

No. 2563

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

**Guarantee Agreement—Itutinga Hydro-Electric Project—
(with annexed Loan Agreement—Itutinga Hydro-Elec-
tric Project—between the Bank and Companhia de
Eletricidade do Alto Rio Grande and Centrais Elétricas
de Minas Gerais, S.A., Project Funds Agreement—Itu-
tinga Hydro-Electric Project—between the Bank and
the State of Minas Gerais, and Loan Regulations No. 4).
Signed at Washington, on 17 July 1953**

Official text: English.

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

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

**Contrat de garantie — *Projet relatif à l'aménagement
hydro-électrique d'Itutinga* — (avec, en annexe, le
Contrat d'emprunt — *Projet relatif à l'aménagement
hydro-électrique d'Itutinga* — entre la Banque et la
Companhia de Eletricidade do Alto Rio Grande et les
Centrais Elétricas de Minas Gerais, S.A., Contrat
relatif aux fonds du Projet — *Projet relatif à l'aména-
gement hydro-électrique d'Itutinga* — entre la Banque
et l'État de Minas Gerais, et le Règlement n° 4 sur les
emprunts). Signé à Washington, le 17 juillet 1953**

Texte officiel anglais.

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

No. 2563. GUARANTEE AGREEMENT¹ (*ITUTINGA HYDRO-ELECTRIC PROJECT*) BETWEEN THE UNITED STATES OF BRAZIL AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 17 JULY 1953

AGREEMENT, dated July 17, 1953, 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 Companhia de Eletricidade do Alto Rio Grande and Centrais Elétricas de Minas Gerais, S.A. (hereinafter called the Borrowers), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrowers a loan in the aggregate principal amount of seven million three hundred thousand dollars (\$7,300,000), 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 Borrowers in respect thereof; and

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

WHEREAS the giving of such guarantees has been authorized by Law No. 1518 dated December 24, 1951, of the Guarantor;

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. 4³ of the Bank dated October 15, 1952 (hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

¹ Came into force on 6 November 1953, upon notification by the Bank to the Government of Brazil.

² See p. 156 of this volume.

³ See p. 176 of this volume.

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. Whenever used in the Loan Regulations the term "Borrower" shall mean the Borrowers as defined in such Section 1.02.

Article II

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

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) to any pledge by or on behalf of the Guarantor of any of its assets in the ordinary course of 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 purpose 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 Borrowers. 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 Mario DA CAMARA
Authorized Representative

International Bank for Reconstruction and Development

By Eugene R. BLACK
President

LOAN AGREEMENT

(ITUTINGA HYDRO-ELECTRIC PROJECT)

AGREEMENT, dated July 17, 1953, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and COMPANHIA DE ELETRICIDADE DO ALTO RIO GRANDE (hereinafter called CEARG) and CENTRAIS ELÉTRICAS DE MINAS GERAIS, S.A. (hereinafter called CEMIG).

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4¹ of the Bank dated October 15, 1952 (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 Minas Gerais of the Guarantor;

¹ See p. 176 of this volume.

- (b) the term "CEARG" means Companhia de Eletricidade do Alto Rio Grande, a sociedade anônima organized and existing under the laws of the Guarantor, one of the parties to this Agreement, and any successor to or assignee of Companhia de Eletricidade do Alto Rio Grande;
- (c) the term "CEMIG" means Centrais Elétricas de Minas Gerais, a sociedade anônima organized and existing under the laws of the Guarantor, one of the parties to this Agreement, and any successor to or assignee of Centrais Elétricas de Minas Gerais;
- (d) the term "Borrowers" means CEARG and CEMIG;
- (e) the term "Project Funds Agreement"¹ 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 Borrowers;
- (f) 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.

Section 1.03. Wherever used in the Loan Regulations the term "Borrower" shall mean Borrowers as herein defined.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrowers, on the terms and conditions in this Agreement set forth or referred to, the sum of seven million three hundred thousand dollars (\$7,300,000), 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 Borrowers and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

Section 2.03. The Borrowers shall pay to the Bank a commitment charge at the rate of three-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. The date specified for the purposes of Section 2.02 of the Loan Regulations is September 15, 1953, or the Effective Date, whichever shall be the earlier.

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

Section 2.05. Except as the Bank and the Borrowers or either of them shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrowers or either of them 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.

¹ See p. 172 of this volume.

Section 2.06. Interest and other charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.07. The Borrowers shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Loan Agreement.

Section 2.08. All obligations of the Borrowers under this Loan Agreement (not including, however, obligations expressly undertaken by only one of the Borrowers) and the Bonds shall be joint and several and the obligation of either of them to comply with any provision of this Loan Agreement is not subject to any prior notice to, demand upon or action against the other. No extension of time or forbearance given to either of the Borrowers in respect of the performance of any of its obligations under this Loan Agreement or the Bonds, and no failure of the Bank or of any holder of the Bonds to give any notice or to make any demand or protest whatsoever to either of the Borrowers, or strictly to assert any right or pursue any remedy against either of them in respect of this Loan Agreement or the Bonds, and no failure by either of the Borrowers to comply with any requirement of any law, regulation or order, shall in any way affect or impair any obligation of the other Borrower under this Loan Agreement or the Bonds.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrowers 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 2² to this Agreement. The specific goods to be purchased out of the proceeds of the Loan shall be determined by agreement between CEARG 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. Except as otherwise agreed between the Bank and the Borrowers, CEARG will obtain title, free and clear of all encumbrances, to all goods purchased or paid for in whole or in part out of the proceeds of the Loan. Except as otherwise agreed between the Bank and the Borrowers, CEARG will not sell, assign or transfer title to any such goods.

Article IV

BONDS

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

Section 4.02. The Presidente of CEARG and such person or persons as he shall appoint in writing are designated as authorized representatives of CEARG and the Presi-

¹ See p. 170 of this volume.

² See p. 170 of this volume.

dente of CEMIG and such person or persons as he shall appoint in writing are designated as the authorized representatives of CEMIG for the purposes of Section 6.12 (a) of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrowers shall carry out the Project described in Schedule 2 to this Loan Agreement with due diligence and efficiency and in conformity with sound engineering and financial practices.

Section 5.02. (a) The Borrowers 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 Borrowers 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 (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the Borrowers.

(c) The Borrowers 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 to examine any relevant records and documents.

(d) The Borrowers 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 operations and financial condition of the Borrowers.

Section 5.03. (a) The Bank and the Borrowers shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of 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 Borrowers shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrowers shall promptly inform the Bank of any condition which 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 CEARG or CEMIG shall propose to incur any external debt, the Borrowers 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 Borrowers 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 CEARG or CEMIG 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 Borrowers shall pay or cause to be paid all taxes or fees, if any, imposed under the laws of the Guarantor or laws in effect in 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 Borrowers shall pay or cause to be paid all taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.08. Except as shall be otherwise agreed in writing between the Bank and CEARG, CEARG 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 Borrowers covenant to maintain their legal existence and structure and right to carry on their operations in such form and manner as will enable them to accomplish the purposes of the Loan and to maintain the service thereof.

Section 5.10. CEMIG covenants that it will not, except as shall be otherwise agreed between the Bank and CEMIG, incur or permit any subsidiary to incur any long term indebtedness; or declare or pay or permit any subsidiary to declare or pay any dividend except a permitted dividend, if, after the incurring of any such long term indebtedness or the payment of any such dividend, the consolidated long term indebtedness of CEMIG and all its subsidiaries would exceed the consolidated capital and surplus of CEMIG and all its subsidiaries.

For the purposes of this Section 5.10 the following terms shall have the meanings hereinafter set forth:

- (a) The term "long term indebtedness" shall mean debt maturing by its terms more than one year after the date on which it is incurred. Whenever for the

- purposes of this Section it shall be necessary to value in terms of Brazilian currency debt payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency is, at the time such valuation is made, obtainable for the purposes of servicing such debt.
- (b) The term “ consolidated long term indebtedness ” shall mean the total amount of long term indebtedness of CEMIG and all its subsidiaries excluding long term indebtedness owed by CEMIG to any subsidiary or by any subsidiary to CEMIG or by any subsidiary to any other subsidiary.
 - (c) The term “ capital and surplus ” shall mean capital and surplus determined in accordance with sound accounting procedures usually applicable in the circumstances.
 - (d) The term “ consolidated capital and surplus ” shall mean the total capital and surplus of CEMIG and all its subsidiaries after excluding such items of capital and surplus as shall represent equity interest by CEMIG or any subsidiary in CEMIG or any subsidiary.
 - (e) The term “ subsidiary ” shall mean any organization, incorporated or unincorporated, of which more than fifty percent of the voting control is held directly or indirectly by CEMIG.
 - (f) The term “ permitted dividend ” shall mean any dividend or dividends paid by CEMIG or by any subsidiary out of its current earnings and not exceeding in total amount during any one year eight percent (8%) of its paid-up capital stock.
 - (g) The term “ current earnings ” shall mean the net profit determined in accordance with sound accounting procedures usually applicable in the circumstances of CEMIG or any subsidiary during the last completed fiscal year of CEMIG or any such subsidiary.

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 Borrowers, than 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 (j) 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; and

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

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 90 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 December 31, 1956.

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

For CEARG : Companhia de Eletricidade do Alto Rio Grande, Avenida Afonso Pena 726, Belo Horizonte, Brazil.

For CEMIG : Centrais Elétricas de Minas Gerais, S.A., Avenida Afonso Pena 726, Belo Horizonte, 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

Companhia de Eletricidade do Alto Rio Grande

By Lucas LOPES

Presidente

M. BHERING

Diretor

Centrais Elétricas de Minas Gerais, S.A.

By Lucas LOPES

Presidente

M. BHERING

Diretor

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>
July 15, 1956 . . .	—	\$7,300,000	July 15, 1965 . . .	\$211,000	\$4,194,000
January 15, 1957 . .	\$139,000	7,161,000	January 15, 1966 . .	216,000	3,978,000
July 15, 1957 . . .	142,000	7,019,000	July 15, 1966 . . .	222,000	3,756,000
January 15, 1958 . .	146,000	6,873,000	January 15, 1967 . .	227,000	3,529,000
July 15, 1958 . . .	149,000	6,724,000	July 15, 1967 . . .	233,000	3,296,000
January 15, 1959 . .	153,000	6,571,000	January 15, 1968 . .	239,000	3,057,000
July 15, 1959 . . .	157,000	6,414,000	July 15, 1968 . . .	245,000	2,812,000
January 15, 1960 . .	161,000	6,253,000	January 15, 1969 . .	251,000	2,561,000
July 15, 1960 . . .	165,000	6,088,000	July 15, 1969 . . .	257,000	2,304,000
January 15, 1961 . .	169,000	5,919,000	January 15, 1970 . .	264,000	2,040,000
July 15, 1961 . . .	173,000	5,746,000	July 15, 1970 . . .	270,000	1,770,000
January 15, 1962 . .	178,000	5,568,000	January 15, 1971 . .	277,000	1,493,000
July 15, 1962 . . .	182,000	5,386,000	July 15, 1971 . . .	284,000	1,209,000
January 15, 1963 . .	187,000	5,199,000	January 15, 1972 . .	291,000	918,000
July 15, 1963 . . .	191,000	5,008,000	July 15, 1972 . . .	298,000	620,000
January 15, 1964 . .	196,000	4,812,000	January 15, 1973 . .	306,000	314,000
July 15, 1964 . . .	201,000	4,611,000	July 15, 1973 . . .	314,000	—
January 15, 1965 . .	206,000	4,405,000			

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	1¾%
More than 15 years before maturity	2½%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Itutinga hydroelectric project will be located in the State of Minas Gerais on the Rio Grande river about midway between the towns of Lavras and São João del Rei.

* 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.

A. *Itutinga Dam*

The fall of the Itutinga rapids, having a natural drop of 12 meters, will be raised to 30 meters by a gravity dam. The central portion of the dam will be constructed of concrete and be equipped with Tainter gates. The right wing of the dam will be constructed of concrete and the left wing will be earth filled. A forebay and canal will be built between the central portion and the left wing, so as to convey the water to the penstocks. The forebay and canal will be of sufficient size to carry water for four turbine-generator units.

B. *Itutinga Power Plant*

A power plant of the outdoor type equipped with a gantry crane will be constructed below the rapids. Two Kaplan type (movable blade) turbines, rated 17,000 horsepower at 225 revolutions per minute driving two 13,500 KVA generators, together with the corresponding switchgear and step-up transformers and substations will be installed in the power plant and placed into operation.

C. *Transmission Lines and Substations*

Aluminium cable steel reinforced transmission lines will be constructed as follows:

- (a) Between Itutinga and Lavras—approximately 40 kilometers of 69 kilovolt single circuit transmission line with steel towers;
- (b) Between Itutinga and Nazareno—approximately 25 kilometers of 13.8 kilovolt single circuit transmission line with wood towers;
- (c) Between Itutinga and São João del Rei—approximately 45 kilometers of 138 kilovolt single circuit transmission line with steel towers;
- (d) Between São João del Rei and Sitio—approximately 55 kilometers of 69 kilovolt double circuit transmission line with steel towers. Two tap lines will be constructed for Barroso and Barbacena.

Suitable step-down transformer and substation equipment for the towns of Lavras, São João del Rei, Barbacena and Antônio Carlos and for other small localities in the vicinity of the plant will be installed.

PROJECT FUNDS AGREEMENT

(ITUTINGA HYDRO-ELECTRIC PROJECT)

AGREEMENT, dated July 17, 1953, between THE STATE OF MINAS GERAIS (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 Companhia de Eletricidade do Alto Rio Grande and Centrais Elétricas de Minas Gerais, S.A. (hereinafter called the Borrowers) which agreement and the Schedules therein referred to are hereinafter called the Loan Agreement, the Bank has agreed to make to the Borrowers

a loan in the aggregate principal amount of seven million three hundred thousand dollars (\$7,300,000), 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 Borrowers 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 Borrowers, has agreed to provide the Borrowers with such funds;

Now THEREFORE the parties hereto hereby agree as follows :

Section 1. Except where the context otherwise requires, the terms defined in Section 1.02 of the Loan Agreement shall have the respective meanings therein set forth wherever used in this Project Funds Agreement. Wherever used in this Project Funds Agreement the following terms shall have the following meanings :

(a) The term " tax " shall mean the economic recuperation services tax provided for in Law No. 760 of October 26, 1951, of the State.

(b) The term " electric quota " shall mean the four-fourteenths (4/14) of the tax which is allocated by Laws No. 760 of October 26, 1951, No. 828 of December 14, 1951 and Decree No. 3710 of February 20, 1952 of the State for (a) the subscription and payment of capital of electric corporations (companhias mistas) organized by the State and controlled by CEMIG and (b) for the payment in the name of the State of the guaranteed minimum dividends to private shareholders of such electric corporations.

Section 2. The State will deliver monthly to CEMIG as a payment on account of the State's subscription to the capital of CEMIG the amounts collected during the previous month on account of the electric quota. Such delivery may be made through the banks which collect the tax by transferring to the credit of CEMIG an amount equal to the estimated amount of the electric quota to be collected each month. At the end of January of each year a final adjustment will be made, and the State will deliver to CEMIG any existing difference to complete the full amount of the electric quota collected during the previous year.

Section 3. In the event that the collections of the electric quota shall be less than 132,000,000 Brazilian cruzeiros in 1953, 150,000,000 Brazilian cruzeiros in 1954, 172,000,000 Brazilian cruzeiros in 1955, and 192,000,000 Brazilian cruzeiros in 1956, the State will deliver to CEMIG such amounts of the tax as are not specifically allocated so that an amount not less than the amounts above specified will be delivered to CEMIG in each one of the above specified years under the provisions of Paragraph 11, Article 20 of Law No. 760 of October 26, 1951 of the State.

Section 4. This contract is signed pursuant to the provisions of Laws No. 760 of October 26, 1951 and No. 828 of December 14, 1951 and Decree Law No. 3710 of February 20, 1952 of the State. For the current fiscal year the appropriation (Secretaria das Finanças 114-03-243-994) of the current budget approved by Law No. 935 of November 29, 1952 of the State will be used and in subsequent fiscal years appropriations under Law No. 760 of the State will be granted.

IN WHITNESS 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 Minas Gerais
By W.M. SALLES
Authorized Representative

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

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 OCTOBER 1952

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

[*Not published herein. See United Nations, Treaty Series, Vol. 172, p. 124*]
