

6-23

A.I.D. LOAN No. 512-L-023

PD-~~AAK~~-175

5/20230/34 (2)
1984-10-02

ALLIANCE FOR PROGRESS
LOAN AGREEMENT
(Brazil-Furnas)

4/p

Between the
CENTRAL ELÉTRICA DE FURNAS S.A.
and the
UNITED STATES OF AMERICA

Dated: October 2, 1964.

CONFORMED

AGREEMENT, in furtherance of the Alliance for Progress, dated the 2nd day of October, 1954, between the CENTRAL ELÉTRICA DE FURNAS S.A. ("Borrower") and the UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D."), with the concurrence of the Government of the United States of Brazil, acting through 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 1951, as amended, up to \$15,700,000 (sixteen million seven hundred thousand United States dollars) to assist in financing the dollar costs of goods and services required for the project as defined in Section 1.2. As used in this Agreement "Eligible Items" shall mean the goods and services financed hereunder and "Principal" shall mean the aggregate amount disbursed hereunder plus the part of the interest which is to be included as part of Principal pursuant to Section 2.1 below.

SECTION 1.2. The Project. As used in this Agreement

"Project" shall mean a project for the expansion of the Borrower's transmission system which will include, among other things, the following items:

1. Construction of one 345 kV transmission line approximately 140 km long from the Peixoto Hydroelectric Power Plant to the Furnas Hydroelectric Power Plant.
2. Construction of one 345 kV transmission line approximately 450 km long from the Furnas plant to the outskirts of the city of Rio de Janeiro through Itutinga.
3. Construction of two additional bays at the Furnas 345 kV switchyard to dead end and control the Peixoto and the Guanabara 345 kV lines.
4. Construction of the Peixoto Substation to permit interconnection of the Furnas-Peixoto 345 kV line with the Peixoto plant through a 150 MVA transformer bank.
5. Construction of one 345 kV sectionalizing station midway along the Furnas-Guanabara line to sectionalize the Furnas-Guanabara line and to permit interconnection of the Furnas line with the CEMIG system through a 150 MVA transformer bank.
6. Construction of the Guanabara Substation suitable for dead ending and controlling the Furnas incoming line and the 138 kV lines outgoing to interconnect with the Rio Light and Niteroi systems with transformer capacity in the order of 225 MVA complete with appurtenances and devices as required for

power factor correction.

7. Construction of outgoing 138 kV tie lines from the Guanabara Substation to Rio and Niteroi Substations.

8. Construction of the second 345 kV circuit, approximately 184 km long between Poços de Caldas and Guarulhos.

9. Expansion and equipping of the Poços de Caldas Substation to provide for an additional 345 kV control bay for the outgoing transmission line to Guarulhos Substation.

10. Expansion and equipping of the Guarulhos Substation to provide for two additional 345 kV control bays and addition of one 225 MVA, 345/230 kV power transformer.

11. Expansion and equipping of the Terminal Norte Substation to provide for one additional bay in the bus structure for another 230 kV line from Guarulhos and addition of one 150 MVA 230/88 kV transformer.

12. Equipping of Mogi Substation to provide for one 225 MVA, 345/230 kV power transformer.

13. Installation of a communication system for voice, telemetering, local frequency control, relay and teletype.

14. Engineering services for such construction, procurement and installation.

The Borrower shall obtain A.I.D. concurrence prior to

4.

any material modification or cancellation of the Project
as defined above.

ARTICLE IITerms of Repayment; Interest

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.

SECTION 2.2. Amortization of Principal. The Borrower shall repay the Principal to A.I.D. in dollars in forty-five (45) equal semi-annual installments, the first such installment to be due and payable between two and a half (2 1/2) years and three (3) years after the first disbursement hereunder on a date to be specified by A.I.D.

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 unrepaid Principal.

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

7.

obligations of the Borrower to A.I.D. under this Agreement not 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, Washington, D.C., or at such other place as may be mutually agreed upon by the Borrower and A.I.D. 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 and the Guaranty Agreement referred to in subsection (c) below have respectively been duly authorized or ratified by, and executed on behalf of the Borrower and the Guarantor, have been registered as required by the law of Brazil, and constitute valid and legally binding obligations of the Borrower and the Guarantor in accordance with their terms; and

(ii) The Borrower is a duly organized and existing institution, under the laws of Brazil.

(b) Evidence of the authority of the person or persons who will act as the representative or representatives of the Borrower pursuant to Section 3.2 and of the Guarantor, together with a specimen signature of each such person certified as to its authenticity by said legal counsel.

(c) Evidence of an agreement of guaranty by a guarantor

satisfactory to A.I.D. (the "Guarantor") of the repayments of the Loan and all interest and other payments required pursuant to this Agreement.

(d) Evidence of satisfactory arrangements with appropriate monetary authorities for the remittance of dollars to A.I.D. in satisfaction of the Borrower's and the Guarantor's obligations under this Agreement and the Guaranty Agreement.

(e) Evidence of contractual or other arrangements satisfactory to A.I.D. for engineering services for the Project.

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

- (a) A plan for the financing of the Project (the "Financing Plan"), showing evidence of the availability of the Brazilian currency and U.S. dollar requirements, the date of availability, the source for such funds, and the terms to which the Borrower must agree.
- (b) A plan and schedule for the construction, installation and procurement necessary to complete the Project.
- (c) A.I.D. shall specify which of the following additional items it will require before disbursements may be made for any Eligible Item other than engineering

services:

- (1) Additional plans and specifications for the Project;
- (2) Evidence that arrangements satisfactory to A.I.D. have been made for the necessary procurement; and
- (3) Evidence that arrangements satisfactory to A.I.D. have been made for 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 required by Section 3.1 have not been completed by December 31, 1968, or if all of the other conditions specified by A.I.D. pursuant to Section 3.2 have not been fulfilled by January 31, 1969, A.I.D. may at any time thereafter terminate this Agreement by giving notice to the Borrower. Upon 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.

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 provided out of the loan.

SECTION 4.2. Other Forms of Disbursement. Disbursements may also be made through such other means and by such other procedures as the Borrower and A.I.D. may agree in writing.

SECTION 4.3. Date of Disbursements. Disbursements hereunder shall be deemed to occur on the date on which A.I.D. makes payment either directly to the Borrower or its designee or to a banking institution pursuant to a letter of commitment.

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

12.

September 30, 1957 and no disbursement shall be made against documentation received after December 31, 1957.

ARTICLE VCovenants Concerning Procurement

SECTION 5.1. Source of Procurement. All Eligible Items, including transportation services and marine insurance, shall have both their source and origin in and shall be procured from the United States. 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.

SECTION 5.2. Method of Procurement. No more than reasonable prices shall be paid for any Eligible Item, and all such items (except architectural, engineering, management and such other professional services as A.I.D. may specify) shall be procured on a fair competitive basis. Prices (except for the foregoing professional services) 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 United States shall not exceed the market price prevailing in the United States at the time of purchase.

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 or contracts firmly placed or entered into prior to the effective date of this Agreement.

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 the Government of Brazil or other countries included in Code of the A.I.D. Geographic Code Book as in effect at the time transportation is procured; provided, however, that no Eligible Items may be 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. In accordance with Section 5.1 hereof the cost of transportation on vessels other than privately owned United States-flag commercial vessels shall not be eligible for financing under the loan.

SECTION 5.5. Marine Insurance. Unless A.I.D. agrees

otherwise in writing, insurance on shipments of Eligible Items shall be placed in the United States 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 prior to ordering or contracting for any Eligible Item estimated to cost more than the equivalent of five thousand United States dollars (\$5,000) as A.I.D. may specify, cause to be received by A.I.D. such information concerning Eligible Items as A.I.D. may require.

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 prior approval in writing to the terms of such contracts and the firms who 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 authorization, consents or approvals of any governmental body or regulatory authority required in connection with making and performance of this Agreement, except as 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, conces-

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

- (e) 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" shall include mortgages, pledges, charges, privileges and priorities of any kind, and the term "assets" shall include revenues and property of any kind. 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.

- (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 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 Financing Plan.
- (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 with 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, all Eligible Items and any construction or facility resulting from their use.

SECTION 6.3. Particular Covenants. Until payment in full of 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.
- (e) Shall conduct any transactions with its directors, officers, stockholders, affiliates, and employees in accordance with good commercial practice.
- (f) Shall promptly inform A.I.D. of any conditions which

interfere with, or threaten to interfere with, the payment of Principal or interest, or the carrying out of the Project.

- (g) Shall maintain a ratio acceptable to A.I.D. between the unimpaired capital, surplus and free reserves of the Borrower and the total indebtedness of the Borrower (both determined in accordance with generally accepted sound accounting principles and practices).
- (h) Shall maintain a current ratio (ratio of current assets to current liabilities, both determined in accordance with generally accepted sound accounting principles and practices) acceptable to A.I.D.
- (i) 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.
- (j) Shall make no investment or other expenditures of funds on activities or for the operation and maintenance of the Project facilities and other facilities existing at the time of such expenditure which may impair the Borrower's ability to fulfill its obligations under this Agreement.
- (k) 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.

- (l) Shall not substantially change the nature of its business.
- (m) Shall not sell, transfer, lease or otherwise dispose of any significant part of its real estate, plant, equipment or other fixed assets which may impair the Borrower's ability to fulfill its obligations under this Agreement. The Borrower shall promptly provide in writing any information which A.I.D. may request concerning the disposal of any such item.
- (n) Shall promptly transmit to Guarantor copies of all correspondence and documents transmitted to or received from A.I.D. in connection with the loan.

SECTION 6.4. Information and Marketing. Appropriate arrangements shall be made by the Borrower, 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 site.

SECTION 5.5. 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 practices showing its financial condition and profits and losses as well as any changes in capital structure which 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. 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 this Agreement. 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 loan or transactions pursuant to this Agreement and any covenants of this Agreement as A.I.D. may request.

SECTION 5.6. Commissions, Fees and Other Payments.

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 to Borrower's full-time officers and employees, or as compensation for bona fide professional, 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.

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 installment 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

- (c) A default occurs under any other agreement between the Borrower or the Guarantor and the United States or any of 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 immediately.

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
- (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; (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 under this Agreement or the exercise of the 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, 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 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 operation of any law of the United States or by virtue of assignments, any corporate or other agency of the Government of the United States 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 addresses:

To the Borrower:

Mail Address:

Rua São José, 90 - 3rd floor
Rio de Janeiro, Brazil.

Cable Address:

RIOFURNAS
Rio de Janeiro.

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, Brazil.

Cable Address:

A.I.D.

Embaixada dos Estados Unidos da América
Rio de Janeiro, Brazil.

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.

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.

CENTRAL ELÉTRICA DE FURNAS S.A.

By: John Cotrim

Title: President

By: Flavio Lyra

Title: Director

UNITED STATES OF AMERICA

By: Jack B. Kubish

Title: Minister-Director
USAID/Brazil

Concurrence:

GOVERNMENT OF THE UNITED STATES OF BRAZIL

By: Francisco de Assis Grieco

Title: Coordinator of COCAP

In the presence of:

Mauro Thibau

Lincoln Gordon

Philip Glaesner

João da Silva Monteiro

Artur Amorim

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON 25, D. C.

LGP
N.S.S
File

OFFICE OF
THE ADMINISTRATOR

A.I.D. Loan No. 512-L-023
(Ref.: AID-DLC/P-216)

512-26-220-230

LOAN AUTHORIZATION (AMENDED)

Provided from: Alliance for Progress Funds
BRAZIL: Furnas Transmission Expansion

Pursuant to the authority vested in the Administrator, Agency for International Development, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby amend the Loan Authorization for A.I.D. Loan No. 512-L-023, dated May 18, 1964, to read as follows:

"Pursuant to the authority vested in the Administrator, Agency for International Development ("A.I.D.") by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title VI, Alliance for Progress, to Central Eletrica de Furnas of not to exceed sixteen million seven hundred thousand dollars (\$16,700,000), to assist in financing the foreign exchange costs of the Furnas to Sao Paulo - Guanabara transmission system, this loan to be subject to the following terms and conditions:

1. Interest and Terms of Repayment:

(a) Borrower shall repay the loan in United States dollars within twenty-five (25) years from the first disbursement under the loan, including a grace period of not to exceed three (3) years. Borrower shall pay to A.I.D. in United States dollars on the outstanding principal of the loan interest of five and one half (5-1/2) percent per annum, provided that interest accruing during the grace period may be capitalized as it accrues.

(b) If prior to the end of the grace period the Government of Brazil ("Government") so elects, the Borrower shall fulfill its dollar obligation under the loan by paying to Government in the currency of Brazil the equivalent, determined as of a time and in a manner satisfactory to A.I.D., of the United States dollar amounts payable to A.I.D. under (a) above and in such event the Government shall pay to A.I.D.:

- 2 -

(i) the equivalent in United States dollars, determined as of a time and in a manner calculated to obtain repayment of all dollars disbursed plus interest, of all amounts paid to Government by Borrower as follows:

(a) all interest immediately upon receipt subject to Government's right to retain all payments in excess of the equivalent of three-quarters of one ($3/4$ of 1) percent per annum of the outstanding principal during a grace period of not to exceed ten (10) years from the first disbursement under the loan ("Government grace period") and all payments in excess of two (2) percent per annum thereafter.

(b) principal within forty (40) years, including the Government grace period.

(ii) interest in United States dollars of three-quarters of one ($3/4$ of 1) percent per annum during the Government grace period, and two (2) percent per annum thereafter on all amounts of outstanding principal paid by Borrower to Government from the respective dates of such payments of principal.

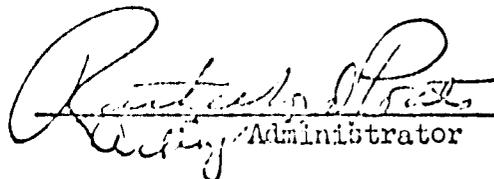
2. Other Terms and Conditions:

(a) Equipment, materials and services (except marine insurance) financed under the loan shall be procured from the United States of America.

(b) Satisfactory evidence acceptable to A.I.D. shall be provided by Borrower that the local currency requirements of this project will be available as needed.

(c) The loan shall be guaranteed by the Centrais Eletricas Brasileiras, S. A. (Eletrobras).

(d) This loan shall be subject to such other terms and conditions as A.I.D. may deem advisable."



 Acting Administrator

8/27/68

 Date

LG P2-823

AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A.I.D. Mission to Brazil
c/o American Embassy

Rio de Janeiro,
April 7, 1967

Mr. John R. Cotrim, President
Administrative Council
Central Elétrica de Furnas S.A.
Rua São José, 90 - 3rd floor
Rio de Janeiro, GB

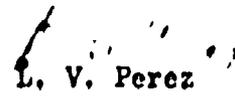
Subject: A.I.D. Loan No. 512-L-023
Furnas Transmission Expansion
Implementation Letter No. 7

Dear Mr. Cotrim:

In response to your letters of January 30, 1967 (SO.E.016.67) and March 14, 1967 (DEL.E.114.67) I am glad to inform you that A.I.D. has approved your requests as follows:

- a. The Second (and last) Phase of the Training Course in the United States (enclosure to SO.E.016.67), at an estimated total cost of \$90,000, has been fully approved.
- b. The transfer of \$40,000 from Budget Item 303 (Poços de Caldas - Guarulhos 345 Kv line) to Item 351 (Training) has also been fully approved.
- c. Total amount of Budget Item 351 (Training) becomes now \$140,000, of which \$50,000 has already been spent with the First Phase of the Training Course.
- d. There is a balance of \$10,800 from the authorization given by our Implementation Letter No. 6 for the First Phase, since the total amount authorized was \$60,800, and \$50,000 only were spent.
- e. Utilization of A.I.D. funds must be made under the same procedures set forth by our Implementation Letter No. 5.

Sincerely yours,


L. V. Perez
Assistant Director for
Capital Development and Industry

LGP

AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A.I.D. Mission to Brazil
c/o American Embassy

Rio de Janeiro,
August 31, 1967

Mr. Flávio Lyra, Vice-President
Central Elétrica de Furnas S.A.
Rua São José, 90 - 3ª andar
Rio de Janeiro, GB

J. L.

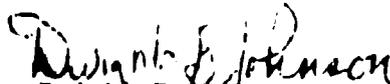
Subject: A.I.D. Loan No. 512-L-023
Terminal Dates for Disbursement
Implementation Letter No. 3

Dear Mr. Lyra:

With reference to your letter DEL.E-392.67 of August 15, 1967 I am pleased to inform you that A.I.D. hereby approves the extension of terminal dates, Section 4.4 of the subject Loan Agreement, in the following manner:

- (a) For requests for issuing letters of commitment, from September 30, 1967 to March 31, 1968.
- (b) For presentation of documents relative to disbursements, from December 31, 1968 to June 30, 1969.

Sincerely yours,


Dwight B. Johnson

Deputy Assistant Director for
Capital Development and Industry

AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A.I.D. Mission to Brazil
c/o American Embassy

Rio de Janeiro,
October 17, 1967

Dr. John R. Cotrim, President
Central Elétrica de Furnas S/A
Rua São José, 90 - 3º andar
Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-023
Implementation Letter No. 9

Dear Dr. Cotrim:

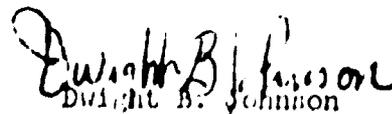
The purpose of this letter is to ask that you modify the present procedures whereby A.I.D. is requested to open Letters of Commitment or Amendments thereto for separate items eligible for A.I.D. financing. Instead we prefer that you provide us with a request to open a new Letter of Commitment or an amendment to an existing Letter of Commitment to commit the remainder of the A.I.D. loan to the extent required to complete the project.

With the request you should include a list of items, described by categories in commercial terminology, with the best estimate possible of the expected cost. You may include relevant shipping expenses, costs for services and banking charges that are eligible for A.I.D. financing.

USAID should be provided with information copies of the bid tabulations, consulting engineers endorsement and a copy of the bid invitation on all procurement for which commercial letters of credit will be issued. USAID should be allowed ten working days from receipt in which it may comment, prior to finalizing a procurement action; if you receive no comment from the USAID within the said ten working days, you may finalize procurement action, and make payment to the supplier under the A.I.D. Letter of Commitment.

For certain categories of procurement, the USAID has established procedures for prior USAID approval of specifications and contracts; these procedures remain unchanged. All other procurement documentation should continue to be submitted in accordance with established procedure.

Sincerely yours,



Dwight B. Johnson
Deputy Assistant Director for
Capital Development and Industry



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL



USAID/BRASIL

RUA MELVIN JONES N.º 5 - RIO DE JANEIRO - TEL: 31-5820

May 9, 1968

Dr. John R. Cotrim, President
Central Elétrica de Furnas S.A.
Rua São José, 90 - 3º
Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-023
Extension of Terminal Dates
Implementation Letter No. 10

Dear Dr. Cotrim:

I am writing in reply to your letter of April 17, 1968 in which you request funding of the Charles P. Almon contract under A.I.D. Loan 512-L-023. We are pleased to approve this request and hereby extend the terminal dates for disbursement to June 30, 1970. This extension is limited, however, to Engineering and Services under Letter of Commitment 512-L-02304. The terminal date for final disbursement of all other eligible items shall be December 31, 1969.

In connection with your letter DEL.E.170.68, we are hereby extending the terminal date for issuance of Letters of Commitment to September 30, 1968 to permit financing of the communications equipment, load frequency control equipment, and certain spare parts referred in that letter.

Sincerely yours,

L.V. Perez

Assistant Director for
Capital Development and Industry



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL



USAID/BRASIL

RUA MELVIN JONES Nº 5 - RIO DE JANEIRO - TEL.: 31-5920

August 8, 1969

Dr. John R. Cotrim, President
Central Elétrica de Furnas S.A.
Rua São José, 90 - 3º
Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-023
Furnas Transmission Expansion
Implementation Letter No. 11

Dear Dr. Cotrim:

The purpose of this Implementation Letter is to extend the terminal dates for disbursement of the subject loan. The terminal date for disbursements necessary to finance the purchase of equipment, technical services and training is hereby extended to December 31, 1970.

Sincerely yours,

Dwight B. Johnson
Assistant Director for
Capital Development and Industry



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL



USAID/BRASIL

September 11, 1969

Dr. John Cotrim, President
Central Elétrica de Furnas S.A.
Rua São José 90 - 3º
Rio de Janeiro, BR

Subject: A.I.D. Loan No. 512-L-023
Implementation Letter No. 12

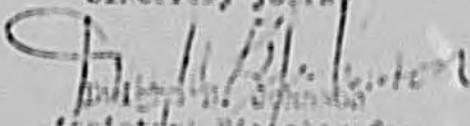
Dear Dr. Cotrim:

The Agency for International Development has recently adopted a new policy for all loans regarding A.I.D. financed procurement which affects the procedures required under formal competitive bidding for equipment and/or materials.

- a. Invitations for bids hereafter issued with respect to A.I.D. financed procurement by foreign borrowers or grantees under formal competitive bid procedures will hold bidders responsible for assuring that their bids are actually received on time at the place and office designated in the invitation.
- b. Under this new policy, a late bid will not be considered even though it became late because of factors beyond the bidder's control, such as delays in mail handling, telegraphic transmission, or customs clearance. Late bids may be considered only when such bids are received at the place designated prior to award and when they became late bids because of mishandling by the purchaser, his employees, or his agents.

In each invitation for bids to be issued after receipt of this notice, please include a statement that bids received at the address designated in the invitation after closing hour of the day for submission will not be considered for award unless the sole cause for its becoming late was mishandling on the part of the purchaser, his employees, or his agents. In no case will the purchaser consider a bid which was received at the designated address after the award was made.

Sincerely yours,


William H. Johnson
Assistant Director for
Capital Development and Industry



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL



USAID/BRASIL

RUA MELVIN JONES Nº 9 - RIO DE JANEIRO - TEL: 31-5820

September 14, 1970

Dr. John Cotrim, President
Central Elétrica de Furnas S.A.
Rua São José 90 - 3º
Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-023
Implementation Letter No. 13

Dear Dr. Cotrim:

With reference to the Furnas letter DPC.E.0985.70 dated August 21, 1970 I am pleased to inform you that USAID hereby approves the extension of the terminal date for disbursement of the subject Loan Agreement to June 30, 1972. The Letters of Commitment involved will also be amended as requested.

Sincerely yours,


Dwight H. Johnson
Assistant Director for
Capital Development and Industry



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

USAID/BRASIL



February 9, 1972

Dr. Flávio H. Lyra
Vice President
FURNAS - Centrais Elétricas S.A.
Rua Real Grandeza, 219 - 13º andar
Rio de Janeiro, GB

Subject: A.I.D. Loan Nº 512-L-023
FURNAS Transmission System
Implementation Letter Nº 14

Dear Dr. Lyra:

In response to your letter of January 19, 1972, (DEF.F.E.0032.72)
I am pleased to inform you that AID hereby extends the Terminal Date
for Disbursements under our Loan Agreement to December 31, 1972.

At the same time we will extend the final disbursement dates of
Letters of Commitment 512-L-02301/06 and 07 to December 31, 1972 for
the purpose of financing costs of extended engineering services and
for making final payments on purchase orders that will become payable
after September 1972.

Sincerely yours,

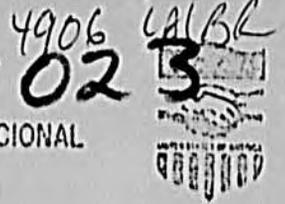
G. Reginald van Raalte
Acting Assistant Director for
Capital Development and Industry

135 80
Acting



STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

USAID/BRASIL



February 1, 1973

Dr. Flávio H. Lyra
Vice President
FURNAS - Centrais Elétricas S.A.
Rua Real Grandeza, 219 - 13º andar
Rio de Janeiro, GB

Subject: A.I.D. Loan 512-L-023
FURNAS Transmission System
Implementation Letter No. 15

Dear Dr. Lyra:

In response to FURNAS letter DRF.F.E.081.73, dated January 19, 1973 we are pleased to inform you that A.I.D. hereby extends the terminal dates for issuance of, or amendments to, Letters of Commitment and for disbursements under subject Loan Agreement to September 30, 1973. This extension of terminal dates is granted to permit the continued payment of engineering consultant services by International Engineering Company until September 30, 1973 and the payment of the 15% retention of purchase order No.1-3780.

Sincerely yours,

Daniel J. Maclell
Chief, Capital Development
Operations Office



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
 AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

496 BR
FILE
 02/11/73

USAID/PRASIL

June 13, 1973

Dr. Flavio H. Lyra
 Vice-President
 FURNAS Centrais Elétricas S.A.
 Rua Real Grandeza, 219
 Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-023
 Implementation Letter No. 16

Section
 pty. D.
 St. D.D. 8
 pty. D.
 Pl. Off
 Co. Off
 St. P.E.
 St. Off
 St. Off

Dear Dr. Lyra:

We refer to Dr. José Carlos Barata's letter of May 7, 1973 and that of Dr. Paulo Roberto Veras, dated May 15, 1973, through which AID's concurrence is requested to FURNAS signing long term financing agreements in the aggregate amount of US\$200 million for the construction of the Itumbiara hydroelectric plant.

With regard to Section 6.3 (1) of the Loan Agreement, based on the information attached to the letter of May 15, 1973, we are pleased to inform you that A. I. D. has no objection to FURNAS contracting for the financing referred to in the letter of May 7, 1973.

Destroy
 Sys Rec'd
 Action

Sincerely yours,

Daniel J. Mackell
 Daniel J. Mackell
 Chief

Capital Development Operations