



**SHAREHOLDERS' AGREEMENT AND
OTHER COVENANTS EXECUTED
BETWEEN BNDES PARTICIPAÇÕES S.A.
- BNDSPAR AND THE STATE OF
PARANÁ WITH THE INTERVENIENCE OF
THIRD PARTIES, AS FOLLOWS:**

BNDES PARTICIPAÇÕES S.A. - BNDSPAR in which the **STATE** holds 85,028,732 registered common shares, corresponding, on this date, to 58.6% of the **COMPANY's** voting shares, and to 31.10% of a, a wholly-owned subsidiary of **BANCO NACIONAL DE DESENVOLVIMENTO ECONOMICO E SOCIAL - BNDES**, headquartered in Brasília, Distrito Federal, Setor Bancário Sul. Conjunto 1, Bloco E, Edifício BNDES - 13° andar, and services in the city of Rio de Janeiro - RJ, at Av. República do Chile, 100 - 19° e parte do 20° andares, Corporate Taxpayers' ID - CNPJ/CGC number 00.383.281/0001-09, hereby represented pursuant to its Bylaws, hereinafter referred to as **BNDSPAR**; and

The **STATE OF PARANÁ**, a state-owned company, Corporate Taxpayers' ID - CNPJ/CGC number 76.416.890/0001-89, with headquarters located at Palácio Iguaçú, at Praça Nossa Senhora Salete. s/nº - Centro Cívico - Curitiba - Paraná, hereby represented pursuant to its State Constitution, hereinafter referred to as **STATE**.

Appearing as **INTERVENING THIRD PARTY AGENT**:

COMPANY PARANAENSE DE ENERGIA - COPEL, a corporation headquartered at Rua Coronel Dulcídio, 800 - Curitiba - Paraná, Corporate Taxpayers' ID - CNPJ/CGC number 76.483.817/0001-20, hereby represented pursuant to its Bylaws, hereinafter referred to as **COMPANY**.

As **CONSENTING INTERVENING THIRD PARTY**:

PARANÁ INVESTIMENTOS S.A., a closely-held company, organized by State Law 11.428, of June 14th 1996, headquartered in the city of Curitiba, State of Paraná, at Avenida Dr. Vicente Machado, 445 - 4° andar, Corporate Taxpayers' ID - CNPJ/CGC number 01.276.466/0001-87, duly represented pursuant to its Bylaws, hereinafter referred to as **PARANÁ INVESTIMENTOS**.

Whereas:

- **BNDSPAR**, on this date, holds 38,298,775,066 common shares issued by the **COMPANY**;



- the **STATE** holds 85,028,464,412 registered common shares, corresponding, on this date, to 58.63% of the **COMPANY**'s voting shares, and 31.07% of the capital stock;

- the State of Paraná plans to sell common shares issued by **COMPANY PARANAENSE DE ENERGIA - COPEL**, within the scope of Law 12.355, of December 8th 1998;

The PARTIES HAVE AGREED AND CONVENANTED to enter into the present Shareholders' Agreement, which shall be governed by the following clauses and conditions:

CLAUSE ONE **CAPITAL STOCK**

- 1.1 The capital stock of the **COMPANY** is R\$ 1,225,351,436.59 (one billion, two hundred and twenty five million, three hundred and fifty one thousand, four hundred and thirty six reais and fifty nine centavos), composed of 273,655,376,270 shares, of which 145,031,080,782 are common shares, 736,720,110 are class "A" preferred shares, and 127,887,575,378 are class "8" preferred shares.
- 1.2 The **COMPANY**'s pertinent Bylaws were approved at the Extraordinary Shareholders' Meeting - ESM held on 05.25.98.

CLAUSE TWO **MANAGEMENT**

- 2.1.1 The Company is managed by a Board of Directors and an Executive Board, whose attributions are defined in the pertinent Bylaws.

CLAUSE THREE
EXERCISE OF VOTING RIGHTS

3.1 The **STATE**, as the **COMPANY's** controlling shareholder, undertakes, for the term of this Agreement, to exercise its voting rights, so as to:

- a) elect 2 (two) sitting members when indicated by **BNDESPAR** to compose the Company's Board of Directors, as well as 01 (one) member to compose the Executive Board;
- b) not to approve, without the previous written authorization of **BNDESPAR**, any of the matters listed below:
 - I. amendment to the **COMPANY's** Bylaws;
 - II. increase in the **COMPANY's** capital stock;
 - III. creation of a new class of preferred shares, even if less favored, and alterations to the characteristics of the existing shares;
 - IV. reduction in the capital stock;
 - V. alteration in the **COMPANY's** corporate purpose;
 - VI. reduction in the compulsory dividends or distribution of dividends in a different amount relative to the amount foreseen in the **COMPANY's Bylaws** or full earnings retention;
 - VII. issue of the following securities: debentures convertible into shares, shares or convertible debentures subscription bonuses, founder's shares and share purchase options;
 - VIII. share split or reverse split of the number of shares issued by the **COMPANY**;
 - IX. establishment of reserves, funds or accounting provisions with impact on the rights and interests held by minority shareholders;
 - X. the **COMPANY's** lifting of the liquidation;
 - XI. termination, winding up and financial or equity reorganization voluntary acts;

- XII. merger, incorporation, spin-off, joint ventures, transformation, sale and/or acquisition of equity interests with the purpose of becoming affiliated companies, subsidiaries or wholly-owned subsidiaries of the **COMPANY**, as well as organization of companies with these characteristics, or participation in a Group of Companies;
- 3.2 The effectiveness of the provision contained in item 3.1 paragraph "a" and paragraph "b" items I, li, IV, V, VIII, IX, X, XI and XII is hereby suspended for 24 (twenty four) months as from the execution of this Shareholders' Agreement.

CLAUSE FOUR **SHARE PURCHASE OBLIGATION**

- 4.1 If the option to buy common shares issued by the **COMPANY**, which are the object of the Instrument of Share Purchase Option signed on 12/22/1998, it is not exercised, the **STATE** undertakes, on an irrevocable and irrevocable basis, to acquire, within a maximum 24-hour term as from the request made by **BNDESPAR**, the said common shares issued by the **COMPANY**, with the sole and exclusive purpose of including them in the **COMPANY**'s privatization auction. This obligation comprises not only the shares contemplated by the exercise of the purchase option, but also every common share issued by the **COMPANY**, which **BNDESPAR** eventually acquires (hereinafter referred to as COMMON SHARES).
- 4.1.1 The exercise price of the obligation to acquire the **COMPANY**'s common shares issued by the **COMPANY** held by **BNDESPAR**, shall comply with the following conditions:
- a) If the **COMPANY**'s privatization auction occurs until June 30th 2000, the **STATE** undertakes to pay **BNDESPAR**: (i) the amount corresponding to the acquisition price paid by **BNDESPAR** for the said shares updated according to TJLP (long term interest rate) added by 8% per year, plus (ii) 20% of the positive difference, if any, between the amount of the shares' sale value (on the assumption that all rights conferred by the share are transferred to the acquirer) reached in the auction, deducted by the value of the updated acquisition price, as mentioned in the previous letter (i). In case some rights conferred by the share are not transferred to the acquirer, the value corresponding to these rights will be added in compliance with the rule contained in letter (ii) above;

- b) If the **COMPANY**'s privatization auction is held between July 1st 2000 and December 31st 2000, the **STATE** undertakes to pay **BNDESPAR**: (i) the amount corresponding to the acquisition price paid by **BNDESPAR** for the said shares, adjusted to the TJLP (long term interest rate) added by 8% annual interest, plus (ii) 50% of the positive difference, if any, between the share sale value (on the assumption that all rights conferred by the share are transferred to the acquirer) reached in the auction deducted by the updated acquisition value, as mentioned in letter (i). In case some rights conferred by the share are not transferred to the acquirer, the value corresponding to these rights will be added in the application of the rule contained in letter (ii) above.

4.1.1.1 If **BNDESPAR** fails to exercise the right conferred to the same in item 4.1 of this Clause against the **STATE**, **BNDESPAR** is also entitled to take part in the Privatization Auction as the seller of its Common Shares, in compliance with the provision contained in sub-item 4.1.1. above, since these COMMON SHARES are part of the **COMPANY**'s share control.

4.1.2 If the **STATE** holds the **COMPANY**'s privatization auction after December 31st 2000, the following rights are conferred to **BNDESPAR**:

- i. the right to require the inclusion of all COMMON SHARES, in the controlling stake to be sold, be it sold jointly or in separate, by the **STATE** or by **PARANÁ INVESTIMENTOS**;
or
- ii. the option to sell the **COMMON SHARES** in a single lot or in several lots to the concerned third party (ies), and the **STATE**, hereby entitles these third parties to comply, to the extent that may be applicable, with the present Shareholders' Agreement, as well as all its rights and obligations;

4.1.2.1 If **BNDESPAR** exercises the option foreseen in items "i" and "ii" above, **BNDESPAR** shall be entitled to receive the totality of the price of the COMMON SHARES.

- 4.2 In case the privatization model contemplates the **COMPANY**'s spin-off, **COMMON SHARES** shall be hereby understood as all shares arising from the said spin-off. In case the privatization auction does not include all the shares arising from the spin-off, the shares dated as of the execution of this Agreement shall be acquired by the **STATE** or by **PARANÁ INVESTIMENTOS**, at the discretion of **BNDESPAR**, through the payment in cash, in kind, of the following price: the value paid by **BNDESPAR** in the acquisition of the **COMMON SHARES**, updated according to the TJLP (long term interest rate) added by 8% (eight per cent) per year, calculated on a pro rata basis, using the same criterion for the division of the **COMPANY**'s shareholders' equity adopted in the spin-off operation;
- 4.3 In any of the hypotheses mentioned in sub-items 4.1.1 and 4.1.2, **BNDESPAR** is authorized by the **STATE**, as the case may be, to carry out the financial settlement related to the sale of the **COMMON SHARES** directly with the Paying Bank, and for such it may, in behalf of the **STATE**, release, issue receipts, and sign all documents required to the completion of the sale and transfer of the **COMMON SHARES** to the acquirer.
- 4.4 The calculation of the acquisition price of **BNDESPAR**'s shares mentioned in sub-items 4.1.1 and 4.1.2 will be based on the average price of R\$ 11.50 (eleven reais and fifty centavos) for one thousand shares.
- 4.5 The terms established in this Clause will be extended, for the required number of days, provided that the following facts have jointly occurred: (a) the privatization procedure has been paralyzed by a court order (hereinafter called **COURT ORDER**); (b) the **STATE** has notified **BNDESPAR** in writing, within a 72-hour (seventy two) term, on the existence of the said court order, identifying the procedural measures it will carry out to void it; (c) to make arrangements so that the **COURT ORDER** becomes null and void, immediately carrying out all procedural acts within its reach. **BNDESPAR** may suggest the practice of the technically appropriate procedural acts required to void the **COURT ORDER**, and the **STATE** may discontinue such acts, provided that it essentially informs **BNDESPAR**, within a 72 (seventy two)-hour term; (d) the **STATE** shall keep **BNDESPAR** informed on the status of the lawsuits in progress, sending a copy of all petitions and briefs; (e) the **STATE** has notified in writing on the lifting of **COURT ORDER**, with the respective days to be included in the extension of the respective contractual term provided for in this item and (1) sub-item 4.5.1 is complied with in due time.
- 4.5.1 The same rules determined above shall be applicable in case the common shares issued by the **COMPANY**, held by **PARANÁ INVESTIMENTOS**, which are required for the classification of the **COMPANY**'s share control, are reached by a **COURT ORDER**, so



that **PARANÁ INVESTIMENTOS** shall be liable for performing the same obligations assumed by the **STATE** in item 4.5 above.

- 4.6 All expenses incurred in the holding of **COPEL's** Privatization Auction, including the tax expenses, shall be on the **STATE's** sole expense. The percentages mentioned in paragraphs a and b of item 4.1.1. shall not be deducted from any expenses related to **COPEL's** privatization auction.
- 4.7 All provisions contained in **COPEL's** COMMON SHARES sale call notice will apply to the payment of the purchase and sale price.

CLAUSE FIVE **COMPANY MANAGEMENT AND OTHER OBLIGATIONS**

- 5.1 The **STATE** undertakes before **BNDESPAR** to carry out the necessary acts to allow the **COMPANY** to comply with the following guidelines and norms relative to its management:
- I. to provide identical treatment relative to that provided to the remaining companies operating in the market, in case it carries out commercial operations with companies whose share control is held by the **COMPANY** or by the **STATE**, or companies whose share control is directly or indirectly held by the **COMPANY** or by the **STATE**;
 - II. to supply **BNDESPAR**, on a timely basis, with the necessary clarifications for follow-up on the obligations stipulated under this Agreement, in addition to supplying, on a periodical basis, the following documents:
 - II.1. pursuant to the terms contained in of Instruction 32 of the Brazilian Securities & Exchange Commission - CVM of March 16th 1984, the annual information - "IAN"; quarterly information - "ITR" and, any periodical or eventual information determined by the same instruction, within the terms set by the same;
 - II.2 on a biannual basis, until the 20th (twentieth) day of May and November, the financial statements issued on April 30th and October 31st of the same year, while **BNDESPAR** holds an ownership interest in the **COMPANY**. It is hereby agreed that **BNDESPAR** may

require the referred financial statements to be audited by the auditing company or independent auditors.

- III. to summon **BNDESPAR**, with 15 (fifteen) short notice, for the Extraordinary General Meeting (s) or Board of Directors' Meeting (s);
 - IV. to provide and allow the technical teams of **BNDESPAR** free access to the **COMPANY'S** juridical, administrative, technological or strategic information, so as to allow the teams to develop their studies and diagnoses about the **COMPANY** or sectors in which it operates.
- 5.1.1 The **STATE** is hereby ensured that all information provided to **BNDESPAR** will be kept under required and adequate secrecy for the protection of the **COMPANY'S** interests.
- 5.1.2 The effectiveness of the provision contained in paragraphs III and IV of item 5.1 is suspended for 24 (twenty four) months as from the date of execution of this Shareholders' Agreement.

CLAUSE SIX **OBLIGATIONS OF THE STATE**

- 6.1 The **STATE** undertakes to submit to the previous written approval of **BNDESPAR** the policy to be adopted relative to the majority shareholders in the event of acquisition, merger, spin-off and sale of the **COMPANY'S** share control.
- 6.2. The **STATE** also undertakes to only deliberate on the use of the options stipulated in paragraphs 3^o and 4^o of article 202 of Law 6.404/76, if the same is previously approved in writing by **BNDESPAR**.
- 6.3 The effectiveness of the provisions contained in items 6.1 and 6.2 of this Clause is suspended for 24 (twenty four) months as from the date of execution of the present Instrument.
- 6.4 The **STATE** also undertakes to not constitute, on behalf of third parties, a strategic lot (by entering into a shareholders' agreement contemplating the exercise of voting rights) with the common shares issued by the **COMPANY** held by the same.

CLAUSE SEVEN
NONPERFORMANCE OF OBLIGATIONS

- 7.1 The **STATE** shall be liable before **BNDESPAR** for the nonperformance of the obligations set forth under this Agreement.

CLAUSE EIGHT
TERM

- 8.1 This Agreement shall be effective for the term **BNDESPAR** remains a shareholder of the **COMPANY**, or for a 20 (twenty)-year term, as from this date, whichever occurs first. In the event foreseen in Clause Four Sub-item 4.1.2, paragraph "ii" takes place, the present Shareholders Agreement shall have a term of 20 (twenty) years from the date of the first sale of shares.
- 8.2 In case of sale of COMMON SHARES fractions, the rights conferred to the same by this instrument shall be exercised on an equal basis, through deliberation, by majority of vote, at a previous meeting convened for this purpose, to be attended only by the holders of the said COMMON SHARES.

CLAUSE NINE
STATEMENTS OF FACT AND FILING

- 9.1 The **STATE** hereby declares that it has not entered into any agreement or convention prior to the execution of the present instrument, and there are no impediments to the obligations herein contracted. It also undertakes to not enter into any other shareholders' agreement or any other instrument conditioning or restricting the exercise of its voting rights in the **COMPANY**, without the prior written consent of **BNDESPAR**.
- 9.2 A copy of this Agreement shall be kept filed by the **COMPANY** in its headquarters, and the **COMPANY** shall strictly comply with the same, immediately notifying the parties to the agreement, on any facts or omissions implying violation of the norms herein established.



- 9.3 On the Nominative Shares Registration Book of the **COMPANY**, on the margin of the record of the common shares held by the **STATE**, as well as in the respective share certificates, the following text shall be recorded: *"The pledge or transfer of these shares, under any pretext, shall be subject to the lien and shall comply with the Shareholders' Agreement entered into on 12/22/1998, under penalty of ineffectiveness of the transaction".*

CLAUSE TEN
VENUE/ JURISDICTION

The parties elect the Central Court of the City of Curitiba to settle any dispute that may arise from the construction of this agreement.

In witness whereof, the parties execute this agreement in 04 (four) counterpart copies, with a single purpose, together with the witnesses below:

The pages of this instrument are initialed by Maria Lídia de Moraes Sá Peixoto Montenegro, lawyer of BNDESPAR, as authorized by the undersigned legal representatives.

Rio de Janeiro, December 22nd 1998.

By the State:

By BNDESPAR:

By the Intervening Consenting Party:

Witnesses:



1st CONSOLIDATED ADDITION TO SHAREHOLDERS AGREEMENT AND OTHER COVENANTS EXECUTED BETWEEN BNDES PARTICIPAÇÕES S.A. - BNDESPAR AND THE STATE OF PARANA, AS THIRD PARTY AGENT, FOLLOWS:

BNDES PARTICIPAÇÕES S.A. - BNDESPAR, a wholly subsidiary of BANCO NACIONAL DE DESENVOLVIMENTO ECONÔMICO E SOCIAL - BNDES, with main offices in Brasilia, Federal District, in Setor Bancario Sul, Conjunto 1, Bloco E, Edifício BNDES - 130 andar, and services in the city of Rio de Janeiro - RJ, at Av. Republica do Chile, 100 - 190 e parte do 200 andares and registered with Tax Payer's number 00.383.281/0001-09, hereby represented as provided for in the Company By-laws, hereinafter referred to as **BNDESPAR**; and

The **STATE OF PARANA**, a legal government entity registered with Tax Payer's no. 76.416.890/0001-89, with main offices at Palácio Iguaçu, at Praça Nossa Senhora Salete, s/nº - Centro Cívico - Curitiba - Paraná, hereby represented as provided for in the State Constitution, hereinafter referred to as **STATE**.

Appearing as **THIRD PARTY AGENT**:

COMPANHIA PARANAENSE DE ENERGIA - COPEL, a joint stock company, with main offices at Rua Coronel Dulcídio, 800 - Curitiba - Paraná, registered with Taxpayer's number 76.483.817/0001-20, hereby represented as provided for in the Company By-laws, hereinafter referred to as **COMPANY**.

Appearing also as **CONSENTING THIRD PARTY**:

PARANA INVESTIMENTOS S.A., a joint stock company, created by State Law no. 11.428, of 06/14/1996, with main offices in the city of Curitiba, State of Paraná, at Avenida Dr. Vicente Machado, 445 – 4º andar, registered with Taxpayer's number 01.276.466./0001-87, duly represented as provided for in its Company Bylaws, hereinafter referred to as **PARANA INVESTIMENTOS**.



Considering:

- that **BNDESPAR** currently owns 38,298,775,066 nominative common shares of stock issued by the **COMPANY**;

- that the **STATE** owns currently 85,028,732 nominative common shares corresponding, as of this date, 58.6% of the **COMPANY** voting capital, and 31.10% of the total capital;

- that the State of Paraná has the interest in selling the common stock issued by **COMPANHIA PARANAENSE DE ENERGIA - COPEL** within the provisions of Law 12.355, of 12/08/1998,

- that **BNDESPAR** Board of Directors approved the addition of subitem **4.1.1**, of subitem **4.1.2**. and item 4.2 of Clause Four of the Shareholders Agreement and other Covenants executed between **BNDESPAR** and the **STATE** on 12/22/1998, with the participation of a third party agent;

Resolve hereby and in the best form of law to execute this Consolidated Addition to the above-mentioned Contract, within the conditions and clauses that follow:

CLAUSE ONE CAPITAL STOCK

1.1 The **COMPANY** capital stock is R\$ 1,620,246,833.38 (one billion six hundred twenty million two hundred forty-six thousand eight hundred thirty-three real and thirty-eight cents), made up of 273,655,376,270 shares of stock, being 145,031,080,782 common shares and 640,949,399 class A preferred shares and 27,983,346,089 class B preferred shares.

1.2 The current **COMPANY** By-laws was approved on the 45th Ordinary General Assembly occurred on 03/2712000.

CLAUSE TWO MANAGEMENT

2.1 The **COMPANY** is managed by a Board of Directors and by a Directorate, which has their composition and duties defined in the Company By-laws in effect.

CLAUSE THREE
RIGHT TO VOTE

- 3.1** The **STATE**, as the **COMPANY** majority shareholder shall exercise the right to vote during the term of the Agreement, so as to:
- a) elect 2 (two) actual members when appointed by **BNDESPAR** to join the Company Board of Directors, as well as appoint 1 (one) member to join the Directorate;
 - b) not approve, without prior written consent from BNDESPAR, any of the matters listed below:
 - I. amendments to the **COMPANY** By-laws;
 - II. increase in the **COMPANY** capital stock;
 - III. creation of a new class of preferred capital, however less favored it may be, and changes to the characteristics of the existing shares of stock;
 - IV. reduction in capital stock;
 - V. changes to the **COMPANY** purpose;
 - VI. reduction in compulsory dividend or distribution of dividends in an amount that differs from that prescribed on the **COMPANY** By-laws or retaining of all profits;
 - VII. issuance of the following securities: debentures convertible to stock, stock and debentures convertible to stock underwriting bonds, beneficiary parties and options to purchase stock;
 - VIII. reverse splitting or splitting the number of shares issued by the **COMPANY**;
 - IX. formation of reserves, funds or accounting provisions with repercussions on the rights and interest of minority shareholders;
 - X. ceasing the state of liquidation of the **COMPANY**;
 - XI. liquidation, dissolution and voluntary acts of financial or company reorganization;

XII. merger, acquisition, spin-off, association, transformation, sale of company shares and/or the acquisition of company shares with the purpose of turning other companies into full affiliates, subsidiaries or associates of the **COMPANY**, as well as the formation of companies with these characteristics or, yet, the participation in Groups of Companies;

3.2 The enforceability of provision in item 3.1 item "a" and item "b" subitems I, II, IV, V, VIII, IX, X, XI and XII were suspended until 12/22/2000.

CLAUSE FOUR **COENTTOPURCBASESHARESOFSTOCK**

4.1 If the option to buy common shares issued by the **COMPANY** which are object of the Instrument of Option to Purchase signed on 12/22/1998 is not exercised, the STATE shall, irrevocably and irreversibly, acquire, in the maximum time period of 48 hours from the date requested made by **BNDESPAR**, the mentioned common shares issued by the **COMPANY**, with the sole and exclusive purpose of including them in the **COMPANY** privatization auction. This commitment includes not only the shares subject to the right to exercise the option of purchase, as well as all of the common shares issued by the **COMPANY**, that **BNDESPAR** gain title to (hereinafter referred to as COMMON SHARES).

4.1.1. The exercise price of the commitment to purchase the common shares issued by the **COMPANY**, owned by **BNDESPAR**, shall observe the following conditions:

If the **COMPANY** privatization auction takes place by the 30th of September of 2002, the STATE shall pay **BNDESPAR** (i) the amount corresponding to the acquisition price paid by **BNDESPAR** for the mentioned shares adjusted by the TJLP plus 8% per year, and also, (ii) 100% of the positive difference, if any, between the amount of sale of shares (under the assumption that all rights to the shares are assigned to the acquirer) reached in auction deducted the adjusted amount of the acquisition price of the shares. In the event that some of the rights to the shares are not assigned to the acquirer, the amount corresponding to these rights shall be added by applying the rule contained in item ii above (iii) the percentage in item ii may vary in lieu of the following cumulative appreciation percentage of the shares which may be gained by the STATE observing the dates and events below:

Share of appreciation gained by the State	Máx cum. percentage of State ownership in the eventual increase in Bndespar share value at Copel auction	Events connected to the privatization of Copel	Date
+10%	10%	Publication of RFP for Hiring of Consultants	Until 02.15.2001
+10%	20%	Publication of Copel Privatization RFP	Until 07.31.2001
+25%	45%	Privatization auction	Until 11.30.2001
+25%	70%	Privatization auction	Until 01.31.2001
-10%	60%	Privatization auction	Until 03.31.2001
-10%	50%	Privatization auction	Until 05.31.2001
-10%	40%	Privatization auction	Until 07.31.2001
-20%	20%	Privatization auction	Until 09.30.2001
-20%	0	Privatization auction	Until 09.30.2001

4.1.1.1 In case **BNDESPAR** waives the right to use against the **STATE** the right which is guaranteed to it in item 4.1 of this Clause, it is assured, furthermore, to **BNDESPAR** the right to participate in the Privatization Auction as proponent of its Ordinary Shares, observing provision contained in subitem 4.1.1 above, since these **COMMON SHARES** are an integral part of the **COMPANY** stock control.

4.1.2 In case the **STATE** carries out the **COMPANY** privatization auction after the 30th of September of 2002, **BNDESPAR** shall have it guaranteed:

- i. the right to demand the inclusion of all **COMMON SHARES**, in the controlling lot to be sold, whether such a control is sold, in aggregate or separately, by the **STATE** or by **PARANA INVESTIMENTOS**, or
- ii. the option to sell the **COMMON SHARES** in a sole lot or several lots to third parties that may be interested, acknowledging the **STATE** forthwith the right of third parties to join, as applicable, this Shareholders Agreement with all its rights and obligations;

4.1.2.1 In case **BNDESPAR** makes use of its option as provided for in items "i" and "ii" above, **BNDESPAR** shall have the right to receive the full price for the **COMMON SHARES**.

4.2 In case the privatization model provides for a spin-off in **COMPANY**, by **COMMON SHARES**, all of those stemming from the mentioned spin-off shall extend to it. In the event that the privatization auction does not include all of the shares resulting from the spin-off, those that remain excluded after the 30th of September of 2002 shall be acquired by the **STATE** or by **PARANA INVESTMENTS S.A.**, at **BNDESPAR** discretion, by means of a



payment in full, in currency, of the following price: the amount paid by BNDESP AR in the acquisition of the COMMON SHARES, adjusted by the TLJP plus 8% (eight per cent) per year, pro rated, using the same COMPANY shareholder's assets division method adopted in the spin-off procedures;

- 4.3** In any of the eventualities in subitems **4.1.1** and **4.1.2**, **BNDESPAR** is authorized by the **STATE**, whenever applicable, to order the financial liquidation relative to the sale of COMMON SHARES directly with the Liquidating Institution, being authorized on behalf of the STATE to give acquittance, issue receipt, sign all documents necessary for the sale and assignment of COMMON SHARES to the acquirer.
- 4.4** The average price of R\$ 11.50 (eleven real and fifty cents) per lot of a thousand shares of acquisition of the shares from **BNDESPAR** mentioned in subitems **4.1.1** and **4.1.2** shall be taken as a basis for calculation, using as a reference the date of acquisition of 12/22/98.
- 4.5** The term limits set forth in this clause shall be extended, by the number of days necessary, provided that, all of the following facts have occurred: (a) the privatization procedure has been halted by court order (hereinafter referred to as COURT ORDER); (b) the **STATE** has notified **BNDESPAR**, in writing, within 72 (seventy-two) hours, of the existence of the cited court order, identifying the procedural measures that it will take to render it ineffective; (c) take all actions so that the COURT ORDER is rendered ineffective, taking, forthwith, all procedural steps available to it. **BNDESPAR**, may suggest the practice of procedural acts technically appropriate geared towards making the Court Order ineffective, and the STATE may exempt it self from acting, provided it notifies **BNDESPAR**, with grounds, within 72 (seventy-two) hours; (d) the **STATE** shall keep **BNDESPAR** informed of the developments in legal actions pending, forwarding a copy of all pleadings and documents; (e) have the STATES notified, in writing, the ceasing of the COURT ORDER, with the respective days to be included in the extension of the respective contract term provided for in item e (f) subitem 4.5.1, be complied with in time.
- 4.5.1** The same rules set forth above shall be applicable in case the common shares issued by the **COMPANY**, owned by **PARANA INVESTIMENTOS**, necessary to configure the **COMPANY** controlling stock, are reached by COURT ORDER, so as that **PARANA INVESTIMENTOS** will have to fulfill all obligations assumed by the **STATE** in item **4.5** above.
- 4.6** All expenses incurred to take the **COPEL** privatization auction to fruition, including tax-related ones, shall be borne by the **STATE**. From the



mentioned percentages in item **4.1.1**, no expenses related to the **COPEL** privatization auction shall be deducted.

- 4.7** All rules contained in the Request for Proposal for the sale of COMMON SHARES issued by **COPEL** shall apply to the payment of the purchase and sale price herein.

CLAUSE FIVE **COMPANY MANAGEMENT AND OTHER OBLIGATIONS**

- 5.1** The **STATE** assumes the commitment to **BNDESPAR** to carry out all acts necessary for the **COMPANY** to comply with the following guidelines and rules relative to its management:
- I. give the same treatment usually given to other companies in the marketplace, in case it decides to participate in business transactions with companies in which the **COMPANY** or the **STATE** have the control of shares or participate in them directly or indirectly;
 - II. give **BNDESPAR**, promptly, clarifications necessary to follow up the obligations contracted in this Agreement in addition of, periodically, the following documents:
 - II.1. according to Instruction no. 202 of the Brazilian Securities and Exchange Commission CVM, of the 6th of December of 1993, the annual information - "IAN"; the quarterly information - "ITR" and, also, any periodic or eventual information determined by the same instruction, within the terms determined by it;
 - II.2. biannually, up to the 20th (twentieth) day of May and November, the financial statements as of April 30 and October 31 of the same year, while **BNDESPAR** maintain share participation in the **COMPANY**. It is hereby agreed that **BNDESPAR** may require that the mentioned financial statements be audited by auditing firm or independent auditor.
 - III. call **BNDESPAR**, 15 (fifteen) days in advance, for the Extraordinary General Assembly(ies) or Meeting(s) of the Board of Directors;
 - IV. supply and extend to **BNDESPAR** technical team free access to **COMPANY** information, whether of, legal, financial, administrative, technological, or strategic nature, so that the teams may develop studies and diagnostics on the **COMPANY** or sectors in which it operates.



5.1.1 It is hereby assured to the **STATE** that, it will be kept the necessary and appropriate confidentiality as to the information provided to **BNDESPAR** to protect the **COMPANY** interests.

5.1.2 The enforceability of subitems III and IV of item **5.1** were suspended until 12/22/2000.

CLAUSE SIX **OBLIGATIONS OF THE STATE**

6.1. **STATE** shall submit for **BNDESPAR** prior approval, in writing, the policy to be adopted as to minority shareholders in the case of acquisition, merger, spin-off or sale of the **COMPANY** majority capital stock.

6.2. The **STATE** also agrees to only deliberate as to the use of its options stipulated in paragraphs 3 and 4 or article 202 of Law 6.404/76, if it is approved in advance, in writing, by **BNDESPAR**.

6.3. The enforceability of items **6.1** and **6.2** of this Clause were suspended until 12/22/2000.

CLAUSE SEVEN **BREACH OF CONTRACT**

7.1 The **STATE** shall answer to **BNDESPAR** for any breach of terms of the contract as established in this Agreement.

CLAUSE EIGHT **TERM**

8.1. This Agreement shall be in force during the time **BNDESPAR** maintain the quality of the **COMPANY** shareholder or during the time period of 20 (twenty) years, from 12/22/1998, prevailing whatever comes first. If the event provided for in Clause Four subitem **4.1.2**, subitem "ii" takes place, the current Shareholders Agreement shall have a term of 20 (twenty) years from the date of the first sale.

- 8.2. In the event of sale of COMMON SHARES in fractions, the rights to them as granted hereby shall be exercised as a whole, by means of determination, by majority vote, in a meeting called in advance for such a purpose, in which only the holders of the mentioned COMMON SHARES shall participate.

CLAUSE NINE **STATEMENTS OF FACT AND FILING**

- 9.1. The **STATE** declares that no vote agreement or arrangement exist prior to this, or any fact that results in an impediment to the obligations contracted for. It also agrees not to sign any other shareholders agreement or any other instrument which conditions or restricts the right of vote in the **COMPANY**, without prior consent, in writing, from **BNDESPAR**.
- 9.2. The **COMPANY** shall keep on file, in its main offices, a copy of this Agreement and shall see that it is complied with, notifying the contracting parties, promptly, of any facts or omissions that result in violation of the norms hereby established.
- 9.3. The COMPANY Nominative Shares Registration Book, on the margin of the record of common shares owned by the **STATE**, as well as on the respective certificates of shares, shall note the following text: "The encumbrance or transfer, under any circumstance, of these shares, is subject to onus and to the norms set on the Addition to the Shareholders Agreement executed on 03/29/2001, under the penalty of rendering it a null operation".

CLAUSE TEN **JURISDICTION**

The jurisdiction for this contract shall be the city of Curitiba, State of Paraná, to resolve any disputes resulting from it.

And, by fair and mutual agreement, the parties execute this instrument in four (04) copies with the same content and form, for a sole purpose, together with the witnesses below:

The pages of this instrument are initialed by Marcus Vinicius de Viveiros Dias, attorney for **BNDESPAR**, by authorization from the legal representatives that sign it.

Rio de Janeiro, the 29th or March of 2001.



For the **STATE**
/signature illegible/

For **BNDESPAR**
/signature illegible/
Francisco R. Gros
Director - President **BNDESPAR**

/signature illegible/
Estella de Araujo Fenne
Director **BNDESPAR**

For the **COMPANY**
/signature illegible/

For the Consenting Third Party:
/signature illegible/

Witnesses:
Luis Sergio de F. Macedo
/signed/
05662790-4

Marinalva S. Machado, Id. Card n. 3522258-1FP
/signed/

Stamped:
17 April 2001
6th Public Registry of Deeds and Documents
Rua do Carmo 63 – 4^o /5^o andares (021) 247-1392
Registered and microfilmed with number and date entered at the margin.
By: Maria Luiza Furtado de Mendonça - Deputy - Ctps n. 97702/026 RJ
/signed/

Sealed: General Disciplinary Office - RJ - Control Seal N. BXV57104 - 1st action

In my capacity as a sworn translator, I hereby certify that the above text is a true and accurate translation from its original done to the best of my ability and knowledge on this 21 May 2001.



BNDES PARTICIPAÇÕES S.A. - BNDESPAR
Setor Bancário Sul, Conjunto 1, Bloco E
Ed. BNDES - 130 Andar - BRASÍLIA – DF

To Companhia Paranaense de Energia – COPEL
Rua Cel. Dulcídio, 800
CURITIBA – PR

In view of the 1st Consolidated Addendum to the Shareholders' Agreement and Other Covenants, entered into between **BNDESPAR** and the **STATE OF PARANÁ**, with the mediation of **COMPANHIA PARANAENSE DE ENERGIA - COPEL** and **PARANÁ INVESTIMENTOS S.A.**, on March 29, 2001, and considering the material error concerning the amount of common shares held by the **STATE** in the capital stock of **COPEL** mentioned in the Whereas section of said legal instrument, the parties resolve to enter into this present **LETTER ADDENDUM TO THE SHAREHOLDERS' AGREEMENT AND OTHER COVENANTS** to re-ratify that the **STATE OF PARANÁ** owns eighty-five billion, twenty-eight million, four hundred, sixty-four thousand, four hundred and twelve (85,028,464,412) common registered shares issued by **COPEL**, corresponding on this date to 58.63% of the voting capital and 31.07% of the total capital of **COPEL**.

Curitiba, August 8, 2001.

by STATE OF PARANÁ:

JAIME LERNER
State Governor

Agreed:

By BNDESPAR:

Francisco R Gros
Chief Executive Officer of BNDESPAR

Estela de Araújo Penna
Officer of BNDESPAR

By Copel: INGO HENRIQUE HUBERT
Chief Executive Officer

FERDINANDO CHAUENBURG
Chief Financial Officer

By Paraná Investimentos: