
OFFICIAL
DOCUMENTS

LOAN NUMBER 2196 BR

Loan Agreement

(Carajas Iron Ore Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

COMPANHIA VALE DO RIO DOCE

Dated

August 13, 1982

LOAN AGREEMENT

AGREEMENT, dated August 13, 1982, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and COMPANHIA VALE DO RIO DOCE (hereinafter called the Borrower).

WHEREAS (A) the Borrower has requested the Bank to assist in the financing of the Project described in Schedule 2 to this Agreement by making the Loan as hereinafter provided;

(B) The Borrower has arranged or is arranging to finance the cost of the Project not financed hereunder, inter alia, from: (1) a loan for the equivalent of two hundred and fifty million dollars (\$250,000,000) principal amount from the Nippon Carajas Iron Ore Ltd. (hereinafter called the Japanese Import Loan); (2) a loan for the equivalent of fifty million dollars (\$50,000,000) principal amount from the Export-Import Bank of Japan (hereinafter called the Japanese Exim Bank Direct Loan); (3) a loan for the equivalent of one hundred and fifty million dollars (\$150,000,000) principal amount from a group of Japanese commercial banks with the Bank of Tokyo as agent (hereinafter called the Japanese Commercial Banks Loan); (4) placing yen denominated bond issues amounting in the aggregate to not less than ten billion yens (¥ 10,000,000,000) (hereinafter called the Japanese Bond Issues); (5) a loan for not less than three hundred million Deutsche Marks (DM 300,000,000) principal amount from the Kreditanstalt für Wiederaufbau (hereinafter called the KfW Loan); (6) loans for up to the equivalent of six hundred million dollars (\$600,000,000) principal amount from the European Coal and Steel Community (hereinafter called the ECSC Loans); (7) loans for not less than the equivalent of two hundred million dollars (\$200,000,000) principal amount from private commercial banks (hereinafter called the Private Banks Loans); (8) suppliers' credits totalling the equivalent of about one hundred and twenty nine million dollars (\$129,000,000); (9) a loan for the equivalent of about six hundred ninety-seven million dollars (\$697,000,000) principal amount from Banco Nacional de Desenvolvimento Econômico Social (hereinafter called the BNDES Loan); (10) loans for the equivalent of about three hundred twenty one million four hundred thousand dollars (\$321,400,000) principal amount from Agencia Especial de Financiamento Industrial (hereinafter called the FINAME Loans); (11) loans for the equivalent of about sixty million two hundred thousand dollars (\$60,200,000) principal amount from Banco da Amazonia (hereinafter called the

Banco da Amazonia Loans); and (12) placing cruzeiro-denominated subordinated convertible debentures amounting in the aggregate to the equivalent of not less than two hundred fifty million dollars (\$250,000,000) (hereinafter called the Subordinated Convertible Debentures).

(C) The Federative Republic of Brazil (hereinafter called the Guarantor) by agreement of even date herewith between the Guarantor and the Bank (hereinafter called the Guarantee Agreement) has agreed to guarantee the repayment to the Bank of the principal of the loan and the payment of interest and other charges thereon and to undertake certain obligations set forth therein;

(D) The Bank, on the basis of inter alia the foregoing, has agreed to make a loan to the Borrower upon the terms and conditions hereinafter set forth;

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 Agreements of the Bank 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 this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "FUNAI" means Fundação Nacional do Índio, the National Indian Foundation of the Guarantor;

(b) "GEAMAM" means Grupo de Estudos e Assessoramento do Meio Ambiente, an independent advisory group established by the Borrower by Portaria 54/80 dated December 12, 1980;

(c) "Steering Committee" means the Committee established by the Administrative Council of the Borrower by Resolution DCA-DESZ-108/82 dated May 28, 1982 for purposes of overseeing all aspects of the carrying out of the Project and reviewing and taking decisions on major issues regarding the Project;

(d) "fiscal year" means the fiscal year of the Borrower which coincides with the calendar year;

(e) "Cruzeiro" means the currency of the Guarantor;

(f) "Borrower's Investment Program" means the Borrower's program of investments for the years 1982 through 1990, as set forth in a letter of even date herewith from the Borrower to the Bank;

(g) "Completion Date" means the date of Project completion which shall be the date as of which the Bank shall have been provided with evidence, satisfactory to the Bank, that all of the following conditions have been met: (i) completion of the physical construction of all facilities included in the Project; (ii) for a continuous period of twelve months, the mine and plant facilities, the railroad and port have been operated at a production and export level of not less than 31 million metric tons of iron ore per year; and (iii) during such twelve months period the Borrower has maintained the ratios of Current Assets to Current Liabilities set forth in Section 5.05 of this Agreement;

(h) "Subsidiary" means any company of which at least a majority of the outstanding voting stock is owned, or which is effectively controlled, by the Borrower or by one or more subsidiaries of the Borrower or by the Borrower and one or more of its subsidiaries and "Controlled Subsidiaries" means the following Subsidiaries: Vale do Rio Doce Navegação S.A.-DOCENAVE, Rio Doce International Finance Ltda.-RDIF, Florestas Rio Doce S.A., Vale Norte Alumínio Ltda., Rio Doce Geologia e Mineração S.A.-DOCEGEO and Navegação Rio Doce Ltda.; and "Controlled Subsidiary" means any one of the Controlled Subsidiaries;

(i) "Estatutos" means the statute that established the Borrower, Decree Law No. 4352 of the Guarantor, dated June 1, 1942, as amended to the date of this Agreement and the Borrower's By-Laws approved by the Borrower's stockholders on October 16, 1981;

(j) "BNH" means Banco Nacional da Habitação, the Guarantor's National Housing Bank;

(k) "Carajas Project Area" means the area included in a radius of about 100 kilometers from the iron ore mining site (deposit N4E) and railway to be constructed under the Project; and

(l) "Special Project" means the FUNAI's Projeto Ferro Carajas, Apoio as Comunidades Indígenas, the Guarantor's special five-year project (1982-1986) for the protection of and assistance to Indian communities in the Carajas Project Area, dated January 1982.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to three hundred four million five hundred thousand dollars (\$304,500,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

Section 2.03. Except as the Bank shall otherwise agree, procurement of the goods and civil works required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be December 31, 1987 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.05. Not later than the Effective Date, the Borrower shall pay to the Bank a fee equivalent to four million five hundred thousand dollars (\$4,500,000). The fee shall be

payable in such currency or currencies as the Bank shall specify. In the event that the Bank shall not have received full payment of the fee by the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required for the full payment of the fee in the currency or currencies specified for the purpose.

Section 2.06. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.07. The Borrower shall pay interest at the rate of eleven and three-fifths per cent ($11-3/5\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.08. Interest and other charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.09. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.10. The Borrower shall punctually pay to the Guarantor the guarantee fee referred to in Section 3.04 of the Guarantee Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, business, mining, engineering and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose. Unless the Bank shall otherwise agree, borrowings for financing the provision of such funds, facilities, services and other resources shall not exceed at any time 70% of the amounts involved.

(b) For purposes of financing the execution of the Project, the Borrower shall: (1) issue subordinated convertible debentures in the Brazilian capital market in the aggregate amount of at least one hundred seventy two million dollars (\$172,000,000)

equivalent, of which about the equivalent of eighty six million dollars (\$86,000,000) shall be issued in 1982 and the remainder in 1983; and (ii) contract the Private Banks Loans for the equivalent of at least two hundred million dollars (\$200,000,000) and shall take all action necessary to have available for draw down, under the Private Banks Loans: (A) not less than the equivalent of one hundred million dollars (\$100,000,000) by December 31, 1982 and (B) the balance of the Private Banks Loans by December 31, 1983.

(c) Not later than September 30, 1982, the Borrower shall prepare and furnish to the Bank for approval: (i) the final designs of the townsite included under Part D.1 of the Project, such designs to include modifications to the original road plans, and site plans for all housing at the townsite; and (ii) an urban development plan for Parauapebas, to accommodate about 10,000 people by 1988.

(d) The Borrower shall carry out the urban development plan referred to in paragraph (c) (ii) of this Section according to an implementation schedule satisfactory to the Bank.

Section 3.02. For purposes of Part D.3 of the Project, the Borrower shall: (a) not later than December 31, 1982, jointly with the Guarantor and appropriate state and municipal authorities, prepare a land-use and zoning plan, satisfactory to the Bank, for the port-railway terminal area in Sao Luis, such plan to include the resettlement of existing squatter groups in the area and measures to control squatter invasions along the access highway to the port; and

(b) not later than June 30, 1983, enter into an agreement, satisfactory to the Bank, with such state and municipal authorities in order to carry out such plan in accordance with an implementation schedule satisfactory to the Bank.

Section 3.03. The Borrower shall: (a) not later than June 1, 1985, prepare and furnish to the Bank, for comment, an urban development plan for the second-phase development of the townsite included under Part D.1 of the Project; and (b) taking into account the Bank's comments thereon, carry out such urban development plan in accordance with a timetable satisfactory to the Bank.

Section 3.04. The Borrower shall reserve about 1000 lots for additional service workers in the first stage of development of

the townsite included under Part D.1 of the Project, and shall enter into arrangements satisfactory to the Bank with BNH or other financial agencies, acceptable to the Bank, for carrying out a credit program for financing the construction or purchase of the houses to be built on such lots, in order to enable the permanent settlement of such service workers in such townsite over a period of about 5 years from the Completion Date.

Section 3.05. (a) In order to assist the Borrower in the engineering, management, design, procurement, planning and supervision of the carrying out of the Project, the Borrower shall hire consultants whose selection, qualifications, experience and terms and conditions of hiring shall be satisfactory to the Bank in accordance with the principles and procedures described in the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

(b) At least until the Completion Date, the Borrower shall: (i) maintain the existence of the Steering Committee, under the chairmanship of the Borrower's Director-Vice President; (ii) cause the Steering Committee to meet at least once every three months and prepare minutes of its meetings; and (iii) furnish such minutes to the Bank, within 30 days of any such meeting.

Section 3.06. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) The Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the purposes of the Project.

Section 3.07. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower: (i) shall maintain records and procedures adequate to record and monitor the progress of the Project

(including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Loan, and to disclose their use in the Project; (ii) shall enable the Bank's representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Loan and any records and documents relevant to the Project; and (iii) shall furnish to the Bank at regular intervals all such information as the Bank shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Loan and the goods and services financed out of the proceeds of the Loan.

(c) Upon the award by the Borrower of any contract for goods, works or services to be financed out of the proceeds of the Loan, the Bank may publish a description thereof, the name and nationality of the party to whom the contract was awarded and the contract price.

(d) The Borrower shall enable the Bank's representatives to examine all plants, installations, sites, works, buildings, property and equipment of the Borrower and any records and documents relevant to the obligations of the Borrower under this Agreement.

(e) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.

Section 3.00. The Borrower shall take all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for the construction and operation of the facilities included in the Project and shall furnish to the Bank, promptly after such acquisition, evidence satisfactory to the Bank that such land and rights in respect of land are available for purposes related to the Project.

Section 3.09. The Borrower shall, jointly with the Guarantor, take, or cause to be taken, all action to ensure that the Borrower is provided with such supplies of electricity as shall be required by the Borrower for the efficient operation of the Project.

Section 3.10. The Borrower shall take all action, as shall be required to ensure that the execution and operation of the Project are carried out with due regard to ecological and environmental factors and, as part of the foregoing, the Borrower shall:

(a) maintain GEAMAM with staff, functions and responsibilities satisfactory to the Bank;

(b) cause GEAMAM to carry out site inspections at least twice every year through 1985, and at least once annually thereafter, and to prepare and furnish to the Borrower a report, in scope and content satisfactory to the Bank, after each of such visits, such report to contain all observations and recommendations of GEAMAM with regard to the environmental actions being carried out by the Borrower;

(c) furnish to the Bank copies of the reports referred to in paragraph (b) above together with the Borrower's comments thereon and a description of any action to be taken as a consequence of GEAMAM's recommendations;

(d) maintain the organizational arrangements and staffing presently in place or proposed to be established for environmental control activities, including an Internal Environmental Commission (CIMA), with staff and functions satisfactory to the Bank, at each the Carajas mine site and the port site in São Luis;

(e) not later than September 30, 1982 prepare, jointly with appropriate environmental agencies of the Guarantor, a work program, satisfactory to the Bank, related to the environment of the Carajas Project (including environmental zoning, ecological stations, setting aside of conservation tracts, establishment of buffer zones, biotic inventories, and other areas of environmental protection), and thereafter carry out such work program, jointly or with the assistance of such agencies, in a manner and according to a timetable satisfactory to the Bank.

(f) not later than December 31, 1982 prepare, and thereafter carry out, according to a timetable satisfactory to the Bank, a pollution control program, satisfactory to the Bank, including measures to control marine pollution, and dust, noise and water run off at all construction sites of the Project; and

(g) at the Bank's request, exchange views with the Bank on the adequacy and progress of all environmental, ecological and pollution control actions undertaken by the Borrower with regard to the execution and operation of the Project.

Section 3.11. The Bank and the Borrower 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 Borrower shall:

(a) enter into an agreement with FUNAI, satisfactory to the Bank, providing for the funding by the Borrower of the Special Project;

(b) take all necessary action to assist FUNAI to carry out the Special Project;

(c) take all action necessary to enable the Bank's staff to have reasonable access to such population (accompanied at all times by FUNAI's personnel) and to any information which the Bank may reasonably require with regard 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

(d) not amend, abrogate, waive or fail to comply or enforce the agreement referred to in paragraph (a) of this Section or any provision thereof.

Section 3.12. The Borrower shall: (a) at least six months prior to the date on which such services are expected to start, prepare a tariff schedule, satisfactory to the Bank, for the passenger and general cargo services to be provided by the railway included under Part B of the Project, which shall be sufficient to cover the relevant costs incurred as a consequence of providing such services;

(b) put into effect such tariff schedule on the date such cargo and passenger services are introduced on the railways; and

(c) amend such tariff schedule from time to time in order to reflect any increases in the cost of providing such services.

ARTICLE IV

Management and Operations of the Borrower

Section 4.01. The Borrower shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, business, engineering, port, railway and mining practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 4.02. (a) The Borrower shall at all times take all steps necessary to maintain its corporate existence and right to carry on operations, including, without limitation, the Project, and shall, except as the Bank may otherwise agree, take all steps necessary to acquire and to retain such land, interest in land and properties and to acquire, maintain and renew such concessions, licenses, consents, franchises or other rights as may, from time to time, be necessary or useful for the construction and efficient operation of the facilities included in the Project and the conduct of its business.

(b) The Borrower shall not sell, lease, transfer or otherwise dispose of any of its property or assets which shall be required for the efficient operation of its business, including the Project, except in the normal course of its business or with prior agreement of the Bank.

ARTICLE V

Financial Covenants

Section 5.01. The Borrower shall maintain records adequate to reflect in accordance with consistently maintained appropriate accounting practices its operations and financial condition.

Section 5.02. (a) The Borrower shall: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year,

(A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the accounts and financial statements of the Borrower and the audit thereof as the Bank shall from time to time reasonably request.

(b) The financial statements referred to in paragraph (a) of this Section shall include financial statements for the Borrower and for the Borrower consolidated with the Controlled Subsidiaries.

Section 5.03. (a) The Borrower represents that at the date of this Agreement no lien exists on any of its assets as security for any debt except as otherwise currently reported to the Bank or stated in writing.

(b) The Borrower undertakes that, except as the Bank shall otherwise agree: (i) if the Borrower shall create any lien on any of its assets as security for any debt, such lien will equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan, and in the creation of any such lien express provision will be made to that effect, at no cost to the Bank; and (ii) if any statutory lien shall be created on any assets of the Borrower as security for any debt, the Borrower shall grant, at no cost to the Bank, an equivalent lien satisfactory to the Bank to secure the payment of the principal of, and interest and other charges on, the Loan; provided, however, that the foregoing provisions of this paragraph shall not apply to: (A) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (B) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after the date on which it is originally incurred.

Section 5.04. Except as the Bank shall otherwise agree, the Borrower shall not incur any debt, unless a reasonable forecast of the revenues and expenditures of the Borrower shows that the projected internal cash generation of the Borrower for each fiscal year during the term of the debt to be incurred shall be at least 1.5 times the projected debt service requirement of the Borrower in such year on all debt of the Borrower including the debt to be incurred. For the purposes of this Section:

(a) The term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred.

(b) Debt shall be deemed to be incurred under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment, on the date, and to the extent, the amount of such debt has become outstanding pursuant to such contract, agreement or instrument;

(c) The term "internal cash generation of the Borrower" means gross revenues of the Borrower from all sources less all operating expenses of the Borrower, including expenses accountable to administration, maintenance and taxes (or payments in lieu of taxes), but before provision for depreciation and amortization of assets and interest and other charges on debt.

(d) The term "debt service requirement" means the aggregate amount of amortization (including sinking fund payments, if any) of, and interest and other charges on, debt.

(e) The term "reasonable forecast" means a forecast prepared by the Borrower in the fiscal year in which the debt in question is to be incurred, which both the Bank and the Borrower accept as reasonable and as to which the Bank has notified the Borrower of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Borrower.

Section 5.05. Except as the Bank shall otherwise agree, the Borrower shall, at all times, maintain a ratio of Current Assets to Current Liabilities of not less than 1.1 to 1 and a ratio of Consolidated Current Assets to Consolidated Current Liabilities of not less than 1.2 to 1.

(a) "Current Assets" means cash, accounts receivable and due within twelve months, marketable securities, pre-paid expenses properly chargeable to operating expenses within the next twelve months following the date in which such pre-paid expenses were made, and all other assets which could, in the ordinary course of business, be converted into cash within twelve months and "Consolidated Current Assets" means the aggregate of the total Current Assets, as defined herein, of the Borrower and the Controlled Subsidiaries; and

(b) "Current Liabilities" means accounts due and payable within twelve months, customer advances, income taxes, dividends, bonuses and all other liabilities (including debt) which will become due and payable or could, under circumstances then existing, be called for payment pursuant to their terms, within twelve months and "Consolidated Current Liabilities" means the aggregate of the Current Liabilities, as defined herein, of the Borrower and the Controlled Subsidiaries, excluding any debt owed by the Borrower to any of the Controlled Subsidiaries or by the Controlled Subsidiary to the Borrower or to any other Controlled Subsidiary.

Section 5.06. Except as the Bank shall otherwise agree, the Borrower shall maintain at all times a ratio of debt to equity, not greater than 55 to 45. For the purposes of this Section:

(a) The term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred, provided, however, that any such debt which is due and payable in the fiscal year in which the calculation is made shall be excluded; and provided further, that the Subordinated Convertible Debentures shall be excluded if the Bank shall have approved the terms of their subordination.

(b) Debt shall be deemed to be incurred: (i) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment, on the date, and to the extent, the amount of such debt has become outstanding pursuant to such contract, agreement or instrument; and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but only to the extent that the guaranteed debt shall be outstanding.

(c) The term "equity of the Borrower" means the sum of the total unimpaired paid-up capital, retained earnings and the reserves of the Borrower not allocated to cover specific liabilities.

Section 5.07. Whenever for the purposes of Sections 5.04 and 5.06 of this Agreement, it shall be necessary to value, in terms of the currency of the Guarantor, a debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

Section 5.08. Unless the Bank shall otherwise agree, the Borrower shall not make, or commit itself to make, in any one fiscal year, any capital expenditure (other than an expenditure required for the carrying out of the Project or to repair or replace any facilities included in the Project) or any equity investment or any loan, if the sum of such expenditures or investment or loan and all other capital expenditures, investments and loans (excluding those required for the carrying out of the Project or to repair or replace any facilities included in the Project) made or to be made in such fiscal year exceed or will exceed the amounts set forth in the Borrower's Investment Program for such fiscal year by an amount equivalent to thirty million dollars (\$30,000,000) or more through 1985 or by an amount equivalent to fifty million dollars (\$50,000,000) or more from 1986 through the Completion Date, provided, however, that any amounts not spent in one year for investments deferred for physical or financial reasons to the following years shall be included in the Borrower's Investment Program for such following years.

Section 5.09. Until the Completion Date, the Borrower shall:
(a) prepare and furnish to the Guarantor and the Bank, not later than August 31 each year, a five-year forecast of the Borrower's sources and uses of funds for the subsequent five years;

(b) not later than September 30 each year, exchange views with the Guarantor and the Bank regarding the Borrower's financial requirements for the next fiscal year and the sources from which such requirements are to be met.

ARTICLE VI

Remedies of the Bank

Section 6.01. (a) For the purposes of Section 6.02 of the General Conditions, the following additional events are specified pursuant to paragraph (k) thereof:

(a) a change in the Estatutos shall have been made, which shall materially and adversely affect the operations or the financial condition of the Borrower;

(b) a Subsidiary shall have been established or acquired by the Borrower, or the Borrower shall have made a financial commitment in or with regard to any of its subsidiaries and such establishment, acquisition or financial commitment shall, materially

and adversely, affect the operations and financial condition of the Borrower;

(c) (1) Subject to subparagraph (1) of this paragraph:

(A) The right of the Borrower to withdraw the proceeds of any loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(1) Subparagraph (1) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement, and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 6.02. For the purposes of Section 7.01 of the General Conditions, the following events are specified pursuant to paragraph (h) thereof:

(a) The event specified in paragraph (b) of Section 6.01 of this Agreement shall occur and shall continue for a period of 30 days after notice thereof shall have been given by the Bank to the Borrower;

(b) the events specified in paragraph (c) (1) (B) of Section 6.01 of this Agreement shall occur, subject to the proviso of subparagraph (1) of that paragraph; and

(c) the event specified in paragraph (a) of Section 6.01 shall occur.

ARTICLE VII

Effective Date; Termination

Section 7.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Loan Agreement has been duly registered by Banco Central do Brasil;

(b) the parties providing for the Japanese Import Loan, the KfW Loan, the ECSC Loan, the Japanese Exim Bank Direct Loan, and the Japanese Commercial Banks Loan have notified the Bank that all conditions precedent to the first disbursement of the Japanese Import Loan, the KfW Loan, the ECSC Loan, the Japanese Exim Bank Direct Loan and the Japanese Commercial Banks Loan have been fulfilled, subject only to the effectiveness of this Agreement if such be the case;

(c) all necessary acts, consents and approvals to be performed or given by the Guarantor, its political subdivisions or agencies or by any agency of any political subdivision in order to authorize the Borrower to start carrying out the Project have been performed or given.

Section 7.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Loan Agreement has been duly registered by Banco Central do Brasil;

(b) that the Borrower is duly authorized and existing under the Laws of the Guarantor and has full power and authority to carry out and operate the Project, to own the assets and properties and to own and carry on the business which it owns and carries and proposes to own and carry on; that all acts, franchises, concessions, consents and approvals necessary to start carrying out the Project have been duly and validly performed or given; and that all easements, licenses, consents, franchises or other rights or privileges as may be necessary or useful to start carrying out the Project have been duly obtained or that the

arrangements for the acquisition thereof are valid and binding obligations of the parties thereto; and

(c) that all acts, consents and approvals referred to in paragraph (c) of Section 7.01 of this Agreement, together with all necessary powers and rights in connection therewith, have been duly and validly performed, given or authorized.

Section 7.03. The date *November 15, 1982* is hereby specified for the purpose of Section 12.04 of the General Conditions.

ARTICLE VIII

Addresses

Section 8.01. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

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)

For the Borrower:

Companhia Vale do Rio Doce
Av. Presidente Wilson, 231, 28º andar
20030 Rio de Janeiro
Brazil

Cable address:

VALERIDOCE
Rio de Janeiro

Telex:

2121975
2123205
2123162

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

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

COMPANHIA VALE DO RIO DOCE

By /s/ *Eliizer Batista da Silva*
Authorized Representative

/s/ *Samir Zraich*
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Equipment and Machinery (in- cluding where applicable ex- penditures for erection and installation)		
(a) mining equipment	13,000,000)	
(b) railway equipment	174,600,000)	100% of for- foreign expendi- tures and
(c) port equipment	6,500,000)	100% of the ex-factory cost if locally pro- duced
(2) Construction steel	29,100,000)	
(3) Civil Works (under Parts A and D of the Project)	15,500,000)	30%
(4) Technical Assistance	9,100,000)	100%
(5) Fee	4,500,000)	Amount due

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(6) Unallocated	52,200,000	
	<hr/>	
TOTAL	<u>304,500,000</u>	

2. For the purposes of this Schedule the term "foreign expenditures" means expenditures in the currency of any country other than the Guarantor and for goods or services supplied from the territory of any country other than the Guarantor.

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Guarantor on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Loan decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Bank.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; and (b) payments for taxes levied by, or in the territory of, the Guarantor on goods or services, or on the importation, manufacture, procurement or supply thereof.

5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not

needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.

SCHEDULE 2

Description of the Project

The Project is the construction and start-up of facilities (including the acquisition and installation of equipment pertaining thereto) designed for the mining, beneficiation and transportation of iron ores from the Carajas deposits located in the State of Pará, to provide for production and export of about thirty five million metric tons per annum of iron ore. The Project consists of the following:

- Part A:
- (1) Construction of facilities for open-pit mining, and provision and utilization of equipment therefor;
 - (2) Construction of facilities for the beneficiation of the iron ore; and
 - (3) Construction of related on-site supporting facilities.
- Part B: Construction and equipping of a railroad line of about 890 kilometers from the Carajas mine site to the port at Ponta da Madeira in the State of Maranhao, including supporting control systems and maintenance facilities.
- Part C: Construction and equipping of a 280,000 dwt capacity deepwater port at Ponta da Madeira, including loading facilities for a throughput of about 35 million metric tons per year of iron ore.
- Part D:
- (1) Construction of a townsite adjacent to the Carajas mine site, including infrastructure and community services and facilities adequate for a population of about 14,000, housing adequate for an initial population of about 10,000 by the Completion Date, and the reserving of about 1,000 lots for additional service workers to be settled in the townsite subsequently.
 - (2) Construction of about 280 housing units and community facilities in the following locations along the railroad line to be constructed under the Project: Parauapebas, Rosario, Vitoria do Mearim,

Santa Ines, Nova Vida, Pequira, Km 650 and Maraba;
and

- (3) Execution of a land use and zoning plan in the port-railway terminal area in São Luís, State of Maranhao, and the construction of about twenty housing units in such area for the Borrower's employees.

* * * *

Physical construction of all the facilities included in the Project is expected to be completed by December 31, 1986.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
On each April 15 and October 15 beginning April 15, 1986 through April 15, 1997	12,685,000
On October 15, 1997	12,745,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal; see General Conditions, Section 3.04.

Premiums on Prepayment

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.04 (b) of the General Conditions:

<u>Time of Prepayment</u>	<u>Premium</u>
Not more than three years before maturity	2.30%
More than three years but not more than six years before maturity	4.65%
More than six years but not more than eleven years before maturity	8.50%
More than eleven years but not more than thirteen years before maturity	10.05%
More than thirteen years before maturity	11.60%

SCHEDULE 4

Procurement

A. International Competitive Bidding

1. Except as provided in Part C hereof, goods and civil works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in the current edition of the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in March 1977 (hereinafter called the Guidelines), on the basis of international competitive bidding as described in Part A of the Guidelines.

2. For goods and works to be procured on the basis of international competitive bidding, and in addition to the requirements of paragraph 1.2 of the Guidelines, the Borrower shall prepare and forward to the Bank as soon as possible, and in any event not later than 60 days prior to the date of availability to the public of the first tender or prequalification documents relating thereto, as the case may be, a general procurement notice, in such form and detail and containing such information as the Bank shall reasonably request; the Bank will arrange for the publication of such notice in order to provide timely notification to prospective bidders of the opportunity to bid for the goods and works in question. The Borrower shall provide the necessary information to update such notice annually so long as any goods or works remain to be procured on the basis of international competitive bidding.

3. For bidding purposes, the goods and civil works to be procured in accordance with the provisions of paragraph 1 above shall be grouped in about 31 and 4 bidding packages satisfactory to the Bank, respectively.

4. For the purpose of evaluation and comparison of bids for the supply of goods to be procured on the basis of international competitive bidding: (i) bidders shall be required to state in their bid the c.i.f. (port of entry) price for the imported goods, or the ex-factory price or off-the-shelf price of other goods offered in such bid; (ii) customs duties and other import taxes levied in connection with the importation, or the sales and similar taxes levied in connection with the sale or delivery, pursuant to the bid, of the goods shall not be taken into account in the evaluation of the bids; and (iii) the cost of inland freight

and other expenditures incidental to the delivery of the goods to the place of their use or installation shall be included.

B. Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A of this Schedule, goods manufactured in Brazil may be granted a margin of preference in accordance with, and subject to, the following provisions:

1. All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.

2. After evaluation, responsive bids will be classified in one of the following two groups:

(1) Group A: bids offering goods manufactured in Brazil if the bidder shall have established to the satisfaction of the Borrower and the Bank that such goods contain components manufactured in Brazil equal to at least 50% of the value of the complete goods.

(2) Group B: bids offering any other goods.

3. In order to determine the lowest evaluated bid of each group, all evaluated bids in each group shall first be compared among themselves, without taking into account customs duties and other import taxes levied in connection with the importation, and sales and similar taxes levied in connection with the sale or delivery, pursuant to the bids, of the goods. Such lowest evaluated bids shall then be compared with each other, and if, as a result of this comparison, a bid from group A is the lowest, it shall be selected for the award.

4. If, as a result of the comparison under paragraph 3 above, the lowest bid is a bid from group B, all group B bids shall be further compared with the lowest evaluated bid from group A after adding (1) to the c.i.f. bid price of goods to be imported in each group B bid an amount equal to the smaller of (A) the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of

goods offered in such group B bid, or (B) 15% of the c.i.f. bid price of such goods, and (ii) to the ex-factory bid price of goods supplied domestically offered in each group B bid an amount equal to the smaller of (A) the amount of customs duties and other import taxes which would be levied on the goods offered in such group B bid if they originated from the same foreign country as the bid included in group B which enjoys the lowest customs duties and other import taxes, or (B) 15% of the ex-factory bid price of such goods. If, as a result of this comparison, the bid from group A is the lowest, it shall be selected for the award; if not, the lowest evaluated bid from group B, as determined under paragraph 3 above, shall be selected for the award.

C. Other Procurement Procedures

Contracts for the procurement of goods, estimated to cost the equivalent of less than \$300,000 each, shall be awarded through limited international tendering after obtaining quotations from a group of potential suppliers broad enough, under the circumstances, to assure competitive prices, in at least three of the countries and territories eligible under the Guidelines, provided that the total amount of contracts entered into under this paragraph shall not exceed in the aggregate the equivalent of \$5,000,000. The evaluation and comparison of quotations obtained through limited international tendering and the award of contracts for the goods so to be procured shall be made in accordance with procedures consistent with those set forth in Part A of the Guidelines except that no margin of preference otherwise applicable under paragraph 3.9 of such Part of the Guidelines shall be allowed.

D. Review of Procurement Decisions by the Bank

1. Review of invitations to bid and of proposed awards and final contracts:

With respect to all contracts for civil works and all contracts for goods estimated to cost the equivalent of \$5,000,000 or more:

(a) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for

the bidding, and shall make such modifications in the said documents or procedures as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to which it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Bank's concurrence, materially differ from those on which bids were asked or prequalification was invited.

(d) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

3. With respect to each contract not governed by the preceding paragraph, the Borrower shall furnish to the Bank, promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids, recommendations for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

4. Before agreeing to any material modification or waiver of the terms and conditions of a contract, or granting an extension of the stipulated time for performance of such contract, or issuing any change order under such contract (except in cases of extreme urgency) which would increase the cost of the contract by more than 10% of the original price, the Borrower shall inform the Bank of the proposed modification, waiver, extension or

change order and the reasons therefor. The Bank, if it determines that the proposal would be inconsistent with the provisions of this Agreement, shall promptly inform the Borrower and state the reasons for its determination.

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., 1982.

S. N. Chi
FOR SECRETARY

