Guarantee Agreement (Amended)
(Estreito Hydroelectric Project)

BETWEEN

THE UNITED STATES OF BRAZIL

AND

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

DATED DECEMBER 19, 1966
Guarantee Agreement (Amended)

(Estreito Hydroelectric Project)

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THE UNITED STATES OF BRAZIL

AND

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

DATED DECEMBER 19, 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 a Loan Agreement (Estreito Hydroelectric Project) dated February 26, 1965 (hereinafter called the 1965 Loan Agreement) between the Bank and Central Elétrica de Furnas S.A. (hereinafter called the Borrower) the Bank agreed to lend to the Borrower, on the terms and conditions therein set forth, an amount in various currencies equivalent to fifty-seven million dollars ($57,000,000), but on condition that the Guarantor agree to guarantee the obligations of the Borrower provided for in the 1965 Loan Agreement;

WHEREAS by virtue of Law No. 1518 of December 24, 1951, Articles 22 and 23 of Law No. 1628 of June 20, 1952, and Law No. 4457 of November 6, 1964, of the Guarantor and in consideration of the Bank’s entering into the 1965 Loan Agreement with the Borrower, the Guarantor executed with the Bank and delivered, simultaneously with the execution and delivery of the 1965 Loan Agreement, a Guarantee Agreement of even date therewith (hereinafter called the 1965 Guarantee Agreement);

WHEREAS such 1965 Guarantee Agreement has been duly registered by the Tribunal de Contas of the Guarantor and came into force and effect on July 8, 1965;
WHEREAS the Bank has agreed to increase the amount of the loan provided for in the 1965 Loan Agreement from an amount in various currencies equivalent to fifty-seven million dollars ($57,000,000) to an amount in various currencies equivalent to ninety-six million dollars ($96,000,000), and for that purpose has agreed, among other things, to amend the 1965 Loan Agreement by entering into an agreement with the Borrower, hereinafter called the Loan Agreement (Amended), but on condition that the Guarantor agree to guarantee the obligations of the Borrower under such Loan Agreement (Amended);

WHEREAS the Guarantor by virtue of the laws cited in the second Whereas above and of Law No. 5000 of May 24, 1966, and in consideration of the Bank’s entering into the Loan Agreement (Amended) with the Borrower, has agreed to guarantee the obligations of the Borrower under said Agreement by amending the 1965 Guarantee Agreement and to substitute therefor a new Guarantee Agreement, incorporating such amendments and to be known as the Guarantee Agreement (Amended) (Estreito Hydroelectric Project);

Now THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Section 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961, subject, however, to the modification thereof set forth in Section 1.01 of the Loan Agreement (Amended) (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. Wherever used in this Agreement, the terms defined in Section 1.02 of the Loan Agreement (Amended) 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 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 (Amended) 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 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 Central da República 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 (Amended).

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.
(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from any taxes 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 (Amended) 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. 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.

Section 3.06. (a) The Guarantor covenants that it will not take or permit any of its political subdivisions or any of its agencies (including Eletrobrás in its capacity as holder of the majority of the Borrower’s shares, and Banco Central da República 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 (Amended) contained, and will take or cause to be taken all reasonable action (including action by Eletro-
brás in its capacity as holder of the majority of the Borrower’s shares and by Banco Central da República 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 3.07. 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 with a view to providing a suitable basis for such coordination by 1970; 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 3.08. The Guarantor shall promptly: (a) carry out a study in respect of the possibility of amending its legislation and administrative practices in order to enable contractors working on power projects such as the Project freely to bring into and take out of the territories of the Guarantor construction equipment and to import permanent equipment for installation in such projects, all with a view to obtaining the services of such contractors for the lowest prices and under the most favorable conditions; and (b)
take such measures as shall be practicable in the circumstances to put the findings of such study into effect as soon as possible.

ARTICLE IV

Section 4.01. The Guarantor shall endorse in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Minister of Finance of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12(b) of the Loan Regulations.

ARTICLE V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Guarantor:

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

Alternative address for cablegrams and radiograms:

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

Alternative address for cablegrams and radiograms:

INTBAFRAD
Washington, D. C.
SECTION 5.02. The Minister of Finance of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

SECTION 5.03. If the Loan Agreement (Amended) terminates pursuant to Section 7.03 thereof, this Agreement and all obligations of the parties hereunder shall terminate.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement (Amended) 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 /s/ Antonio Francisco Pereira
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ J. Burke Knapp
Vice President