

No. 8667

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

**Guarantee Agreement—*Power Distribution Program-C* (with annexed Loan Regulations No. 4, Loan Agreement between the Bank and the Companhia Paulista de Força e Luz and Eletrobrás Shareholder Agreement between the Bank and Centrais Elétricas Brasileiras, S.A.). Signed at Washington, on 19 December 1966**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 26 June 1967.*

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

**Contrat de garantie — *Programme (C) de distribution d'énergie électrique* (avec, en annexe, le Règlement n° 4 sur les emprunts, le Contrat d'emprunt entre la Banque et la Companhia Paulista de Força e Luz et le Contrat relatif à la participation de l'Eletrobrás conclu entre la Banque et les Centrais Elétricas Brasileiras, S.A.). Signé à Washington, le 19 décembre 1966**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 26 juin 1967.*

No. 8667. GUARANTEE AGREEMENT<sup>1</sup> (*POWER DISTRIBUTION PROGRAM-C*) BETWEEN THE UNITED STATES OF BRAZIL AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 19 DECEMBER 1966

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AGREEMENT, dated December 19, 1966, between THE UNITED STATES OF BRAZIL (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Companhia Paulista de Força e Luz (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,<sup>2</sup> the Bank has agreed to make to the Borrower a loan in various currencies equivalent to forty-one million dollars (\$41,000,000), on the terms and conditions set forth in the Loan Agreement, but on condition that the Guarantor agree to guarantee the obligations of the Borrower and Eletrobrás as hereinafter provided; and

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;

WHEREAS the Guarantor represents and warrants that the giving of such guarantee is authorized by Law No. 1518 of December 24, 1951; Articles 22 and 23 of Law 1628 of June 20, 1952; Law No. 4457 of November 6, 1964; and Law No. 5000 of May 24, 1966.

NOW THEREFORE the parties hereto hereby agree as follows :

*[The remainder of the text of this Agreement is not published herein as it is identical to that of the Guarantee Agreement appearing on p. 108 of this volume. For the text of Loan Regulations No. 4, dated 15 February 1961 referred to in article I, see United Nations, Treaty Series, Vol. 400, p. 212. For the text of the Eletrobrás Shareholder Agreement referred to in article II, see p. 138 of this volume.]*

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<sup>1</sup> Came into force on 1 June 1967, upon notification by the Bank to the Government of Brazil.

<sup>2</sup> See p. 180 of this volume.

LOAN AGREEMENT  
(POWER DISTRIBUTION PROGRAM-C)

AGREEMENT, dated December 19, 1966, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and COMPANHIA PAULISTA DE FORÇA E LUZ (hereinafter called the Borrower).

WHEREAS Eletrobrás and the Guarantor have requested the Bank to assist certain of the subsidiaries of Eletrobrás in financing part of the power transmission and distribution program of Eletrobrás to be carried out by them; and

WHEREAS the Bank is willing at this time to contribute to such financing by making loans (hereinafter sometimes called the Distribution Loans) to four of such subsidiaries on the terms and conditions contained in loan agreements with such subsidiaries (hereinafter sometimes called the Distribution Loan Agreements), such Distribution Loans to be in an aggregate total amount in various currencies equivalent to sixty-one million six hundred thousand dollars (\$61,600,000); and

WHEREAS the Bank is willing at this time to make to the Borrower, as part of the Distribution Loans, a loan in an amount equivalent to forty-one million dollars (\$41,000,000);

NOW THEREFORE the parties hereto hereby agree as follows :

*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 February 15, 1961,<sup>1</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations) :

(a) The second sentence of Section 4.01 shall read as follows : “ Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of (a) expenditures prior to the date of the Loan Agreement, or (b) expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in (including services supplied from) such territories.”

(b) Section 9.04 shall be deleted.

Section 1.02. Unless the context otherwise requires, the following terms wherever used in the Loan Agreement shall have the following meanings :

1. The term “ Distribution Program ” means the transmission and distribution program for the years 1967 through 1969, to be carried out by the Project Companies including each of the Projects for which the Distribution Loans are granted by the Bank, the details of which are to be agreed from time to time between the Bank and the Project Companies.

<sup>1</sup> United Nations, *Treaty Series* Vol. 400, p. 212.

2. The term “Eletrobrás” means Centrais Elétricas Brasileiras S.A.—Eletrobrás, an agency of the Guarantor, or any successor or successors thereto.

3. The term “Eletrobrás Shareholder Agreement” means the agreement of even date herewith<sup>1</sup> between the Bank and Eletrobrás whereby Eletrobrás agrees with the Bank to undertake certain obligations (including the provision of funds to the Project Companies) in respect of the Distribution Program, the Project Companies and the Other Companies.

4. The term “Project Companies” means, collectively, the Borrower, and Companhia Força e Luz do Parana, Companhia Brasileira de Energia Eletrica and Companhia Força e Luz de Minas Gerais, all of such companies being subsidiaries of Eletrobrás, and includes any subsidiaries of the Project Companies.

5. The term “CAEEB” means Companhia Auxiliar de Empresas Eletricas Brasileiras, a wholly owned management subsidiary of the Project Companies and certain other subsidiaries of Eletrobrás, and includes any subsidiaries of CAEEB, or any successor or successors thereto.

6. The term “Other Companies” means Companhia Força e Luz Nordeste do Brasil, Companhia Energia Eletrica de Bahia, Companhia Central Brasileira de Força Eletrica, and The Rio Grandense Light and Power Syndicate, Limited (together with its successor Companhia Pelotense de Eletricidade), all such companies being subsidiaries of Eletrobrás, and includes any subsidiaries of such companies, or any successor or successors thereto.

## Article II

### THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to forty-one million dollars (\$41,000,000).

*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 Agreement.

*Section 2.03.* Notwithstanding any other provision of the Loan Agreement, unless the Bank shall otherwise agree, the Borrower shall not be entitled to make withdrawals from the Loan Account in respect of expenditures for goods to be purchased for the Project during the years 1968 or 1969 until detailed studies of the distribution system expansion and detailed cost estimates therefor, in form and substance satisfactory to the Bank, have been prepared by the Borrower in respect of the Project for the year in question.

*Section 2.04.* Notwithstanding the provisions of Section 3.02 of the Loan Regulations, withdrawals from the Loan Account in respect of expenditures in the currency of

<sup>1</sup> See p. 138 of this volume.

the Guarantor or for goods produced in (including services supplied from) the territories of the Guarantor shall be in dollars or such other currency or currencies as the Bank shall from time to time reasonably select.

*Section 2.05.* The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ( $\frac{3}{8}$  of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

*Section 2.06.* 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 2.07.* Except as the Borrower and the Bank 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 commitment outstanding from time to time.

*Section 2.08.* Interest and other charges shall be payable semi-annually on February 15 and August 15 in each year.

*Section 2.09.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

*Section 2.10.* Notwithstanding the provisions of Sections 3.03 and 3.04 of the Loan Regulations the Bank and the Borrower may, for purposes of sale by the Bank, from time to time agree that any portion of the Loan payable in one currency may be made payable in one or more other currencies and from the date specified in such agreement such portion of the Loan and the principal of any Bond representing such portion of the Loan and any premiums and interest payable on or with respect thereto shall be payable in such other currency or currencies.

### *Article III*

#### USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 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 Borrower and the Bank, subject to modification by further agreement between them.

*Section 3.02.* Except as the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Guarantor exclusively in the carrying out of the Project.

### *Article IV*

#### BONDS

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

*Section 4.02.* Two *diretores* of the Borrower and such person or persons as they shall jointly 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 with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

*Section 5.02.* Except as the Bank shall otherwise agree, the Borrower shall, in the carrying out of such parts of the Project as the Bank and the Borrower shall agree upon, employ consultants acceptable to, and upon terms and conditions satisfactory to, the Bank.

*Section 5.03.* Upon request from time to time by the Bank, the Borrower shall promptly furnish to the Bank the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request.

*Section 5.04.* (a) The Borrower shall at all times maintain its corporate existence and right to carry on its operations, and take all steps necessary to acquire, maintain and renew all rights, powers, privileges, concessions 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 and public utility practices.

(c) The Borrower shall at all times carry on its operations, manage its affairs, maintain its financial position, and plan the future expansion of its electric power system, all in accordance with sound business, financial and public utility principles and practices and under the supervision of experienced and competent management.

*Section 5.05.* The Borrower shall have its financial statements (balance sheet and related statement of earnings and expenses) certified annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation and not later than four months after the close of the calendar year transmit to the Bank certified copies of such statements and a signed copy of the accountant's or accounting firm's report.

*Section 5.06.* (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and the Borrower shall from time to time, at the request of either of them, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower, and other matters relating to the purposes of the Loan.

(b) 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 goods financed out of such proceeds, the Project, and the administration, operations and financial condition of the Borrower.

(c) 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, the maintenance of the service thereof or the performance by the Borrower of the obligations in the Loan Agreement contained.

*Section 5.07.* The Borrower shall : (i) maintain or cause to be maintained 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; and (ii) enable the Bank's representatives to inspect the Project, the goods, all other plants, sites, works, properties and equipment of the Borrower, and any relevant records and documents.

*Section 5.08.* The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any of the assets of the Borrower as security for any debt, such lien shall *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 : (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 arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

*Section 5.09.* The Borrower shall pay or cause to be paid all taxes, 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 the Loan Agreement, the Guarantee Agreement,<sup>1</sup> the Eletrobrás Shareholder Agreement, 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 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 5.10.* The Borrower shall pay or cause to be paid all taxes, 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, the Eletrobrás Shareholder Agreement or the Bonds.

*Section 5.11.* (a) The Borrower shall insure or cause to be insured with good and reputable insurers all goods financed out of the proceeds of the Loan. Such insurance shall

<sup>1</sup> See p. 178 of this volume.

cover such marine, transit and other risks incident to purchase and importation of the goods into the territories of the Guarantor and delivery thereof to the sites of the Project, and shall be for such amounts, as shall be consistent with sound commercial practices. Except as the Bank shall otherwise agree, any indemnity under such insurance shall be payable in the currency in which the cost of the goods insured thereunder shall be payable or in a freely convertible currency.

(b) In addition, the Borrower shall, except as the Bank shall otherwise agree, take out and maintain, with good and reputable insurers, insurance against such risks and in such amounts as shall be consistent with sound public utility and business practices.

*Section 5.12.* Except as the Bank shall otherwise agree :

(a) The Borrower shall obtain title to all goods financed out of the proceeds of the Loan free and clear of all encumbrances; and

(b) The Borrower shall not sell or otherwise dispose of, or permit the sale or disposal of, any of the property or assets which shall be required for the efficient carrying on of the business and undertaking of the Borrower, including the Project, unless the Borrower shall first pay or redeem, or make adequate provision satisfactory to the Bank for payment or redemption of, all of the Loan and the Bonds which shall then be outstanding and unpaid; provided, however, that the Borrower may sell or otherwise dispose of, or permit the sale or disposal of, any property which shall have become obsolete, worn-out or unnecessary for use in its plant.

*Section 5.13.* The Borrower shall, during the years 1967 through 1970 from time to time as required for the financing of the Project and its continuing power distribution expansion, increase the capital stock of the Borrower by amounts in Brazilian currency, satisfactory to the Bank, enabling the Borrower to receive an amount equal in the aggregate to the equivalent of at least forty-one million dollars (\$41,000,000). When for purposes of this Section it shall be necessary from time to time to value, in terms of dollars, payments in Brazilian currency for such stock such valuation shall be made at the time of such payments on the basis of the prevailing lawful rate of exchange at the time of such valuation.

*Section 5.14.* If, during the years 1967 through 1970, funds available or estimated to be available to the Borrower during any fiscal year of the Borrower shall not be adequate to meet the estimated expenditures of its planned power distribution expansion for that fiscal year, the Borrower shall, before calling on Eletrobrás to provide additional funds as required by Section 2.04 (b) of the Eletrobrás Shareholder Agreement, restrict, or, if necessary, refrain from declaring, cash dividends to its shareholders or from making payments in respect thereof.

*Section 5.15.* Except as the Bank and the Borrower shall otherwise agree :

(a) the Borrower shall take all such action (including, in such cases where automatic rate adjustments are not permitted, action with respect to the filing, within a period of not more than five months after the end of every calendar year, of appropriate applications



in respect of rates) as shall be necessary or advisable to : (i) cause the Borrower's rates for the sale of electricity to be set and maintained at such levels as will produce revenues, as provided by the legislation of the Guarantor in effect on the date of this Agreement, sufficient to ensure the continued operation of the Borrower's business in accordance with sound financial and public utility practices, using straightline depreciation which shall be not less than that based on the useful lives of depreciable assets in operation; and (ii) enable the agency or agencies of the Guarantor responsible for the setting and adjustment of such rates to act promptly in respect thereof; and

(b) the Borrower shall, as permitted by the legislation of the Guarantor in effect on the date of this Agreement, revalue its assets at least once every calendar year, such revaluation to reflect a realistic valuation of such assets, and apply for the corresponding rate adjustments.

*Section 5.16.* Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not incur any debt if by incurring such debt the debt of the Borrower shall exceed  $66\frac{2}{3}\%$  of its total fixed assets.

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

1. The term " debt " means all debt except debt maturing by its terms on demand or less than one year after it is incurred in the ordinary course of business.

2. Debt shall be deemed to be incurred on the day such debt becomes outstanding and repayable in accordance with the agreement providing for the incurrence of such debt; provided, however, that, in the case of guarantee of debt, debt shall be deemed to be incurred on the day the agreement guaranteeing such debt has been entered into.

3. The term " total fixed assets " means gross fixed assets in operation less the depreciation reserve, plus the cost of construction work-in-progress, all such items to be revalued on the basis of the latest applicable official revaluation coefficients.

4. Whenever for 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 prevailing lawful rate of exchange at the time of such valuation.

*Section 5.17.* Except as the Bank shall otherwise agree, the Borrower shall not purchase or otherwise acquire or hold a substantial number of shares of capital stock of any of the Project Companies. For the purposes of this Section " a substantial number of shares of capital stock " means more than one hundred such shares.

## 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 or in Section 6.02 (a) and (b) of this 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 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 the Loan Agreement or in the Bonds to the contrary notwithstanding.

*Section 6.02.* The following events are specified for the purposes of paragraph (j) of Section 5.02 of the Loan Regulations :

(a) A default shall have occurred in the performance of any covenant or agreement on the part of Eletrobrás under the Eletrobrás Shareholder Agreement.

(b) A change in the legislation of the Guarantor shall have occurred, which, in the judgment of the Bank, shall materially and adversely affect the carrying on of the Borrower's business or the setting or adjustment of the Borrower's rates for the sale of electricity at such levels as shall be necessary to provide the Borrower with revenues sufficient to ensure the continued operation of the Borrower's business in accordance with sound financial and public utility practices.

For the purposes of this paragraph the term " change in the legislation of the Guarantor " shall mean any change (including, but without limitation, any amendment or repeal of, or failure to carry out or enforce, any such legislation) in the entire body of legislation of the Guarantor (including, but without limitation, all constitutional provisions, statutes, laws, decree-laws, executive decrees and regulations, and any other legal provisions of a similar nature) directly or indirectly relating to the carrying on of the Borrower's business and the determination and adjustment of the Borrower's rates for the sale of electricity.

(c) Failure by the Borrower or the Guarantor to fulfill an obligation to make payment of principal or interest or any other payment required under the Loan Agreement, the Guarantee Agreement or the Bonds or under any other loan agreement between the Bank and the Borrower or under any loan agreement or guarantee agreement between the Guarantor and the Bank or any bond delivered pursuant to any such agreement even though such payment has been made by other persons.

## 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 (c) 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 Eletrobrás Shareholder Agreement has been duly authorized or ratified by all necessary legal action;

(c) Unless the Bank shall otherwise agree, the other Distribution Loan Agreements have become effective;

(d) Action satisfactory to the Bank has, if necessary, been taken with respect to the terms and conditions of the debt of the Borrower referred to in Section 2.05 of the Eletrobrás Shareholder Agreement which will satisfy the requirements of such Section.

(e) Except as the Bank shall otherwise agree, all necessary acts, consents and approvals to be performed or given by the Guarantor, its political subdivisions or agencies or by any agency of any political subdivision or otherwise to be performed or given in order to authorize the carrying out of the Project and to enable the Borrower and Eletrobrás to perform all of the covenants, agreements and obligations of the Borrower and Eletrobrás in the Loan Agreement and the Eletrobrás Shareholder Agreement contained, together with all necessary powers and rights in connection therewith, have been performed or given.

(f) The Borrower has certified in writing to the Bank that, as of a date to be agreed between the Bank and the Borrower (which shall be prior to the Effective Date), there has been no material adverse change in its condition since the date of this Agreement.

*Section 7.02.* The following are specified as additional matters, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

(a) That the Eletrobrás Shareholder Agreement has been executed and delivered on behalf of Eletrobrás and constitutes a valid and binding obligation of Eletrobrás in accordance with its terms.

(b) That all acts, consents and approvals referred to in Section 7.01 (e) together with all necessary powers and rights in connection therewith, have been duly and validly performed or given and that no other such acts, consents or approvals are required in order to authorize the carrying out of the Project and to enable the Borrower and Eletrobrás to perform all of the covenants, agreements and obligations of the Borrower and Eletrobrás in the Loan Agreement and the Eletrobrás Shareholder Agreement contained.

*Section 7.03.* If the Loan Agreement, the Guarantee Agreement and the Eletrobrás Shareholder Agreement shall not have come into force and effect by May 15, 1967, the Loan Agreement, the Guarantee Agreement and the Eletrobrás Shareholder Agreement and all obligations of the parties under such Agreements shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Bank shall promptly notify the Borrower, the Guarantor and Eletrobrás of such date.

## *Article VIII*

### MISCELLANEOUS

*Section 8.01.* The Closing Date shall be December 31, 1970, or such other date or dates as shall be agreed by the Bank and the Borrower as the Closing Date.

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

For the Borrower :

Companhia Paulista de Força e Luz  
Av. Rio Branco 135 (14º andar)  
Rio de Janeiro, Guanabara, Brazil

Alternative address for cablegrams and radiograms :

Empelbra  
Rio de Janeiro

For the Bank :

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
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* J. Burke KNAPP  
Vice President

Companhia Paulista de Força e Luz :

*By* Leo A. PENNA  
Authorized Representative

*By* Oswaldo A. GUIMARÃES  
Authorized Representative

## 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>
February 15, 1972 . . . . .	820,000	February 15, 1980 . . . . .	1,315,000
August 15, 1972 . . . . .	845,000	August 15, 1980 . . . . .	1,355,000
February 15, 1973 . . . . .	870,000	February 15, 1981 . . . . .	1,395,000
August 15, 1973 . . . . .	895,000	August 15, 1981 . . . . .	1,440,000
February 15, 1974 . . . . .	925,000	February 15, 1982 . . . . .	1,480,000
August 15, 1974 . . . . .	950,000	August 15, 1982 . . . . .	1,525,000
February 15, 1975 . . . . .	980,000	February 15, 1983 . . . . .	1,570,000
August 15, 1975 . . . . .	1,010,000	August 15, 1983 . . . . .	1,620,000
February 15, 1976 . . . . .	1,040,000	February 15, 1984 . . . . .	1,665,000
August 15, 1976 . . . . .	1,070,000	August 15, 1984 . . . . .	1,715,000
February 15, 1977 . . . . .	1,100,000	February 15, 1985 . . . . .	1,770,000
August 15, 1977 . . . . .	1,135,000	August 15, 1985 . . . . .	1,820,000
February 15, 1978 . . . . .	1,170,000	February 15, 1986 . . . . .	1,875,000
August 15, 1978 . . . . .	1,205,000	August 15, 1986 . . . . .	1,930,000
February 15, 1979 . . . . .	1,240,000	February 15, 1987 . . . . .	1,995,000
August 15, 1979 . . . . .	1,275,000		

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), 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 three years before maturity . . . . .	½ of 1%
More than three years but not more than six years before maturity . . . . .	1 ½%
More than six years but not more than eleven years before maturity . . . . .	2 ½%
More than eleven years but not more than sixteen years before maturity . . . . .	3 ½%
More than sixteen years but not more than eighteen years before maturity . . . . .	5%
More than eighteen years before maturity . . . . .	6%

## SCHEDULE 2

## DESCRIPTION OF THE PROJECT

The Project consists of the rehabilitation and expansion of the distribution system of the Borrower in the State of Sao Paulo for the years 1967, 1968 and 1969. The Project includes :

- (a) Construction of necessary 138 kv and 66 kv transmission lines and installation of associated high voltage substation capacity.
  - (b) Rehabilitation of existing 13.8 kv and 11.6 kv primary distribution feeders, conversion of existing 6.6 kv rural feeders to standard distribution primary voltage, and installation of new 13.8 and 11.6 kv feeders.
  - (c) Rehabilitation and expansion of the 127/220 volts secondary distribution network to supply about 95,000 new customers.
-