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PAYMENT AGREEMENT

Between the
UNITED STATES OF BRAZIL
and the
UNITED STATES OF AMERICA

In Connection With A.I.D. Loan No. 512-L-041

(COPEL)

512-26-220 -210

Date: , . . .

ALLIANCE FOR PROGRESS

PAYMENT AGREEMENT

PAYMENT AGREEMENT, in furtherance of the Alliance for Progress, dated the 31st day of January, 1965, between the GOVERNMENT OF THE UNITED STATES OF BRAZIL ("Government") and the GOVERNMENT OF THE UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D.").

ARTICLE I

Definitions and Terms

SECTION 1.1. The Loan Agreement. The Loan Agreement, numbered A.I.D. Loan No. 512-L-041, between Companhia Paranaense de Energia Elétrica - COPEL ("Borrower") and A.I.D., dated June 9, 1965, establishing a loan to the Borrower with a total Principal of not to exceed \$11,400,000 (eleven million four hundred thousand United States dollars) is herein called the "Loan Agreement", and the loan established thereby is herein called the "Loan".

SECTION 1.2. Principal. As used in this Payment Agreement, "Principal" means the aggregate amount of dollars disbursed under the Loan Agreement.

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SECTION 1.3. Transferred Principal. As used in this Payment Agreement, "Transferred Principal" means Principal paid by Borrower to Government pursuant to Section 2.5 of the Loan Agreement and Section 2.1 of this Agreement.

SECTION 1.4. Outstanding Transferred Principal. As used in this Payment Agreement, "Outstanding Transferred Principal" means Transferred Principal not repaid to A.I.D. by Government.

SECTION 1.5. Government Interest Rate. As used in this Payment Agreement, "Government Interest Rate" means interest at one (1) per cent for ten (10) years following the first disbursement under the Loan Agreement, and two and one-half (2 1/2) per cent thereafter.

SECTION 1.6. Government Amortization Terms. As used in this Payment Agreement, "Government Amortization Terms" means amortization over not more than forty (40) years, in sixty-one (61) semi-annual installments, the first of which shall be due and payable not later than ten (10) years after the first disbursement under the Loan Agreement, on a date to be specified by A.I.D. The amount of each installment shall be determined by dividing the total amount of the Government's obligation to repay outstanding Principal to A.I.D. immediately before paying that installment by the number of installments remaining to be paid at that time.

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ARTICLE IISpecial Procedure for Borrower'sPayments to Government

SECTION 2.1. Receipt of Borrower's Payments. Pursuant to Section 2.5 of the Loan Agreement, the Government and A.I.D. hereby agree that the Government shall receive from the Borrower payments in Brazilian currency ("Cruzeiros") in discharge of the Borrower's obligations to make payment in United States dollars under the Loan Agreement ("Special Payment Procedure").

SECTION 2.2. Notice.

a. Upon satisfactory completion of the conditions precedent set forth in Article X of this Payment Agreement, A.I.D. shall notify the Borrower in accordance with the Loan Agreement that this Payment Agreement is in effect.

b. Promptly upon receipt thereof Government shall notify A.I.D. of all payments received from Borrower in accordance with this Agreement.

SECTION 2.3. Exchange Rate. The Cruzeiro equivalent of the dollar amount which a Borrower would be obligated to pay to A.I.D. in dollars if this Payment Agreement were not in effect shall be calculated at whichever rate of exchange would be employed by the Central Bank of Brazil if the Borrower were obtaining dollars for payments directly to A.I.D. pursuant to the Loan Agreement.

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SECTION 2.4. Denomination of Borrower's Payments.

Although payable to Government in Cruzeiros, all payments by Borrower to Government shall, immediately upon receipt by Government, be denominated in dollars employing the exchange rate specified in or pursuant to Section 2.3.

SECTION 2.5. Use of Borrower's Payments - Special Account.

The Government shall deposit the Borrower's payments in a separate account which the Government shall establish in the Central Bank of Brazil or such other Bank as the Government and A.I.D. may agree upon ("Special Account"). Unless A.I.D. agrees otherwise in writing, such account shall be drawn upon by the Government for the purpose of meeting payment obligations to A.I.D. pursuant to this Payment Agreement or for such purposes beneficial to the economic and social development of Brazil consistent with the goals of the Alliance for Progress as shall be mutually agreed to in writing by the Government, or such organization as it may designate, and A.I.D. Provided, however, that the provisions of this Section shall in no way limit, modify or alter Government's obligation to make payment to A.I.D. pursuant to this Agreement.

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ARTICLE IIIDeferred Payment by Government to A.I.D.

SECTION 3.1. Scope. The provisions of this Article III shall apply unless and until A.I.D. invokes the guaranty set forth in Article IV.

SECTION 3.2. Interest Payments - Interest on Untransferred Principal.

a. Immediately upon receipt of any interest payment from the Borrower, Government shall pay to A.I.D. the lesser of the following two amounts: (i) an amount equal to the interest which the Borrower would have been obligated to pay to A.I.D. if Borrower's interest obligation had been computed at the Government Interest Rate; or (ii) the amount of interest actually received from the Borrower.

b. In addition, Government shall pay to A.I.D., during five (5) years following the first disbursement under the Loan Agreement, interest at the Government Interest Rate on all funds disbursed under the Loan Agreement, and on unpaid interest due under this subsection. Interest under this subsection shall accrue from the dates of the respective disbursements under the Loan Agreement, and shall be payable semi-annually, the first such payment to be made no later than six (6) months after the first such disbursement, on a date to be specified by A.I.D.

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SECTION 3.3. Interest Payments - Interest on Transferred Principal. In addition to the obligations set forth in Section 3.2, Government shall pay to A.I.D. interest at the Government Interest Rate, on Outstanding Transferred Principal and on any interest due and payable by Government to A.I.D. Interest on Outstanding Transferred Principal shall accrue from the dates on which Principal payments are received from Borrower by Government, and shall be payable to A.I.D. semi-annually, the first such payment to be made on a date to be specified by A.I. which date shall be no later than six (6) months after interest on Outstanding Transferred Principal begins to accrue.

SECTION 3.4. Amortization of Transferred Principal. Government agrees to pay to A.I.D. all Transferred Principal in accordance with the Government Amortization Terms.

SECTION 3.5. Use of Balances. All amounts representing

- i. difference between interest paid by Borrower to Government in accordance with Section 2.1, and interest payable by Government to A.I.D. pursuant to this Payment Agreement; and
- ii. differences between the total amount of Transferred Principal and Transferred Principal due and payable by Government to A.I.D. pursuant to this Payment Agreement;

shall remain available to Government for use in accordance with Section 2.5.

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ARTICLE IVIndependent GuarantySECTION 4.1. Guaranty.

a. The Government unconditionally and absolutely, jointly and severally as primary obligor with the Borrower, undertakes to make, in accordance with the terms of the Loan Agreement, due and punctual payment of the Principal, interest and any other payment required of the Borrower under the Loan Agreement.

b. The Government shall furnish such information and take such steps, related to making this Guaranty operative as A.I.D. may reasonably request.

c. The Government agrees to remain bound under this Payment Agreement notwithstanding the extension of time of performance to, the granting of any other indulgency to, or any other modification of any obligation of the Borrower under the Loan Agreement.

d. A.I.D. may invoke the foregoing guaranty upon the occurrence of any Event of Default as defined in the Loan Agreement, by delivery of notice to the Government. Except as otherwise provided in Section 4.4, upon delivery of such notice and until such time as A.I.D. may otherwise agree in writing, Government shall meet its obligations to A.I.D. under this Article by making payments to A.I.D. in accordance with Sections 4.2 and 4.3.

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SECTION 4.2. Amortization. In the event that the Guaranty is invoked by A.I.D., the Government shall pay to A.I.D. the amount that the Borrower is obligated to pay to A.I.D. pursuant to Section 2.2 of the Loan Agreement ("Repayment"), whether or not Borrower has discharged said obligation by payments to Government in cruzeiros in accordance with Section 2.5 of the Loan Agreement and Section 2.1 of this Payment Agreement. Such payments by Government to A.I.D. shall be in accordance with the Government Amortization Terms.

SECTION 4.3. Interest. In the event that the Guaranty is invoked by A.I.D., Government shall pay to A.I.D. interest at the Government Interest Rate on any Principal which has not been repaid to A.I.D., and on any interest due to A.I.D. Such interest shall accrue from the dates of the respective disbursements by A.I.D. under the Loan Agreement, and shall be payable to A.I.D. semi-annually, the first such payment to be due and payable on a date to be specified by A.I.D.

SECTION 4.4. Independent Nature of Guaranty. The Guaranty established in Section 4.1 shall remain in full force and effect whether or not the Special Payment Procedures established by Section 2.1 and other provisions of this Payment Agreement are, for any reason, terminated. In the event such Procedures are, for any reason, terminated, and the Guaranty is invoked by A.I.D., the provisions of Sections 4.2 and 4.3 shall cease to apply and Government shall meet its obligations to A.I.D. under

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this Article by making payments to A.I.D. in accordance with the Loan Agreement and Section 4.1 of this Agreement.

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ARTICLE VGovernment Payments - General

SECTION 5.1. Currency of Payments. All payments by Government to A.I.D. shall be in United States dollars.

SECTION 5.2. Place of Payments. All payments by Government to A.I.D. shall be deemed to have been paid when delivered to the Controller, U.S.A.I.D. Mission to Brazil, Embassy of the United States of America, Rio de Janeiro, GB, Brasil, or to such other address as A.I.D. may specify.

SECTION 5.3. Application of Payments. All payments by Government to A.I.D. shall be applied first to the payment of any interest due from Government to A.I.D. and unpaid, and then to the repayment of Principal due from Government to A.I.D.

SECTION 5.4. Prepayment. The Government shall have the right to prepay without penalty at any time, all or any part of the Outstanding Transferred Principal. Any prepayment shall be applied in the order prescribed in Section 5.3 and amounts applied to the remaining installments of Outstanding Transferred Principal shall be applied pro rata to such installments.

SECTION 5.5. Renegotiation of Terms. In the light of the undertakings of the Government of the United States of America, the Government and the other signatories of the Act of Bogota and the Charter of Punta del Este to join in an Alliance for Progress, the Government agrees that at any time

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or times when it is requested to do so by A.I.D. under this Section, but not sooner than six (6) months before the date on which the first installment of Outstanding Transferred Principal is payable under Section 3.4 of this Payment Agreement, it will negotiate with A.I.D. concerning the acceleration of payments required to be made to A.I.D. pursuant to this Payment Agreement. The parties hereto shall mutually determine to what extent repayment should be accelerated on the basis of one or more of the following criteria:

- a. The capacity of the Government to service a more rapid liquidation of its obligations in the light of the internal and external financial position of Brazil, taking into account debts owing to any agency of the United States of America or to any international organization of which the United States of America is a member;
- b. The relative capital requirements of the Government and of the other signatories of the Act of Bogota and of the Charter of Punta del Este.

SECTION 5.6. Interest Computations on 365-Day Year Basis.

Interest under this Agreement shall be computed on the basis of a 365-day year.

ARTICLE VIAdditional Covenants and Warranties

SECTION 6.1. Information. The Government shall cooperate with A.I.D. in publicizing this Payment Agreement and the Loan Agreement as programs of American aid in furtherance of the Alliance for Progress.

SECTION 6.2. Notice of Adverse Developments. The Government shall promptly inform A.I.D. of any conditions which interfere with, or threaten to interfere with, the carrying out by the Government of its obligations under this Agreement.

SECTION 6.3. Taxation of this Payment Agreement and Payments Hereunder. This Payment Agreement shall be free from, and all payments to A.I.D. made hereunder shall be paid without deduction for and free from, any taxation or fees imposed under the laws of Brazil or laws in effect in its territory.

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ARTICLE VIIRecords; Inspections; ReportsSECTION 7.1. Maintenance of Records; Inspections; Reports.

- a. The Government shall maintain or cause to be maintained for such time as shall meet the needs of the parties, books and records, including documentation, in accordance with sound accounting principles and practices adequate to identify the payments received pursuant to Section 2.1 hereof, and to identify programs or projects financed by funds disbursed from the Special Account, and indicate the progress of such activities.
- b. Such books and records shall be open at all times for examination by authorized representatives of the Government and A.I.D., which procedure is consistent with Article II, Section 5 of the Agreement between the Government of Brazil and the Government of the United States of America signed on May 30, 1953, and subsequently approved by the Brazilian Congress. For this purpose, if the Government and A.I.D. mutually agree, the Government may maintain, within its accounting system, a segregated set of books and records for all transactions specifically related to the Special Account. Examination of the books and records will be carried out in practice by procedures which may include the following whenever mutually agreed to by the Government and A.I.D.:

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1. Joint auditing under mutually agreed to conditions.
2. The use of independent auditors selected by the Government and acceptable to A.I.D.
3. The inspection outside the premises of the Government of certified documentation relating to the Special Account.

c. The Government shall cooperate with, and give reasonable assistance to, and shall facilitate inspections by A.I.D. with respect to the execution of the activities financed through the Special Account, and shall afford all reasonable opportunity for authorized representatives of A.I.D. to visit any part of the territory of Brazil for purposes related to this Payment Agreement.

d. The Government shall promptly furnish to A.I.D. such financial and other reports and information relating to the covenants of this Payment Agreement or transactions pursuant hereto as A.I.D. may request.

ARTICLE VIII

Remedies of A.I.D.

SECTION 8.1. Grounds for Termination. If any one or more of the following events ("Grounds for Termination") shall occur:

- a. Government shall fail to comply with any provision contained herein;
- b. A default shall have occurred under any other agreement between Government or any of its agencies and the United States of America or any of its agencies;
- c. A.I.D. determines that any representation or warranty made by or on behalf of Government in connection with this Agreement or the negotiations incident thereto, or pursuant to this Agreement is incorrect in any material respect;
- d. Any change in the character, capacity or creditworthiness of the Borrower, or a change in the conduct of the project described in the Loan Agreement, which occurs because Government or any governmental authority in Brazil shall have taken any action for the dissolution or disestablishment of the Borrower or for the suspension of the Borrower's activities or a substantial part thereof, or for the cancellation, substantial amendment or suspension of the right of Borrower to carry out a project;
- e. A.I.D. determines that an extraordinary situation has arisen which makes it improbable that the purposes of

this Agreement be attained or that Government will be able to perform its obligations hereunder;

f. Continuation of the procedures established herein would be in violation of the law governing A.I.D.:

then, A.I.D., at its option, may declare:

1. all or any part of the Outstanding Transferred Principal and any interest accrued thereon to be due and payable to A.I.D. immediately, specifying which installments thereof, and interest thereon shall become due and payable; and/or

ii. the special payment procedure established herein to be terminated.

Upon any such declaration, unless the cause for termination is cured within sixty (60) days thereafter, such Principal and interest shall become due and payable immediately, and/or the special payment procedure shall be terminated in accordance with the terms of such declaration. Unless A.I.D. otherwise specifies, such termination shall not in any way affect the continued validity of the guaranty contained in Section 4.1.

SECTION 8.2. Waivers of Causes for Termination. No delay in exercising or omission to exercise any right accruing to A.I.D. under this Agreement shall be construed as an acquiescence or as a waiver by A.I.D. of any such right.

SECTION 8.3. Defaults. For purposes of other agreements

between Government and the United States of America or any of its agencies, the occurrence of an event specified in Subsections 8.1(a), (c) or (d) shall be considered an "Event of Default" under this Agreement.

ARTICLE IX

Miscellaneous

SECTION 9.1. Use of Representatives.

a. All actions required or permitted to be performed or taken under this Agreement by the Government or A.I.D. may be performed by their respective duly authorized representatives.

b. The Government hereby designates the Minister of Finance as its representative with authority to designate in writing other representatives in its dealings with A.I.D. The representatives of the Government named pursuant to the preceding sentence, unless A.I.D. is given notice otherwise, shall have authority to agree on behalf of the Government to any modification of this Agreement which does not substantially increase the Government's obligations hereunder. Until receipt by A.I.D. of written notice of revocation by the Government of the authority of any of its representatives, A.I.D. may accept the signature of such representatives on any instrument as conclusive evidence that any action effected by such instrument is authorized by the Government.

SECTION 9.2. No Prejudice. No provision of this Agreement shall terminate or modify any right of A.I.D. specified in or which may arise pursuant to the Loan Agreement.

SECTION 9.3. Notice. Any notice, request or communication given, made or sent by the Government or A.I.D. pursuant to

this Agreement shall be in writing and shall be deemed to have been duly given, made or sent to the party to which it is addressed when it shall be delivered by hand or by mail, telegram, cable or radiogram to such other party at the following addresses:

To the Government:

Mail Address:

Ministério da Fazenda
Rio de Janeiro
Brasil.

Cable Address:

MINIFAZ
Rio de Janeiro.

To A.I.D. (five copies):

Mail Address:

Office of Capital Development
Agency for International Development
Embaixada dos Estados Unidos da America
Rio de Janeiro, Brasil.

Cable Address:

USAID
Amembassy
Rio de Janeiro.

Other addresses may be substituted for the above upon the giving of notice and acknowledgement of such substitution.

SECTION 9.4. Effective Date of Payment Agreement. This Agreement shall enter into effect as of the day and year first above written.

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ARTICLE X

Conditions Precedent

SECTION 10.1. Conditions Precedent to Use of Deferred Payment Procedures. The Special Payment Procedure shall not be employed unless and until Government has furnished A.I.D. in form and substance satisfactory to A.I.D.:

a. An opinion or opinions of the highest legal officer of the Ministry of Finance, or of other counsel satisfactory to A.I.D., that this Agreement has been duly authorized or ratified by and executed on behalf of Government, and that this Agreement, and any obligations incurred by Government pursuant hereto do and will constitute valid and legally binding obligations of Government in accordance with their terms;

b. Evidence of the authority of the person or persons who will act as representative or representatives of Government in connection with the operation of this Agreement pursuant to Section 9.1 of this Agreement, together with an authenticated specimen signature of each such person certified as to its authenticity by duly constituted Brazilian authority if said signature has not been heretofore submitted to A.I.D.

SECTION 10.2. Terminal Date for Satisfying Conditions Precedent. If the conditions contained in Section 10.1 of this Agreement have not been satisfied by August 31, 1965, or such later date as A.I.D. may specify, A.I.D. may at any

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time thereafter terminate the Special Payment Procedure and/
or all provisions of this Agreement by giving notice to Govern-
ment.

IN WITNESS WHEREOF, the Government and the United States of America, each acting through its respective duly authorized representative, have caused this Agreement to be signed in their respective names and delivered as of the day and year first above written.

UNITED STATES OF BRAZIL

By: celso nunes

Title: Minister of Finance

UNITED STATES OF AMERICA

By: Allen G. ...

Title: Director, USAID/Brazil

PD-AAA-270-C1

FILE
5120210-905
662-6-041

A.I.D. LOAN NO. 512-L-041

ALLIANCE FOR PROGRESS

LOAN AGREEMENT

(Foreign Assistance Act: Alliance for Progress Funds)

(Brazil - Copel)

Between the

COMPANHIA PARANAENSE DE ENERGIA ELÉTRICA - COPEL

and the

UNITED STATES OF AMERICA

512-26-220-210

Dated: JUNE 9, 1965

CONFORMED COPY

ALLIANCE FOR PROGRESS

LOAN AGREEMENT

AGREEMENT, in furtherance of the Alliance for Progress, dated the 9th day of JUNE, 1965, between COMPANHIA PARANAENSE DE ENERGIA ELÉTRICA - COPEL ("Borrower") and the UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D."), with the concurrence of the Coordinating Commission for the Alliance for Progress ("COCAP").

ARTICLE I

The Loan

SECTION 1.1. The Loan. A.I.D. hereby agrees to lend to the Borrower, pursuant to the Foreign Assistance Act of 1961, as amended, up to \$11,400,000 (eleven million four hundred thousand United States dollars) to assist in financing the dollar costs of goods and services, including consulting engineering services, required for the project as defined in Section 1.3. As used in this Agreement "Eligible Items" shall mean the goods and services financed under this Agreement, and "Principal" shall mean the aggregate amount disbursed under this Agreement.

SECTION 1.2. Cruzeiro Financing. Pursuant to the

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Agricultural Trade Development and Assistance Act of 1954, as amended (P.L.480), A.I.D. has agreed, by a Loan Agreement of equal date (hereinafter "P.L.480 Loan Agreement") to lend to the Borrower up to four billion Brazilian cruzeiros (Cr\$. . . . 4,000,000,000) to assist in financing the cruzeiro costs of goods and services required for the Project as defined in Section 1.3 of this Agreement. The loan established by the P.L.480 Loan Agreement is hereinafter referred to as the "P.L.480 Loan".

SECTION 1.3. The Project. As used in this Agreement and the P.L.480 Loan Agreement, "Project" shall mean (i) the expansion and improvement of the existing generation and transmission system for electricity in the northern and eastern regions of Paraná ("Main System") through the construction of transmission lines, and associated substations and switching stations, and the installation of five (5) package-type diesel electric generating units, and related engineering services; (ii) expansion and improvement of the existing generation and transmission systems in western Paraná through the installation of five (5) diesel electric generating units, and the construction of transmission lines and associated substations, and related engineering services; and (iii) technical assistance to the Borrower in improving its operations, maintenance, cost control and accounting systems ("Other Technical Assistance").

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Diesel electric generating units installed in the Main System shall be transferred to western Paraná when and as additional power from hydro-electric generating plants becomes available for the Main System.

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ARTICLE II

Interest and Terms of Repayment

SECTION 2.1. Interest. Interest on unrepaid Principal and on unpaid interest which has accrued, shall accrue from the dates of the respective disbursements hereunder, at the rate of five and one-half (5 1/2) per cent per annum (computed on the basis of a 365-day year). Borrower shall pay interest semi-annually to A.I.D. in dollars (unless A.I.D. specifies otherwise pursuant to Section 2.5), the first such payment to be due and payable not later than five (5) years after the first disbursement, on a date to be specified by A.I.D.

SECTION 2.2. Repayment. The Borrower shall repay the Principal to A.I.D. in dollars (unless A.I.D. specifies otherwise pursuant to Section 2.5) over not more than twenty-five (25) years in forty-one (41) approximately equal semiannual installments, the first installment to be due and payable five (5) years after the first disbursement on the date the first payment of interest is due.

SECTION 2.3. Application of Payments. All payments shall be applied first to the payment of any interest due and unpaid, and then to the repayment of Principal.

SECTION 2.4. Prepayment. The Borrower shall have the right to prepay, without penalty, at any time, all or any part

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of the Principal. Any prepayment shall be applied in the order prescribed in Section 2.3, and amounts applied to the remaining installments of Principal shall be applied pro rata to such installments.

SECTION 2.5. Currency and Recipient of Repayment.

a. If A.I.D. shall so notify the Borrower in writing, the Borrower, until A.I.D. shall give notice otherwise, shall discharge its obligations to make payments pursuant to this Article, and if A.I.D. so directs, to make payments pursuant to Section 7.1, by making all such payments in accordance with the terms of this Agreement to the Government of Brazil in Brazilian currency, equivalent to, and at the same time as, the dollar payments which would otherwise be made ("Special Payment Procedure"). In notifying the Borrower A.I.D. shall specify the exchange rate at which the equivalents in dollars of such payments of Brazilian currency are to be calculated, provided, however, that the Borrower shall in no case be required to pay more units of Brazilian currency per dollar to the Government of Brazil than it would have been required by the Banco do Brasil to pay to obtain dollars for payments directly to A.I.D. pursuant to this Agreement.

b. Receipt by the Borrower of notice of election pursuant to subsection 2.5(a) shall not terminate those payment obligations of the Borrower to A.I.D. under this Agreement not

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discharged in accordance with the terms of subsection 2.5(a) hereof, or any other rights of A.I.D. under this Agreement.

SECTION 2.6. Place of Payment. All payments to be made to A.I.D. shall be made to the Controller, Agency for International Development Mission to Brazil, Embassy of the United States of America, Rio de Janeiro, Brazil, or at such other place as A.I.D. may specify. Such payments shall be deemed to have been paid when received by A.I.D.

ARTICLE IIIConditions PrecedentSECTION 3.1. Conditions Precedent to Initial Financing.

Prior to the first disbursement or to the issuance of the first letter of commitment under this Agreement, the Borrower shall furnish in form and substance satisfactory to A.I.D.:

- a. An opinion or opinions of legal counsel satisfactory to A.I.D. that:
 - i. This Agreement has been duly authorized or ratified by, and executed on behalf of the Borrower, has been registered if and as required by the law of Brazil, and constitutes a valid and legally binding obligation of the Borrower in accordance with its terms;
 - ii. The Borrower is a duly organized and existing institution, under the laws of Brazil; and
 - iii. To the best of counsel's knowledge, the statements contained in Section 6.1 (General Representations and Warranties) are true and accurate.
- b. A certificate substantially in the form of Exhibit I hereto (Certificate of Authorized Representatives).
- c. Evidence that an agreement of guaranty has been executed by the Government of Brazil, ("Guarantor") guaranteeing repayment of the loan and payment of all interest and other

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payments required pursuant to this Agreement, and that said guaranty is in effect in accordance with its terms.

d. Evidence of arrangements with appropriate monetary authorities for the registration of this Agreement in accordance with the laws of Brazil.

e. Evidence that an agreement has been executed, registered and put into effect by A.I.D. and the Guarantor establishing the Special Payment Procedure described in Section 2.5 and providing for appropriate payments by the Guarantor to A.I.D.

f. Evidence of contractual or other arrangements satisfactory to A.I.D. for engineering and Other Technical Assistance services to be performed for the Project by a firm or firms satisfactory to A.I.D., and procured in accordance with procedures to be specified by A.I.D.

SECTION 3.2. Additional Conditions Precedent With Respect To Financing Other Than Engineering Services and Other Technical Assistance. Prior to any disbursement or issuance of a Letter of Commitment for Eligible Items other than engineering services and Other Technical Assistance, the Borrower shall furnish A.I.D. in form and substance satisfactory to A.I.D.:

a. A final plan for the financing of the Project ("Financial Plan"), showing evidence of the availability of the Brazilian currency and U.S. dollars required for the completion of the Project.

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b. A firm plan and schedule for the procurement, installation and construction necessary to complete the Project.

c. A transmission network analysis for the Main System, including information on interrupting capacities for breakers, transient and steady state stability, and selection of line protective relays.

d. Evidence that Borrower has obtained or shall obtain all real property rights, including easements and rights of way, required for completion of the Project in accordance with the schedule submitted pursuant to subsection 3.2(b).

e. Such of the following additional items for any portion of the Project as A.I.D. may specify:

1. Additional plans and specifications;
2. Evidence of arrangements for the necessary procurement of commodities; and/or
3. Evidence of arrangements for installation or construction services.

SECTION 3.3. Terminal Date for Fulfillment of Conditions Precedent. Except as A.I.D. may otherwise agree in writing, if the conditions established by Section 3.1 have not been satisfied by August 30, 1965, or if all of the other conditions specified by A.I.D. pursuant to Section 3.2 have not been satisfied by November 15, 1965, A.I.D. may, at any time thereafter, terminate this Agreement by giving notice to the Borrower. Upon

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such termination, the Borrower shall repay the unrepaid Principal and any accrued interest, whereupon all other obligations of the Borrower and A.I.D. under this Agreement shall cease.

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ARTICLE IVDisbursements

SECTION 4.1. Requests for Letters of Commitment. To obtain disbursements, the Borrower may from time to time request A.I.D. to issue letters of commitment to one or more United States banking institutions designated by the Borrower and satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made, through letters of credit or otherwise, to the Borrower or any designee of the Borrower pursuant to such documentation requirements as A.I.D. may prescribe. Banking charges incurred in connection with letters of commitment and disbursements shall be for the account of the Borrower, and may be financed out of the loan.

SECTION 4.2. Date of Disbursements. Disbursements hereunder shall be deemed to occur on the respective dates on which payments by A.I.D. are made to a banking institution.

SECTION 4.4. Terminal Dates for Disbursements. Except as A.I.D. may otherwise agree in writing, no letter of commitment shall be issued in response to requests received after December 31, 1969, and no disbursement shall be made against documentation received after March 31, 1970.

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ARTICLE VCovenants Concerning Procurement

SECTION 5.1. Source of Procurement. All Eligible Items financed under this Agreement shall have both their source and origin in the United States of America. Transportation services procured from a United States-flag carrier shall be deemed to have their source and origin in the United States. Marine insurance issued in the United States by a company authorized to do a marine insurance business in any state of the United States of America shall be deemed to have its source and origin in the United States. All other goods and services used in the Project but not financed hereunder, shall have their source and origin in countries included in A.I.D. Geographic Code 955 as in effect at the time such goods and services are procured.

SECTION 5.2. Method of Procurement. No more than reasonable prices shall be paid for any Eligible Item, and all such items (except engineering, management and Other Technical Assistance services) shall be procured on a fair and competitive basis. Except with respect to the foregoing professional services, prices should normally approximate the lowest competitive price for the Eligible Item procured, operating costs, quality, time and cost of delivery, terms of payment, and other factors considered. Prices for Eligible Items which are procured in bulk within the

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United States shall not exceed the market prices prevailing in the United States at the time of purchase. Eligible Items shall be procured in accordance with such procedures as A.I.D. shall specify.

SECTION 5.3. Eligibility Date. No goods and services may be financed in whole or in part by the loan which arise out of orders firmly placed or entered into, or services performed, prior to March 27, 1965.

SECTION 5.4. Transportation.

a. At least fifty (50) per cent of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by the loan, which may be transported on ocean vessels, shall be transported on privately-owned United States-flag commercial vessels, to the extent such vessels are available at fair and reasonable rates for United States-flag commercial vessels. Determinations that United States-flag commercial vessels are not so available must be approved by A.I.D.

b. All Eligible Items transported to Brazil on vessels other than privately-owned United States-flag commercial vessels shall be transported on carriers owned, operated or under the control of countries included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time such transportation is procured; provided, however, that no Eligible Items may be

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transported on any ocean vessel which A.I.D. in a notice to the Borrower has designated as ineligible to carry A.I.D.-financed commodities.

SECTION 5.5. Marine Insurance. If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, the Government of Brazil, by statute, decree, rule or regulation, favors any marine insurance company of any country over any marine insurance company authorized to do business in any state of the United States of America, shipments of Eligible Items shall, during the continuance of such discrimination, be insured against marine risk in the United States of America with a company or companies authorized to do a marine insurance business in any state of the United States of America.

SECTION 5.6. Small Business Notification. In order that American small business shall have the opportunity to participate in furnishing Eligible Items, the Borrower shall, at such time as A.I.D. may specify, prior to ordering or contracting for any Eligible Item estimated to cost more than the equivalent of five thousand United States dollars (\$5,000) cause to be received by A.I.D. such information concerning Eligible Items as A.I.D. may require.

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SECTION 5.7. Contracts. No Eligible Item may be financed in whole or in part by the loan which arises (a) out of contracts for engineering, procurement or construction services unless A.I.D. has given its approval in writing to the terms of such contracts and the firms which will provide such services; or (b) out of any contract for the performance of services outside the United States by United States citizens unless A.I.D. has approved in writing the employment of such persons.

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SECTION 5.7. Contracts. No Eligible Item may be financed in whole or in part by the loan which arises (a) out of contracts for engineering, procurement or construction services unless A.I.D. has given its approval in writing to the terms of such contracts and the firms which will provide such services; or (b) out of any contract for the performance of services outside the United States by United States citizens unless A.I.D. has approved in writing the employment of such persons.

ARTICLE VIAdditional Covenants and WarrantiesSECTION 6.1. General Representations and Warranties.

The Borrower represents and warrants that as of the date of this Agreement:

a. Borrower is a duly organized and existing mixed capital company under the laws and decrees of Brazil with full authority to carry on its present business, to undertake the Project, and to enter into this Agreement;

b. Borrower has taken all corporate and legal action, and obtained all authorizations, consents and approvals of any governmental body or regulatory authority required in connection with making and performance of this Agreement, except such action as may be required pursuant to Section 3.1 of this Agreement;

c. Borrower has furnished A.I.D. with a true copy of its present Articles of Incorporation or Charter and Articles of Association or By-Laws;

d. Borrower is not in violation of, and the execution and delivery of this Agreement, the compliance with all of its terms and the carrying out of the other transactions contemplated hereby do not and will not conflict with or result in any violation of any provisions of any present agreement, franchise,

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concession, license, permit, decree, order, statute, ordinance, governmental rule or regulation applicable to Borrower;

c. There is no action or proceeding pending or threatened (or, to the best of Borrower's knowledge, any basis therefor) which might result in any material adverse change in the business prospects or conditions (financial or other) of Borrower, or which questions the validity of this Agreement or any action taken or to be taken pursuant to or in connection herewith, or in carrying out the Project. No notice has been given by any governmental authority of any proceeding to condemn, purchase, or otherwise acquire Borrower, the Project, or any part of or interest in either and, so far as Borrower knows, no such proceeding is contemplated.

f. Borrower's assets are not subject to any lien, and Borrower has no subsidiaries except as heretofore disclosed to A.I.D. in writing. For the purpose of this subsection the term "lien" includes mortgages, pledges, charges, privileges and priorities of any kind, and the term "assets" includes revenues and property of any kind.

g. Borrower has filed all its tax returns which to the knowledge of the Borrower are required to be filed, and has paid all taxes, assessments, duties, and other governmental charges except those not yet delinquent or those being contested in good

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faith.

h. Borrower has heretofore disclosed in writing to A.I.D. all agreements material to the Project or this Agreement, and all other circumstances which may materially affect the Project or the discharge of Borrower's obligations under this Agreement.

SECTION 6.2. Execution, Completion and Operation of Project.

The Borrower shall:

a. Make available or arrange to make available for the Project funds required by the Financial Plan, and any funds or other resources required to complete the Project in the event that the funds presently programmed are insufficient to complete the Project.

b. Carry out and complete the Project, with due diligence and efficiency, providing any additional resources which may be required. The Project shall be carried out in conformity with sound engineering, construction and financial practices and any contracts, engineering, construction or procurement arrangements, or plans, schedules and specifications approved by A.I.D. The Borrower shall obtain A.I.D. concurrence prior to any material modification or cancellation of any such contracts, arrangements, plans, schedules, or specifications.

c. Adequately maintain and repair, in accordance with sound maintenance practices, the completed Project, and Eligible Items and any construction or facility resulting from their use.

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SECTION 6.3. Particular Covenants. Until payment in full or all sums due under this Agreement, the Borrower, except as A.I.D. may otherwise agree in writing:

- a. Shall pay or cause to be paid all taxes, fees, or other charges, if any, imposed under the laws of Brazil or laws in effect in its territory on or in connection with the execution, delivery or registration of this Agreement or the repayment of Principal or payment of interest hereunder. Such taxes and fees shall not be paid out of the proceeds of the loan.
- b. Shall insure or cause to be insured the equipment and materials financed under this Agreement against risks incident to their purchase and transit to the point of their use in the Project.
- c. Shall keep its properties and business insured with financially sound and reputable insurance companies against loss or damage in such manner and to the same extent as shall be in accordance with good commercial practice with regard to property and business of like character in comparable circumstances.
- d. Shall maintain its existence and right to carry on operations and take all steps necessary to maintain and renew all rights, powers, privileges, concessions and franchises which are necessary or materially useful in the conduct of its business.

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e. Shall not permit its assets to be subjected to any lien, provided that this subsection shall not apply to (i) any lien created on property, other than property financed under this Agreement, at the time of purchase thereof, solely as security for the payment of the purchase price of such property, or (ii) liens for taxes not delinquent or taxes being contested in good faith, provided that such liens shall be discharged within thirty (30) days after final adjudication, or (iii) liens for wages not yet due, or (iv) deposits or pledges of property other than capital assets to secure payment of workmen's compensation or other similar benefits required by law, or (v) deposits or pledges of property other than capital assets to secure performance of bids, tenders, leases, public or statutory obligations, surety or appeal bonds, or other purposes of like general nature in the ordinary course of the Borrower's business. For purposes of this subsection the term "lien" includes mortgages, pledges, charges, privileges and priorities of any kind, and the term "assets" includes revenues and property of any kind.

f. Shall conduct any transactions with its directors, officers, stockholders, affiliates and employees in accordance with good commercial practice.

g. Shall promptly inform A.I.D. of any conditions which interfere with, or threaten to interfere with, the payment of Principal or interest on the carrying out of the Project.

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h. Shall not enter into any other arrangement by which the Borrower incurs indebtedness maturing in more than twelve (12) months without the concurrence in writing of A.I.D.

i. Shall not declare or pay any cash dividend on or authorize or make any other distribution on account of any shares of any class of stock of the Borrower whether now or hereafter outstanding, or make any payment on account of the purchase, acquisition, redemption or other retirement of any shares of such stock, (i) except out of the earned surplus of the Borrower, determined in accordance with generally accepted sound accounting principles and practices, and (ii) unless the Borrower is not in default under this Agreement.

j. Shall not substantially change the nature of its business.

k. Shall not sell, transfer, lease or otherwise dispose of any significant part of its real estate, plant, equipment or other fixed assets.

SECTION 6.4. Rate Structure. Borrower shall exercise best efforts to maintain a rate structure for sales of electrical energy, the revenues from which shall be sufficient to cover all overhead and operating costs, depreciation, interest on debt, amortization payments on debt to the extent not included in depreciation, plus a reasonable surplus to finance further expansion, all without benefit of government subsidies. Com-

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putations on which the rate structure is based shall accord with applicable Brazilian laws and with accounting principles and procedures generally accepted as sound. Borrower and A.I.D. shall, from time to time, mutually review and discuss Borrower's rate structure.

SECTION 6.5. Information and Marking. Borrower shall make appropriate arrangements satisfactory to A.I.D., to publicize the Project as United States aid in furtherance of the Alliance for Progress. Such publicity shall include, but shall not be limited to, prominent display of the Alliance for Progress symbol and the "Hand Clasp" symbol at the Project sites.

SECTION 6.6. Maintenance of Records; Inspections; Reports.

a. The Borrower shall maintain or cause to be maintained books and records adequate to identify the Eligible Items; to disclose their cost and their use; and to indicate the progress of the Project. The Borrower shall also maintain or cause to be maintained books and records in accordance with sound accounting practice showing its financial condition and profits and losses as well as any changes in capital structure. Such books and records shall be audited regularly, at such intervals as A.I.D. may specify, by auditors acceptable to A.I.D. The Borrower shall authorize such auditors to prepare audit reports in form satisfactory to A.I.D. and to answer directly any reasonable request for information about the Borrower's accounts.

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Such books and records shall be maintained and audited for such period as A.I.D. may require.

b. A.I.D. shall have the right at all reasonable times to examine such books and records and all other documents, correspondence, memoranda, and other records relating to the Project and the loan. The Borrower shall cooperate with, and give reasonable assistance to, and shall facilitate inspection by A.I.D. of operations and the utilization of funds under this Agreement, and shall afford all reasonable opportunity for authorized representatives of A.I.D. to visit any part of the territory of Brazil for purposes related to this Agreement.

c. The Borrower shall promptly furnish to A.I.D. such financial and other reports and information relating to the Project, the loan or transactions pursuant to this Agreement and any covenants of this Agreement as A.I.D. may request.

SECTION 6.7. Commissions, Fees and Other Payments. The Borrower warrants and covenants that, in connection with obtaining this loan or taking any action under or with respect to this Agreement, it has not paid and will not pay or agree to pay, nor to the best of its knowledge has there been paid or will there be paid or agreed to be paid by any other person or entity, commissions, fees or other payments of any kind, except as regular compensation for bona fide professional,

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technical or other comparable services. Borrower shall promptly report to A.I.D. any payment or agreement to pay for such bona fide professional, technical or comparable services to which it is a party or of which it has knowledge (indicating whether such payment has or is to be made on a contingent basis) and if the amount of any such payment is deemed unreasonable by A.I.D., Borrower shall cause a reduction satisfactory to A.I.D. to be made therein.

SECTION 6.8. Taxes. Except as otherwise expressly provided herein or otherwise approved in writing by A.I.D., no taxes, charges, fees, tariffs, duties, deposit requirements, or similar payments of any kind shall be eligible for financing under this Agreement.

SECTION 6.9. Land Rights. The costs of real property rights including easements and rights of way, required for the completion of the Project shall not be eligible for financing hereunder.

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ARTICLE VIIRemedies of A.I.D.

SECTION 7.1. Events of Default; Acceleration. If any of the following events ("Events of Default") occurs:

- a. The Borrower fails to pay in full when due any installments of Principal or interest or any other payment required under this Agreement;
- b. The Borrower or Guarantor fail to comply with any other provision contained herein or in the Guaranty Agreement;
- c. Any representation or warranty made by or on behalf of the Borrower or Guarantor with respect to obtaining this loan or made or required to be made hereunder is determined by A.I.D. to be incorrect in any material respect;
- d. Any change in the character, capacity or credit worthiness of the Borrower occurs because any action shall have been taken by any governmental authority for the dissolution or disestablishment of the Borrower or for the suspension of the operations of the Borrower or a substantial part thereof, or for the cancellation, substantial amendment or suspension of the right of the Borrower to engage in the activities financed in whole or in part under this loan, or to service the loan; or
- e. A default occurs under any other agreement between the Borrower or the Guarantor and the United States or any of

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its agencies;

then, A.I.D., at its option, may declare all or any part of the unrepaid Principal to be due and payable immediately, and upon any such declaration, unless the default is cured within thirty (30) days thereafter, such Principal and all interest accrued thereon shall become due and payable as of the date of such declaration.

SECTION 7.2. Termination of Disbursements; Transfer of Goods to A.I.D. If at any time:

- a. An Event of Default occurs;
- b. An event occurs which A.I.D. determines to be an extraordinary situation which makes it improbable that the purposes of this loan will be attained or that the Borrower or Guarantor will be able to perform its obligations hereunder or under the Guaranty Agreement; or
- c. Any disbursement would be in violation of the law governing A.I.D.

then, A.I.D., at its option, may (i) decline to issue further letters of commitment; (ii) suspend or cancel outstanding letters of commitment to the extent that they have not been utilized through the issuance of irrevocable letters of credit or through bank payments made other than under irrevocable letters of credit, giving notice to the Borrower promptly thereafter;

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(iii) decline to make disbursements other than under letters of commitment; and (iv) at A.I.D.'s expense, direct that title to goods financed hereunder shall be transferred to A.I.D. if the goods are from a source outside Brazil, in a deliverable state and have not been offloaded in ports of entry of Brazil, it being understood that to the extent that any costs connected with the purchase and transportation of these goods have been financed by the loan, such amounts shall be deducted from Principal.

SECTION 7.3. Refunds. If A.I.D. determines that any disbursement is not supported by valid documentation in accordance with the terms of this Agreement, or is not made or used in accordance with the terms of this Agreement, or is in violation of the law governing A.I.D. (including A.I.D. regulations applicable to the Borrower's operations), A.I.D., at its option, may, notwithstanding the availability of any other remedy provided for in Section 7.2, require the Borrower to pay A.I.D. within thirty (30) days after receipt of a request therefor, an amount not to exceed the amount of such disbursement; provided, however, that such request by A.I.D. shall be made not later than five (5) years after the date of the final disbursement hereunder. Any such refund received by A.I.D. shall be applied as provided in Section 2.3, and amounts applied to the remaining installments of Principal shall be applied in

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inverse order of their maturity.

SECTION 7.4. Waivers of Default. No delay in exercising or omission to exercise any right, power or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of any such rights, powers, or remedies.

SECTION 7.5. Expenses of Collection. All reasonable costs incurred by A.I.D. (other than salaries of its staff) after an Event of Default has occurred, in connection with the collection of amounts due under this Agreement, may be charged to the Borrower and reimbursed as A.I.D. shall specify.

ARTICLE VIIIMiscellaneous

SECTION 8.1. Effective Date of Loan Agreement. This Agreement shall enter into effect as of the day and year first above written.

SECTION 8.2. Use of Representatives.

a. All actions required or permitted to be performed or taken under this Agreement by Borrower or A.I.D. may be performed by their respective duly authorized representatives.

b. The Borrower hereby designates its President as its representative with authority to designate in writing other representatives of Borrower in its dealings with A.I.D. The Borrower's representatives designated pursuant to the preceding sentence, unless A.I.D. is given notice otherwise, shall have authority to agree on behalf of the Borrower to any modification of this Agreement which does not substantially increase the Borrower's obligations hereunder. Until receipt by A.I.D. of written notice of revocation by the Borrower of the authority of any of its representatives, A.I.D. may accept the signature of such representatives on any instrument as conclusive evidence that any action effected by such instrument is authorized by the Borrower.

SECTION 8.3. Successors to Rights of A.I.D. If, by

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operation of any law of the United States of America, or by virtue of assignment, any corporate or other agency of the Government of the United States of America succeeds to the rights and obligations of A.I.D. under this Agreement, such agency shall be deemed to be A.I.D. for purposes of this Agreement.

SECTION 8.4. Communications. Any communication or document given, made or sent by the Borrower or A.I.D. pursuant to this Agreement shall be in writing and shall be deemed to have been duly given, made or sent to the party to which it is addressed when it shall be delivered by hand or by mail, telegram, cable or radiogram, to such party at the following address:

To the Borrower:

Mail Address:

Companhia Paranaense de Energia Elétrica - COPEL
Rua Monsenhor Celso, 151 - 3º/6º andares
Curitiba, Paraná
Brasil.

Cable Address:

COPEL
Curitiba.

To A.I.D. (five copies):

Mail Address:

Office of Capital Development
Agency for International Development
Embaixada dos Estados Unidos da América
Rio de Janeiro, Brasil.

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Cable Address:

USAID
Amembassy
Rio de Janeiro.

Other addresses may be substituted for the above upon the giving of notice as provided herein.

All communications and documents submitted to A.I.D. hereunder shall be in English, and all technical and engineering specifications therein shall be in terms of United States standards, except as A.I.D. may otherwise agree in writing.

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IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its respective duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

COMPANHIA PARANAENSE DE ENERGIA
ELÉTRICA - COPEL

UNITED STATES OF AMERICA

By: *Augusto Maranhão*

By: *William A. Gill*

Title: President

Title: Director, USAID/Brazil

TECHNICAL DIRECTOR

Concurrence:

GOVERNMENT OF THE UNITED STATES OF BRAZIL

By: *Francisco de Assis Góes*

Title: Coordinator, COCAP

In the presence of:

Neil Gray

EXHIBIT NO. 1

CERTIFICATE OF AUTHORIZED REPRESENTATIVES

Re.: LOAN No. _____

[Name of Borrower] ("Borrower") hereby represents and warrants to the Agency for International Development ("A.I.D.") that due authority is vested in the following person(s) to act on its behalf in the capacities specified in connection with the execution and operation of the Loan Agreement, dated _____, between Borrower and A.I.D., establishing a loan in Borrower's favor in the amount of eleven million four hundred thousand United States dollars, to sign the Loan Agreement, to make representations by signing certificates, to make requests for disbursements and to sign any other document that may be required by the Loan Agreement:

Name	Title	Signatures
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It is also represented and warranted that the above signatures are the authentic signatures of the respective persons.

[Name of Borrower]

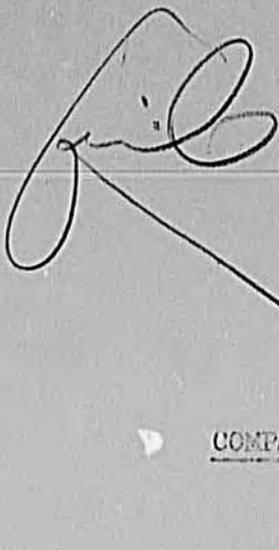
By: _____

Title: _____

Date: _____

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LGT
048

A.I.D. Loan No. 512-G-048

A large, stylized handwritten signature or scribble in dark ink, starting with a large loop and extending downwards and to the right, ending near the company name.

ALLIANCE FOR PROGRESS

AMENDATORY AGREEMENT

Between the

COMPANHIA PARANAENSE DE ENERGIA ELÉTRICA -- COPEL

and the

UNITED STATES OF AMERICA

Date: February 8 1973

CONFORMED COPY

ALLIANCE FOR PROGRESS

AMENDATORY AGREEMENT

AMENDATORY AGREEMENT, in furtherance of the Alliance for Progress, dated the 8 day of February, 1971, between the COMPANHIA PARANAENSE DE ENERGIA ELÉTRICA - COPEL ("Borrower"), and the UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D.").

WHEREAS, the COMPANHIA PARANAENSE DE ENERGIA ELÉTRICA - COPEL, and the UNITED STATES OF AMERICA, acting through the Agency for International Development (hereinafter referred to as "A.I.D.") are parties to a Loan Agreement, A.I.D. Loan No. 512-G-048 dated June 9, 1965, (hereinafter referred to as "Loan Agreement");

WHEREAS, the parties desire to amend the Loan Agreement to provide for the capitalization of interest which accrues before the first payment of Principal is due pursuant to Section 2.2 of the Loan Agreement;

NOW, THEREFORE, the parties agree as follows:

1. SECTION 2.1 of the Loan Agreement is amended to read as follows:

SECTION 2.1. Interest. Interest on unrepaid Principal and on unpaid interest which has accrued, shall accrue from the dates of the respective disbursements hereunder, at the rate of five and one half (5 1/2) per cent per annum (computed on the basis of a 365-day year). The interest

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which accrues before the first payment of principal is due pursuant to SECTION 2.2 below shall be included as part of the Principal, and the Borrower shall pay such interest in accordance with SECTION 2.2. The Borrower shall pay interest which accrues after the first payment of Principal is due, in Cruzeiros, semi-annually, and the first payment of such interest shall be due and payable six (6) months after the first payment of Principal is due.

2. This Amendatory Agreement shall become effective upon receipt by A.I.D., and notification by A.I.D. to the Borrower of its acceptance, of the following in form and substance satisfactory to A.I.D.:

a. An opinion or opinions of legal counsel satisfactory to A.I.D. that this Amendment has been duly authorized and executed on behalf of the Borrower and has been registered if and as required by the laws of Brazil, and constitutes valid and legally binding obligations of the Borrower in accordance with the terms of the Loan Agreement as amended by this Agreement.

3. Other than the amendments expressly noted herein, the Loan Agreement shall remain in full force and effect, as written.

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IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its respective duly authorized representatives, have signed this Agreement as of the date first above written.

COMPANHIA PARANAENSE DE ENERGIA ELÉTRICA - COPEL

By: *[Signature]*

Title: PRESIDENT

UNITED STATES OF AMERICA

By: *[Signature]*

Title: *[Signature]*

File

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A.I.D. Loan No. 512-I-041

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ALLIANCE FOR PROGRESS

AMENDMENT No. 1 TO LOAN AGREEMENT

(Brazil - COPEL)

Between the

COMPANHIA PARANAENSE DE ENERGIA ELÉTRICA - COPEL

and the

UNITED STATES OF AMERICA

Date: February 9 1971

CONFORMED COPY

ALLIANCE FOR PROGRESS

AMENDMENT No. 1 TO LOAN AGREEMENT

AMENDATORY AGREEMENT, in furtherance of the Alliance for Progress, dated the 8 day of February, 1971, between the COMPANHIA PARANAENSE DE ENERGIA ELÉTRICA - COPEL ("Borrower") and the UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D.").

WHEREAS, Borrower and AID are parties to a Loan Agreement numbered A.I.D. Loan No. 512-L, '71, dated June 9, 1965 (hereinafter referred to as "the Loan Agreement"), and

WHEREAS, the parties desire to amend the Loan Agreement to provide for the capitalization of interest which accrues before the first payment of principal is due pursuant to Section 2.2 of the Loan Agreement;

NOW, THEREFORE, the parties agree as follows:

1. Section 2.1 of the Loan Agreement is amended to read as follows:

SECTION 2.1 Interest. Interest at the rate of five and one half (5 1/2) per cent per annum (computed on the basis of a 365-day year) shall accrue in dollars (a) on the aggregate amount disbursed hereunder from the dates of the respective disbursements, and (b) on any interest due and unpaid from the date such payments become due. The interest which accrues before the first payment of Principal is due pursuant to Section 2.2 below shall be included as part of the Principal, and the Borrower shall pay such interest in dollars in accordance with such Section 2.2. The Borrower shall pay interest which accrues after the first payment of Principal is due in dollars semi-annually, and the first payment of such interest shall be due and payable six (6) months after the first payment of Principal is due.

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2. This Amendatory Agreement shall become effective upon receipt by A.I.D., and notification by A.I.D. to the Borrower of its acceptance, of the following in form and substance satisfactory to A.I.D.:

a. An opinion or opinions of legal counsel satisfactory to A.I.D. that this Agreement has been duly authorized and executed on behalf of Borrower and has been registered if and as required by the laws of Brazil and constitutes valid and legally binding obligations of Borrower in accordance with the terms of the Loan Agreement as amended by this Agreement.

3. Other than the amendments expressly noted herein, the Loan Agreement shall remain in full force and effect, as written.

In WITNESS WHEREOF, the Borrower, and the United States of America, each acting through its respective duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

COMPANHIA PARANAENSE DE ENERGIA ELÉTRICA - COPEL

By: _____

Title: _____

[Signature]
PRESIDENT

UNITED STATE OF AMERICA

By: _____

Title: _____

[Signature]
Director USAID Brazil