

No. 2560

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

**Guarantee Agreement — *Rio Grande do Sul Electrification Project*—(with annexed Loan Agreement—*Rio Grande do Sul Electrification Project*—between the Bank and Comissão Estadual de Energia Elétrica, Project Funds Agreement—*Rio Grande do Sul Electrification Project*—between the Bank and the State of Rio Grande do Sul, and Loan Regulations No.4). Signed at Washington, on 27 June 1952**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 13 May 1954.*

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

**Contrat de garantie — *Projet relatif à l'électrification du Rio Grande do Sul* — (avec, en annexe, le Contrat d'emprunt — *Projet relatif à l'électrification du Rio Grande do Sul* — entre la Banque et la Comissão Estadual de Energia Elétrica, le Contrat relatif aux fonds du Projet — *Projet relatif à l'électrification du Rio Grande do Sul* — entre la Banque et l'État du Rio Grande do Sul, et le Règlement n° 4 sur les emprunts). Signé à Washington, le 27 juin 1952**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 13 mai 1954.*

No. 2560. GUARANTEE AGREEMENT<sup>1</sup> (*RIO GRANDE DO SUL ELECTRIFICATION PROJECT*) BETWEEN THE UNITED STATES OF BRAZIL AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 27 JUNE 1952

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AGREEMENT, dated June 27, 1952, between THE UNITED STATES OF BRAZIL (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Comissão Estadual de Energia Elétrica (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,<sup>2</sup> the Bank has agreed to make to the Borrower a loan in the aggregate principal amount of twenty-five million dollars (\$25,000,000), or the equivalent in other currencies, on the terms and conditions set forth in the Loan Agreement but only on condition that the Guarantor agree to guarantee such loan and the obligations of the Borrower in respect thereof; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to guarantee such loan and the obligations of the Borrower in respect thereof;

Now THEREFORE the parties hereto hereby agree as follows :

*Article I*

*Section 1.01.* The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4<sup>3</sup> of the Bank dated December 6, 1950 (hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

*Section 1.02.* Except where the context otherwise requires the respective terms defined in Section 1.02 of the Loan Agreement shall have the respective meanings therein set forth wherever used in this Guarantee Agreement.

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<sup>1</sup> Came into force on 17 January 1953, upon notification by the Bank to the Government of Brazil.

<sup>2</sup> See p. 94 of this volume.

<sup>3</sup> See p. 94 of this volume.

## Article II

*Section 2.01.* Without limitation or restriction upon any of the other covenants on its part in this Agreement contained the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

*Section 2.02.* The Guarantor shall carry out or cause to be carried out the works described in Schedule 1<sup>1</sup> to this Guarantee Agreement in accordance with the arrangements heretofore made between the Guarantor and the State and the Borrower under existing legislation. If under such arrangements the means available shall not be adequate to enable such works to be carried forward at a desirable rate, the Guarantor acting through the agency of *Desenvolvimento* or such other legal means as may be appropriate will take measures so as to cause such works to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practice.

## Article III

*Section 3.01.* It is the intention of the Guarantor that no other external debt shall have priority over the Loan in the allocation or realization of foreign exchange. Accordingly, the Guarantor covenants that, unless the Bank shall otherwise agree in writing, any privilege or priority (including any mortgage, pledge or charge on any property, assets, revenues or receipts of the Guarantor or any of its political subdivisions or any agency of any of them) which the Guarantor or any such political subdivision or agency shall create or permit to be created as security for the payment of any external debt shall equally and ratably secure the payment of the Loan and the Bonds, and, in the creation of any such privilege or priority, express provision shall be made to that effect; provided, however, that this Section shall not apply (1) to the creation of any mortgage, pledge or other charge or priority on any property purchased, at the time of the purchase, solely as security for the payment of the purchase price of such property; or (2) to any pledge of commercial goods to secure debt maturing not more than one year after its date and to be paid out of the proceeds of sale of such commercial goods; or (3) if and when a central bank shall be established by the Guarantor, to any pledge by said central bank of any of its

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<sup>1</sup> See p. 92 of this volume.

assets in the ordinary course of its banking business to secure any indebtedness maturing not more than one year after its date.

*Section 3.02.* (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan shall be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

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

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

*Section 3.03.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for and free from any taxes or fees imposed under the laws of the Guarantor or laws in effect in its territories, provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

*Section 3.04.* The Loan Agreement, the Guarantee Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

*Section 3.05.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed by the laws of the Guarantor or laws in effect in its territories.

#### *Article IV*

*Section 4.01.* The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Minister of Finance of the Guarantor and

such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

*Article V*

*Section 5.01.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor : Ministerio da Fazenda, Esplanada do Castelo 375, Rio de Janeiro, Brazil.

For the Bank : International Bank for Reconstruction and Development, 1818 H Street, N.W., Washington, D.C., U.S.A.

*Section 5.02.* The Minister of Finance of the Guarantor and Desenvolvimento are designated for the purposes of Section 8.03 of the Loan Regulations.

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

The United States of Brazil  
By W. MOREIRA SALLES  
Authorized Representative

International Bank for Reconstruction and Development  
By Eugene R. BLACK  
President

SCHEDULE 1

SCHEDULE OF WORKS

A. *Candiota Power Plant*

At Candiota there will be constructed a thermo-electric power plant of 20,000 kw to utilize coal of the mines at Candiota. It will furnish electric power to the cities of Bajé, Pelotas and Rio Grande and to electrify the railroad which connects these cities.

B. *Ernestina Dam*

At Ernestina a pre-stressed concrete dam 13 meters in height and 400 meters in length will be constructed in the River Jacui so as to form a reservoir of about 258 million cubic meters.

C. *Jacui Dam*

At Salto Grande on the River Jacui a concrete dam 20 meters high and 300 meters in length will be constructed in order to provide regulation of the discharge of the water which is stored by the upstream reservoir at Ernestina.

#### D. Jacui Tunnel

A tunnel 9 meters in diameter and 1500 meters in length with an intake and surge tank will be constructed between the Jacui Dam and the Jacui Central Power Plant. The tunnel will have three branches near the power plant and will be completely reinforced with steel plates in the high pressure sections.

#### E. Canastra Dam

A rock dam 24.40 meters in height and 174 meters in length will be constructed in the Santa Maria River, 700 meters downstream from the Bugres Power Plant so as to provide an intermediate accumulation basin for the waters utilized by the Canastra Power Plant.

#### F. Blang Dam

A concrete dam 18.60 meters in height and 720 meters in length will be constructed in the Santa Cruz River approximately 6 kilometers upstream from the Salto Dam so as to provide storage for 48 million cubic meters of water to be utilized in the Bugres and Canastra Power Plants.

#### G. Larangeira Dam

A dam will be constructed on the Santa Maria River a short distance below the Canastra Power Plant so as to form a regulating basin to diminish the downstream fluctuations of the discharge of water which the Canastra Power Plant will cause and at a later stage will provide water for the Larangeira Power Plant of 7500 kw.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 6 DECEMBER 1950

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

[Not published herein. See *United Nations, Treaty Series, Vol. 158, p. 222*]

### LOAN AGREEMENT

(RIO GRANDE DO SUL ELECTRIFICATION PROJECT)

AGREEMENT, dated June 27, 1952, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and COMISSÃO ESTADUAL DE ENERGIA ELÉTRICA (hereinafter called the Borrower).

*Article I*

## LOAN REGULATIONS; SPECIAL DEFINITIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4<sup>1</sup> of the Bank dated December 6, 1950 (hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

*Section 1.02.* Except where the context otherwise requires, the following terms have the following meanings wherever used in this Loan Agreement or any Schedule hereto :

- (a) the term "State" means the State of Rio Grande do Sul of the Guarantor;
- (b) the term "Borrower" means Comissão Estadual de Energia Elétrica, an autonomous agency of the State, and any successor to or assignee of Comissão Estadual de Energia Elétrica;
- (c) the term "Project Funds Agreement"<sup>2</sup> means the agreement of even date herewith between the State and the Bank whereby the State agrees with the Bank to undertake certain obligations in respect of the funds to be provided to the Borrower;
- (d) the term "Additional Works" means the works described in Schedule 3<sup>3</sup> to this Agreement.
- (e) the term "Desenvolvimento" means the Banco Nacional do Desenvolvimento Econômico, a legal entity organized and existing under Law No. 1628 dated June 20, 1952, of the Guarantor and shall include any successor to the Banco Nacional do Desenvolvimento Econômico.

*Article II*

## THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, the sum of twenty-five million dollars (\$25,000,000), or the equivalent thereof in currencies other than dollars.

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

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

*Section 2.04.* The Borrower shall pay interest at the rate of four and three-quarters per cent ( $4\frac{3}{4}\%$ ) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

<sup>1</sup> See p. 94 of this volume.

<sup>2</sup> See p. 110 of this volume.

<sup>3</sup> See p. 110 of this volume.

*Section 2.05.* Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one half of one per cent ( $\frac{1}{2}$  of 1%) per annum on the principal amount of such special commitments outstanding. For the purposes of this Loan Agreement, the Loan Regulations shall be deemed to be modified as follows: the last sentence of Section 4.02 shall be deleted.

*Section 2.06.* Interest and other charges shall be payable semi-annually on May 15 and November 15 in each year.

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

### *Article III*

#### USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower shall apply the proceeds of the Loan exclusively to the cost of goods which will be required for the carrying out of the Project described in Schedule 2<sup>2</sup> to this Agreement. The specific goods to be purchased out of the proceeds of the Loan shall be determined by agreement between the Borrower and the Bank, and the list of such goods may be modified from time to time by agreement between them.

*Section 3.02.* The Borrower shall cause all goods purchased with the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively in the carrying out of the Project.

### *Article IV*

#### BONDS

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

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

### *Article V*

#### PARTICULAR COVENANTS

*Section 5.01.* The Borrower shall carry out the Project described in Schedule 2 to this Loan Agreement and the Additional Works described in Schedule 3<sup>3</sup> to this Loan Agreement with due diligence and efficiency and in conformity with sound engineering and financial practices.

<sup>1</sup> See p. 106 of this volume.

<sup>2</sup> See p. 108 of this volume.

<sup>3</sup> See p. 110 of this volume.



*Section 5.02.* (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans and specifications for the Project and any material modifications subsequently made therein.

(b) The Borrower shall maintain records adequate to identify the goods purchased out of the proceeds of the Loan, to disclose the end-use thereof in the Project, to record the progress of the Project and the Additional Works and the works described in Schedule I to the Guarantee Agreement (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the Borrower.

(c) The Borrower shall enable the Bank's representatives to inspect any and all goods purchased out of the proceeds of the Loan and the sites, works and construction included in the Project and in the Additional Works and the works described in Schedule I to the Guarantee Agreement and to examine any relevant records and documents.

(d) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the use of the goods purchased therewith, the progress of the Project and the Additional Works and the works described in Schedule I to the Guarantee Agreement and the operations and financial condition of the Borrower.

*Section 5.03.* (a) The Bank and the Borrower shall co-operate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

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

*Section 5.04.* If the Borrower shall propose to incur any external debt, the Borrower shall inform the Bank of such proposal and, before the proposed action is taken, shall afford the Bank all opportunity which is reasonably practicable in the circumstances to exchange views with the Borrower with respect thereto; provided, however, that the foregoing provisions shall not apply to the incurring of additional external debt through utilization, in accordance with the terms of any credit established prior to the date of this Agreement, of any unused amounts available under such credit.

*Section 5.05.* Except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and in the creation of any such lien express provision shall be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property.

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

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

*Section 5.08.* Except as shall be otherwise agreed in writing between the Bank and the Borrower, the Borrower shall insure or cause to be insured with responsible insurers all goods purchased with the proceeds of the Loan. Such insurance shall cover such marine, transit and other hazards incident to delivery of the goods into the territories of the Guarantor, and shall be for such amounts, as shall be consistent with sound commercial practice. Each contract of insurance shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

*Section 5.09.* The Borrower covenants to maintain its legal existence and structure and right to carry on its operations in such form and manner as will enable it to accomplish the purposes of the Loan and to maintain the service thereof.

## Article VI

### REMEDIES OF THE BANK

*Section 6.01.* If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days or if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations or in Section 6.02 of this Loan Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Loan Agreement or in the Bonds to the contrary notwithstanding.

*Section 6.02.* The following event is specified pursuant to Section 5.02 (h) of the Loan Regulations for the purposes of Section 5.02 of the Loan Regulations: a default shall have occurred in the performance of any covenant or agreement on the part of the State under the Project Funds Agreement.

*Article VII*

## EFFECTIVE DATE; TERMINATION

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

(a) The Guarantee Agreement shall have been duly registered by the Tribunal de Contas of the Guarantor.

(b) The execution and delivery of the Project Funds Agreement shall have been duly authorized or ratified by all necessary governmental action;

(c) The Project Funds Agreement shall have been duly registered by the Tribunal de Contas of the State; and

(d) The regulations required by Law No. 1744 of February 20, 1952 of the State to be adopted thereunder shall have been duly adopted in such form and substance as shall facilitate the accomplishment of the purposes of the Loan.

*Section 7.02.* The following matter is specified for the purposes of Section 9.02 (d) of the Loan Regulations :

That the Project Funds Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the State and constitutes a valid and binding obligation of the State in accordance with its terms.

*Section 7.03.* A date 60 days after the date of this Loan Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

*Article VIII*

## MISCELLANEOUS

*Section 8.01.* The Closing Date shall be June 30, 1957.

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

For the Borrower : Comissão Estadual de Energia Elétrica, Porto Alegre, Brazil.

For the Bank : International Bank for Reconstruction and Development, 1818 H Street, N. W., Washington, D. C., U.S.A.

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

International Bank for Reconstruction and Development

By Eugene R. BLACK  
President

Comissão Estadual de Energia Elétrica

By Noé de M. FREITAS  
Diretor Geral

## SCHEDULE 1

## AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Principal Amount Outstanding After Each Payment (expressed in dollars) *</i>
	—	\$25,000,000	November 15, 1967	\$610,000	\$14,772,000
November 15, 1957	\$381,000	\$24,619,000	May 15, 1968 . .	624,000	14,148,000
May 15, 1958 . .	390,000	24,229,000	November 15, 1968	639,000	13,509,000
November 15, 1958	400,000	23,829,000	May 15, 1969 . .	654,000	12,855,000
May 15, 1959 . .	409,000	23,420,000	November 15, 1969	670,000	12,185,000
November 15, 1959	419,000	23,001,000	May 15, 1970 . .	686,000	11,499,000
May 15, 1960 . .	429,000	22,572,000	November 15, 1970	702,000	10,797,000
November 15, 1960	439,000	22,133,000	May 15, 1971 . .	719,000	10,078,000
May 15, 1961 . .	449,000	21,684,000	November 15, 1971	736,000	9,342,000
November 15, 1961	460,000	21,224,000	May 15, 1972 . .	753,000	8,589,000
May 15, 1962 . .	471,000	20,753,000	November 15, 1972	771,000	7,818,000
November 15, 1962	482,000	20,271,000	May 15, 1973 . .	789,000	7,029,000
May 15, 1963 . .	494,000	19,777,000	November 15, 1973	808,000	6,221,000
November 15, 1963	505,000	19,272,000	May 15, 1974 . .	827,000	5,394,000
May 15, 1964 . .	517,000	18,755,000	November 15, 1974	847,000	4,547,000
November 15, 1964	530,000	18,225,000	May 15, 1975 . .	867,000	3,680,000
May 15, 1965 . .	542,000	17,683,000	November 15, 1975	888,000	2,792,000
November 15, 1965	555,000	17,128,000	May 15, 1976 . .	909,000	1,883,000
May 15, 1966 . .	568,000	16,560,000	November 15, 1976	930,000	953,000
November 15, 1966	582,000	15,978,000	May 15, 1977 . .	953,000	—
May 15, 1967 . .	596,000	15,382,000			

## PREMIUMS ON PREPAYMENT AND REDEMPTION

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

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 5 years before maturity . . . . .	½%
More than 5 years but not more than 10 years before maturity . . . . .	1%
More than 10 years but not more than 15 years before maturity . . . . .	1½%
More than 15 years but not more than 20 years before maturity . . . . .	2%
More than 20 years before maturity . . . . .	2½%

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

## SCHEDULE 2

## DESCRIPTION OF PROJECT

*A. Canastra Power Plant*

A hydro-electric power plant will be constructed at Canastra to use the water from the Canastra dam. Two 21,000 kilowatt units will be installed in the plant and placed into operation.

This plant will be connected to the Bugres transmission lines and the substation at Farroupilha. Appropriate substations will be constructed at Cachoerinha and Porto Alegre.

*B. Ernestina Power Plant*

A hydro-electric power plant will be constructed at Ernestina to use the waters from the Ernestina dam. A 4200 kilowatt unit will be installed in the plant and placed into operation. A suitable substation will be constructed at Passo Fundo City. Suitable transmission lines will be constructed from the Passo Fundo substation to the Ernestina power plant and to Carazinho, Capigui, Forquilha, Quaporé and Salto Grande at Jacui.

*C. Jacui Power Plant*

A hydro-electric power plant of sufficient size to house six units will be constructed at Jacui to use the waters of the Jacui dam. Two 24,000 kilowatt units will be installed in the plant and placed into operation. Suitable transmission lines will be constructed to connect the Jacui Power Plant with substations at Santa Maria, Ijui, Passo Fundo and near Porto Mariante and near Porto Alegre.

*D. Capigui Power Plant*

The hydro-electric power plant near Passo Fundo City will be completed so as to use the waters from the Capigui River. Two 1800 kilowatt units will be installed in the power plant and placed into operation. Suitable substations and transmission lines will be constructed so as to provide service in the neighboring municipalities.

*E. São Jeronimo Power Plant—Additional Unit*

One additional 10,000 kw. thermo-electric unit will be installed in the power plant at São Jeronimo and placed into operation. One additional suitable substation will be constructed. A transmission line will be constructed between the São Jeronimo Power Plant and Porto Mariante.

*F. Candiota Transmission Line*

Suitable transmission lines will be constructed to connect the Candiota Power Plant with the cities of Bagé, Pelotas and Rio Grande. Suitable substations will be constructed to serve each of these cities and the neighboring municipalities.

*G. Secondary Transmission Lines and Substations and Distribution Systems*

Approximately \$3,000,000 of the proceeds of the Loan will be utilized for the construction of secondary transmission lines and substations and the expansion of distribution systems.

## SCHEDULE 3

## ADDITIONAL WORKS

The following works which are now nearing the stage of completion will be completed :

*A. Bugres Power Plant*

The 10,000 kw. hydro-electric plant at Bugres in the valley of the Santa Maria River, which uses the water of the Santa Cruz River through the Salto tunnel.

*B. Bugres Transmission Line*

The 130,000 volt transmission line connecting the Bugres Power Plant with the transformer substation at Cachoeirinha. This transmission line will be of sufficient capacity to transmit the power to be generated at the Canastra Power Plant.

*C. São Jeronimo Power Plant*

The thermo-electric power plant near the coal mines in the municipality of São Jeronimo with two 5,000 kw units.

*D. São Jeronimo Transmission Line*

The 66,000 volt transmission line connecting the São Jeronimo power plant with the transforming substations at Esteio, Novo Hamburgo and Cachoeirinha.

*E. Porto Alegre Sub-station*

The 15,000 kw. transforming sub-station at Porto Alegre which is linked to the Cachoeirinha substation.

*F. Secondary Transmission Lines and Distribution Systems*

Additions to the secondary transmission lines and to distribution systems will be carried out.

## PROJECT FUNDS AGREEMENT

## (RIO GRANDE DO SUL ELECTRIFICATION PROJECT)

AGREEMENT, dated June 27, 1952, between THE STATE OF RIO GRANDE DO SUL (hereinafter called the State and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Comissão Estadual de Energia Elétrica (hereinafter called the Borrower) which agreement and the Schedules therein referred to are hereinafter called the Loan Agreement, the Bank has agreed to make to the Borrower a loan in the aggregate principal amount of twenty-five million dollars (\$25,000,000), or the equivalent in other currencies, on the terms

and conditions set forth in the Loan Agreement, but only on condition that the State agree to provide the Borrower with funds required to fulfill the purposes of the Loan; and

WHEREAS the State, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to provide the Borrower with such funds;

Now THEREFORE the parties hereto hereby agree as follows :

The entire proceeds of the electrification tax provided for in Law No. 1211, dated November 29, 1950, of the State will be paid by the State to the Borrower within a reasonable time after collection for use by the Borrower in accordance with the provisions of such law. If the proceeds of the electrification tax shall during the year 1952 or in any succeeding year to and including 1960 be less than the amount of one hundred and eight million Brazilian cruzeiros (Br. Cr. 108,000,000) plus a cumulative annual increase of eight percent (8%) per annum the State will pay to the Borrower during any such year from other funds such amounts as shall be necessary to make the total amount paid to the Borrower by the State (including the proceeds of the electrification tax) during such year not less than the amount of one hundred and eight million Brazilian cruzeiros plus a cumulative annual increase of eight percent (8%) per annum.

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

The State of Rio Grande do Sul  
By Antônio BROCHADO ROCHA  
Authorized Representative

International Bank for Reconstruction and Development  
By Eugene R. BLACK  
President

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