No. 8667

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.

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[1] (*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

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,[2] 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 Electrobrás Shareholder Agreement referred to in article II, see p. 138 of this volume.*]

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[1] Came into force on 1 June 1967, upon notification by the Bank to the Government of Brazil.
[2] 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,[1] 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.

[1] 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[1] 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

[1] 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 ($^3/_8$ 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 ($^1/_2$ 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.