
LOAN NUMBERS 475, 476, 477, 478 BR

Eletrobras Shareholder Agreement

(Power Distribution Program)

BETWEEN

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND

CENTRAIS ELETRICAS BRASILEIRAS S.A.—ELETROBRAS

DATED DECEMBER 19, 1966

LOAN NUMBERS 475, 476, 477, 478 BR

Eletrobras Shareholder Agreement

(Power Distribution Program)

BETWEEN

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND

CENTRAIS ELETRICAS BRASILEIRAS S.A.—ELETROBRAS

DATED DECEMBER 19, 1966

Eletrobras Shareholder Agreement

AGREEMENT, dated December 19, 1966, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and CENTRAIS ELETRICAS BRASILEIRAS S.A.—ELETROBRAS (hereinafter called Eletrobrás).

WHEREAS by agreements of even date herewith between the Bank and Companhia Brasileira de Energia Eletrica, Companhia Força e Luz do Parana, Companhia Paulista de Força e Luz and Companhia Força e Luz de Minas Gerais (hereinafter called the Project Companies) which agreements and the schedules therein referred to are hereinafter called the Distribution Loan Agreements, the Bank has agreed to make to the Project Companies loans (hereinafter called the Distribution Loans) in various currencies equivalent to six million two hundred thousand dollars (\$6,200,000), eight million one hundred thousand dollars (\$8,100,000), forty-one million dollars (\$41,000,000) and six million three hundred thousand dollars (\$6,300,000) respectively, on the terms and conditions set forth in the Distribution Loan Agreements, but on condition that Eletrobrás agree to undertake certain obligations to the Bank as hereinafter in this Agreement set forth:

WHEREAS Eletrobrás controls the corporate activities of the Project Companies, the Other Companies and CAEEB by reason of its ownership or effective control of the majority of the voting shares of stock of all such companies which enables Eletrobrás directly or indirectly to determine their policies and appoint their management;

WHEREAS Eletrobrás agrees that the Distribution Program is of paramount importance to the power develop-

ment plans of Brazil and that, as a consequence thereof and in the exercise of the functions assigned to it by Brazilian law, it has requested the Bank to make the Distribution Loans to the Project Companies for the purpose of assisting the Project Companies in carrying out the Distribution Program;

WHEREAS Eletrobrás warrants and represents that it is authorized to undertake the obligations in this Agreement contained under Law No. 3890-A of April 25, 1961 and Law No. 4,400 of August 31, 1964, of the Guarantor;

WHEREAS Eletrobrás, in consideration of the Bank's entering into the Distribution Loan Agreements with the Project Companies, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Wherever used in this Agreement, unless the context otherwise requires, the terms defined in Sections 1.02 of the Distribution Loan Agreements shall have the same meanings as therein set forth.

ARTICLE II

Particular Covenants

SECTION 2.01. (a) Eletrobrás covenants that it will: (i) exercise every power, right and recourse available to it to cause the Project Companies to perform all their covenants, agreements and obligations under the Distribution Loan Agreements; and (ii) not take or permit to be taken any action which would prevent or interfere with the per-

formance by the Project Companies of such covenants, agreements and obligations.

(b) Eletrobrás covenants that, in pursuance of its obligations under paragraph (a) of this Section, it shall take all such action as shall be necessary or advisable to cause each of the Project Companies to comply with its obligations in Sections 5.15 of the Distribution Loan Agreements contained.

SECTION 2.02. Eletrobrás covenants that it will exercise every power, right and recourse available to it to cause: (a) the Other Companies and CAEEB at all times to carry on their operations, manage their affairs, maintain their financial position and plan the future expansion of their power systems, all in accordance with sound business, financial and public utility principles and practices and under the supervision of experienced and competent management; and (b) the financial statements (balance sheets and related statements of earnings and expenses) of the Other Companies and CAEEB to be certified annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation and not later than four months after the close of the calendar year transmit or cause to be transmitted to the Bank certified copies of such statements and a signed copy of the accountant's or accounting firm's report.

SECTION 2.03. (a) Except as the Guarantor, the Bank and Eletrobrás shall otherwise agree, Eletrobrás shall not: (i) divest itself of ownership or otherwise lose effective control of the majority of the voting shares of stock of the Project Companies or the Other Companies; or (ii) permit the companies owning CAEEB from divesting themselves of their ownership or effective control of CAEEB.

(b) Except to the extent permitted by the Distribution Loan Agreements or this Agreement, Eletrobrás shall not enter into any transaction with the Project Companies save in the ordinary course of business, on ordinary commercial terms and on the basis of arms-length arrangements, or permit the Project Companies or CAEEB, without the consent of the Bank, substantially to modify or terminate the management arrangements now in effect between the Project Companies and CAEEB.

SECTION 2.04. Except as the Bank shall otherwise agree:

(a) Eletrobrás shall subscribe to the increases of capital stock of each of the Project Companies required by Sections 5.13 of the Distribution Loan Agreements and from time to time make payments on account thereof, as shall be necessary, together with payments on account of subscriptions made by shareholders other than Eletrobrás, to enable the Project Companies to carry out the Distribution Program and their continuing power distribution expansion with due diligence and efficiency.

(b) Eletrobrás shall, in addition, promptly as needed by the Project Companies to enable them to carry out the Distribution Program and their continuing power distribution expansion with due diligence and efficiency, provide all such other amounts of money other than by way of equity investment, as shall be required by the Project Companies for that purpose.

SECTION 2.05. Eletrobrás shall take all such action satisfactory to the Bank as shall be necessary to ensure that the outstanding debt of the Project Companies held by Eletrobrás on the date of this Agreement shall, by its terms, rank equally and ratably to the claims of the Bank against the Project Companies under the Distribution Loan Agreements.

SECTION 2.06. (a) The Bank and Eletrobrás shall cooperate fully to assure that the purposes of the Distribution Loans will be accomplished. To that end, the Bank and Eletrobrás shall from time to time, at the request of either of them, exchange views through their representatives with regard to the performance by the Project Companies of their obligations under the Distribution Loan Agreements, the administration, operations and financial condition of Eletrobrás, the Project Companies, the Other Companies and CAEEB in respect of the Distribution Program, and other matters relating to the purposes of the Distribution Loans.

(b) Eletrobrás shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the Distribution Program, and the administration, operations and financial condition of Eletrobrás, the Project Companies, the Other Companies and CAEEB.

(c) Eletrobrás shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Distribution Loans, the maintenance of the service thereof or the performance by the Project Companies of their obligations in the Distribution Loan Agreements contained.

ARTICLE III

Effective Date; Termination

SECTION 3.01. This Agreement shall come into force and effect in respect of each of the Distribution Loan Agreements on the Effective Date of each such Distribution Loan Agreement. If, pursuant to Section 7.03 of any such Distribution Loan Agreement, such Distribution Loan Agreement shall be terminated, this Agreement and all obligations of Eletrobrás with respect to such Distribution Loan Agreement shall also terminate and the Bank shall

notify Eletrobrás thereof; provided, however, that, in case of termination of any such Distribution Loan Agreement, the Borrower thereunder shall thereafter be deemed to be, for the purposes of this Agreement, one of the Other Companies.

SECTION 3.02. (a) This Agreement and the obligations of the parties hereunder shall terminate when the Distribution Loan Agreements shall terminate in accordance with their terms.

(b) If and when any one of the Distribution Loan Agreements shall terminate in accordance with its terms, this Agreement and all obligations of the parties hereunder with respect to such Distribution Loan Agreement shall forthwith terminate; provided, however, that, in case of termination of any such Distribution Loan Agreement prior to February 15, 1987, the Borrower thereunder shall thereafter be deemed to be, for the purposes of this Agreement, one of the Other Companies.

ARTICLE IV

Miscellaneous

SECTION 4.01. Any notice, demand or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice, demand or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

SECTION 4.02. The following addresses are specified for the purposes of Section 4.01 of this Agreement:

(a) For the Bank:

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

Alternative address for cables and radiograms:

INTBAFRAD
Washington, D.C.

(b) For Eletrobrás:

Centrais Elétricas Brasileiras S.A.-Eletrobrás
Avenida Pres. Vargas 642, 10° Andar
Rio de Janeiro, Guanabara, Brazil

Alternative address for cables and radiograms:

ELETROBRAS
Rio de Janeiro

SECTION 4.03. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of Eletrobrás may be taken or executed by the *Presidente* and one *diretor* or such other person or persons as they shall jointly appoint in writing.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and delivered in the District of Columbia, United

States of America, as of the day and year first above written.

INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ J. BURKE KNAPP
Vice President

CENTRAIS ELETRICAS BRASILEIRAS S.A.—
ELETROBRAS

By /s/ OCTAVIO MARCONDES FERRAZ
Authorized Representative

By /s/ RONALDO MOREIRA DA ROCHA
Authorized Representative