

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
BRAZIL

Guarantee Agreement—*Salto Grande Hydro-Electric Project*—(with annexed Loan Agreement—*Salto Grande Hydro-Electric Project*—between the Bank and the Usinas Elétricas do Paranapanema, S.A., Project Funds Agreement—*Salto Grande Hydro-Electric Project*—between the State of São Paulo and the Bank, and Loan Regulations No. 4). Signed at Washington, on 18 December 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 d'aménagement hydro-électrique de Salto Grande* — (avec, en annexe, le Contrat d'emprunt — *Projet d'aménagement hydro-électrique de Salto Grande* — entre la Banque et les Usinas Elétricas do Paranapanema, S.A., le Contrat relatif aux fonds du Projet — *Projet d'aménagement hydro-électrique de Salto-Grande* — entre l'État de São Paulo et la Banque, et le Règlement n° 4 sur les emprunts). Signé à Washington, le 18 décembre 1953

Texte officiel anglais.

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

No. 2564. GUARANTEE AGREEMENT¹ (*SALTO GRANDE HYDRO-ELECTRIC PROJECT*) BETWEEN THE UNITED STATES OF BRAZIL AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 18 DECEMBER 1953

AGREEMENT, dated December 18, 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 Usinas Elétricas do Paranapanema, S.A. (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in the aggregate principal amount of ten million dollars (\$10,000,000), 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; and

WHEREAS the Guarantor represents and warrants that the giving of such guarantee is authorized by Law No. 1518 dated December 24, 1951, and Articles 22 and 23 of Law No. 1628 of June 20, 1952 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 3 March 1954, upon notification by the Bank to the Government of Brazil.

² See p. 186 of this volume.

³ See p. 204 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.

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.

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. On the part of the Bank, such information shall include such information as shall be available to the Bank regarding the performance of the obligations of the Borrower under the Loan Agreement.

(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, and shall inform each other 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, Avenida Presidente Antonio Carlos 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 is designated for the purposes of Section 8.03 of the Loan Regulations, and if appointed by him, Desenvolvimento is designated for the same purposes.

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 R. L. GARNER

Vice-President

LOAN AGREEMENT

(SALTO GRANDE HYDRO-ELECTRIC PROJECT)

AGREEMENT, dated December 18, 1953, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and USINAS ELÉTRICAS DO PARANAPANEMA, S.A. (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. 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 São Paulo of the Guarantor;

¹ See p. 204 of this volume.

- (b) the term "Borrower" means Usinas Elétricas do Paranapanema, a sociedade anônima organized under the laws of the Guarantor, and any successor to or assignee of Usinas Elétricas do Paranapanema,
- (c) 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 Borrower;
- (d) 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 ten million dollars (\$10,000,000), 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. Notwithstanding anything to the contrary contained in this Loan Agreement, unless the Bank shall otherwise agree, no withdrawals from the Loan Account shall be made with respect to goods required for the distribution systems described in paragraph D of Schedule 2² to this Loan Agreement unless and until (a) the Borrower shall have submitted to the Bank the arrangements between the Borrower and the companies identified in such Schedule 2 regarding the transfer to or use by such companies of goods purchased out of the proceeds of the Loan and (b) the Bank shall have examined such arrangements and shall have notified the Borrower that they are satisfactory.

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. The date specified for the purposes of Section 2.02 of the Loan Regulations is a date 60 days after the date of this Agreement or the Effective Date, whichever shall be the earlier.

Section 2.04. The Borrower 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 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.

¹ See p. 202 of this volume.

² See p. 200 of this volume.

Section 2.06. Interest and other charges shall be payable semi-annually on January 1 and July 1 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 1¹ 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 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. Except as otherwise agreed between the Bank and the Borrower, the Borrower 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 provided in paragraph D of Schedule 2 to this Loan Agreement, or as otherwise agreed between the Bank and the Borrower, the Borrower will not sell, assign or transfer title to any such goods.

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 Director-Presidente 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 with due diligence and efficiency and in conformity with sound engineering and financial practices.

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 or cause to be maintained records adequate to identify the goods purchased out of the proceeds of the Loan, to disclose the end-use

¹ See p. 198 of this volume.

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 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 to examine any relevant records and documents.

(d) The Borrower shall furnish or cause to be furnished 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 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 (a) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; and (b) any lien in favor of the Guarantor, which by its terms is expressly subordinated to the claims of the Bank.

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.

Section 5.10. The Borrower covenants that it will not, except as shall be otherwise agreed between the Bank and the Borrower incur any long term indebtedness; or 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 long term indebtedness of the Borrower would exceed the total capital and surplus of the Borrower.

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 "capital and surplus" shall mean capital and surplus determined in accordance with sound accounting procedures usually applicable in the circumstances.
- (c) The term "permitted dividend" shall mean any dividend or dividends paid by the Borrower out of its current earnings and not exceeding in total amount during any one year eight percent (8%) of its paid-up capital stock.
- (d) The term "current earnings" shall mean the net profit of the Borrower during the last completed fiscal year of the Borrower determined in accordance with sound accounting procedures usually applicable in the circumstances.

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 (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;

(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, 1957.

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

For the Borrower : Usinas Elétricas do Paranapanema, S.A., Largo Paisandú 72, São Paulo, 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 R. L. GARNER

Vice-President

Usinas Elétricas do Paranapanema, S.A.

By Dagoberto SALLES-FILHO

Diretor-Presidente

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>
Jan. 1, 1958 . . .	—	\$10,000,000	July 1, 1966 . . .	\$308,000	\$5,668,000
July 1, 1958 . . .	\$208,000	9,792,000	Jan. 1, 1967 . . .	316,000	5,352,000
Jan. 1, 1959 . . .	213,000	9,579,000	July 1, 1967 . . .	324,000	5,028,000
July 1, 1959 . . .	218,000	9,361,000	Jan. 1, 1968 . . .	332,000	4,696,000
Jan. 1, 1960 . . .	224,000	9,137,000	July 1, 1968 . . .	340,000	4,356,000
July 1, 1960 . . .	229,000	8,908,000	Jan. 1, 1969 . . .	349,000	4,007,000
Jan. 1, 1961 . . .	235,000	8,673,000	July 1, 1969 . . .	358,000	3,649,000
July 1, 1961 . . .	241,000	8,432,000	Jan. 1, 1970 . . .	367,000	3,282,000
Jan. 1, 1962 . . .	247,000	8,185,000	July 1, 1970 . . .	376,000	2,906,000
July 1, 1962 . . .	253,000	7,932,000	Jan. 1, 1971 . . .	385,000	2,521,000
Jan. 1, 1963 . . .	259,000	7,673,000	July 1, 1971 . . .	395,000	2,126,000
July 1, 1963 . . .	266,000	7,407,000	Jan. 1, 1972 . . .	404,000	1,722,000
Jan. 1, 1964 . . .	272,000	7,135,000	July 1, 1972 . . .	415,000	1,307,000
July 1, 1964 . . .	279,000	6,856,000	Jan. 1, 1973 . . .	425,000	882,000
Jan. 1, 1965 . . .	286,000	6,570,000	July 1, 1973 . . .	436,000	446,000
July 1, 1965 . . .	293,000	6,277,000	Jan. 1, 1974 . . .	446,000	—
Jan. 1, 1966 . . .	301,000	5,976,000			

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

PREMIUMS ON PREPAYMENT AND REDEMPTION

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

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 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

A. Salto Grande Dam

An S-shaped concrete dam approximately 900 meters in length and approximately 12 meters in height over most of the length will be constructed at Salto Grande in the Paranapanema River so as to divert the waters of the river to the Salto Grande power plant and provide daily pondage.

B. Salto Grande Power Plant

Near Salto Grande a power plant will be located and constructed so as to enable it to utilize the waters from the Salto Grande dam. Four turbine generator units of about 15,000 kilowatts each will be installed in the power plant and placed into operation.

C. Transmission Lines and Substations

Approximately 360 kilometers of 88,000 volt transmission lines will be constructed so as to connect the Salto Grande power plant with the Sorocabana Railway power lines and with the substations of the following companies :

Empresa de Electricidade Vale Paranapanema S.A.
 Companhia " Elétrica Caiuà "
 Companhia Luz e Fôrça " Santa Cruz "
 Companhia Hidro-Elétrica Paranapanema
 Empresa Elétrica de Londrina S.A.

D. Distribution Systems

The electric distribution systems of the companies named in paragraph C above will be expanded so as to enable such companies to receive and distribute power from Salto Grande. The Borrower may transfer title to goods necessary for such expansion acquired with the proceeds of the Loan to such companies.

PROJECT FUNDS AGREEMENT

(SALTO GRANDE HYDRO-ELECTRIC PROJECT)

AGREEMENT, dated December 18, 1953, between THE STATE OF SÃO PAULO (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 Usinas Elétricas do Paranapanema, S.A., (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 ten million dollars (\$10,000,000), 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 :

Section 1. The State will pay to the Borrower as a payment on account of subscription of capital in or before the following dates an amount of Brazilian cruzeiros not less than the amount set forth after each such date :

	<i>Brazilian Cruzeiros</i>
May 31, 1954	50,000,000
November 30, 1954	50,000,000
May 31, 1955	50,000,000
November 30, 1955	50,000,000
May 31, 1956	60,000,000

Section 2. In the event that at any time the funds available to the Borrower shall not be adequate to enable it to carry out the Project described in Schedule 2 of the Loan Agreement with due diligence the State will provide the Borrower with sufficient funds so to carry out such Project.

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 São Paulo
By **Silvio DE CAMPOS MELLO-FILHO**
Authorized Representative

International Bank for Reconstruction and Development
By **R. L. GARNER**
Vice-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]