

CONFORMED COPY

LOAN NUMBER 2857 BR

(FEPASA Railway Rehabilitation Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

FEPASA - FERROVIA PAULISTA S.A.

Dated July 27, 1987

LOAN NUMBER 2857 BR

GUARANTEE AGREEMENT

AGREEMENT, dated JULY 27, 1987, between FEDERATIVE REPUBLIC OF BRAZIL (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and FEPASA - Ferrovia Paulista S.A. (the Borrower), having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to the Loan Agreement, have requested the Bank to assist in the financing of the Project;

(B) by the Loan Agreement of even date herewith between the Bank and the Borrower, the Bank has agreed to extend to the Borrower a loan in various currencies equivalent to one hundred million dollars (\$100,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan and to undertake such other obligations as provided in this Agreement; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower and into the Shareholder Agreement with the State of Sao Paulo, has agreed so to guarantee such obligations of the Borrower and to undertake such other obligations as stipulated in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth.

## ARTICLE II

### Guarantee; Provision of Funds

Section 2.01. (a) The Guarantor declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and to this end, without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan, and the premium, if any, on the prepayment of the Loan, and the punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement.

(b) Without limitation or restriction upon the provisions of paragraph (a) hereof, the Guarantor shall grant all requests for tariff adjustments made by the Borrower pursuant to Sections 5.02, 5.03, 5.04, 5.05 and 5.08 of the Loan Agreement.

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

Section 2.03. The Guarantor shall take, and cause CBTU to take, all such action as shall be necessary to enable the Borrower to submit, in a timely fashion, the pluriannual plan for the metropolitan train operation referred to in paragraph 2 (b) of Schedule 5 to the Loan Agreement.

Section 2.04. The Guarantor shall take all action required to be taken by the Guarantor under the Guarantor and State Protocol.

## ARTICLE III

### Covenants

Section 3.01. The Guarantor shall take and cause to be taken all appropriate action, including the granting of all necessary authorizations, import licenses and foreign exchange permits to ensure the timely procurement of the goods and services required for the Project.

## ARTICLE IV

### Representative of the Guarantor; Addresses

Section 4.01. The Minister of Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Ministerio da Fazenda  
Edificio Ministerio da Fazenda  
Esplanada dos Ministerios  
70048 Brasilia, Brazil

Cable address:

MINIFAZ  
Brasilia

Telex:

611506  
MFAZ BR

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

FEDERATIVE REPUBLIC OF BRAZIL

By /s/ Luiz Carlos Bresser Pereira

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ S. Shahid Husain

Regional Vice President  
Latin America and the Caribbean

