

CONFORMED COPY

LOAN NUMBER 3043 BR

Guarantee Agreement

(Sao Paulo Natural Gas Distribution Project)

between

FEDERATIVE REPUBLIC OF BRAZIL

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated February 16, 1990

LOAN NUMBER 3043 BR

GUARANTEE AGREEMENT

AGREEMENT, dated February 16, 1990, between FEDERATIVE REPUBLIC OF BRAZIL (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and Companhia de Gas de Sao Paulo - COMGAS (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 Borrower a loan in various currencies equivalent to ninety million dollars (\$94,000,000), on the terms and conditions 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 as provided in this Agreement;

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 and with CESP - Companhia Energetica de Sao Paulo, has agreed so to guarantee such obligations of the Borrower;

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 and in the Preamble to and Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

## ARTICLE II

### Guarantee; Provision of Funds

Section 2.01. 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.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for 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.

## ARTICLE III

### Other Covenants

Section 3.01. (a) The Guarantor acknowledges hereby the provisions of Sections 2.06 and 2.07 of the Shareholder Agreement and accepts to include amongst the topics on which views may be exchanged pursuant to the provisions of Section 9.01 of the General Conditions, the performance by the State and CESP of their respective obligations under the Shareholder Agreement, and the policies and decisions referred to in Section 2.07 (a) of the Shareholder Agreement, and also, undertakes to coordinate the participation of the relevant federal agencies and administrative subdivisions in any such exchange of views.

(b) The Guarantor shall promptly inform the Bank, the State and the Borrower of any condition which interferes with or threatens to interfere with the matters referred to in paragraph (a) of this Section, or in paragraph (a) of Sections 2.06 and 2.07 of the Shareholder Agreement.

(c) Without any limitation or restriction upon any of its obligations under this Agreement, the Guarantor shall not take, or permit to be taken, any action which would prevent or interfere with the performance by the State of its obligations under paragraph (a) of Section 2.07 of the Shareholder Agreement.

## 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, Brasil

Cable address:

MINIFAZ  
Brasilia

Telex:

611506  
MFA2 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/ Cid Heraclito de Queiroz

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ S. Shahid Husain

Regional Vice President  
Latin America and the Caribbean

