

No. 5398

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

Guarantee Agreement—Power Projects—Rio de Janeiro—São Paulo (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and Brazilian Traction, Light and Power Company, Limited). Signed at Washington, on 17 June 1959

Official text: English.

Registered by the International Bank for Reconstruction and Development on 24 October 1960.

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

Contrat de garantie — Projets relatifs à l'énergie électrique — Rio de Janeiro — Sao Paulo (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la Brazilian Traction, Light and Power Company, Limited). Signé à Washington, le 17 juin 1959

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 24 octobre 1960.

No. 5398. GUARANTEE AGREEMENT¹ (*POWER PROJECTS—RIO DE JANEIRO—SÃO PAULO*) BETWEEN THE UNITED STATES OF BRAZIL AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 17 JUNE 1959

AGREEMENT, dated June 17, 1959, 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 Brazilian Traction, Light and Power Company, Limited (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 in an aggregate principal amount equivalent to eleven million six hundred thousand dollars (\$11,600,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee such loan as herein provided ; 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 ; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to guarantee such loan as herein provided ;

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, 1956³ subject, however, to the modifications set forth in Schedule 3⁴ 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 2 September 1960, upon notification by the Bank to the Government of Brazil.

² See p. 130 of this volume.

³ See p. 128 of this volume.

⁴ See p. 150 of this volume.

Section 1.02. Wherever used in this Guarantee Agreement, unless the context shall otherwise require, the respective terms which are defined in Section 1.02 of the Loan Agreement shall have the respective meanings therein set forth.

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, all as set forth in the Loan Agreement and in the Bonds, and in the Indenture.

Section 2.02. If the Guarantor shall default in the performance of any agreement on its part in this Guarantee Agreement contained, the Bank, at its option, may by notice to the Guarantor require that the Guarantor pay the principal amount of all the Bonds which shall then be outstanding and unpaid, and the interest accrued and unpaid thereon to the date of payment thereof, and forthwith upon the giving of such notice such principal and interest shall become immediately due and payable by the Guarantor, anything in this Guarantee Agreement, the Loan Agreement, the Indenture, the Indenture of Guarantee or the Bonds to the contrary notwithstanding. Such principal and interest in respect of any Bond shall be paid, at the place designated in the Indenture for the payment of principal thereof and interest thereon, upon surrender of such Bond at said place in negotiable form, together with all unpaid coupons (if any) appurtenant thereto. If and when any such Bond shall have been so surrendered and such payment shall have been made with respect thereto, the Guarantor shall succeed to all rights of the holder of such Bond thereunder and under the Indenture ; provided, however, that nothing herein contained shall be deemed to confer upon the Guarantor or any successor in interest to the Guarantor any right to declare the principal of any such Bond to be due and payable by the Borrower or to require payment thereof prior to the maturity date specified therein, except upon the occurrence of an Event of Default as provided in the Indenture ; and provided further that neither the Guarantor nor any successor in interest to the Guarantor shall succeed to any right of any such holder under any guarantee by the Bank. The exercise by the Bank of its right hereunder to require payment by the Guarantor of the principal of, and interest on, the Bonds shall not impair or affect any right of the Bank under the Loan Agreement in respect of the commitment charge, commission or service charge on the Loan or any other right, power or remedy which the Bank may have under this Guarantee Agreement or the Loan Agreement.

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, and shall inform each other 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 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 agrees to execute and deliver to the Trustee in office under the Indenture, when and if requested by the Bank, an Indenture of Guarantee substantially in the form annexed hereto and marked "Annex 1."¹ Such Indenture of Guarantee shall not limit or impair the rights of the Bank under this Guarantee Agreement.

Section 4.02. The Guarantor agrees to endorse its guarantee hereunder on the Bonds as more fully set forth in the form of Indenture of Guarantee annexed hereto and marked "Annex 1."

Article V

Section 5.01. If and to the extent that the Guarantor shall pay any amount or amounts on account of its guarantee of the Loan or the Bonds, the Guarantor may obtain from the Borrower a lien (including bonds issued under the Indenture other than Bonds), to secure the repayment of such amount or amounts, provided that such lien shall be obtained through the operation of the provisions of the Indenture.

Section 5.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Ministerio de 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., United States of America

¹ See p. 120 of this volume.

Section 5.03. 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 Francisco Moacyr SABOIA SANTOS
Authorized Representative

International Bank for Reconstruction and Development :
By J. Burke KNAPP
Vice President

A N N E X 1

INDENTURE OF GUARANTEE BETWEEN THE UNITED STATES OF BRAZIL AND NATIONAL TRUST COMPANY, LIMITED

Indenture of Guarantee, dated _____, 1959, between THE UNITED STATES OF BRAZIL (hereinafter called the Guarantor), party of the first part, and NATIONAL TRUST COMPANY, LIMITED, a corporation duly organized and existing under the laws of the Province of Ontario, Canada, as trustee, (hereinafter called the Trustee) party of the second part ;

WHEREAS Brazilian Traction, Light and Power Company, Limited, a corporation duly organized and existing under the laws of Canada (hereinafter called the Company) has executed with the Trustee its Collateral Trust Indenture dated as of January 1, 1949 (hereinafter called the Indenture), which Indenture provides, among other things, for the issuance, authentication and delivery of Collateral Trust Bonds of the Company ; and

WHEREAS by a guarantee agreement dated _____, 1959, between the Guarantor and International Bank for Reconstruction and Development (hereinafter called the Bank) (such guarantee agreement being herein called the Guarantee Agreement) a copy of which Guarantee Agreement has been lodged with the Trustee, the Guarantor has agreed, among other things, to guarantee the due and punctual payment of the principal of, the premium, if any, on redemption of, the interest on and the sinking fund payments in connection with all Collateral Trust Bonds issued and authenticated under the Indenture and delivered to the Bank pursuant to an agreement (hereinafter called the Loan Agreement) dated _____, 1959, between the Bank and the Company, a copy of which Loan Agreement has been lodged with the Trustee ; and

WHEREAS by said Guarantee Agreement between the Guarantor and the Bank, the Guarantor has further agreed, among other things, to execute an indenture of guarantee substantially in the form of this Indenture of Guarantee ;

NOW THEREFORE the parties hereto hereby agree as follows :

FIRST : Whenever used in this Indenture of Guarantee, unless the context shall otherwise require, the term Collateral Trust Bonds or Collateral Trust Bond means Collateral Trust Bonds, or a Collateral Trust Bond, issued and authenticated pursuant to the Indenture ; and the term Guaranteed Bonds or Guaranteed Bond means Collateral Trust Bonds, or a Collateral Trust Bond, entitled to the benefit of this Indenture of Guarantee as in Article Ninth hereof provided.

SECOND : Without limitation or restriction upon any of the other covenants on its part in this Indenture of Guarantee contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of the Guaranteed Bonds, the sinking fund payments in connection therewith, the premium, if any, on the redemption thereof and the interest thereon, all as provided in the Guaranteed Bonds and in the Indenture.

THIRD : The Guarantor hereby covenants as follows :

Section 1. The principal of the Guaranteed Bonds, the interest accruing thereon, the sinking fund payments in connection therewith, and the premium, if any, on the redemption thereof, as specified in the Guaranteed Bonds and the Indenture, shall be paid without deduction for and free from any and all taxes, duties, imposts and fees of any nature now or at any time hereafter imposed by the Guarantor or by any taxing authority thereof or therein, including income taxes, and shall be paid free from all restrictions of the Guarantor, its political subdivisions or its agencies ; but this provision shall not be applicable to the payments made under the provisions of any Guaranteed Bond to the holder thereof when such Guaranteed Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 2. This Indenture of Guarantee, the Indenture, and the Guaranteed Bonds shall be free of any issue, stamp or other tax imposed by the Guarantor or any taxing authority thereof or therein.

FOURTH : If the Guarantor shall default in the performance of any agreement on its part in the Guarantee Agreement contained and if the Bank, at its option, shall by notice to the Guarantor as provided in the Guarantee Agreement require that the Guarantor pay the principal amount of all the Guaranteed Bonds which shall then be outstanding and unpaid, and the interest accrued and unpaid thereon to the date of payment thereof, then forthwith upon the giving of such notice such principal and interest shall become immediately due and payable by the Guarantor and, in respect of any such Guaranteed Bond, shall be paid, at the place designated in the Indenture for the payment of principal thereof and interest thereon, upon surrender of such Guaranteed Bond at said place in negotiable form, together with all unpaid coupons (if any) appurtenant thereto ; all as, and with such effect as, more fully set forth in the Guarantee Agreement.

FIFTH : The Guarantor agrees that its obligations under any agreements on its part contained in this Indenture of Guarantee are not subject to any prior notice to, demand upon or action against the Company or to any prior notice to or demand upon

the Guarantor with regard to any default by the Company in respect of any obligations on its part contained in the Indenture or the Guaranteed Bonds and shall not be affected by any enforcement of any mortgage, lien, priority or charge created by the Indenture or by any exercise or enforcement of any right or power thereby conferred. No extension of time or forbearance given to the Company in respect of the performance of any of its obligations under the Indenture or the Guaranteed Bonds, and no failure of any holder of the Bonds or of the Trustee under the Indenture to give any notice or to make any demand or protest whatsoever, or strictly to assert any right or pursue any remedy against the Company in respect of the Indenture or the Guaranteed Bonds or to enforce any mortgage, lien, priority or charge created by the Indenture or otherwise, and no modification of the provisions of the Indenture in accordance with the terms thereof, and no failure of the Company to comply with any requirement of any law, regulation or order of the Guarantor or any of its political subdivisions or agencies, shall in any way terminate, diminish or limit the unconditional guarantee of the Guarantor hereunder, or any other obligation of the Guarantor hereunder, it being the intent of the parties hereto that the obligations of the Guarantor shall not be discharged except by performance and then only to the extent of such performance.

SIXTH : The Guarantor agrees to endorse its guarantee hereunder upon (a) each Collateral Trust Bond issued for delivery to the Bank pursuant to the Loan Agreement and (b) each Collateral Trust Bond issued in exchange for, on transfer of or (subject to the provisions of Article Seventh hereof) in substitution for Collateral Trust Bonds specified in clause (a) or clause (c) of this Article, and (c) each Collateral Trust Bond issued in exchange for, on transfer of or (subject to the provisions of Article Seventh hereof) in substitution for Collateral Trust Bonds specified in clause (b) of this Article. Such endorsement of guarantee shall be in substantially the following form :

The United States of Brazil, for value received, as primary obligor and not as surety merely, hereby absolutely and unconditionally guarantees to the holder of the within Bond, and pledges its full faith and credit for, the due and punctual payment of the principal and redemption price of said Bond, and the interest thereon and all sinking fund payments in connection with the Bonds of the series designated therein, all in accordance with the provisions of the Indenture in said Bond mentioned. In the event specified in an Indenture of Guarantee dated _____, 1959 between the undersigned and National Trust Company, Limited as Trustee, International Bank for Reconstruction and Development may require the undersigned forthwith to pay the principal of the within Bond, together with interest thereon accrued and unpaid to the date of payment, at the place specified in the said Indenture for the payment of principal thereof and interest thereon, upon surrender of said Bond at said place in negotiable form, together with all unpaid coupons (if any) appurtenant thereto ; all in the manner and with the effect provided in said Indenture of Guarantee.

Countersigned by

.....

Authorized Representative

The United States of Brazil :

By

Minister of Finance

Such endorsement of guarantee shall be executed in the name and on behalf of the Guarantor with the facsimile signature of its Minister of Finance or any successor to any such Minister of Finance and shall be countersigned by its authorized representative. In case any Minister of Finance of the Guarantor, or any such successor, whose facsimile signature shall be affixed to any such endorsement of guarantee shall cease to be such Minister of Finance of the Guarantor, or such successor, before such endorsement shall have been authenticated as provided in Article Eighth of this Indenture of Guarantee, such endorsement may nevertheless be authenticated as provided in said Article Eighth as though such Minister of Finance, or successor, whose facsimile signature was affixed to such endorsement had not ceased to be such Minister of Finance or successor. In case any such authorized representative of the Guarantor who shall have countersigned any such endorsement shall cease to be such authorized representative of the Guarantor before such endorsement shall have been authenticated as provided in said Article Eighth, such endorsement may nevertheless be authenticated as provided in said Article Eighth as though such authorized representative who countersigned such endorsement had not ceased to be such authorized representative of the Guarantor and any such endorsement may be so countersigned by any person who at the time of countersigning shall be the authorized representative of the Guarantor although at the date of the Collateral Trust Bond bearing such endorsement such person may not have been such authorized representative of the Guarantor. The Guarantor shall furnish to the Trustee from time to time the names and sufficient evidence of the authority of each person by whose signature or facsimile signature such endorsement of guarantee is to be executed or countersigned as aforesaid, together with the authenticated specimen signature of each such person.

SEVENTH : Whenever the Company shall execute a new Collateral Trust Bond in substitution for a mutilated, lost, destroyed or stolen Guaranteed Bond and its coupons, the Guarantor shall not be obligated to endorse its guarantee thereon unless and until the Guarantor shall be indemnified to its satisfaction.

EIGHTH : The Trustee shall authenticate the guarantee endorsed upon each Collateral Trust Bond pursuant to Article Sixth hereof by countersignature in substantially the following form :

Countersigned for authentication :

National Trust Company, Limited, as Trustee :

By

Authorized Officer

provided, however, that the aggregate principal amount of such Collateral Trust Bonds so authenticated outstanding at any time shall not exceed \$11,600,000 or the equivalent thereof in other currencies determined as provided in the Loan Agreement, plus the amount of any Guaranteed Bonds issued in substitution for lost, destroyed, stolen or mutilated Guaranteed Bonds. The Trustee shall be entitled to rely upon a certificate signed by the President or a Vice-President and by the Treasurer or an Assistant Treasurer of the Company that any Collateral Trust Bond for which such countersignature is requested will be delivered to the Bank pursuant to the provisions of the Loan Agreement and the Trustee shall not be required, as a condition of executing such countersignature, to satisfy itself otherwise than by such certificate that such Collateral Trust Bond will be or has been so delivered.

NINTH : All Collateral Trust Bonds which shall have endorsed thereon the guarantee of the Guarantor as provided in Article Sixth hereof authenticated as provided in Article Eighth hereof shall be entitled to the benefit of this Indenture of Guarantee ; and no other Collateral Trust Bonds shall be entitled to the benefit of this Indenture of Guarantee.

TENTH : All covenants and agreements on the part of the Guarantor herein contained are made for the benefit of the Trustee, as trustee of an express trust for the several holders from time to time of the Guaranteed Bonds, and for the benefit of such holders. Such covenants and agreements shall inure to the benefit of any successor of the Trustee. All covenants and agreements on the part of the Trustee herein contained shall be binding upon any successor of the Trustee. Any successor trustee duly acting as such under the terms of the Indenture shall be deemed to be a successor of the Trustee under the provisions of this Indenture of Guarantee.

IN WITNESS WHEREOF, the Guarantor has caused this Indenture of Guarantee to be signed by its representative thereunto duly authorized, and the Trustee has caused this Indenture of Guarantee to be executed by its corporate officers thereunto duly authorized and its corporate seal to be thereunto affixed and attested, as of the day and year first above written.

The United States of Brazil :

By

Authorized Representative

National Trust Company, Limited :

By

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

(POWER PROJECTS—RIO DE JANEIRO—SÃO PAULO)

AGREEMENT, dated June 17, 1959, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and BRAZILIAN TRACTION, LIGHT AND POWER COMPANY, LIMITED (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 3² 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 Agreement or in any Schedule to this Agreement :

(1) The term "Subsidiary" means any corporation, firm or association directly or indirectly controlled by the Borrower.

(2) The term "Indenture" means The Collateral Trust Indenture dated January 1st, 1949, entered into between the Borrower and National Trust Company, Limited, as trustee, and shall include all indentures supplemental thereto which have been or shall be executed and delivered in accordance with the provisions of such Collateral Trust Indenture.

(3) The term "Subsidiary Indenture" means the indenture dated October 1, 1948 of each of the following subsidiaries : Rio Light S. A.—Serviços de Eletricidade e Carris ; São Paulo Light, S. A.—Serviços de Eletricidade ; Companhia Telefônica Brasileira ; Companhia Fluminense de Energia Hidroelétrica ; and São Paulo—Serviços de Eletricidade S. A., and the indenture dated April 1, 1949 of Cidade de Santos—Serviços de Eletricidade e Gás S. A., and any indenture of any Subsidiary entitling the holders of bonds and debentures issued thereunder to the benefit of terms and provisions (other than terms and provisions fixing the rate of interest on or the date of maturity of such bonds and debentures) and liens not less favorable to such holders than the terms and provisions and liens of the indenture above referred to of Rio Light S. A.—Serviços de Eletricidade e Carris appertaining to unsubordinated debentures issued thereunder and includes all indentures supplemental to any such indenture which shall be executed and delivered in accordance with the provisions of such indenture.

¹ See p. 128 of this volume.

² See p. 150 of this volume.

(4) The term "Indenture of Guarantee" means the Indenture of Guarantee to be executed by the Guarantor pursuant to Section 4.01 of the Guarantee Agreement¹ and shall include all amendments and supplements to such Indenture of Guarantee.

(5) The term "Eligible Collateral" means Eligible Collateral as that term is defined in Section 2.01 of the Indenture.

(6) The term "Bonds" means and includes (a) Collateral Trust Bonds issued and authenticated under the Indenture, with the guarantee of the Guarantor endorsed thereon and authenticated by the Trustee under the Indenture of Guarantee as therein provided, and delivered to the Bank under the provisions of Article IV of this Agreement and (b) Collateral Trust Bonds so issued, authenticated and guaranteed in exchange for or on transfer of or in substitution for Bonds as herein defined. Wherever reference is made in the Loan Regulations to Bonds it shall mean Bonds as herein defined.

(7) 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, an amount in various currencies equivalent to eleven million six hundred thousand dollars (\$11,600,000).

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

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths 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. 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 six per cent (6%) 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 any such special commitments outstanding from time to time.

¹ See p. 112 of this volume.

Section 2.06. Interest and other charges shall be payable semi-annually on March 1, and September 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 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 2² to this Agreement. The specific goods to be financed out of the proceeds of the Loan 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 in the carrying out of the Project.

Article IV

BONDS

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

Section 4.02. Except as the Bank and the Borrower shall otherwise agree the Bonds so executed and delivered :

- (a) shall be designated as permitted by the Indenture ;
- (b) shall be dated as permitted by the Indenture ;
- (c) shall have such of the respective maturities of the principal of the Loan set forth in Schedule 1 to this Agreement as the Bank shall specify in the request pursuant to Section 6.03 of the Loan Regulations ; provided, however, that the Borrower shall not be required to deliver Bonds maturing on any date set forth in Schedule 1 to this Agreement in a total principal amount which is a greater proportion of the amount set forth opposite such date as a payment of principal than the total amount withdrawn from the Loan Account on the date of such request is of the total amount of the Loan ;
- (d) shall be payable as to principal, interest and premium, if any, on the redemption thereof, and shall be registerable, transferable and exchangeable in accordance with the provisions of the Indenture at an office or agency to be maintained as provided in the Indenture by the Borrower at such place in the country in whose currency the Bonds are payable as the Bank shall specify in such request ;

¹ See p. 146 of this volume.

² See p. 148 of this volume.

- (e) shall be issuable in such denominations permitted by the Indenture as the Bank shall request and shall be interchangeable in authorized denominations in accordance with the provisions of the Indenture ;
- (f) shall be payable as to principal, premium, if any, and interest without deduction for and free from any and all taxes, duties, imposts and fees imposed by the United States of Brazil or by any taxing authority thereof or therein except when such Bonds are beneficially owned by an individual or corporation resident in the United States of Brazil ;
- (g) shall provide that the principal of such Bonds, at the option of the Bank may be declared and become due and payable upon the occurrence of an event of default under, and in the manner and with the effect provided in, this Agreement ;
- (h) shall be entitled to the benefits of a covenant to be set forth in the Indenture by which the Borrower will covenant not to declare or pay any dividends on any class of its capital stock unless it shall maintain with the Trustee under the Indenture a reserve fund (which may be invested in bonds or other obligations of the Bank) for the payment of interest on and the repayment of the principal of the Bonds of each series in an amount at least equal to (i) the interest on all Bonds of each series for a period of one year and (ii) the sum required to repay the principal of all Bonds of each series maturing during the next succeeding period of six months subject to the right of the Borrower to use the reserve fund at any time and from time to time in which event the restriction on the declaration and payment of dividends by the Borrower shall apply until the reserve fund is replenished ;
- (i) shall be substantially in the form of the coupon bond or registered bond without coupons set forth in Schedule A to the indenture dated January 1, 1953 supplemental to the Indenture as the Bank shall specify in such request with such additions and changes permitted by the Indenture as are required to give effect to the provisions of this Section.

Section 4.03. The Borrower agrees that, so long as any part of the Loan shall be outstanding and unpaid, no Collateral Trust Bonds of any series issued under the Indenture of which any part shall be delivered to the Bank pursuant to this Agreement, will be issued and delivered to any person or entity other than the Bank except in exchange for, on transfer of, or in substitution for Collateral Trust Bonds of the same series.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) The Borrower shall furnish to the Bank, promptly upon request, the plans and specifications for the Project and any material modifications subsequently made therein.

(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 financial condition and operations of the Borrower and the Subsidiaries; shall enable the Bank's representatives (including independent accountants and engineers satisfactory to the Borrower) to inspect 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 expenditure of the proceeds of the Loan, the Project, the goods and the financial condition and operations of the Borrower and any of the Subsidiaries.

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, in the judgment of the Borrower, 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. The Borrower will notify the Bank promptly of any proposal to issue Collateral Trust Bonds under the Indenture to anyone other than the Bank or to issue to anyone other than the Borrower any funded debt (as such term is defined in the Indenture) of any Subsidiary (except Companhia Paulista de Serviços de Gás) whose obligations are on the date of this Agreement or shall be from time to time specifically pledged under the Indenture, or of any proposal to sell or otherwise dispose of any such funded debt held by the Borrower to anyone other than the Trustee under the Indenture, and prior to any such issuance, sale, or disposition the Borrower will afford to the Bank all the opportunity which is reasonably practicable in the circumstances to exchange views with the Borrower with respect to such proposal; provided, however, that the exchange by the Borrower with a Subsidiary of funded debt of such Subsidiary for shares of such Subsidiary shall not be deemed to be a sale or other disposition of such funded debt within the meaning of this Section.

Section 5.04. 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 Agreement, the Guarantee Agreement, the Bonds, the Indenture, the Indenture of Guarantee, the Subsidiary Debentures and the Subsidiary Indentures, 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 5.05. The Borrower shall pay or cause to be paid all taxes and fees, if any, imposed under the laws of the United States or Canada or 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 Agreement, the Guarantee Agreement, the Bonds, the Indenture, the Indenture of Guarantee, the Subsidiary Debentures and the Subsidiary Indentures.

Section 5.06. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower shall insure or cause to be insured the goods financed with the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Guarantor and each contract of insurance shall be for such amounts as shall be consistent with sound commercial practice and shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

Section 5.07. The Borrower will perform duly and punctually and in accordance with the terms of the Indenture all the covenants and agreements on its part as set forth in the Indenture ; provided, however, that for the purposes of this Section 5.07

- (i) the words "the current annual interest and amortization requirements (including sinking fund payments, if any) of the Bonds then outstanding" as used in Section 5.09 of the Indenture shall be deemed to include the service charge provided for in Section 6.04 of the Loan Regulations ; and
- (ii) the term "Eligible Collateral" as such term is used in the Indenture shall be deemed to include only bonds and debentures issued under Subsidiary Indentures.

Section 5.08. The Borrower will pay all reasonable charges, fees, and expenses which the Trustee and any successor Trustee under the Indenture of Guarantee shall make for or incur in the performance of their duties thereunder and shall give such Trustee and any successor Trustee such written undertakings to that effect as any of them may request.

Section 5.09. If at the close of any fiscal year of the Borrower the aggregate amount owing, otherwise than as funded debt, to the Borrower and all subsidiaries by all subsidiaries whose obligations are then pledged under the Indenture shall exceed \$25,000,000, or the equivalent thereof in currencies other than dollars at the then prevailing official rates of exchange, then within six months thereafter the Borrower will cause such indebtedness in an amount equal to such excess to be converted into funded debt. For the purposes of this Section 5.09, any amount owing to a subsidiary whose obligations are pledged under the Indenture by a subsidiary whose obligations are pledged under the Indenture shall be disregarded if and to the extent that amounts owing by such first subsidiary are included in computing the aggregate amount owing to the Borrower and all subsidiaries. The terms "subsidiaries" and "funded debt" as used in this Section 5.09 shall have the respective meanings set forth in Section 2.01 of the Indenture.

Section 5.10. Except as shall be otherwise agreed between the Bank and the Borrower, the Borrower will not cause or permit any Prior Lien Bonds (as such term is defined in Article I of the respective Subsidiary Indentures of the companies named in this Section) of Rio Light S. A.—Serviços de Eletricidade e Carris or São Paulo Light S. A.—Serviços de Eletricidade, or São Paulo—Serviços de Eletricidade S. A. to be issued or outstanding other than Prior Lien Bonds issued or outstanding on the date of this Agreement. If any

of such companies shall cease to be a subsidiary (as such term is defined in the Indenture) of the Borrower the provisions of this Section shall cease to apply with respect to such company.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If a default shall have occurred in the payment of principal or interest or any other payment required under the Loan or the Bonds or under any other loan agreement between the Bank and the Borrower and shall continue for a period of sixty days or (ii) if any event specified in paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur, or (iii) if a default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower under the Loan Agreement or the Bonds 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 Agreement or in the Bonds or in the Indenture to the contrary notwithstanding.

Article VII

EFFECTIVE DATE ; TERMINATION

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

(a) The Guarantee Agreement shall have been duly registered by the Tribunal de Contas of the Guarantor pursuant to Law No. 1518 of December 24, 1951, and Articles 22 and 23 of Law No. 1628 of June 20, 1952, of the Guarantor and to Article 77 of the Constitution of the Guarantor.

(b) The Indenture of Guarantee shall have been duly executed and delivered by the Guarantor as provided in Section 4.01 of the Guarantee Agreement.

(c) The Borrower shall have deposited with the Trustee under the Indenture and subjected to the specific mortgage pledge and charge of the Indenture, Eligible Collateral aggregating in principal amount one hundred and forty-seven million dollars (\$147,000,000).

Section 7.02. 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 :

(a) That the Indenture of Guarantee has been duly authorized or ratified by and executed and delivered on behalf of the Guarantor and constitutes a valid and binding obligation of the Guarantor in accordance with its terms.

(b) That the Bonds when executed, issued and authenticated as provided in this Agreement and in the Indenture with the guarantee of the Guarantor thereon endorsed and authenticated as provided in the Indenture of Guarantee, and delivered as provided

in this Agreement, will constitute valid and binding obligations of the Borrower and the Guarantor in accordance with their terms.

(c) That the Indenture has been duly executed, delivered and registered as therein provided, constitutes a valid and binding obligation of the Borrower in accordance with its terms and has created valid effective charges and priorities in accordance with its terms.

(d) That the Subsidiary Indentures have been duly executed, delivered and registered as therein provided, constitute valid and binding obligations in accordance with their terms of the Subsidiaries which executed them and have created valid effective charges and priorities in accordance with their terms.

(e) That the Eligible Collateral delivered to the Trustee pursuant to Section 7.01(c) of this Agreement constitutes "Eligible Collateral" as that term is defined in Section 2.01 of the Indenture.

Section 7.03. A date 90 days after the date of this 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, 1961.

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

For the Borrower:

Brazilian Traction, Light and Power Company, Limited
25 King Street West
Toronto, Ontario
Canada

For the Bank :

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

Section 8.03. The Loan Regulations shall not be deemed to require the Bank to submit to arbitration any controversy between the parties to this Agreement and any claim by either party to this Agreement against the other party arising under this Agreement in respect of the Indenture or the Bonds.

Section 8.04. Notwithstanding anything herein contained, any provision of this Agreement may be amended from time to time by agreement in writing between the Bank and the Borrower ; provided, however, that, unless the Guarantor shall have consented thereto, no such amendment shall increase the aggregate principal amount of the Loan to an amount in excess of the equivalent of \$11,600,000, as herein provided, or shall increase the rate of amortization thereof, premium, if any, on the redemption thereof, or interest, commitment charge or service charge thereon.

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 J. Burke KNAPP
Vice President

[SEAL]

Brazilian Traction, Light and Power Company, Limited :

By G. R. F. TROOP
Vice President

[SEAL]

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
March 1, 1963	\$320,000	March 1, 1971	\$320,000
September 1, 1963	320,000	September 1, 1971	320,000
March 1, 1964	320,000	March 1, 1972	320,000
September 1, 1964	320,000	September 1, 1972	320,000
March 1, 1965	320,000	March 1, 1973	433,000
September 1, 1965	320,000	September 1, 1973	433,000
March 1, 1966	320,000	March 1, 1974	433,000
September 1, 1966	320,000	September 1, 1974	433,000
March 1, 1967	320,000	March 1, 1975	433,000
September 1, 1967	320,000	September 1, 1975	433,000
March 1, 1968	320,000	March 1, 1976	433,000
September 1, 1968	320,000	September 1, 1976	433,000
March 1, 1969	320,000	March 1, 1977	433,000
September 1, 1969	320,000	September 1, 1977	433,000
March 1, 1970	320,000	March 1, 1978	433,000
September 1, 1970	320,000	September 1, 1978	437,000

* 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 :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 3 years before maturity	½%
More than 3 years but not more than 6 years before maturity	1½%
More than 6 years but not more than 11 years before maturity	2½%
More than 11 years but not more than 16 years before maturity	3½%
More than 16 years but not more than 18 years before maturity	5%
More than 18 years before maturity	6%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Rio de Janeiro System

A hydraulic electric power station complete with all ancillary equipment will be constructed at Ponte Coberta about 3 kilometers downstream from the Fontes power station. The Ponte Coberta power plant will be a two set hydro-electric station of 90,000 KW capacity operating with a net head of about 35 meters. The generating sets will be vertical machines driven by Francis turbines and will be installed in a reinforced concrete power house.

A compacted earth fill dam will be constructed on the Lajes River to provide a reservoir with a usable storage capacity of about 4.5 million cubic meters with a draw down of about 4 meters. A tunnel will be excavated to divert the river prior to the construction of the dam and this will serve as a spillway when the plant is completed. For this purpose the inlet of the tunnel will be blocked and a vertical shaft will be excavated to the tunnel and provided with a sill and a sector gate for control.

Water will be led from the left bank of the reservoir by a canal to the intake works and steel penstocks.

The São Paulo System

1. Extension of the Traição pumping station

A new pumping unit complete with all ancillary equipment will be installed in the existing Traição pumping station. The new pumping unit will be a replica of the existing units and will consist of a propellor type pump driven by a 6400 horsepower synchronous motor. The installation will include a third 6500 KVA 88/3.8 Kv transformer and will be supplied from the existing connections to the 88 Kv transmission system.

2. Extension of Cubatão underground power plant

Two new 65,000 KW vertical electric power generating units driven by impulse turbines designed to operate with a net effective head of about 684 meters will be installed in the existing Cubatão underground power house. The installation will include all ancillary equipment and control equipment.

3. Extension to the 230 Kv transmission system

Extensions of the 230 Kv transmission system will be made. A 230 Kv switching substation will be built at Anhanguera and 230 Kv transforming substation will be built at Vila Medeiros. A double circuit 230 Kv line will be constructed between the

Anhanguera and the Vila Medeiros substations. The existing 230 Kv line between Cubatão and Pirituba and the second circuit now under construction will be connected to the Anhanguera substation.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS No. 4

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

- (a) by the deletion of Section 2.02.
- (b) by the deletion of Section 6.06.
- (c) by the deletion of Section 6.07 and Schedules 1, 2, and 3.
- (d) by the deletion of the first two sentences of Section 6.09.
- (e) by the deletion of Sections 6.12 and 6.18.
- (f) 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.”

(g) Section 7.04(c) is modified so as to provide that if the Borrower and the Guarantor shall not agree on the appointment of the second arbitrator the Arbitral Tribunal shall consist of five arbitrators, one appointed by the Guarantor, two appointed by the Bank, one appointed by the Borrower, and the fifth arbitrator (sometimes referred to in said Loan Regulations as the Umpire) shall be appointed in the manner provided in said Loan Regulations for the appointment of the Umpire.

- (h) by the deletion of paragraph (b) of Section 9.02.
- (i) by the deletion of paragraph 10 of Section 10.01.