

No. 9629

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

Guarantee Agreement—Porto Colombia Hydroelectric Project (with annexed Loan Regulations No. 4, as amended, and Loan Agreement between the Bank and the Central Elétrica de Furnas, S. A.). Signed at Rio de Janeiro on 23 October 1968

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 13 June 1969.

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

Contrat de garantie — Projet hydro-électrique Porto Colombia (avec, en annexe, le Règlement n° 4 sur les emprunts, tel qu'il a été modifié, et le Contrat d'emprunt entre la Banque et la Central Elétrica de Furnas, S. A.). Signé à Rio de Janeiro le 23 octobre 1968

Texte authentique: anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 13 juin 1969.

GUARANTEE AGREEMENT¹

AGREEMENT, dated October 23, 1968, between 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 Central Elétrica de Furnas, 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 twenty-two million three hundred thousand dollars (\$22,300,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to enter into this Guarantee Agreement;

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to enter into this Guarantee Agreement;

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 No. 1628 of June 20, 1952; Decree No. 57,482 of December 24, 1965 pursuant to Law No. 4131 of September 3, 1962; Law No. 4457 of November 6, 1964; and Law No. 5000 of May 24, 1966;

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 February 15, 1961 as amended February 9, 1967,³ subject, however, to the modification thereof set forth in Section 1.01 of 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 18 February 1968, upon notification by the Bank to the Government of Brazil.

² See p. 252 of this volume.

³ See p. 250 of this volume.

Section 1.02. Wherever used in this Guarantee Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement shall have the same meanings as therein set forth.

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.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures, either by way of loans or equity investment by Eletrobrás, or otherwise.

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 or of any of its political subdivisions or of any agency of any such political subdivision 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 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 agency of the Guarantor, including Banco Central do Brasil and any other institution performing the functions of a central bank for the Guarantor.

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 promptly 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, and free from all restrictions, 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 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 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. (a) The Guarantor will exercise every power, right and recourse available to it to the end that it will not take or permit any of its political subdivisions or any of its agencies (including Eletrobrás in its capa-

city as holder of the majority of the Borrower's shares, and Banco Central do Brasil and any other institution performing the functions of a central bank for the Guarantor in respect of the allocation or realization of foreign exchange) or any agency of any political subdivision to take any action which would prevent or interfere with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained, and will take or cause to be taken all reasonable action (including action by Eletrobrás in its capacity as holder of the majority of the Borrower's shares and by Banco Central do Brasil and any other institution performing the functions of a central bank for the Guarantor in respect of the allocation or realization of foreign exchange) which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations.

(b) The Guarantor shall cause the agency or agencies of the Guarantor responsible for the setting and adjustment of the Borrower's rates for the sale of electricity to act in respect of any application of the Borrower for the setting and adjustment of such rates within a period of not more than 30 days after receipt of such application.

Section 3.06. The Guarantor undertakes that it will : (a) take all such action as shall be practicable in the circumstances to encourage effective coordination of the operation of the electricity generating, transmission and distribution facilities of the integrated system into which the power output of the Project will flow; and (b) take or cause to be taken all such timely and effective action as shall be necessary or advisable in respect of the expansion of the transmission and distribution facilities in the areas served by such system in order to ensure that the electricity generated and to be generated by the system will efficiently reach the retailers and consumers in such areas.

Section 3.07. The Guarantor shall take all such measures as shall be necessary in order to facilitate the importation by the Borrower of goods to be financed out of the proceeds of the Loan and purchased outside Brazil in accordance with the provisions of the Loan Agreement.

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 *Ministro da Fazenda* 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 :

Ministério da Fazenda
Av. Presidente Antonio Carlos 375
Rio de Janeiro, Brazil

Cable address :

Minifaz
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

Cable address :

Intbafrad
Washington, D.C.

Section 5.02. The *Ministro da Fazenda* of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and to be delivered in the City of Rio de Janeiro, Brazil, as of the day and year first above written.

Brazil :

By Antonio DELFIM NETO
Ministro da Fazenda

By Jayme ALIPIO DE BARROS
Procurador Geral da Fazenda

International Bank for Reconstruction and Development :

By Robert S. McNAMARA
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961,
AS AMENDED 9 FEBRUARY 1967

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

[Not published herein. See United Nations, Treaty Series, vol. 598, p. 270.]

LOAN AGREEMENT

AGREEMENT, dated October 23, 1968, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and CENTRAL ELÉTRICA DE FURNAS, S.A. (hereinafter called the Borrower).

Article I

LOAN REGULATIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961 as amended February 9, 1967,¹ with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations) :

Clause (b) of the second sentence of Section 4.01 is deleted.

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

(a) The term "Eletrobrás" means Centrais Elétricas Brasileiras, S.A. — Eletrobrás, an agency of the Guarantor, or any successor or successors thereto.

(b) The term "First Loan Agreement" means the loan agreement between the Bank and the Borrower dated October 3, 1958.²

(c) The term "Second Loan Agreement" means the loan agreement (amended) between the Bank and the Borrower dated December 19, 1966,³ as amended by the agreement between the Bank and the Borrower dated July 25, 1968.⁴

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 twenty-two million three hundred thousand dollars (\$ 22,300,000).

Section 2.02. (a) 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.

(b) 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, this Agreement and the Loan Regulations and in accordance with the allocation of the proceeds of the Loan set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time by further agreement between the Borrower and the Bank.

¹ See p. 250 of this volume.

² United Nations, *Treaty Series*, vol. 337, p. 177.

³ *Ibid.*, vol. 553, p. 3.

⁴ *Ibid.*, vol. 668, p. 374.

Section 2.03. Notwithstanding the provisions of Section 3.02 of the Loan Regulations, withdrawals from the Loan Account in respect of expenditures in the currency of the Guarantor or for goods produced in (including services supplied from) the territories of the Guarantor shall be in such currency or currencies as the Bank shall from time to time reasonably select.

Section 2.04. Withdrawals from the Loan Account may be made on account of expenditures made prior to the Effective Date but after the date of this Agreement.

Section 2.05. 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 withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of six and one-half per cent ($6\frac{1}{2}$ %) per annum on the principal amount of the Loan 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 May 15 and November 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 2 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall apply the proceeds of the Loan in accordance with the provisions of this Agreement to expenditures on the Project, described in Schedule 3 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, (i) the goods to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the Guidelines for Procurement under World Bank Loans and IDA Credits, published by the Bank in February 1968, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Agreement, and (ii) contracts for the procurement of such goods shall be subject to the approval of the Bank.

Section 3.03. Except as the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used exclusively in carrying out the Project.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

Section 4.02. The *Presidente* and one *Director* 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. (a) 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 competent and experienced consultants acceptable to, and upon terms and conditions satisfactory to, the Bank.

(b) Except as the Bank shall otherwise agree, the Borrower shall cause all works included in the Project to be constructed by contractors acceptable to the Bank and the Borrower.

Section 5.03. Upon request from time to time by the Bank, the Borrower shall promptly furnish or cause to be furnished 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 shall 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.

Section 5.05. (a) The Borrower shall at all times manage its affairs, plan the future expansion of its power system and maintain its financial position, all in accordance with sound business, financial and public utility principles and practices and under the supervision of experienced and competent management.

(b) The Borrower shall have its financial statements (balance sheet and statements of income and surplus) audited and 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 Borrower's fiscal 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 co-operate 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 party, 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 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 its obligations under the Loan Agreement.

Section 5.07. 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; and shall 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 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 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 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 5.09. 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 or the Bonds.

Section 5.10. (a) The Borrower shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure the goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 5.11. Except as the Bank shall otherwise agree, the Borrower shall not, until the Project shall have been completed, undertake, or permit to be undertaken on its behalf, any major generation or transmission expansion project, other than the Project and those projects listed in Schedule 5 to this Agreement.

For the purposes of this Section, a "major generation or transmission expansion project" shall be deemed to be a project, the aggregate cost of which shall be in excess of the equivalent of three million dollars (\$ 3,000,000).

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 any of its property or assets which shall be required for the efficient carrying on of its business and undertaking, including the Project, unless the Borrower shall first pay or redeem, or make adequate provisions 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 any of its property which shall have become obsolete, worn out or unnecessary for use in its plant.

Section 5.13. The Borrower shall, if necessary in order to comply with the provisions of Section 5.16 of this Agreement, take all appropriate action to permit Eletrobrás, in its capacity as holder of the majority of the Borrower's shares, to convert into an equity contribution to the Borrower's capital such amount of outstanding long-term debt of the Borrower held by Eletrobrás as shall be required for the purpose of compliance therewith.

Section 5.14. 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; (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; (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date; or (iv) any lien in favor of the Guarantor, on terms and conditions satisfactory to the Guarantor, the Bank and the Borrower, and by its terms expressly subordinated to the claims of the Bank hereunder, which is created to secure obligations of the Borrower to the Guarantor arising out of the Guarantor's guarantee of the Loan.

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 straight-line 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. (a) 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.

(b) For the purposes of this Section :

- (i) 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.
- (ii) 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.
- (iii) 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.

(iv) Whenever for 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 prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt.

(c) The Borrower shall furnish to the Bank annually, as soon as practicable after the end of each calendar year, a statement of the following:

- (i) The Borrower's total fixed assets as defined in paragraph (b) of this Section, as of the end of such calendar year;
- (ii) The outstanding debt of the Borrower as defined in paragraph (b) of this Section, as of the end of such calendar year;
- (iii) The arithmetical ratio of (ii) to (i);
- (iv) The Borrower's estimated fixed capital expenditures less estimated retirements, for the calendar year then in progress;
- (v) The estimated increase in debt of the Borrower as defined in paragraph (b) of this Section, net of amortization of debt, for the calendar year then in progress; and
- (vi) The arithmetical ratio of the sum of (ii) and (v) to the sum of (i) and (iv).

All items in such statement shall be expressed in currency of the Guarantor. In calculating the amount of debt in currency of the Guarantor subject to revaluation, account will be taken of any law or contract relating thereto.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), 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 a default shall occur in the payment of principal or interest or any other payment required under any other loan agreement between the Bank and the Borrower or under any bond delivered pursuant thereto or under any credit agreement between the Association and the Borrower and such default shall continue for a period of thirty days, or (iii) if a default shall occur in the payment of principal or interest or any other payment required under any loan agreement or under any guarantee agreement between the Guarantor and the Bank or under any bond delivered pursuant to any such agreement or under any credit agreement between the Association and the Guarantor under circumstances which would make it unlikely that the Guarantor would meet its obligations under the Guarantee Agreement and such default shall continue for a period of thirty days, or (iv) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations or in Section 6.02 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 of any such event or default, 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 to the contrary notwithstanding.

Section 6.02. The following event is specified for the purposes of paragraph (l) of Section 5.02 of the Loan Regulations :

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.

Section 6.03. The Bank and the Borrower agree that for the purposes of the First Loan Agreement, the Second Loan Agreement and this Loan Agreement, respectively, an event referred to in paragraph (c) of Section 5.02 of the Loan Regulations No. 4 of the Bank applicable to any such Agreement shall be deemed to be an event under paragraph (c) of Section 5.02 of the Loan Regulations No. 4 of the Bank applicable to any other such Agreement.

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 (d) of the Loan Regulations :

(a) The Borrower has obtained from Eletrobrás a firm undertaking satisfactory to the Bank to provide or cause to be provided to the Borrower, promptly as needed, all such funds as may be required by the Borrower to enable the Borrower to carry out the Project with due diligence and efficiency.

(b) 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 to perform all of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained, together with all necessary powers and rights in connection therewith, have been performed or given.

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 undertaking referred to in Section 7.01 (a) of this Agreement is 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 (b) of this Agreement, 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 to perform all of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained.

Section 7.03. If this Agreement shall not have come into force and effect by March 1, 1969, this Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be March 31, 1975, or such later date as may be agreed by the Bank.

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

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Intbafrad
Washington, D.C.

For the Borrower:

Central Elétrica de Furnas, S.A.
Rua São José 90-3º andar
Rio de Janeiro, Brazil

Cable address:

Riofurnas
Rio de Janeiro

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be delivered in the City of Rio de Janeiro, Brazil, as of the day and year first above written.

International Bank for Reconstruction and Development:

By Robert S. McNAMARA
President

Central Elétrica de Furnas, S.A.:

By John R. Cotrim
Authorized Representative

By Flavio H. Lyra
Authorized Representative

SCHEDULE 1

ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
1. Turbines and Generators	10,700,000
2. Miscellaneous Electrical Equipment	4,000,000
3. Miscellaneous Mechanical Equipment	2,400,000
4. Transmission	4,500,000
5. Engineering and other Services	700,000
TOTAL	<u>22,300,000</u>

SCHEDULE 2

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>
May 15, 1975	305,000	November 15, 1984	560,000
November 15, 1975	315,000	May 15, 1985	580,000
May 15, 1976	325,000	November 15, 1985	600,000
November 15, 1976	335,000	May 15, 1986	620,000
May 15, 1977	345,000	November 15, 1986	640,000
November 15, 1977	360,000	May 15, 1987	660,000
May 15, 1978	370,000	November 15, 1987	680,000
November 15, 1978	380,000	May 15, 1988	700,000
May 15, 1979	395,000	November 15, 1988	725,000
November 15, 1979	410,000	May 15, 1989	750,000
May 15, 1980	420,000	November 15, 1989	775,000
November 15, 1980	435,000	May 15, 1990	800,000
May 15, 1981	450,000	November 15, 1990	825,000
November 15, 1981	465,000	May 15, 1991	850,000
May 15, 1982	480,000	November 15, 1991	880,000
November 15, 1982	495,000	May 15, 1992	905,000
May 15, 1983	510,000	November 15, 1992	935,000
November 15, 1983	525,000	May 15, 1993	965,000
May 15, 1984	545,000	November 15, 1993	985,000

* 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 %
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 ¾ %
More than sixteen years but not more than twenty-one years before maturity	5 %
More than twenty-one years but not more than twenty-three years before maturity	6 %
More than twenty-three years before maturity	6 ½ %

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project consists of the Porto Colombia Generating Station on the Rio Grande and transmission facilities, as follows :

- (1) A powerhouse and associated civil and ancillary works with hydroelectric units aggregating approximately 360 Mw; and
- (2) Associated 345 Kv and 138 Kv transmission facilities.

The Project also includes technical and management consulting service and training for the staff of the Borrower.

The Project is expected to be completed in the second half of 1974.

SCHEDULE 4

SUPPLEMENTARY PROCEDURES FOR PROCUREMENT

1. With respect to contracts for the procurement of goods estimated to cost in excess of \$100,000 equivalent :

(a) Prior to inviting bids, evidence satisfactory to the Bank of the methods for procurement of such goods will be furnished to the Bank, including : (i) names of countries notified of the Borrower's intention to invite bids and information on advertisements placed in newspapers and other publications; (ii) where prequalification is used, names of firms expressing an interest in prequalifying as bidders,

of those to be invited to prequalify, and of those which the Borrower proposes to prequalify, together with the reasons for rejecting those not prequalified.

(b) Before issuing any specification or bidding documents for the purchase of such goods, the Borrower will submit copies thereof to the Bank for its approval.

(c) Bidders will be given all pertinent information regarding the matters covered in paragraphs 3 and 4 below.

(d) The Borrower will, before making any award, submit to the Bank for its approval the Borrower's analysis of bids and recommendation for award of the contract. The Bank will endeavor to take action thereon within 30 days of receipt.

(e) If the contract to be awarded differs substantially from the terms and conditions of the bidding documents approved by the Bank, the Borrower will obtain the approval of the Bank before executing the contract.

(f) As soon as a letter of intent has been issued or a contract has been executed, a copy thereof will be sent to the Bank.

2. With respect to contracts for the procurement of goods estimated to cost \$100,000 equivalent or less, copies of all tender documents, including the Borrower's evaluation report, evidence of advertising procedures, and a copy of the executed contract will be sent to the Bank at the time the first request for disbursement relating to the respective contract is made.

3. The Borrower intends to invite firms producing goods in Brazil to participate in the international competitive bidding. In the case of goods produced in Brazil, the Borrower may award the order to the lowest Brazilian bidder offering satisfactory terms and conditions, provided that his offered price does not exceed the offered price of the lowest acceptable foreign bidder by more than 15 %. Comparison of bids will be made for goods delivered at Project site and without taking into account customs duties. For firms in Brazil, the delivery at the site price will comprise the F.O.B. plant cost plus freight, insurance and other costs to the Project site. For non-Brazilian firms, the delivery price will be based on C.I.F. landed cost, port of entry, before customs duties, plus inland freight, insurance and other costs to the Project site. As the 15 % preference allowed firms in Brazil is in lieu of customs duties, the 15 % will be added to the C.I.F. landed cost (excluding customs duties) of the non-Brazilian goods, before inland freight, insurance and other costs. In the case of bids composed of both cruzeiros and foreign currency the cruzeiro portion thereof will be dealt with as a Brazilian bid and the foreign exchange portion as a non-Brazilian bid.

4. For comparison purposes all bids after evaluation will be converted into cruzeiros at the Bid Comparison Rate of Exchange. The Bid Comparison Rate of Exchange is understood to be the dollar selling rate of the Banco Central do Brasil plus the exchange surcharge (but not to exceed 30 %), if any, prevailing on the date 30 days before the date on which bids are closed. It is further understood that the Bank will, on its own initiative or at the request of the Guarantor or the Borrower, reconsider and, if necessary, revise the Bid Comparison Rate of Exchange, whenever there should be a substantial change in the Brazilian exchange system which would, in the judgment of the Bank, render such rate unsuitable for bid comparison purposes.

5. Spare parts required to be compatible with existing equipment and such minor items as are, for reasons of economy, customarily procured without competition are excepted from the requirement of international competitive bidding set forth in Section 3.02 of this Agreement.

SCHEDULE 5

OTHER MAJOR PROJECTS BEING UNDERTAKEN BY THE BORROWER PRIOR TO COMPLETION OF THE PORTO COLOMBIA PROJECT

Generating Projects

<i>Station</i>	<i>Type</i>	<i>Name Plate Capacity (Mw)</i>
Funil	Hydro	210
Estreito.	Hydro	1,050
Santa Cruz Extension	Thermal	400

TRANSMISSION AND SUBSTATIONS

Transmission lines and substations required for the transmission of power from the above generating stations.