - Rights of depositor.

A depositor is entitled to inspect the goods and withdraw the customary samples.

ARTICLE 1789 - Sale of goods deposited.

Warehousemen, giving previous notice to the depositor, may proceed with the sale of the goods deposited if, at the termination of the contract of warehousing, the goods are not taken back or the contract is not renewed. In the case of warehousing contracts of unspecified duration, they may likewise proceed with the sale after one year from the date of the deposit, and also in all cases when goods are in danger of loss. The formalities set forth by Article 1515 are observed for such sales.

The proceeds of the sale, after deducting the expenses and any other sums due to the warehouseman, shall be kept at the disposal of the persons entitled to such proceeds.

ARTICLE 1790 - Warehouse receipt or weight note.

Warehousemen shall deliver, upon request of a depositor, a warehouse receipt for the goods deposited.

The warehouse receipt shall contain:

1. The given name and surname of the firm and the location or domicile of the depositor.
2. The place where deposit is made.
3. The nature and quantity of the goods deposited and other information for the purpose of identification.
4. Whether or not custom duties have been paid on the merchandise, and whether it was insured.

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ARTICLE 1791 - Pledge certificate (warehouse warrant)

To each receipt for goods shall be annexed the pledge certificate, containing the same particulars mentioned in the preceding Article.

The warehouse receipt and the pledge certificate shall both be detached from the same registered ledger or stub-book, which is to be kept in the warehouse premises.

ARTICLE 1792 - Name in which documents are issued and transfer of documents.

The warehouse receipt and the pledge certificate may be issued in the name of the depositor or of a third party indicated by such depositor and may be transferred by indorsement, together or separately.

ARTICLE 1793 - Rights of the holder.

The holder of a warehouse receipt together with the pledge certificate is entitled to the delivery of the goods deposited; he is also entitled to request that the goods deposited be divided at his expense into various lots, and that for each lot a corresponding warehouse receipt and pledge certificate be delivered to him in exchange for the entire and sole receipt and certificate.

The holder of the pledge certificate has only rights of pledge upon the goods deposited.

The holder of the warehouse warrant only, is not entitled to receive delivery of the goods deposited, unless he fulfills the conditions set forth in Article 1795; he may avail himself of the right set forth in Article 1788.

ARTICLE 1794 - First indorsement of pledge certificate.

The first indorsement of a pledge certificate(without warehouse receipt) shall state the full amount of the claim, the interest and the date of maturity. Such indorsement, together with the prescribed indications, shall be noted on the warehouse receipt and signed by the indorsee.

An indorsement of the pledge certificate which does not indicate the amount of the claim binds the warehouse for the entire value of the goods deposited to the benefit of a holder in good faith.

However, there remains unaffected the right of the person whose name appears on the warehouse receipt or of the third party holder of such receipt who has paid a sum not due, to bring an action for the excess against the immediate transferor or the holder in bad faith of the pledge certificate.

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ARTICLE 1795 - Rights of holder of warehouse receipt only.

The holder of a mere warehouse receipt (without pledge certificate) may withdraw the goods deposited, even before the maturity of a debt for which the goods constitute security, by depositing with the general warehouse the amount due the creditor at the time of maturity.

At the risk of the general warehouse, the holder who holds the warehouse receipt only, may, in the case of fungible goods, withdraw part of said goods by depositing with the general warehouse an amount proportionate to the sum of the debts which the pledge certificate secures and proportionate to the quantity of the goods withdrawn.

ARTICLE 1796 - Rights of holder of pledge certificate unpaid at maturity.

A holder of the pledge certificate who is not paid at maturity and who has protested the default in accordance with the laws relative to bills of exchange may request the sale of the goods deposited in accordance with Article 1515, eight days from the date of maturity.

An indorser who voluntarily has paid the holder of the pledge certificate, is subrogated to the latter in his rights and may proceed with the sale of the goods deposited eight days from the date of maturity.

ARTICLE 1797 - Action against indorsers.

A holder of the pledge certificate may not exercise his right of action against the indorsers thereof until he has proceeded with the sale of the goods which have been pledged.

The time limit for instituting actions for redress against indorsers is that set forth by the laws relative to bills of exchange and is computed from the day on which the sale of the goods has taken place.

The holder of the pledge certificate loses his right of action for redress against indorsers if he fails to protest for non-payment or if, within fifteen days from such protest, he fails to petition for the sale of the goods deposited.

However, the holder of the pledge certificate maintains his right of action against the indorsers of the warehouse receipt and against the debtor. This action is barred after three years.

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CHAPTER XIII

OF VOLUNTARY OR CONVENTIONAL SEQUESTRATION (CONTRACTUAL)

ARTICLE 1798 - Elements.

Voluntary or conventional sequestration is a contract by which two or more persons, engaged in litigation over certain property, entrust it to a third party with the duty to take such property into custody and restore it to the party to whom it may have been adjudged to belong upon determination of the issue.

ARTICLE 1799 - Duties, rights and powers of sequestrators.

The duties, rights and powers of a sequestrator are determined by the contract of sequestration; in absence thereof, the following provisions are applicable.

ARTICLE 1800 - Preservation and alienation of property sequestrated.

A sequestrator is subject to the laws governing deposit for the custody of the property delivered to him.

If there is immediate danger of loss, or damage to, the movable property delivered, a sequestrator may alienate it and give prompt notice thereof to the interested parties.

A sequestrator has likewise the duty to administer said property when administration is required by the nature of the property. In this case the laws governing mandates are applied.

A sequestrator may not enter into leases for a duration longer then that provided for leases of undetermined duration.

ARTICLE 1801 - Release of sequestrator.

A sequestrator, before determination of the litigation, may be released from the trust only by agreement of the parties, or for justifiable reasons.

ARTICLE 1802 - Compensation and reimbursement of expenses to sequestrator.

A sequestrator is entitled to receive compensation unless agreements provide otherwise.

He is likewise entitled to be reimbursed for expenses and for any other outlay in connection with the preservation and administration of the property.

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CHAPTER XIV

OF COMMODATUM OR LOAN FOR USE

ARTICLE 1803 - Elements.

Commodatum is a contract by which one party delivers a movable or an immovable to another to use for a specified length of time or for a specified purpose, under the obligation to restore the property received.

Commodatum is essentially gratuitous.

ARTICLE 1804 - Obligations of borrower for use.

The borrower is bound to keep and preserve the property lent with the diligence of a pater familias. He may only use such property for the purpose specified in the contract or implied by the nature of the property.

The borrower may not grant the enjoyment of the property to a third party without the consent of the lender.

If the borrower fails to comply with the above-mentioned duties, the lender may demand immediate restitution of the property lent, in addition to compensation for damages.

ARTICLE 1805 - Loss of property.

The borrower is liable for the loss of the property through accident if such loss could have been prevented by the borrower substituting his property for the property lent, or if, having been in a position to save one of the properties, he preferred to save his own.

A borrower making use of the property in a manner different from the manner agreed upon, or for a longer time than the time agreed upon, is liable for the loss of the property due even to causes beyond his control, unless he proves that said property would have been lost even if he had not made such use or if he had restored it when it was due.

ARTICLE 1806 - Appraisal.

If the property was appraised when the contract was made, the borrower is accountable for the loss thereof even if such loss is due to causes beyond his control.

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ARTICLE 1807 - Natural wear and tear.

If the property deteriorates only by the effect of the use for which it was borrowed and without negligence on the part of the borrower, the latter is not answerable for its loss.

ARTICLE 1808 - Expenses in connection with the use of the property.

The borrower is not entitled to reimbursement for expenses sustained in the use of the property.

The borrower is, however, entitled to the reimbursement for the extraordinary expenses sustained in the preservation of the property, if such expenses were urgent and necessary.

ARTICLE 1809 - Restoration.

The borrower is bound to return the property after the expiration of the time agreed upon, or in absence thereof, after having made use of such property in accordance with the contract.

However, if during the interval agreed upon, or before the borrower has finished with the property, the lender is in an urgent and unforeseen need thereof, the lender may compel the borrower to return it to him at once.

ARTICLE 1810 - Commodatum undetermined as to its duration.

If the duration of the loan for use was not agreed upon and it cannot be implied by the intended use for which the property was lent, the borrower is bound to return the property upon request of the lender.

ARTICLE 1811 - Death of borrower.

In case of death of the borrower, the lender may demand immediate restitution of the property from the heirs, even if a period for the loan had been agreed upon.

ARTICLE 1812 - Injury to borrower caused by defects in the property.

If defects in the thing which was lent are such as to cause injury to the user thereof, a lender who, while aware of such defects, has not given notice thereof to the borrower, is liable for damages.

CHAPTER XV.

OF MUTUUM OR LOAN FOR CONSUMPTION

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ARTICLE 1813 - Elements.

Mutuum is a contract by which one party delivers to another a certain amount of money or other fungible thing, under the obligation of the borrower to return to him an equal quantity of other goods of the same kind and quality.

ARTICLE 1814 - Transfer of ownership.

In loans for consumption, the property lent becomes the property of the borrower.

ARTICLE 1815 - Interest.

The borrower is bound to pay interest to the lender, unless it is otherwise agreed upon by the parties. The provisions of Article 1284 are observed in the computation of such interest.

If usurious interest is agreed upon, such agreement is null and only the legal interest shall be due.

ARTICLE 1816 - Stipulated time of repayment.

The time for repayment is presumed to have been stipulated for the benefit of both parties, but if the loan is gratuitous, it is considered to be for the benefit of the borrower.

ARTICLE 1817 - Time for repayment set by the judge.

If no time was stipulated for repayment, said time is set by the judge, who shall take the circumstances of the case into account.

If it was stipulated that the borrower should pay only when able, the time for payment is likewise set by the judge.

ARTICLE 1818 - Impossibility or serious difficulties in the making of repayment.

If things other than money have been lent and the repayment thereof has become impossible or of considerable difficulty for causes beyond the control of the borrower, the latter is only bound to pay the value of such things, taking into account the time and the place where repayment was to have been made.

ARTICLE 1819 - Repayment in instalments.

If the repayment of the property lent was stipulated to be made in

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instalments, and the borrower is in default of the payment of even one instalment, the lender may, according to circumstances, demand that the entire amount be returned to him at once.

ARTICLE 1820 - Failure to pay interest.

If the borrower fails in his duty to pay interest, the lender may demand cancellation of the contract.

ARTICLE 1821 - Injury caused to borrower by defects in the property.

The lender is liable for damages caused to the borrower by defects in the things lent, unless he proves to have been ignorant of such defects without fault.

If the loan is gratuitous the lender is liable only if, having been aware of the defects, he failed to give notice thereof to the borrower.

ARTICLE 1822 - Promise agreement to make loan.

Whoever agrees to make a loan may refuse to perform his obligation if the financial condition of the contemplated borrower has become such as to make repayment considerably difficult and no adequate security is offered to secure the loan.

CHAPTER XVI

OF OPEN OR CURRENT ACCOUNTS

ARTICLE 1823 - Elements.

A contract of open or current account is one by which the parties bind themselves to enter in one account the credits arising from reciprocal remittances with the understanding that such credits may not be disposed of or collected until the closing of such account.

The balance of the account is collectable at the expiration date agreed upon.

If the payment of the balance is not demanded, the balance is considered to constitute the first entry in a new account and the contract, undetermined as to its duration, is understood to have been renewed.

ARTICLE 1824 - Claims excluded from open accounts.

Claims which may not be compensated for are excluded from open accounts.

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When the parties to the contract are business men at the head of an undertaking, the claims which are outside the scope of their respective lines of business are barred from open accounts.

ARTICLE 1825 - Interest.

The rate of interest due with each remittance is set by the contract or by custom, and in absence of either the legal rate of interest is applied.

ARTICLE 1826 - Expenses and rights attached to commission agency.

The existence of an open or current account does not exclude rights which may arise in connection with a commission agency and the reimbursement of expenses incurred for the transactions from which the remittances result. Such claims are included in the account, unless otherwise agreed upon.

ARTICLE 1827 - Effects of entry.

The entry of a credit in an open account does not exclude the exercise of a right of action or defenses relative to the act giving rise to the credit.

If said act is declared null, is annulled, rescinded, or cancelled, the corresponding entry is stricken from the account.

ARTICLE 1828 - Effectiveness of security attached to credits entered in accounts.

If a credit entered in the account is secured by real or personal security, the accounting party has the right to use such security to obtain the balance existing in his favor at the closing of the account and up to the limit of the secured credit.

The same provision is applicable if the credit is guaranteed by another person who is jointly and severally liable.

ARTICLE 1829 - Credit extended to third parties.

The entry in an account of a credit extended to a third party is presumed to have been made with the clause "subject to collection in full", unless the parties intended otherwise. In the former case, if the credit is not satisfied, the accounting party concerned has the choice of suing for payment or striking the entry out of the account, reinstating the party who made remittance therefor. Such entry may be stricken out of the account even after an unsuccessful suit against the debtor.

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ARTICLE 1830 - Attachment or seizure of the balance.

If a creditor of one of the accounting parties has attached or seized what may be the balance of the account to which his debtor is entitled, the other accounting party may not prejudice the rights of said creditor by making new remittances. Remittances made pursuant to rights which have arisen before the pledge or attachment are not considered new remittances.

The accounting party against whom the seizure or attachment has been made shall give notice thereof to the other accounting party. Each of the accounting parties may withdraw from the contract.

ARTICLE 1831 - Closing of the account.

The closing of the account and liquidation of the balance is made at the expiration of the term set forth in the contract or by custom; in the absence of either, it is made at the end of each six months, running from the date of the contract.

ARTICLE 1832 - Approval of the account.

The statement of the account forwarded by one accounting party to the other is considered to be approved if it is not contested within the time limit agreed upon, or the time limit which may be considered adequate according to the circumstances.

Approval of the account does not preclude the right to attack the account for errors in writing or errors in calculation, omissions, or duplications. The protest, under penalty of forfeiture of the right, shall be made within six months from the date of receipt of the closing statement of the account relative to the payment in settlement, which shall be sent by registered mail.

ARTICLE 1833 - Withdrawal from contract.

If the contract is undetermined as to its duration, either party may waive the contract upon any closing period of the account, by giving at least ten days notice to the other party.

In case of interdiction, incapacity, insolvency or death of one of the parties, either party or his heirs has the right to withdraw from the contract.

The dissolution of the contract bans the entry of new items in the account, but payment of the balance may only be demanded at the expiration of the term set forth in Article 1831.

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CHAPTER XVII

OF BANKING CONTRACTS

SECTION I

OF BANK DEPOSITS

ARTICLE 1834 - Of bank deposits in currency.

The deposit in a bank of a sum in currency transfers ownership thereto to the bank and obligates the bank to repay the amount deposited in the same specie at the expiration of the term agreed upon or upon demand of the depositor, observing the period of advance notice set by the parties or by custom.

In the absence of a stipulation to the contrary, all deposits and withdrawals are made at the same bank.

ARTICLE 1835 - Savings bank books.

If a bank issues a pass-book for savings accounts, the deposits and withdrawals shall be entered in such book.

Entries made in the pass-book and signed by a bank cashier who is in apparent authority, constitute full proof of the relationship between bank and depositor.

Any agreement to the contrary is null.

ARTICLE 1836 - Identification of the holder of the pass-book.

A bank which, without fraud or serious negligence, makes payment to the holder of a pass-book made payable to the bearer, is released from liability, even if such holder is not the depositor.

The same provision is applicable if a deposit book made payable to the bearer is made payable to a specified person, or is otherwise assigned.

The provisions contained in special laws are unaffected.

ARTICLE 1837 - Savings bank books in favor of minors.

A minor who is at least eighteen years of age may validly make deposits and withdrawals in a savings account, except for the objection of his legal representative.

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A savings bank book delivered to a minor must be issued in his name only.

The provisions contained in special laws are unaffected.

ARTICLE 1838 - Deposit of securities to be administered by the bank.

A bank which accepts a deposit of securities to be administered by it shall hold such securities, collect the interest or dividends, verify the drawing of the lotteries for the assignments of premiums or for reimbursement of principal, collect any amount due for the account of the depositor, and generally preserve the rights pertaining to such securities. The sums collected shall be credited to the depositor.

If it becomes necessary to make payments of the capital subscribed for a joint stock company, or to exercise optional rights with regard to the securities deposited, the bank shall, in sufficient time, request instructions from the depositor, and must carry out such instructions if the necessary funds are provided. In the absence of instructions, optional rights shall be sold for the account of the depositor through a licensed broker.

The bank is entitled to compensation in the customary amount or in an amount agreed upon, as well as to reimbursement for necessary expenses.

A stipulation whereby the bank is exonerated from observing ordinary care in administering the securities, is null.

SECTION II

OF BANKING SERVICES CONCERNING SAFE DEPOSIT BOXES

ARTICLE 1839 - Safe deposit boxes.

A bank which provides facilities for safe deposit boxes is answerable to the user for the fitness and surveillance of the premises and for the safekeeping of the box, except in cases of accident.

ARTICLE 1840 - Opening of safe deposit box.

If a safe deposit box is registered in the name of several depositors, each individual depositor may open such box, unless there are agreements to the contrary.

In case of the death of a depositor or of one of several depositors, a bank which has received notice thereof shall not permit the opening of

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the safe deposit box except by agreement of all parties whose rights are involved or in accordance with the formalities set forth by judicial authorities.

ARTICLE 1841 - Forced opening of box.

The bank, at the expiration of the contract, after giving legal notice to the depositor and after six months from such notice, may demand authorization of the local magistrate to open the safe. The legal notice may also be made by registered letter with return receipt.

The opening of the box will take place in the presence of a notary appointed for that purpose and with the precautionary measures deemed proper by the local magistrate.

The local magistrate may make the necessary provisions for the preservation of the property found in the box and may order the sale of such part of the property as may be required to satisfy the claims of the bank for rentals and expenses.

SECTION III

OF THE ESTABLISHMENT OF BANKING CREDITS

ARTICLE 1842 - Elements.

The establishment of credit by a bank is a contract by virtue of which the bank obligates itself to place a sum of money at the disposition of the other party, for a specified time or for an undetermined duration.

ARTICLE 1843 - Manner in which credit may be disposed of.

In the absence of an agreement to the contrary, the recipient of the credit may make use thereof several times, in accordance with the customary formalities, and may restore the full amount of his credit by means of subsequent remittances.

The withdrawals and remittances shall be made in the same bank in which the credit is established, unless agreements provide otherwise.

ARTICLE 1844 - Security.

If the establishment of a bank credit is secured by property or by personal security, the security is not extinguished if the party who received credit ceases to be a debtor of the bank.

If the security becomes insufficient, the bank may require additional security or the substitution of a surety. If the person receiving the credit fails to comply with the request, the bank may reduce the credit in

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proportion to the diminished value of the security or may withdraw from the contract.

ARTICLE 1845 - Withdrawal from contract.

In the absence of an agreement to the contrary, the bank may not withdraw from the contract before the expiration of the term thereof, except for justifiable reasons.

Withdrawal has the effect of suspending at once the use of the credit, but the bank must grant a period of at least fifteen days for repayment of the sums which have been used and for related expenditures.

If the credit was established for an undetermined period, each party may withdrew from the contract by giving the advance notice agreed upon in the contract, or establish by custom, or in the absence of either, fifteen days advance notice.

SECTION IV

OF BANKS' ADVANCES SECURED BY COLLATERAL

ARTICLE 1846 - Disposition of property given in pledge.

In advancing funds upon pledge of goods or securities, a bank may not dispose of the property received as pledge if it has released a document in which such property has been identified. Any agreement to the contrary must be in writing.

ARTICLE 1847 - Insurance of the goods.

The bank shall insure the pledged goods for the account of the pledgor if the nature, value or location of the goods make such insurance a normal precautionary measure.

ARTICLE 1848 - Expenses incurred by safekeeping.

A bank, in addition to the consideration to which it is entitled, has the right to be reimbursed for expenses incurred for the safekeeping of the goods or of the securities, unless it acquired the right to dispose thereof.

ARTICLE 1849 - Withdrawal of goods or of securities.

Even before the expiration of the contract, a contracting party may withdraw part of the goods or securities given in pledge by a prior reimbursement of the bank in an amount proportionate to the sums which have

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been advanced and to the other sums to which the bank is entitled according to the provision of the preceding Article, unless the balance of the credit is thereby insufficiently secured.

ARTICLE 1850 - Decrease in the security.

If the value of the security is decreased by at least one-tenth at the time of the making of the contract, the bank may demand that the debtor furnish additional security within the customary time limit, with the warning that if such security is not forthcoming, the sale of the securities or of the goods given in pledge shall be carried out. If the debtor fails to comply with the request, the bank may proceed with the sale in accordance with the second and fourth paragraphs of Article 2797.

The bank has the right to be reimbursed immediately for the balance of the debt which has not been satisfied by the proceeds of the sale.

ARTICLE 1851 - Advance secured by irregularly made collateral pledges.

If one or more credits are secured by deposits in currency, merchandise or unspecified securities for which the bank has not been given a power of disposal, the bank is bound to return only the sum or that share of the merchandise or securities which is in excess of the secured credit. The amount of such excess is determined on the basis of the value of the merchandise or securities at the time when the credit expires.

SECTION V

OF BANKING OPERATIONS IN CURRENT ACCOUNTS

ARTICLE 1852 - Disposition of credit by accounting party.

When the deposit, establishment of credit or other banking operation is made under the rules of open or current accounts, the accounting party may dispose at sight of the balance in his favor, except for the observance of advance notice clauses which may have been agreed upon.

ARTICLE 1853 - Set-off of balance in several relationships in accounts.

If several accounts or other reciprocal relations exist between the bank and an accounting party, the assets and liabilities arising from such accounts or relations are set off against each other, even if there is a difference in currency, unless otherwise agreed upon.

ARTICLE 1854 - Collective current accounts.

If an account is opened in the name of several persons, each with the power to use such account individually, such persons are considered

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as creditors or debtors in solido, so far as the balance of the account is concerned.

ARTICLE 1855 - Account for an undetermined period.

If the relation giving rise to a current account has no period specified, either party may withdraw from the contract by giving such advance notice as is customary or, in the absence of a customary limit, fifteen days advance notice.

ARTICLE 1856 - Carrying out of instructions.

A bank is answerable in accordance with the provision regulating mandates for carrying out instructions received by parties having current accounts or by other clients of the bank.

If the request is one which must be carried out on a market, if the bank has no branch office the bank may give instructions to another bank or to one of its correspondents for carrying out the request.

ARTICLE 1857 - Applicable rules.

The provisions of Articles 1826, 1829, and 1832 are applicable to banking operations involved in current accounts.

SECTION VI

OF DISCOUNTING BY BANKS

ARTICLE 1858 - Elements.

A contract of discount is one by which a bank advances to a client the amount of an unmatured claim against a third party, after deduction of interest, upon transfer of such claim to the bank, subject to the due satisfaction of said claim.

ARTICLE 1859 - Discount of bills of exchange.

If the discount is made by means of indorsement of a bill of exchange or bank cheque, the bank, in case of non-payment, is entitled to repayment of the sum advanced in making the discount, as well as to the exercise of rights arising from the instrument.

The provisions of special laws relative to the transfer of the necessary funds in the discounting of drafts which are not accepted or are accompanied by the phrase "not accepted" are unaffected.

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ARTICLE 1860 - Discount of documents with draft attached.

A bank which has discounted drafts attached to documents representing merchandise has the same privileges as a mandatary with respect thereto as long as it has in its possession the instrument representing said merchandise.

CHAPTER XVIII

OF PERPETUAL ANNUITIES

ARTICLE 1861 - Elements.

A contract of perpetual annuity is one by which one party conveys to another the right to receive in perpetuity periodical payments of a sum of money or of a certain quantity of other fungible things, in exchange for the title to an immovable or for a principal sum.

Perpetual annuities may also be established gratuitously, with an immovable or a principal sum as the sole consideration.

ARTICLE 1862 - Applicable provisions.

If the alienation of the immovable is made for a consideration, it is subject to the provisions relative to sales.

If the alienation or transfer is gratuitous the provisions relative to donations are applicable.

ARTICLE 1863 - Simple annuities and annuities from real property.

Annuities established through the alienation of an immovable are real annuities. Annuities established through the transfer of a principal sum are simple annuities.

ARTICLE 1864 - Security for simple annuity.

Simple annuities must be secured by mortgage on an immovable; otherwise return of the principal sum may be demanded.

ARTICLE 1865 - Redemption rights in perpetual annuities.

A perpetual annuity is redeemable at will by the debtor, notwithstanding any agreement to the contrary.

The parties may, however, agree to bar redemption during the life of the beneficiary or before a certain period, which may not exceed ten years for a simple annuity or thirty years for annuities from real property.

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It may also be stipulated that the debtor may not exercise his right of redemption without giving advance notice to the beneficiary.

The period for such advance notice may not exceed one year.

If longer periods have been agreed upon, they are reduced to the periods above-mentioned.

ARTICLE 1866 - Exercise of redemption.

The redemption of simple annuities or annuities from real property is made by means of payment of a sum representing the capitalization of the annual income on the basis of the legal rate of interest.

The formalities necessary for redemption are contained in special laws.

ARTICLE 1867 - Compulsory redemption.

A debtor of a perpetual annuity may be compelled to exercise his right of redemption in the following cases:

1. If he is in default of two annual payments in the annuity.
2. If he fails to give the creditor the promised security or if, in case of extinguishment of the security already given, he fails to provide other security affording equal protection.
3. If the real property which secures the perpetual annuity is apportioned among more than three persons following alienation or partition of such property.

ARTICLE 1868 - Redemption because of insolvency of the debtor.

A perpetual annuity is also subject to redemption if the debtor of such annuity is insolvent, unless, in case of alienation of the property securing the annuity, the purchaser of said property assumes the debt or declares himself ready to assume it.

ARTICLE 1869 - Other kinds of annuities.

The provisions of Articles 1864, 1865, 1866, 1867, and 1868 are applicable to any other contract calling for performance in perpetuity, established under any instrument, even by will.

ARTICLE 1870 - Recognition.

A debtor who owes a perpetual annuity, or any other annual payment which may continue for more than ten years, shall furnish at his expense

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to the assignee, upon his request, a new instrument after the lapse of nine years from the date of the preceding one.

ARTICLE 1871 - Annuities issued by the State.

The provisions of this Chapter are not applicable to annuities issued by the State.

CHAPTER XIX

OF LIFE ANNUITIES

ARTICLE 1872 - Modes in which established.

A life annuity may be established for a valuable consideration through the alienation of movable or immovable property or transfer of principal.

A life annuity may also be established by will or by donation and, in this case, the laws pertinent to such acts are observed.

ARTICLE 1873 - Duration.

A life annuity may be established for the life of the beneficiary or of another person.

It may also be established for the life span of several persons.

ARTICLE 1874 - Life annuity established in favor of several persons.

If a life annuity is established in favor of several persons, the share of a pre-deceased creditor accrues to the other creditors, unless otherwise agreed upon.

ARTICLE 1875 - Life annuity in favor of third parties.

A life annuity established in the favor of a third party does not require the formalities provided for donations, even if such annuity constitutes a largess in favor of said third party.

ARTICLE 1876 - Life annuity established for a deceased person.

A contract establishing a life annuity in favor of a person already deceased at the time of the making of such contract is null.

ARTICLE 1877 - Cancellation of life annuity established for a valuable consideration.

The creditor of a life annuity established for a consideration may

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demand the cancellation of the contract if the debtor fails to provide security or reduces the security agreed upon.

ARTICLE 1878 - Non-payment of instalments which have fallen due.

In case of non-payment of instalments of annuities which have fallen due, the creditor, even if he is a party to the contract, may not demand the cancellation of the contract, but may cause the sequestration and sale of the property of his debtor for the purpose of investing with the proceeds of the sale a sum sufficient to assure the payment of the annuity.

ARTICLE 1879 - Prohibition of redemption and supervening hardship.

Unless otherwise agreed upon, a debtor who owes a life annuity may not exonerate himself from payment thereof by offering reimbursement of the principal, even if he renounces the right to redeem annual payments already paid.

He is bound to pay the annuity for the time it has been established, regardless of how burdensome the performance may become.

ARTICLE 1880 - Mode of payment.

The rights of a creditor in a contract for a life annuity are based upon the number of days of the life of the person for whose life the annuity is established.

However, if it was agreed to make payments in instalments in advance, each instalment is receivable from the day on which it falls due.

ARTICLE 1881 - Sequestration or seizure of life annuity.

When the life annuity is gratuitous, it may be provided that the annuity not be subject to seizure or sequestration, within the limits of the needs for support of the creditor.

CHAPTER XX

OF INSURANCE

SECTION I

GENERAL PROVISIONS

ARTICLE 1882 - Elements.

Insurance is a contract by which the insurer, in consideration of payments of premium, obligates himself to compensate the insured, within the limits agreed upon, for injuries incurred by the latter through accident, or to pay a certain amount of principal or of annuity to the

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insured upon the happening of a particular event contingent upon the duration of human life.

ARTICLE 1883 - Exercise of insurance.

The insurance business can only be exercised by government authorized institutions, joint stock companies, or corporations within the observance of the provisions of special laws.

ARTICLE 1884 - Mutual insurance.

Mutual insurance is regulated by the provisions of the present Chapter, insofar as compatible with the special character of the insurance business concerned.

ARTICLE 1885 - Marine insurance.

Marine insurance is regulated by the provisions of the present Chapter, except for those aspects which are not regulated by the Code of Navigation.

ARTICLE 1886 - Social security insurance.

Social security forms of insurance are regulated by special laws. In absence thereof, the provisions of the present Chapter are applicable.

ARTICLE 1887 - Validity of application or offer.

A written application sent to the insurer remains open for fifteen days, or for thirty days when a medical examination is necessary. This period runs from the date of the delivery or of the forwarding of said application.

ARTICLE 1888 - Evidence of contract.

A contract of insurance must be evidenced in writing.

The insurer is bound to deliver to the contracting party the insurance policy or other similar instrument signed by said insurer.

The insurer is also bound to deliver, on request of the contracting party and at the expense thereof, duplicates or copies of said policy; but in such case the insurer may demand the presentation or restitution of the original.

ARTICLE 1889 - Policies made payable to order or bearer.

If the insurance policy is made payable to order or to bearer, the

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transfer thereof implies the transfer of the claim against the insurer, with the effects of an assignment.

However the insurer is released if, without fault or gross negligence, he discharges the obligation with regard to the indorsee or the bearer of the policy, even if such bearer or indorsee are not the insured.

In case of loss, theft or destruction of a policy drawn to order, the provisions relative to the extinguishment of order securities are applicable.

ARTICLE 1890 - Insurance taken out in another person's name.

If a contracting party stipulates that the insurance be taken out in another person's name, without authorization to do so, the interested party may ratify the contract even after it becomes due or after the occurrence of the accident.

The contracting party is bound personally to observe the obligations arising out of the contract up to the time when the insurer receives notice of the ratification or refusal thereof.

The contracting party owes the insurer the premiums covering the period which is current at the time when the insurer received notice of the refusal of ratification.

ARTICLE 1891 - Insurance taken out for other persons.

If the insurance is stipulated for another person's account or for the account of whoever is entitled to it, the contracting party must comply with the obligations arising out of the contract, except those which, by their nature, may only be carried out by the insured.

Rights arising out of the contract vest in the insured, and the contracting party, even if the holder of the policy, cannot enforce such rights without the specific consent of the insured.

Defenses inherent in the contract which may be raised against the contracting party may also be raised against the insured.

The contracting party has the same rights, with respect to sums due by the insurer, for reimbursement for premiums paid to the insurer and expenses in connection with the contract, as has the holder of claims for expenses for conservation.

ARTICLE 1892 - False representations and concealment of facts with fraud or gross negligence.

False representations or concealment by the contracting party, when

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relating to such circumstances as would have caused the insurer not to give his consent to the contract or not to give the consent on the same conditions if he had known the true situation in the case, are cause for annulment of the contract, when the contracting party has acted fraudulently or with grave negligence.

The insurer loses his right to attack the contract if he fails to manifest to the contracting party his intention to oppose said contract within three months from the day on which he has been aware of the false representation or the withholding of facts.

The insurer is entitled to the premiums corresponding to the period of insurance which is current at the time when he petitioned for annulment of the contract, and in all cases he is entitled to the premiums agreed upon for the first year. If the accident takes place before the expiration of the period indicated in the preceding paragraph, the insurer is not bound to pay the amount of the insurance.

If the insurance concerns several parties or several things, the contract is valid with respect to such parties or such things as are not affected by the false representation or the withholding of facts.

ARTICLE 1893 - False representations or concealment of facts without fraud or negligence.

If the contracting party has acted without fraud or gross negligence, false representations or concealment of facts are not cause for annulment of the contract, but the insurer may withdraw from said contract through a declaration to that effect made to insured within three months from the date on which the insurer becomes aware of the false representation or concealment of facts.

If the accident takes place before the false representation or concealment of facts are known by the insurer, or before his declaration to withdraw from the contract, the sum due by the insurer is reduced in proportion to the difference between the premium agreed upon and the premium which would have been charged if the true situation had been known.

ARTICLE 1894 - Insurance in the name of or for the account of third parties.

In the case of insurance stipulated in the name of or for the account of third parties, if such third parties had knowledge of the false representations or concealment of facts relative to the risk, the provisions of Articles 1892 and 1893 in favor of the insurer are applicable.

ARTICLE 1895 - Non-existence of the risk.

The contract is null if the risk has never existed or has ceased to exist before the making of the contract.

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ARTICLE 1896 - Cessation of risk during insurance.

The contract is dissolved if the risk ceases to exist after the contract has been entered into, but the insurer is entitled to payment of the premiums until notice of such cessation is given to him or until the fact is otherwise brought to his knowledge.

The premiums corresponding to the insurance periods which are current at the time of the notice or at the time when knowledge of the cessation of the risk is acquired are due in their entirety.

If the effects of the insurance are to commence at a later time than that of the making of the contract, and the risk ceases in the intervening period, the insurer is only entitled to reimbursement for expenses.

ARTICLE 1897 - Reduction in risk.

If a contracting party gives notice to the insurer of changes causing such reduction in the risk as would have entailed the stipulation of a lower premium if known at the time when the contract was entered into, the insurer may only demand such lower premium; the lower rate is effective from the expiration of the payment of the premium or of the instalment thereof following receipt of the above mentioned notice, but the insurer may withdraw from the contract within two months from the day on which the notice was given.

The declaration of withdrawal from the contract is effective after one month.

ARTICLE 1898 - Increase in the risk.

A contracting party is bound to give immediate notice to the insurer of changes resulting in such increase in the risk as would have caused the insurer to withhold his consent to the insurance or to consent only in consideration of a higher premium if he had been aware of the new situation or if such situation had existed at the time of the making of the contract.

The insurer may withdraw from the contract, giving written notice thereof to the insured within one month from the day on which he receives notice or is otherwise apprised of the increase in the risk. The withdrawal of the insurer is effective immediately if the increase in the risk is such as would have caused the insurer not to give his consent to the insurance; such withdrawal is effective after fifteen days if the increase in the risk is such as would have entailed demanding a higher premium for the insurance.

The insurer is entitled to the premiums corresponding to the insurance period current at the time when notice is given of the declaration of withdrawal.

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If the accident takes place before the expiration of the time limit for the notice of withdrawal and velidity thereof, the insurer is free from liability when the increase in the risk is such as would have caused him not to consent to the insurance if the new situation had existed at the time of the making of the contract; otherwise, his liability is reduced, taking into account the difference between the premium agreed upon in the contract and the premium which would have been required if the greater risk had existed when the contract was entered into.

ARTICLE 1899 - Duration of insurance.

Insurance is effective from midnight of the day on which the contract was entered into to midnight of the last day of the duration of the contract as set therein. If the contract is for more than ten years, the parties, after this period, regardless of agreements to the contrary, may withdraw from the contract, giving six months' advance notice which may be given also by means of a registered letter.

The contract may be tacitly renewed once or several times, but each tacit renewal may not exceed two years in length.

The provisions of this Article are not applicable to life insurance.

ARTICLE 1900 - Accidents caused by fraud or gross negligence of the insured or his agent.

The insurer is not liable for accidents caused by fraud or gross negligence of the contracting party, of the insured, or of the beneficiary, except for agreements to the contrary in the case of gross negligence.

The insurer is liable for accidents caused by fraud or gross negligence of persons for whose action the insurer is answerable.

The insurer is likewise liable, notwithstanding any agreements to the contrary, for accidents arising from acts of the contracting party, the insured, or the beneficiary, which have been prompted by reasons of humane cooperation in safeguarding interests of the insurer.

ARTICLE 1901 - Non-payment of the premium.

If a contracting party fails to pay the premium, or the first instalment thereof, provided for in the contract, the insurance is suspended until midnight of the day on which such contracting party pays what he owes.

If the contracting party also fails to pay the successive premium at the expiration date agreed upon, the insurance is suspended from midnight of the fifteenth day following the date of expiration.

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In the instances mentioned in the two preceding paragraphs, the contract is cancelled by operation of law if the insurer fails to take steps for the collection of such premium within six months from the day on which the premium or the instalment fell due; the insurer is only entitled to the payment of the premium for the current period of insurance, and to reimbursement for expenses.

This provision is not applicable to life insurance.

ARTICLE 1902 - Merger, consolidation and involuntary liquidation.

The merger or consolidation of several insurance concerns does not cause the dissolution of the contract of insurance. The contract continues with the insurance concern which comes into existence through the merger or consolidation. The provisions relative to the transfer of portfolios from one concern to another are contained in special laws.

In the case of involuntary liquidation by administrative authority, the contract of insurance is dissolved with the formalities and effects contained in special laws, which also provide for privileges in favor of the policyholders.

ARTICLE 1903 - Insurance agents.

Agents who are authorized to enter insurance contracts may perform all acts dealing with the modification of the contract, or the rescission thereof, which are within the scope of authority contained in the power of attorney published with the formalities required by law.

In suits brought against the insurer for obligations arising from acts performed in executing their mandate, the agents may also institute actions and be made defendants before the judicial authorities of the place in which the office of the agency is located and with whom the contract was made.

SECTION II

OF CASUALTY INSURANCE

ARTICLE 1904 - Insurable interest.

A casualty insurance contract is null if, at the commencement of such insurance, the insured has no interest for which he may be compensated in case of damage.

ARTICLE 1905 - Extent of compensation.

The insurer is bound to indemnify the insured for the loss or damage

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occasioned by accident, in the manner and to the extent stipulated in the contract.

The insurer is liable for anticipated profits only if he expressly binds himself to be so liable.

ARTICLE 1906 - Damages caused by defects in the property.

Unless agreements provide otherwise, the insurer is not liable for damages caused by defects inherent in the property insured, when such defects were not reported to said insurer.

If the defects have been the cause of aggravated damages, the insurer, except for agreements to the contrary, is liable for the damages for which he would have been answerable if the defects had not existed.

ARTICLE 1907 - Partial insurance.

If the insurance covers only a part of the value of the insured property at the time of the accident, the insurer is liable for the damages proportionate to said part, unless otherwise agreed upon.

ARTICLE 1908 - Value of insured property.

In ascertaining damages, the property lost or damaged may not be given a higher value than such property had at the time of the accident.

However, the value of the insured property may be established at the time of the making of the contract by means of an estimate accepted in writing by the parties.

The value of the insured property declared in the policy or other document is not tantamount to an estimate.

In crop insurance the damage is determined on the basis of the value of the crops when they mature or at the time when they would ordinarily be harvested.

ARTICLE 1909 - Insurance for an amount in excess of the value of the property.

Insurance obtained for an amount in excess of the actual value of the property is not valid if there was fraud on the part of the insured; if the insurer acted in good faith, he is entitled to the premiums for the current period of insurance.

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If there was no fraud on the part of the contracting party, the contract is effective up to the limit of the actual value of the property insured, and the contracting party has the right to obtain for the future a proportionate reduction in the premium.

ARTICLE 1910 - Insurance taken out with several insurers.

If several insurance policies are taken out separately against the same risk with several insurers, the insured must give notice of all the policies to each insurer.

If the insured fraudulently fails to give such notice, the insurers are not bound to pay the indemnity.

In the case of accident, the insured shall give notice thereof to all the insurers, in accordance with Article 1913, indicating to each insurer the name of the others. The insured may demand from each insurer the indemnity due in accordance with their respective contracts provided the total amount collected does not exceed the amount of the damage.

An insurer who has made payments, has a right to recover from the other insurers an aliquot part in the ratio of the indemnities due in accordance with their respective contracts. If an insurer is insolvent, his share is divided among the other insurers.

ARTICLE 1911 - Co-insurance.

When the same insurance or the insurance against risks relating to the same property is divided among several insurers in specified quotas, each insurer is liable for the payment of the indemnity only in proportion to his respective share, even if there is only one contract signed by all the insurers.

ARTICLE 1912 - Earthquake, war, insurrection, popular uprisings.

Unless agreements provide otherwise, the insurer is not liable for damages caused by earthquake, war, insurrection or popular uprisings.

ARTICLE 1913 - Notice to insurer in case of accident.

The insured must give notice of the accident to the insurer, or to the agent authorized to enter into the contract, within three days from the time when the accident occurred or from the time when the insured acquired knowledge thereof. Such notice is not necessary if the insurer or the agent authorized to enter into the contract, have taken part, within that time, in salvage operations or in an investigation to establish the facts of the accident.

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In the case of insurance against mortality of live stock, notice shall be given within 24 hours, unless agreements provide otherwise.

ARTICLE 1914 - Duty to salvage property.

The insured must do everything in his power to avoid or diminish the damage.

Expenses sustained for that purpose by the insured are chargeable to the insurer in proportion to the value of the property insured as compared with the value of the property at the time of the accident, even if the amount of such expenses, added to those arising from the damage, are in excess of the amount of the insurance and even if the object was not accomplished, unless the insurer proves that such expenses were made without due consideration.

The insurer is liable for material damages to the insured property arising from the measures taken by the insured to avoid or reduce the damages caused by the accident, unless the insurer proves that such measures were taken without due consideration.

The intervention of the insurer for the purpose of salvaging or preserving the insured property does not prejudice his rights.

An insurer who takes part in salvaging operations shall, upon request of the insured, advance the sums necessary for the expenses incurred in salvaging, or contribute thereto in proportion to the value for which the property was insured.

ARTICLE 1915 - Non-performance of duty to give notice or to salvage property.

An insured person who fraudulently fails in his duty to give notice of the accident or to salvage the insured property loses his right to the indemnity.

If the non-performance of such duty is caused by negligence of the insured, the insurer has the right to reduce the amount of the indemnity in proportion to the injury suffered by him.

ARTICLE 1916 - Right of subrogation of the insurer.

An insurer who has paid the indemnity is subrogated, by the amount of said indemnity, to the rights of the insured against the persons who are liable for the damage.

Except in the case of fraud, subrogation does not take place when the damage is caused by the children, foster-children, ascendants or other

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relatives or persons connected by affinity to the insured and living permanently with him, or by domestic servants.

The insured is liable to the insurer for any prejudice caused to the latter's right of subrogation.

The provisions of this Article are also applicable to workmen's compensation insurance and accident insurance.

ARTICLE 1917 - General civil liability insurance.

In general civil liability insurance, the insurer is bound to save the insured harmless from civil liability against third persons in the amount which the insured must pay to such persons in consequence of acts occurring during the period of the insurance as a result of the liability assumed in the contract by the insurer. Damages resulting from fraudulent acts are excluded.

The insurer, giving advance notice to the insured, has the power to pay directly to the injured third party the indemnities due, and is obliged to make such payment directly if the insured demands it.

The expenses sustained in defending a suit of the injured party against the insured are chargeable to the insurer, provided such expenses do not exceed one-quarter of the amount of the insurance.

However, if a sum greater than the amount of the insurance is due to said injured party, the court costs are divided between the insurer and the insured in proportion to the interest of each.

An insured who is made a defendant by the injured party may call upon the insurer to appear in the suit.

ARTICLE 1918 - Alienation of insured property.

Alienation of the insured property is not cause for cancellation of the insurance contract.

An insured person who fails to give notice to the insurer of the alienation which has taken place, or has failed to give notice to the purchaser of the existence of the insurance contract, remains liable for the payment of the premiums falling due after the date of the alienation.

The rights and duties of the insured vest in the purchaser if the latter, having received notice of the existence of the contract of insurance, fails to declare to the insurer, through registered mail written ten days from the expiration of the first premium period following the alienation,

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that he does not intend to take over the contract. In this case the insurer is entitled to the premiums corresponding to the current period of insurance.

The insurer may withdraw from the contract within ten days from the day in which he received notice of the alienation, giving fifteen days advance notice, which may also be given by registered mail.

If the policy issued was an order or bearer policy no notice of the alienation need be given to the insurer, and neither the insurer nor the purchaser may withdraw from the contract.

SECTION III

OF LIFE INSURANCE

ARTICLE 1919 - Insurance on one's life or on the life of a third person.

Insurance may be taken out on one's own life or on the life of a third person.

An insurance contract payable on the death of a third person is not valid if such person or his legal representative does not give his consent to the contract. Such consent must be evidenced in writing.

ARTICLE 1920 - Insurance in favor of a third person.

A life insurance policy taken out in favor of a third person is valid.

The designation of the beneficiary may be contained in the contract of insurance, or may be made in a subsequent written declaration made known to the insurer, or by will; the designation is valid even if the beneficiary is designated only in general terms. The testamentary assignment of the amount of the insurance to a specified person is tantamount to designation.

As a result of designation, the third person acquires a right of his own in the advantages deriving from the insurance.

ARTICLE 1921 - Revocation of the interest granted the beneficiary.

The designation of the beneficiary is revocable with the same formalities with which it may be made in accordance with the preceding Article.

Revocation cannot be exercised by the heirs after the death of the contracting party or when, following the occurrence of the event covered by the insurance, the beneficiary has declared his intention of availing himself of the beneficial interest.

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If the contracting party has renounced in writing his power to revoke, the revocation is not effective after the declaration made by the beneficiary to such contracting party of his intention of availing himself of the beneficial interest.

The renunciation of the contracting party and the declaration of the beneficiary must be made known to the insurer in writing.

ARTICLE 1922 - Loss of beneficial interest.

The designation of the beneficiary, even if irrevocable, is not effective if said beneficiary makes an attempt on the life of the insured.

If the designation is irrevocable and was made as an act of largess, it may be revoked in the cases set forth in Article 800.

ARTICLE 1923 - Rights of heirs and creditors.

Execution cannot be levied on sums due by the insurer to the contracting party or to the beneficiary, nor may such sums be used to post guarantee bonds.

The provisions relative to acts performed to the prejudice of creditors, and those relative to collection, designation, or reduction of donations with respect to the premiums already paid, are unaffected.

ARTICLE 1924 - Non-payment of premiums.

If the contracting party fails to pay the premium corresponding to the first year, the insurer may bring suit for execution of the contract within six months from the day on which the premium has fallen due. This provision is applicable even if the payment of the premium is divided in several instalments, but without affecting the provision of the first two paragraphs of Article 1901; in such case the six-months period begins to run from the expiration of each instalment.

If the contracting party fails to pay the subsequent premiums within the period of grace provided for in the policy, or in absence of such provision, within twenty days from the expiration of the period, the contract is cancelled by operation of law; the premiums already paid are retained by the insurer, unless the conditions for redemption of the insurance or for reduction thereof are present.

ARTICLE 1925 - Redemption and reduction of the policy.

Insurance policies must regulate the rights of redemption and reduction of the amount of the insurance in such manner that the insured may be

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able to ascertain at all times what would be the redemption value and the premiums due on a reduction of the insurance.

ARTICLE 1926 - Change of occupation of the insured.

Changes in the trade or profession or in the occupation of the insured do not cause the effect of the insurance to cease unless they aggravate the risk to such an extent that if the new situation had existed when the contract was entered into, the insurer would not have consented to the insurance.

When the changes are of such nature that, if the new situation had existed at the time of the making of the contract, the insurer would have agreed to the insurance for a higher premium, the payment of the indemnity is reduced in proportion to the lower premium agreed upon as compared to the premium which would otherwise have been required.

If the insured gives notice of the above mentioned changes to the insurer, the latter must declare, within fifteen days, if he intends to cause the termination of the contract, reduce the insurance, or increase the premium. If the insurer makes known his intention to modify the contract in one of the ways above mentioned, the insured shall declare, within fifteen days, whether he intends to accept the offer.

If the insured makes known his intention of not accepting, the contract is cancelled, the insurer is entitled to the premium corresponding to the current period of insurance and the insured may exercise his right of redemption. Silence on the part of the insured is tantamount to acceptance of the offer of the insurer.

The notifications and declarations set forth in the preceding paragraphs may be made also by registered mail.

ARTICLE 1927 - Suicide of the insured.

If the insured commits suicide and the suicide occurs before two years have elapsed from the date of the making of the contract, the insurer is not bound to pay the amount of the insurance unless agreements provide otherwise.

Nor is the insurer obliged to pay in such case if, when the contract was suspended for non-payment of the premiums, two years have not elapsed from the day on which the suspension ceased.

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SECTION IV

OF REINSURANCE

ARTICLE 1928 - Evidence.

A general contract of reinsurance covering a series of insurance relationships must be evidenced in writing.

The relationships of reinsurance in the performance of general contracts and the contracts of reinsurance against single risks may be evidenced in accordance with the general rules.

ARTICLE 1929 - Validity of the contract.

A contract of reinsurance does not create a relationship between the insured and the reinsurer, except for the provisions of special laws relative to the privileges in favor of the policyholders as a group.

ARTICLE 1930 - Rights of reinsured in case of involuntary liquidation by administrative authority.

In the case of involuntary liquidation of the reinsured concern by administrative authority, the reinsuring concern must pay the total amount of the indemnity due the reinsured concern except for the right of the reinsuring concern to be compensated with premiums and other credits.

ARTICLE 1931 - Compensation of credits and debits.

In case of involuntary liquidation by administrative authority of the reinsured or the reinsuring concern, the credits and the debits resulting from the balance of accounts relative to the several contracts of reinsurance at the end of the liquidation compensate each other by operation of law.

SECTION V

FINAL PROVISIONS

ARTICLE 1932 - Peremptory rules.

The provisions of Articles 1887; 1892; 1893; 1894; 1897; 1898, second paragraph; 1901; 1903, second paragraph; 1914, second paragraph; 1915, second paragraph; 1917, third and fourth paragraphs and 1926 cannot be deviated from, except in ways which are more favorable to the insured. The corresponding provisions of the law are substituted for clauses which deviate from the above mentioned provisions in ways which are less favorable to the insured.

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CHAPTER XXI

OF GAMBLING AND WAGERING

ARTICLE 1933 - Lack of action.

No action may be brought for the recovery of gambling debts or of wagers, even in the case of games or wagers which are not expressly prohibited.

However a loser who has voluntarily paid following the outcome of a game or of a wager in which there has been no fraud, cannot recover what he has paid.

Recovery is always allowed if the loser is suffering under incapacity.

ARTICLE 1934 - Competitive sport.

Games which involve skill in the use of arms, races of all kinds and all other competitive sports are not included in the provision of the first paragraph of the preceding Article even with respect to persons who do not participate in the games.

The judge, however, may reject or reduce the petition, when he considers the wager to be excessive.

ARTICLE 1935 - Authorized lotteries.

Lotteries, if legally authorized, may give rise to legal action.

CHAPTER XXII

OF SURETYSHIP

SECTION I

GENERAL PROVISIONS

ARTICLE 1936 - Elements.

A person who, binding himself personally to the creditor, guarantees the performance of the obligation of another, is a surety.

An undertaking as surety is binding even if the debtor has no knowledge of it.

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ARTICLE 1937 - Indication of intention.

The intention to enter into the undertaking as surety must be express.

ARTICLE 1938 - Suretyship for future or conditional obligations.

An undertaking as surety may be entered into also for a future or conditional obligation.

ARTICLE 1939 - Validity of suretyship.

A suretyship is not valid unless the principal obligation secured by it is valid, except when the suretyship is in support of an obligation contracted by a person suffering under incapacity.

ARTICLE 1940 - Surety of the surety.

A suretyship may be furnished for the principal debtor as well as for his surety.

ARTICLE 1941 - Limitations to suretyship.

A surety may not bind himself for more than what is due by the debtor or bind himself by more burdensome conditions.

A surety may bind himself for only part of the debt or under less burdensome conditions.

Suretyship which is in excess of the debt or which is contracted under more burdensome conditions is nevertheless valid to the extent of the principal obligation.

ARTICLE 1942 - Scope of suretyship.

Unless otherwise agreed upon, suretyship covers all the accessories of the principal debt, as well as the expenses incurred in notifying the surety of the suit instituted against the principal debtor and the subsequent expenses.

ARTICLE 1943 - Obligation to furnish suretyship.

A debtor who is bound to furnish a surety shall select a person, not suffering under incapacity, with sufficient property to guarantee the obligation, having or selecting his domicile within the jurisdiction of the court of appeals where the suretyship must be furnished.

If the surety becomes insolvent, another one shall be furnished, unless the surety was a person selected by the creditor.

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SECTION II

OF THE EFFECTS OF SURETYSHIP BETWEEN THE SURETY AND THE CREDITOR

ARTICLE 1944 - Obligation of the surety.

A surety is jointly and severally bound with the principal debtor for the payment of the debt.

The parties, however, may agree that the surety be not obliged to pay before execution is levied on the principal debtor. In such case if a surety is made a defendant in a suit by a creditor and intends to avail himself of the benefit of such execution, he must indicate the property of the principal debtor against which execution is to be levied.

The surety is bound to advance the sums for necessary expenses, unless agreements provide otherwise.

ARTICLE 1945 - Defenses of the surety.

A surety may set up in his own behalf all the defenses available to the principal debtor, except those arising from incapacity.

ARTICLE 1946 - Suretyship undertaken by several persons.

If several persons are sureties for the same debtor to guarantee payment of the same debt, each surety is liable for the entire debt, unless the benefit of division of the obligation was agreed upon.

ARTICLE 1947 - Benefit of division.

If the benefit of division has been stipulated, each surety who is made defendant in an action for payment of the entire debt may demand that the creditor limit such action to the share due from such surety.

If any one of the sureties is insolvent at the time when another surety enforces his right to the benefit of division, the latter is bound for such insolvency in proportion to his shere, but is not liable for subsequent insolvencies.

ARTICLE 1948 - Obligation of the surety of the surety.

The surety of a surety is not bound to the creditor except when the principal debtor and all his sureties are insolvent or released by reason of their incapacity.

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SECTION III

OF THE EFFECTS OF SURETYSHIP BETWEEN THE PRINCIPAL DEBTOR AND THE SURETY

ARTICLE 1949 - Surety subrogated to the rights of the creditor.

A surety who has made payment of the debt is subrogated to the rights of the creditor against the debtor.

ARTICLE 1950 - Recovery from the principal debtor.

A surety making payment has a right of recovery against the principal debtor, even if the latter had no knowledge of the suretyship.

The right of recovery includes the principal, the interest, and the expenses sustained by the surety after informing the principal debtor of the demands made upon him.

The surety is, moreover, entitled to legal interest on the sums paid by him, from the date of maturity. If the principal debt produced interest in excess of the legal rate, the surety is entitled to recover such higher interest up to the total sum of the principal.

If the debtor is suffering under incapacity, recovery by the surety is limited to that portion of the obligation which benefits such person.

ARTICLE 1951 - Recovery from several principal debtors.

If there are several principal debtors who are jointly and severally liable, a surety who has furnished security for all the debtors has the right of recovery against each in order to obtain restitution of the whole amount which he has paid.

ARTICLE 1952 - Cases in which action does not lie against principal debtor.

A surety may not recover from the principal debtor, if, due to the failure of said surety to notify the debtor of the payment of the debt, the debtor also made payment.

If the surety made payment without giving notice thereof to the principal debtor, the latter may set up against him the defenses which he could have set up against the principal creditor at the time of the payment.

In either case, the surety retains his remedy against the creditor.

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ARTICLE 1953 - Relief of surety.

A surety may, even before making payment, bring action against the debtor either to cause the latter to release him as surety or to cause him to post the bond necessary to insure satisfaction of said surety's rights to recovery, in the following cases:

1. When the surety is sued for payment.
2. When the debtor has become insolvent.
3. When the debtor has undertaken to release him as surety within a specified time.
4. When the debt has become due by the passage of time.
5. When five years have passed and the principal obligation has no date of maturity, provided the obligation is not of such character as would be extinguished by the lapse of a specified period.

SECTION IV

OF THE EFFECTS OF SURETYSHIP AMONG THE CO-SURETIES

ARTICLE 1954 - Right to recover from co-sureties.

If several persons have become sureties for the same debtor and for the same debt, a surety who has made payment of the debt has the right to recover the portion due from each of the co-sureties. In the case of insolvency of a co-surety, the provisions of the second paragraph of Article 1299 are applicable.

SECTION V

OF THE EXTINGUISHMENT OF SURETYSHIP

ARTICLE 1955 - Release of surety due to act of creditor.

Suretyship is extinguished when the subrogation of the surety to the rights in general, to the rights under pledges and mortgage, and to the privileges of the creditor, has become impossible on account of the creditor.

ARTICLE 1956 - Release of surety for future obligation.

A person who undertakes to be a surety for a future obligation is released if the creditor, without special authorization from the surety, extends credit to a third person with knowledge that the financial condition of the latter had become such as to make the discharge of the obligation considerably more difficult.

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ARTICLE 1957 - Maturity of principal obligation.

The liability of a surety remains in effect even after the principal obligation has matured, provided that the creditor, within six months, has entered suit against the debtor and pursued it with diligence.

This provision is applicable if the surety has expressly limited his suretyship to the same period as the principal obligation.

In such case, however, the suit against the debtor must be instituted within two months.

A suit entered into against the debtor also interrupts prescription with respect to the surety.

CHAPTER XXIII

DELEGATION OF POWER TO EXTEND CREDIT

ARTICLE 1958 - Effects.

If a person directs another to extend credit to a third party in the name and for the account of the person thus delegated, the delegating party is answerable as surety for an ensuing debt.

If the delegated party accepts the delegation, he cannot withdraw from it, but the delegating party may revoke the delegation, except for his duty to compensate the delegated party for damages.

ARTICLE 1959 - Supervening insolvency of the delegating person or of third party beneficiary.

If, after acceptance of the delegation, the financial conditions of the delegating person or of the third party have become such as to render the satisfaction of the credit considerably more difficult, the person who has accepted the delegation cannot be compelled to carry it out.

Moreover, the provision of Article 1956 is applicable.

CHAPTER XXIV

OF ANTICHRESIS

ARTICLE 1960 - Elements.

Antichresis is a contract by which a debtor or a third person binds himself to place the creditor in possession of an immovable to secure an

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indebtedness, in order that said creditor may collect the fruits of such property and appropriate them to the interest on the debt, if owing, and, after satisfaction of such interest, to the principal.

ARTICLE 1961 - Charges for which the antichresis creditor is liable.

Unless otherwise agreed upon, the creditor is obliged to pay the taxes and annual charges of the immovable given in antichresis.

The creditor is obliged to provide for the preservation, administration and cultivation of the property with the diligence of a good pater familias. The expenses relative to such charges must be levied on the fruits.

If the creditor wishes to free himself from the above mentioned obligations, he may return the immovable to the debtor, unless he has renounced such right.

ARTICLE 1962 - Duration of antichresis.

Antichresis continues until the claim of the creditor is satisfied in full, even if the claim or the immovable given in antichresis is divisible, unless a definite period was set by the parties.

In all cases, the period of antichresis may not be in excess of ten years.

If a longer period was stipulated, it is reduced to ten years.

ARTICLE 1963 - Prohibition against forfeiture of property.

Any agreement, even subsequent to the making of the contract, authorizing the creditor to take the ownership of the immovable in default of payment of the debt, is void.

ARTICLE 1964 - Fruits set off against interest.

Without affecting the provisions of Article 1448, an agreement in which the parties stipulate that the fruits be set off against the interest, either in their totality or to a specified amount, is valid. In this case the debtor may always extinguish his debt and retake possession of the immovable.

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CHAPTER XXV

OF TRANSACTION (COMPROMISE)

ARTICLE 1965 - Elements.

A transaction or compromise is a contract whereby the parties, by mutual concessions, put an end to an actual litigation or prevent litigation arising between them.

The mutual concessions may also create, modify, or extinguish relationships other than those which arise from the subject matter of the litigation or claim between the parties.

ARTICLE 1966 - Capacity to compromise and dispose of rights.

In order to compromise, the parties must have the capacity to dispose of the rights which form the subject matter of litigation.

A compromise is void if such rights either by their nature or by express provision of the law, are not subject to disposition by the parties.

ARTICLE 1967 - Evidence.

Evidence of a contract of compromise must be reduced to writing, and the validity of paragraph 12 of Article 1350 is unaffected.

ARTICLE 1968 - Compromise concerning false representation.

A compromise entered into in a civil suit involving questions of false representation is not effective unless it was approved by the Tribunal, after hearing the public attorney.

ARTICLE 1969 - Mistake of law.

A compromise cannot be annulled for a mistake of law concerning the facts which have been the subject of litigation between the parties.

ARTICLE 1970 - Injury.

A compromise cannot be attacked on grounds of injury.

ARTICLE 1971 - Compromise concerning an unreasonable demand.

If one of the parties was aware of the unreasonableness of his demand, the other party may demand the annulment of the compromise.

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ARTICLE 1972 - Compromise made in execution of null title.

A compromise concerning an unlawful contract is void, even if the parties have compromised on the nullity of such contract.

In other cases when the compromise was made in execution of a title which is null, the annulment may be demanded only by the party who was ignorant of the causes for nullity of said title.

ARTICLE 1973 - Voidability based on false documents.

A compromise made, wholly or in part, on the basis of documents which have since been found false is voidable.

ARTICLE 1974 - Voidability based on ajudicated matters.

A compromise respecting a suit which has already been terminated by a judgment which may no longer be appealed, and of which the parties or one of the parties had not been aware, is also voidable.

ARTICLE 1975 - Voidability based upon discovery of documents.

A general compromise entered into by the parties concerning all the differences which they might have had with one another may not be attacked on the grounds that one of the parties subsequently discovers documents which were unknown to him at the time of the compromise, unless such documents were concealed by the other party.

The compromise is voidable when it concerns a specified relationship and subsequently discovered documents prove that one of the parties had no rights subject to the compromise.

ARTICLE 1976 - Rescission of compromise for non-performance.

Rescission of a compromise on grounds of non-performance may not be demanded if the relationship existing between the parties prior to the contract was extinguished by novation, unless the parties have expressly stipulated such right of rescission.

CHAPTER XXVI

OF THE ASSIGNMENT OF PROPERTY FOR THE BENEFIT OF CREDITORS

ARTICLE 1977 - Elements.

A transfer of property for the benefit of creditors is a contract whereby a debtor charges his creditors, or some of his creditors, with

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the commission to liquidate all or part of his assets and to apportion the proceeds between them to satisfy their claims.

ARTICLE 1978 - Formalities.

The assignment of property must be reduced to writing, under penalty of nullity.

If the property which has been assigned includes claims, the provisions of Articles 1264 and 1265 must be observed.

ARTICLE 1979 - Powers of creditors who are assignees.

The creditors who are the assignees are charged with the management of the property which has been assigned. They may exercise all actions of a patrimonial nature concerning such property.

ARTICLE 1980 - Effects of assignment.

A debtor may not dispose of the property assigned.

Creditors whose claims antedate the assignment, and who have not participated therein, may also levy executions on such property.

If only some of the assets of the debtor were assigned, the creditors who are the transferees may not levy execution on the other assets of the debtor before liquidating the assets which were assigned.

ARTICLE 1981 - Expenses.

The creditors who have entered into an assignment or who have given their assent thereto must advance the sums necessary for the expenses of liquidation, and have the right to deduct such advances from the proceeds of the liquidation.

ARTICLE 1982 - Apportionment.

The creditors shall apportion the proceeds among themselves in proportion to their respective claims; debts which give rise to preferences are unaffected. Any amounts remaining belong to the debtor.

ARTICLE 1983 - Examination by the debtor.

A debtor has the right to check on the management of the property and to have an accounting thereof at the end of the liquidation, or at the end of each year if the duration of such management is in excess of one year.

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If a liquidator has been appointed, he shall account also to the debtor.

ARTICLE 1984 - Release of the debtor.

Unless otherwise agreed upon, a debtor is released with respect to his creditors only from the day on which the latter receives the shares to which they are entitled from the proceeds of the liquidation, and only to the extent of the amounts received.

ARTICLE 1985 - Withdrawal from contract of assignment.

A debtor may withdraw from the contract of assignment by offering to pay the principal and the interest to the parties with whom he contracted or who have consented to the assignment. The withdrawal is effective from the day of payment.

The debtor is bound to reimburse the expenses incurred in the management of the property.

ARTICLE 1986 - Annulment and rescission of contract of assignment.

A contract of assignment may be annulled if the debtor, having declared that he was making an assignment of all of his property, has concealed a considerable part of it, or concealed liabilities, or claimed assets which do not exist.

The assignment may be rescinded for non-performance in accordance with the general rules.

TITLE FOUR

OF UNILATERAL PROMISES

ARTICLE 1987 - Validity of promise.

The unilateral promise of a performance does not produce binding effects except in specific cases permitted by law.

ARTICLE 1988 - Promise to pay or acknowledge a debt.

A promise to make a payment or to acknowledge a debt exonerates the person in whose favor the promise is made from the burden of proving the original relationship. The existence of the original relationship is presumed until it is proved otherwise.

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ARTICLE 1989 - Promise to the public.

A person who, addressing himself to the public, undertakes to perform a promise in favor of a person who may be placed in a specified situation or who performs certain acts, is bound by such promise as soon as it is made public.

If no time limit is attached to the promise, or if it is not implied by the nature or purpose of said promise, the obligation of the promissor ceases if, within one year from the time of the promise, he fails to receive notice that the specified situation or the performance of the act called for in the promise has materialized.

ARTICLE 1990 - Revocation of promise.

A promise may be revoked before expiration of the time limit indicated in the preceding paragraph only for justifiable reasons, provided such revocation be made public with the same or with equal formalities as the promise.

In no case is the revocation effective if the situation called for in the promise has already materialized or if the act called for has been performed.

ARTICLE 1991 - Simultaneous acts by several persons.

If the act called for in the promise is performed separately by several persons, or if the situation called for is common to several persons, the promised performance, when it is offered to one person only, is due to the person who was the first to give notice to the promissor.

TITLE FIVE

OF CREDIT INSTRUMENTS (NEGOTIABLE INSTRUMENTS)

CHAPTER I

GENERAL PROVISIONS

ARTICLE 1992 - Performance.

The holder of a credit instrument is entitled to the performance therein provided upon presentation of the instrument, if he is identified with the formalities required by law as being authorized to demand compliance with the obligations therein expressed.

A debtor who, without fraud or gross negligence, discharges the obli-

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gation to the holder of the instrument, is released, even if such holder is not the legitimate holder of the right represented by such instrument.

ARTICLE 1993 - Exceptions and defenses which may be raised.

A debtor may raise against the holder of a credit instrument only such defenses as are personal to such holder, those based on defects in form, those based on the literal context of the instrument, those arising from forgery of his own signature, those based on insufficient powers or legal capacity at the time of issue, and those based on the lack of conditions necessary for a plaintiff to exercise his right of action.

A debtor may raise against the holder of the instrument the defenses based upon the personal relationship with the previous holders only if such holder acted intentionally to the prejudice of the debtor in acquiring the credit instrument.

ARTICLE 1994 - Effects of possession in good faith.

Whoever has acquired possession in good faith of a credit instrument, in accordance with the rules regulating the form of circulation thereof, is not subject to an action for replevin.

ARTICLE 1995 - Transfer of accessory rights.

The transfer of a credit instrument includes also the transfer of accessory rights therein.

ARTICLE 1996 - Instruments representing merchandise.

Instruments representing merchandise confer upon the holder the right to receive the delivery of the merchandise mentioned therein, possession of said merchandise, and power to dispose thereof by transfer of the instrument.

ARTICLE 1997 - Validity of liens upon the rights attached to an instrument of credit.

A pledge, sequestration, pawn or any other lien on the rights established in a credit instrument or the merchandise represented thereby, has no effect unless noted on the instrument itself.

ARTICLE 1998 - Credit instruments carrying the right to premiums.

In the case of credit instruments subject to usufruct, the enjoyment of the usufructuary includes the premiums and the other speculative profits derived from the instrument.

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The amount of the premium is invested in accordance with Article 1000.

When credit instruments have been pledged, the security provided thereby does not include premiums and the other speculative profits derived from the instrument.

ARTICLE 1999 - Transformation of instruments.

Bearer instruments may be converted into nominative (non-transferable) instruments by the issuing party, upon request of the holder and at the expense of the holder.

Unless such conversion is expressly barred by the party who issued the instrument, nominative instruments may be converted into bearer instruments upon request and at the expense of the party whose name appears on the face of such instrument, provided he establishes his identity and right to make such demand in accordance with the second paragraph of Article 2022.

ARTICLE 2000 - Consolidation and division of instruments.

Credit instruments issued in series may be consolidated into one multiple instrument, upon request and at the expense of the holder.

Multiple credit instruments may be divided into instruments of smaller denomination.

ARTICLE 2001 - Reference to special laws.

The provisions of this Title are applicable insofar as other provisions of this Code or special laws do not provide otherwise.

Documents evidencing public debt, bank notes and other similar instruments are governed by special laws.

ARTICLE 2002 - Documents, evidencing identity and transfer of rights.

The provisions of this Title are not applicable to documents whose sole purpose is to identify the party entitled to obtain the performance or to consent to the transfer of the rights mentioned in the instrument, unless the formalities which accompany assignments are observed.

CHAPTER II

OF BEARER INSTRUMENTS

ARTICLE 2003 - Transfer of instruments and identification of holder.

Bearer instruments are transferable by delivery.

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The holder of a bearer instrument is entitled to demand compliance with the obligations mentioned therein, upon presentment of the instrument for payment.

ARTICLE 2004 - Restrictions on power to issue.

A credit instrument containing an obligation to pay a certain sum of money may not be issued to the bearer except in the cases provided by law.

ARTICLE 2005 - Mutilation of document.

The holder of a bearer instrument which has been mutilated and is no longer fit to circulate, but is still unmistakably identifiable, has the right to obtain from the party who issued it another instrument, upon restitution of the original and reimbursement of expenses.

ARTICLE 2006 - Loss or theft of bearer instruments.

Unless special laws provide otherwise, cancellation, by the drawer, of lost or stolen bearer instruments is not permitted. However, the person who makes the claim to the issuer concerning the loss or theft of a credit instrument, and furnishes proof thereof, is entitled to obtain the payment and the performance of any other accessory rights after the period for prescription of the instrument has run.

A debtor who discharges the obligation in favor of the holder of the instrument prior to such time of prescription is released, unless it is proved that he had knowledge of the defect in the title of possession of the party who presented the instrument for payment.

If the instruments lost or stolen are bearer share-certificates, the complainant of such loss or theft may be authorized by the Tribunal, upon posting security, to exercise the rights inherent in such share-certificates even before expiration of the prescription period, until such time as the instruments are presented by others.

In all cases, the rights which the complainant has against the holder of the instrument are unaffected.

ARTICLE 2007 - Destruction of the instrument.

A possessor of a bearer instrument who proves the destruction thereof, has the right to demand from the drawer a duplicate or an equivalent instrument.

If proof of the destruction is not made satisfactorily, the provisions of the preceding Article shall be observed.

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CHAPTER III

OF ORDER INSTRUMENTS

ARTICLE 2008 - Identification of the holder.

The holder of an instrument payable to order is entitled to exercise the rights mentioned therein through an unbroken chain of indorsements.

ARTICLE 2009 - Form of indorsement.

Indorsement shall be placed on the corresponding document and signed by the indorsee.

Indorsement is effective even if it does not indicate the indorsee.

Indorsement to bearer has the same effect as an indorsement in blank.

ARTICLE 2010 - Conditionel or partial indorsement.

Every condition imposed as an indorsement shall be considered as not having been written.

Partial indorsements are null.

ARTICLE 2011 - Effects of indorsement.

Indorsement transfers all rights inherent in the instrument.

If indorsement is made in blank, the holder may fill in his name or the name of a third party, make a new indorsement, or transfer the instrument to a third party without filling in the indorsement or making a new one.

ARTICLE 2012 - Liability of indorser.

Unless the law or a clause on the face of the instrument provide otherwise, an indorser is not liable for the non-performance of the obligation on the part of the issuer.

ARTICLE 2013 - Indorsement by a collecting agent or by power of attorney.

In indorsements which contain clauses granting a power of attorney for collection, the indorsee may exercise all rights inherent in the instrument but may not indorse it; except on the basis of a power of attorney.

The maker or issuer may raise against the indorsee by power of attorney

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only those defenses which he has against the indorser.

The power of attorney contained in an indorsement is not revoked by the supervening death or incapacity of the indorser.

ARTICLE 2014 - Indorsement of instrument used as security.

If an indorsement contains the clause "in guarantee" or "pledged", the indorsee may exercise all rights inherent in the instrument, but an indorsement made by such indorsee has only the effects of an indorsement by power of attorney.

The issuer of the instrument may only raise against an indorsee who is a guarantor the personal defenses which he might have against the indorser, unless the indorsee has acted intentionally against the interests of such drawer in receiving the instrument.

ARTICLE 2015 - Assignment of order instrument.

Acquisition of an order instrument by means other than indorsement produces the effects of an assignment.

ARTICLE 2016 - Procedure for cancellation.

In the case of loss, theft or destruction of the instrument, the holder may complain to the debtor and demand the cancellation by petitioning the president of the Tribunal of the place in which the party principally liable must comply with the obligations contained in the instrument.

The petition shall indicate the essential elements of the instrument and, if the instrument is in blank, other elements sufficient to identify it.

The president of the Tribunal, having previously ascertained the accuracy of the facts and the rights of the holder, may decree cancellation and authorize payment of the instrument thirty days from the date of publication of the decree in the "Gazzetta Officiale" of the Kingdom, provided that in the meanwhile the actual holder of the instrument does not appear to object to the cancellation.

If, at the time of publication, the instrument has not yet become due, this period of time runs from the date of maturity.

Notice of the decree shall be given to the party principally liable and the petitioner shall cause its publication in the "Gazzetta Officiale" of the Kingdom.

If before receiving notice of the decree of cancellation, payment is

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made to the person who presents the instrument for payment, the debtor is released, notwithstanding the complaint which has been made.

ARTICLE 2017 - Objection by actual possessor of the instrument.

Objection to cancellation by the actual holder of the instrument shall be raised before the Tribunal which has decreed such cancellation, serving notice thereof on the party who sued for cancellation and on the debtor liable.

Objection is not admissible unless the instrument is deposited in the office of the clerk of the court.

If the objection is overruled, the instrument is delivered to the party who petitioned for cancellation.

ARTICLE 2018 - Rights of petitioner during valid period for objection.

During the period established by Article 2016, the petitioner may perform all acts for the preservation of his rights and, if the instrument has matured or has become payable at sight, he may demand payment upon posting bond, or request the deposit of the sum in court.

ARTICLE 2019 - Effects of cancellation.

After the period established by Article 2016 has expired without objections being raised, the instrument is no longer valid, except as concerns the rights of the actual holder against the party who obtained the cancellation.

The party who obtained cancellation may, upon presentation of the pertinent decree and of a certificate of the clerk of the Tribunal witnessing the fact that no objection has been made, demand the discharge of the obligation contained in the instrument, or, if the instrument is in blank or has not yet matured, he may demand a duplicate of said instrument.

ARTICLE 2020 - Special laws.

The provisions of this section are applicable to order instruments which are governed by special laws, insofar as they do not provide otherwise.

CHAPTER IV

OF NOMINATIVE INSTRUMENTS

ARTICLE 2021 - Identification of the holder.

The holder of a nominative instrument is entitled to exercise the

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rights mentioned therein by reason of an entry in his favor recorded on the instrument and on the register of the party issuing same.

ARTICLE 2022 - Transfer.

The transfer of a nominative instrument is effected by entering the name of the purchaser on the instrument and on the register of the issuer or by the issuance of a new instrument made in the name of the new owner. An indication of such issuance shall be noted in the register.

A person who demands that the instrument be issued in favor of another person, or that delivery of a new instrument be made in the name of another person, shall prove his own identity and legal capacity to dispose of such rights, by means of certificate by a notary or exchange broker. If the issuance or the delivery is requested by the party acquiring the instrument, he shall have to produce the instrument and prove his right by means of an authenticated document.

The entries in the register and on the instrument are made at the behest of and under the responsibility of the issuer.

An issuer who effects a transfer in the manner indicated in the present Article is exonerated from all responsibility, except in case of negligence.

ARTICLE 2023 - Transfer by indorsement.

Unless otherwise provided by law, a nominative instrument may also be transferred by indorsement duly authenticated by a notary or exchange broker.

The indorsement must be dated and signed by the indorser and must contain the name of the indorsee. If the instrument is not released entirely, the signature of the indorser is required also.

Transfer by indorsement has no effect with regard to the issuer until entry thereof is made in the register. An indorsee, who proves himself to be the holder of the instrument by means of an unbroken chain of indorsements is entitled to obtain the entry of the transfer in the register of the issuer.

ARTICLE 2024 - Liens imposed on credit evidenced by instrument.

No lien on the credit evidenced by the instrument is effective with regard to the issuer or to third parties, unless the lien is evidenced by a corresponding entry in said instrument and in the register.

The provisions of the second paragraph of Article 2022 are observed for the formalities of entry.

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ARTICLE 2025 - Usufruct.

Whoever has the usufruct of a claim contained in a nominative instrument has the right to obtain an instrument separate from the one of the owner.

ARTICLE 2026 - Pledge.

A nominative instrument may be pledged also by means of delivery of such instrument, indorsed with the clause "in guarantee" or other similar phrase.

The indorsee in such forms of indorsement may not transfer the instrument except through indorsement by power of attorney.

ARTICLE 2027 - Cancellation.

In the case of loss, theft or destruction of the instrument the person whose name appears on the face of the instrument or the indorsee of the instrument may report the fact to the issuer and demand the cancellation of the instrument in accordance with the provisions concerning order instruments.

In the case of loss, theft or destruction of nominative shares during the period established by Article 2016, the petitioner may exercise all rights inherent in such shares, except for the posting of bond, if necessary.

Cancellation extinguishes the instrument, but does not prejudice the rights of the holder against the party who obtained the new instrument.

TITLE SIX

OF VOLUNTARY MANAGEMENT OF THE AFFAIRS OF ANOTHER

ARTICLE 2028 - Duty to continue management.

Whoever, without compulsion, knowingly undertakes to handle the affairs of another is bound to continue such management and bring it to completion, until such time as the interested party is in a position to attend to it himself.

The duty to continue the management remains, even if the interested party dies before the affairs are brought to a close, until such time as the heir may attend to it directly.

ARTICLE 2029 - Requisites for management.

A person who conducts or manages the affairs of another must have capacity to contract.

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ARTICLE 2030 - Obligations of manager.

A manager is liable for the same obligations as would arise under a mandate.

The judge, however, considering the circumstances which prompted the person to assume the management, may reduce the compensation for damages for which he would be liable if caused by his own negligence.

ARTICLE 2031 - Duties of the interested party.

When the management has been actually commenced, the interested party must discharge the obligations assumed by the manager in the name of such interested party, and shall save him harmless against the obligation assumed by the manager in his own name and reimburse him for all useful or necessary expenses with interest accruing from the day on which such expenses were incurred.

This provision is not applicable to acts of management performed contrary to prohibitions made by the interested party, unless such prohibition is contrary to law, public order, or morals.

ARTICLE 2032 - Ratification by the interested party.

The ratification by the interested party produces with respect to the management the same effects as would have arisen from a mandate, even if the management was conducted by a person under the impression he was conducting his own business.

TITLE SEVEN

OF PAYMENT OF WHAT IS NOT DUE

ARTICLE 2033 - Right to recover payment.

Whoever makes payment for what is not due is entitled to demand the return of the sum he paid. He is moreover entitled to the fruits and interest of the property given in payment, from the day on which payment was made if the person who received it acted in bad faith, or from the day of the petition if he acted in good faith.

ARTICLE 2034 - Natural obligations.

Recovery of the sums which have been voluntarily contributed in compliance with moral or social obligations is not permissible, unless such payment was made by a person suffering under incapacity.

The obligations or duties set forth in the preceding paragraph, and any other obligation or duty for which the law does not provide an action

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but for which it bars recovery of what was voluntarily paid, have no other effect.

ARTICLE 2035 - Payment contrary to good morals.

A person who makes a payment for a cause which, with respect to both parties is contrary to good morals, may not demand repayment.

ARTICLE 2036 - Mistaken discharge of obligation.

A person who has paid the debt of another, believing himself, through an excusable mistake, to be the debtor, may recover what he has paid, provided the creditor has not disposed of the instrument or of the security for the claim, in good faith.

A person who accepts a discharge which is not due, is also obliged to return the fruits and the interest from the date of payment if he acted in bad faith, or from the date of the petition for recovery if he acted in good faith.

When recovery is not permissible, the person who discharged the obligation is subrogated to the rights of the creditor.

ARTICLE 2037 - Restitution of specified property.

A person who accepts specified property which is not due is obliged to restore it.

If the property is lost, even through accident, a person who receives it in payment in bad faith is obliged to return the value of the property.

If the property has merely deteriorated, the person who gave it in payment may demand its equivalent, or the return of the property and an indemnity for the diminished value.

A person who receives the property in good faith is not answerable for the loss or deterioration thereof, except within the limits of his enrichment, even if the loss or deterioration is caused by his own act.

ARTICLE 2038 - Alienation of property accepted when not due.

A person who, having accepted property in good faith, has alienated it before becoming aware of his duty to return it, is obliged to return an amount equal to that received.

If such payment is still due, the person who made payment is subrogated to the rights of the seller. In the case of gratuitous alienation, the third

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party purchaser is obliged to return the amount to the person who made the payment not due, to the extent of his own enrichment.

A person who has alienated property accepted in bad faith, or after becoming aware of his duty to return it, is obliged to restore the property in kind or to pay its corresponding value. However, a person who makes payment not due may demand an amount equal to that of alienation and may take direct action to obtain it.

If the alienation is made gratuitously, the purchaser is liable, to the extent of his own enrichment, to the person who made payment not due, if the execution levied on the seller proved unavailing.

ARTICLE 2039 - Payment received by person suffering under incapacity.

If the person who received payment of what is not due is suffering under incapacity, he is liable only within the limits to which the payment received redounded to his benefit, even if he was in bad faith.

ARTICLE 2040 - Reimbursement for expenses and improvements.

The person to whom the property is restored is obliged to reimburse the possessor thereof for expenses and improvements, in accordance with Articles 1149, 1150, 1151, and 1152.

TITLE EIGHT

OF UNJUST ENRICHMENT

ARTICLE 2041 - Cause of action in general.

A person who, without justifiable cause, has enriched himself at the expense of another must, within the limits of his own enrichment, indemnify the latter in an amount corresponding to the loss of property suffered by such person.

If the enrichment consists of specified property, the person who received it is obliged to return the thing in kind if it is still in existence at the time of the petition.

ARTICLE 2042 - Ancillary character of action.

An action of unjust enrichment may not be instituted if the party injured may exercise another cause of action to obtain indemnity for the injury suffered.

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TITLE NINE

OF WRONGFUL ACTS

ARTICLE 2043 - Redress for wrongful acts.

All fraudulent or negligent acts which cause an unjust injury to another bind the person who has committed the act to answer for such injury.

ARTICLE 2044 - Legitimate defense.

A person who causes injury in the exercise of a legitimate defense of himself or of another is not liable therefor.

ARTICLE 2045 - Injury caused by necessity.

When a wrongdoer was compelled by necessity to save himself or another from present danger of bodily injury, and the danger was not voluntarily caused by his own act and was not otherwise avoidable, the party injured is entitled to an indemnity the measure of which shall be established with due consideration by the judge.

ARTICLE 2046 - Liability of person under incapacity.

A person who was not capable of intention or volition at the time when he performed the act causing injury is not liable, unless such state of incapacity was caused by his own negligence.

ARTICLE 2047 - Injury caused by person suffering under incapacity.

If the act causing injury was committed by a person incapable of intention or volition, reparation is due from those who were charged with the custody of such person, unless it is proved that the act could not have been prevented.

If the party injured is unable to secure reparation from the person charged with the custody of the incapacitated party, the judge, considering the financial conditions of the parties, may order the wrongdoer to pay a just indemnity.

ARTICLE 2048 - Liability of parents, tutors, teachers and masters of apprentices.

The father and mother, or the tutor, are liable for the damage occasioned by the wrongful act of their minor or unemancipated children, or of the persons subject to their tutelage who reside with them.

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The same provision is applicable to foster children.

Teachers and those who teach an art, trade or profession are answerable for the damage occasioned by the wrongful act of their pupils or apprentices while under their superintendence.

The persons mentioned in the preceding Article are only exonerated from liability if they prove to have been unable to prevent the act.

ARTICLE 2049 - Liability of masters and employers.

Masters and employers are answerable for the damage occasioned by their servants and employees in the exercise of the functions in which they are employed.

ARTICLE 2050 - Liability arising from the exercise of dangerous undertakings.

Whoever causes injury to another in the performance of an undertaking dangerous by its nature, or by the means employed in the performance thereof, is obliged to make redress therefor, unless he proves that he has taken all means suitable to avoid the injury.

ARTICLE 2051 - Damage caused by things in custody.

Everyone is liable for the injury occasioned by the things in his custody, unless it is proved that such damage was caused by accident.

ARTICLE 2052 - Damage done by animals.

The owner of an animal, or whoever uses it for the period during which he has use of it, is liable for the damage done by such animal, regardless of whether the animal was in his custody or whether it had strayed or escaped, unless he proves it was a fortuitous event.

ARTICLE 2053 - Dangerous buildings.

The owner of a building or other construction is liable for the damage caused by its ruinous state, unless he proves that such damage was not caused by neglect to repair it, or resulted from a defect in construction.

ARTICLE 2054 - Movement of vehicles.

The operator of a vehicle which is not guided by rails is obliged to pay compensation for injury to persons or to property caused by the movement of said vehicle, unless he proves that he did all that was possible in order to prevent the injury.

In the case of collision of vehicles, it is presumed that each of the drivers thereof contributed in equal degree in causing the damages suffered

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by each vehicle.

The owner of the vehicle, or in his stead, the usufructuary or purchaser under reservation of title, is jointly and severally liable with the operator of said vehicle, unless he proves that the movement of the vehicle was in defiance of his will.

In all cases, the persons indicated in the preceding paragraphs are liable for damages arising from defects in construction or defects in the maintenance of the vehicle.

ARTICLE 2055 - Joint and several liability.

If the act causing injury may be attributed to several persons, all are jointly and severally liable for the payment of the damages.

The person who satisfies the claim of compensation may recover from each of the others in proportion to the degree of negligence attributable to each and the seriousness of the consequences arising from his act.

In case of doubt, the degree of negligence attributable to each is presumed to be equal.

ARTICLE 2056 - Estimate of damage.

The compensation due the party injured must be determined in accordance with the provisions of Articles 1223, 1226, and 1227.

Damages arising from loss of income are estimated by the judge according to equitable standards in relation to the circumstances of the case.

ARTICLE 2057 - Permanent injury.

When injury caused to persons is permanent in character, settlement in liquidation thereof may be ordered by the judge under the form of a life annuity, taking into account the economic and social situation of the parties and the nature of the injury. In this case, the judge shall order the necessary security measures.

ARTICLE 2058 - Reparation in a specific manner.

The party injured may demand reparation to be made in a specific manner, when this is wholly or partially possible.

The judge, however, may order that the reparation be made only by providing the equivalent, if a specific reparation proves to be excessively onerous for the debtor.

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ARTICLE 2059 - Injury to incorporeal rights.

Incorporeal damages shall be compensated for only in the cases determined by law.

THE END OF BOOK FOUR

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