No. 4666

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
and
BRAZIL

Guarantee Agreement—*Jurumirim Hydroelectric Project* (with annexed Loan Regulations No. 4, Loan Agreement between the Bank and Usinas Elétricas do Paranapanema, S.A., and Project Funds Agreement between the Bank and the State of Sao Paulo). Signed at Washington, on 22 January 1958

Official text: English.

Registered by the International Bank for Reconstruction and Development on 9 February 1959.

BANQUE INTERNATIONALE POUR LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
BRÉSIL

Contrat de garantie — *Projet d'aménagement hydro-électrique de Jurumirim* (avec, en annexe, le Règlement n° 4 sur les emprunts, le Contrat d'emprunt entre la Banque et les Usinas Elétricas do Paranapanema, S.A., et le Contrat entre la Banque et l'État de Sao Paulo relatif aux fonds du Projet). Signé à Washington, le 22 janvier 1958

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 9 février 1959.

No. 4666. GUARANTEE AGREEMENT[1] *(JURUMIRIM HYDROELECTRIC PROJECT)* BETWEEN THE UNITED STATES OF BRAZIL AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 22 JANUARY 1958

AGREEMENT, dated January 22, 1958, 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 various currencies equivalent to thirteen million four hundred thousand dollars ($13,400,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided;

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

WHEREAS the Guarantor represents and warrants that the giving of such guarantee is authorized by Law No. 1518 of 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. 4 of the Bank dated June 15, 1956,[3] subject, however, to the modifications thereof set forth in Schedule 3[4] to the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

[1] Came into force on 20 September 1958, upon notification by the Bank to the Government of Brazil.
[2] See p. 108 of this volume.
[3] See p. 106 of this volume.
[4] See p. 124 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 Guarantee 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 mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan in the allocation or realization of foreign exchange. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external 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 that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term " assets of the Guarantor " as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the Banco do Brasil.

Section 3.02. (*a*) The Guarantor and the Bank 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. 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. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens 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. This Guarantee Agreement, the Loan 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 under 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
Ave. Presidente Antonio Carlos 375
Rio de Janeiro, Brazil

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D. C.
United States of America

Alternative address for cablegrams and radiograms:

Intbafrad
Washington, D. C.

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 Paulo MARINHO DE CARVALHO
Authorized Representative

International Bank for Reconstruction and Development:
By Davidson SOMMERS
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 JUNE 1956

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

[*Not published herein. See United Nations,* Treaty Series, *Vol. 260, p. 376.*]

LOAN AGREEMENT (*JURUMIRIM HYDROELECTRIC PROJECT*)

AGREEMENT, dated January 22, 1958, 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. 4 of the Bank dated June 15, 1956,[1] subject, however, to the modifications thereof set forth in Schedule 3[2] to this Agreement (said Loan Regulations No. 4 as so modified being 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 Sao Paulo of the Guarantor;
(*b*) the term "Borrower" means Usinas Elétricas do Paranapanema, S.A., a *sociedade anonima* organized under the laws of the Guarantor and the State, and any successor to or assignee of Usinas Elétricas do Paranapanema, S.A.;
(*c*) the term "Project Funds Agreement" means the agreement of even date herewith[3] 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 "First Loan Agreement" means the loan agreement dated December 18, 1953,[4] between the Bank and the Borrower; and
(*e*) the term "Desenvolvimento" means Banco Nacional do Desenvolvimento Economico, a legal entity organized and existing under Law No. 1628, dated June 20, 1952, of the Guarantor and shall include any successor to Banco Nacional do Desenvolvimento Economico.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to thirteen million four hundred thousand dollars ($13,400,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Loan 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 herein and in the Loan Regulations.

[1] See p. 106 of this volume.
[2] See p. 124 of this volume.
[3] See p. 126 of this volume.
[4] United Nations, *Treaty Series*, Vol. 190, p. 179.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($^3/_4$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time. Such commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

Section 2.04. The Borrower shall pay interest at the rate of five and five-eighths per cent ($5\,^5/_8$%) 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 (½ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on March 15 and September 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[1] to this Agreement.

Article III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2[2] to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

Section 3.02. The Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Guarantor and there to be used exclusively by the Borrower in the carrying out of the Project. Except as otherwise agreed between the Bank and the Borrower, the Borrower shall 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 Borrower, the Borrower shall 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.

[1] See p. 122 of this volume.
[2] See p. 124 of this volume.

Section 4.02. The *Diretor-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. (*a*) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices.

(*b*) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans and specifications for the Project, including construction schedules, and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(*c*) The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the 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 operations and financial condition of the Borrower; shall enable the Bank's representatives to inspect the properties of the Borrower, the Project, the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the properties of the Borrower, the expenditure of the proceeds of the Loan, the Project, the goods, and the operations and financial condition of the Borrower.

Section 5.02. (*a*) The Bank and the Borrower shall cooperate fully to assure that the purpose 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 interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

Section 5.03. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not 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 :

(*a*) the term " long-term indebtedness " shall mean debt maturing by its terms more than one year after the date on which it is originally incurred. Whenever for the purposes of this Section it shall be necessary to value in terms of currency of the Guarantor 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 per cent (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.

Section 5.04. The Borrower undertakes that, 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 that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien in favor of the Guarantor, on terms and conditions satisfactory to the Bank, the Borrower and the Guarantor, and by its terms expressly subordinated to the claims of the Bank hereunder and under the First Loan Agreement, which is created to secure obligations of the Borrower to the Guarantor arising out of the Guarantor's guarantee of the Loan and the loan provided for in the First Loan Agreement.

Section 5.05. 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 the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Loan Agreement, the Guarantee Agreement[1] 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 5.06. 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 this Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.07. (*a*) Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured with responsible insurers all goods financed with the proceeds of the Loan. Such insurance shall cover such marine, transit and other hazards incident to purchase and importation of the goods into the territories of the Guarantor and to delivery thereof to the site of the Project, and shall be for such amounts as shall be consistent with sound commercial practice. Such insurance shall be payable in the currency in which the cost of the goods insured thereunder shall be payable.

[1] See p. 100 of this volume.

(*b*) In addition, the Borrower shall insure against such risks and in such amounts as shall be consistent with sound public utility and business practices.

Section 5.08. (*a*) The Borrower shall at all times maintain its existence and right to carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(*b*) The Borrower shall operate and maintain its plants, equipment and property, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering standards; and shall at all times operate its plants and equipment and maintain its financial position in accordance with sound business and public utility practices.

(*c*) The Borrower shall not, without the prior consent of the Bank sell or otherwise dispose of its property and assets unless the Borrower shall first redeem and pay or make adequate provision satisfactory to the Bank for redemption and payment of all of the Loan which shall be outstanding and unpaid. The Borrower may, however, without reference to the foregoing, sell or otherwise dispose of any property which shall have become old, worn-out, obsolete or unnecessary for use in its operations.

(*d*) The Borrower shall from time to time take all steps necessary or desirable to obtain such adjustments in its rates, subject to the laws of the Guarantor and the State, as may be required to ensure the continued operation and expansion of the Borrower's business in accordance with sound financial and public utility practices.

Section 5.09. The Borrower covenants that the Project shall enjoy the highest priority in its power program and that, consequently, until the Project shall have been carried out, in the event that the funds available to the Borrower shall not be sufficient to carry out the entire power development program of the Borrower, such funds as are available to the Borrower shall be used firstly to meet the expenditures required to carry out the Project.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (*a*), paragraph (*b*), paragraph (*e*) or paragraph (*f*) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (*c*) of Section 5.02 of the Loan Regulations 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.

Article VII

Modification of the First Loan Agreement

Section 7.01. For the purposes of the First Loan Agreement, paragraph (*c*) of Section 5.02 of Loan Regulations No. 4 of the Bank, dated October 15, 1952,[1] is hereby amended to read as follows:

> " (*c*) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor or the State under the Loan Agreement, the Guarantee Agreement, the Project Funds Agreement or the Bonds, or under the Loan Agreement dated January 22, 1958, the guarantee agreement or the project funds agreement of even date therewith, or the bonds therein provided for ";

and the term " Loan Regulations " as used for the purposes of the First Loan Agreement shall mean Loan Regulations No. 4 of the Bank, dated October 15, 1952, as hereby amended.

Section 7.02. Except as provided in this Loan Agreement, the First Loan Agreement shall remain in full force and effect.

Article VIII

Effective Date; Termination

Section 8.01. The following events are specified as additional conditions to the effectiveness of this Loan Agreement within the meaning of Section 9.01 (*a*) (ii) and Section 9.01 (*b*) (ii) of the Loan Regulations:

(*a*) the Guarantee Agreement has been duly registered by the Tribunal de Contas of the Guarantor;

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

(*c*) the Project Funds Agreement has been duly registered by the Tribunal de Contas of the State; and

(*d*) a loan, in currency of the Guarantor, has been made to the Borrower by Desenvolvimento on terms and conditions satisfactory to the Bank.

Section 8.02. The following are specified as additional matters, within the meaning of Section 9.02 (*e*) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank:

> 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 8.03. A date ninety days after the date of this Loan Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

[1] United Nations, *Treaty Series*, Vol. 172, p. 124.

Article IX

MISCELLANEOUS

Section 9.01. The Closing Date shall be December 31, 1961.

Section 9.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Borrower:

Usinas Elétricas do Paranapanema, S.A.
Ave. Rio Branco No. 211—10º andar
Sao Paulo, Brazil
or
Caixa Postal No. 5361
Sao Paulo, Brazil

Alternative address for cablegrams and radiograms:

Eletropanema
Sao Paulo, Brazil

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D. C.
United States of America

Alternative address for cablegrams and radiograms:

Intbafrad
Washington, D. C.

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 Davidson SOMMERS
Vice President

Usinas Elétricas do Paranapanema, S.A.:
By Mario L. LEAO
Authorized Representative

SCHEDULE 1

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars) *	Date Payment Due	Payment of Principal (expressed in dollars) *
March 15, 1962	$252,000	Sept. 15, 1970	$403,000
Sept. 15, 1962	259,000	March 15, 1971	415,000
March 15, 1963	266,000	Sept. 15, 1971	426,000
Sept. 15, 1963	274,000	March 15, 1972	438,000
March 15, 1964	281,000	Sept. 15, 1972	451,000
Sept. 15, 1964	289,000	March 15, 1973	463,000
March 15, 1965	297,000	Sept. 15, 1973	476,000
Sept. 15, 1965	306,000	March 15, 1974	490,000
March 15, 1966	314,000	Sept. 15, 1974	503,000
Sept. 15, 1966	323,000	March 15, 1975	518,000
March 15, 1967	332,000	Sept. 15, 1975	532,000
Sept. 15, 1967	341,000	March 15, 1976	547,000
March 15, 1968	351,000	Sept. 15, 1976	563,000
Sept. 15, 1968	361,000	March 15, 1977	578,000
March 15, 1969	371,000	Sept. 15, 1977	595,000
Sept. 15, 1969	382,000	March 15, 1978	611,000
March 15, 1970	392,000		

* 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 this column 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:

Time of Prepayment or Redemption	*Premium*
Not more than three years before maturity	½%
More than three years but not more than six years before maturity	1½%
More than six years but not more than eleven years before maturity	2½%
More than eleven years but not more than sixteen years before maturity	3½%
More than sixteen years but not more than eighteen years before maturity	4½%
More than eighteen years before maturity	5⅝%

SCHEDULE 2

Description of Project

The Project consists of:

A. *Jurumirim Dam*

A concrete dam at Jurumirim on the Paranapanema River. It will be of the gravity type, slightly convex, of about 401 meters in length at its crest and about 55 meters maximum in height, and with a 45 meter spillway near the left bank equipped with three drum-type gates with about 12.5 × 8.0 meter openings. A gantry crane on rails will be provided for handling stop logs and intake gates. At about 200 meters from the left abutment of the main dam there is a depression across which an earth dam will be constructed having a length of about 460 meters and a maximum height of about 16 meters.

B. *Jurumirim Power Station*

A concrete power house, of semi-detached type, supplied by two penstocks for the turbines, with two gates for each penstock intake, and equipped with a lifting crane. Two turbine generator units will be installed each comprising a Kaplan turbine with normal rating of 63,200 HP (metric) directly connected to a three-phase generator having a capacity of 50,000 kva, continuous rating 60°C, with power factor of 0.85. A control room, maintenance shops and auxiliary facilities will be built.

C. *Transmission Lines*

Two transmission lines as follows:

(1) A 230 Kv single-circuit line from Jurumirim to connect with the Sao Paulo Light System at Pirituba, a distance of approximately 275 km.; and

(2) A 132 Kv single-circuit line from Jurumirim to connect with the Estrada de Ferro Sorocabana System at Barra Grande, a distance of approximately 28 km.

D. *Substations*

An outdoor transformer station on the right bank of the river and downstream from the power house. The station will be interconnected with the power house, and equipped with 2 banks of step-up transformers. Switchyards will be provided at the step-up transformer station and at Pirituba (Sao Paulo) and Barra Grande.

SCHEDULE 3

Modifications of Loan Regulations No. 4

For the purposes of this Loan Agreement the provisions of Loan Regulations No. 4 of the Bank, dated June 15, 1956, shall be deemed to be modified as follows:

(*a*) Section 2.02 is deleted.

(*b*) Paragraph (*c*) of Section 5.02 is amended to read as follows:

"(*c*) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor or the State under the

Loan Agreement, the Guarantee Agreement, the Bonds or the Project Funds Agreement, or under the First Loan Agreement, the guarantee agreement, or the project funds agreement, both of even date therewith, or the bonds therein provided for."

(*c*) Paragraph (*f*) of Section 5.02 is amended to read as follows:

"(*f*) The Guarantor or any governmental authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Borrower or for the suspension of its operations or for the enforcement of any lien constituted by the Borrower in favor of the Guarantor as permitted under the provisions of Section 5.04 (ii) of the Loan Agreement."

(*d*) The second sentence of Section 7.02 is amended to read as follows:

"Such obligations shall not be subject to any prior notice to, demand upon or action against the Borrower or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrower, and shall not be impaired by any of the following: any extension of time, forbearance or concession given to the Borrower; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or in respect of any security for the Loan; any modification or amplification of the provisions of the Loan Agreement contemplated by the terms thereof; any modification or amplification of any other document related to the Loan or related to any security therefor; any failure of the Borrower to comply with any requirement of any law, regulation or order of the Guarantor or of any political subdivision or agency of the Guarantor."

PROJECT FUNDS AGREEMENT
(*JURUMIRIM HYDROELECTRIC PROJECT*)

AGREEMENT, dated January 22, 1958, between THE STATE OF SAO 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,[1] the Bank has agreed to make to the Borrower a loan in various currencies equivalent to thirteen million four hundred thousand dollars ($13,400,000), 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 on the terms and conditions set forth in this Project Funds Agreement;

Whereas the State agrees that the Project described in Schedule 2[2] to the Loan Agreement (hereinafter called the Project) is of paramount importance to the power develop-

[1] See p. 108 of this volume.
[2] See p. 124 of this volume.

ment plans of the State and that, consequently, the Project has the highest priority in the allocation of funds of the State, as permitted by the laws of the State;

WHEREAS the State warrants and represents that it is authorized to enter into this Project Funds Agreement under State Law No. 3329, dated December 30, 1955; State Law No. 4393, dated November 26, 1957; and State Law No. 4445, dated December 17, 1957; 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 funds on the terms and conditions hereinafter set forth,

NOW THEREFORE the parties hereto hereby agree as follows :

Section 1. The State shall pay to the Borrower as a payment on account of subscription of capital an amount of Brazilian cruzeiros not less than one billion three hundred forty million Brazilian cruzeiros (Br. Cr. 1,340,000,000).

Section 2. The State shall take all steps necessary to cause the amount payable to the Borrower pursuant to Section 1 of this Project Funds Agreement to be appropriated in the budgets of the Department of Waters and Electric Power of the State for the years 1958, 1959, 1960 and 1961 in yearly quotas, as required by the Borrower to enable it to carry out the Project with due diligence and efficiency, of up to a total of one billion three hundred and forty million Brazilian cruzeiros (Br. Cr. 1,340,000,000) and shall cause such quotas to be made payable to the Borrower in monthly instalments.

Section 3. 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 and efficiency 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 Sao Paulo :
By Silvio RODRIGUES
Authorized Representative

International Bank for Reconstruction and Development :
By Davidson SOMMERS
Vice President