

GUARANTEE

AGREEMENT

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DOCUMENTS

LOAN NUMBER 2196 BR

Guarantee Agreement

(Carajás Iron Ore Project)

between

FEDERATIVE REPUBLIC OF BRAZIL

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *August 13*, 1982

LOAN NUMBER 2196 BR

GUARANTEE AGREEMENT

AGREEMENT, dated *August 13*, 1982, between
FEDERATIVE REPUBLIC OF BRAZIL (hereinafter called the Guarantor)
and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(hereinafter called the Bank).

WHEREAS by the Loan Agreement of even date herewith between
the Bank and Companhia Vale do Rio Doce (hereinafter called the
Borrower) the Bank has agreed to make to the Borrower a loan in
various currencies equivalent to three hundred four million five
hundred thousand dollars (\$304,500,000), on the terms and condi-
tions 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 as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's enter-
ing into the Loan Agreement with the Borrower, 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 parties to this Agreement accept all the
provisions of the General Conditions Applicable to Loan and
Guarantee Agreements of the Bank dated October 27, 1980, with the
same force and effect as if they were fully set forth herein
(said General Conditions Applicable to Loan and Guarantee Agree-
ments being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the
context otherwise requires, the several terms defined in the
General Conditions 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. 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, provided, however, that not less than sixty per cent (60%) of the funds made available to the Borrower pursuant to the provisions of this Section shall be made in the form of equity contributions by the Guarantor to the Borrower.

ARTICLE III

Other Covenants

Section 3.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, specific security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto, and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Guarantor, in creating or permitting the creation of such lien, shall make express provision to that effect; provided, however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Guarantor shall promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.

(b) The foregoing undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property or as security for the payment of debt incurred for the purpose of financing the purchase of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) As used in this Section, the term "public assets" means assets of the Guarantor, of any political or administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Guarantor or any such subdivision, including gold and foreign exchange assets held by any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Guarantor.

Section 3.02. (a) The Guarantor covenants that it will not take, or cause or permit any of its political subdivisions or any of its agencies or any agency of any such political subdivisions to take, any action which would prevent or interfere with the successful construction and operation of the Project or with the performance by the Borrower of its obligations contained in the Loan Agreement and will take or cause to be taken all reasonable action necessary or appropriate to permit the successful construction and operation of the Project and to enable the Borrower to perform such obligations.

(b) As part of the foregoing the Guarantor shall take all necessary actions to enable the Borrower to: (i) issue the convertible debentures referred to in Section 3.01 (b) of the Loan Agreement; and (ii) charge the railway tariffs referred to in Section 3.12 of the Loan Agreement.

Section 3.03. The Guarantor shall take all action, including the granting of all necessary authorizations, import licenses, foreign exchange permits and all other approvals required under the laws of the Guarantor, to ensure the timely carrying out of the Project and the procurement of the goods and services required therefor.

Section 3.04. The Guarantor shall charge and collect from the Borrower a guarantee fee of one and two-tenths per cent (1.2%) per annum on the principal amount of the Loan from time to time outstanding, such fee to accrue from the respective dates on which amounts of the Loan shall be withdrawn from the Loan Account.

Section 3.05. (a) The Guarantor and the Bank agree that the strengthening of measures to protect the indigenous Amerindian population in the Carajas Project Area is essential to the carrying out of the Project. To this end, the Guarantor shall take all necessary measures to put into effect in a timely manner the actions included in the Special Project and shall take all further measures necessary for protecting the interests of the Amerindian population in the Carajas Project Area.

(b) As part of the foregoing, the Guarantor shall:

(1) cause FUNAI to:

(A) enter into the agreement referred to in Section 3.11 (a) of the Loan Agreement and to perform all of its obligations under such agreement; and

(B) furnish to the Bank periodic reports on the status of the Amerindian population living in the Carajas Project Area;

(ii) afford the Bank's staff reasonable access to such population (accompanied at all times by FUNAI's personnel) and to any information which the Bank may reasonably require relating to the execution of the Special Project and to any further measures being taken for the protection of the interests of the Amerindian population in the Carajas Project Area; and

(iii) annually, before final approval of FUNAI's program for the following year for the protection of and assistance to the Amerindian population in the Carajas Project Area, afford the Bank a reasonable opportunity to comment on such program.

Section 3.06. The Guarantor shall take, or cause to be taken, all action to ensure that the Borrower is provided with such permanent supplies of electric power as shall be required by the Borrower for the efficient operation of the Project.

Section 3.07. The Guarantor shall cause BNH or other financial agencies, acceptable to the Bank, to participate in the credit program referred to in Section 3.04 of the Loan Agreement.

Section 3.08. The Guarantor shall reinvest in capital stock of the Borrower all cash dividends paid or accrued to the Guarantor as shareholder of the Borrower in the years 1982, 1983 and 1984.

Section 3.09. Until the Completion Date, not later than September 30 each year, the Guarantor shall exchange views with the Bank and the Borrower regarding the Borrower's financial requirements for the next fiscal year and the sources from which such requirements are to be met.

Section 3.10. The Guarantor shall cause its environmental agencies to fully cooperate with the Borrower in the preparation and execution of the program referred to in paragraph (e) of Section 3.10 of the Loan Agreement in the terms set forth therein.

ARTICLE IV

Representative of the Guarantor; Addresses

Section 4.01. The Ministro da Fazenda 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 D.F.
Brazil

Cable address:

MINIFAZ
Brasilia

Telex:

0611142 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 representatives thereunto duly authorized, 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 Queiroz*
Authorized Representative

By */s/ Antonio Delfino Netto*

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By */s/ Enrique Lerdau*
Acting Regional Vice President
Latin America and the Caribbean

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Bank for Reconstruction and Development.

In witness whereof I have signed this Certificate and affixed the Seal of the Bank thereunto this 13th day of Aug., 198 2.

S. N. Chi.
FOR SECRETARY