Loan Agreement

(Second Disaster Risk Management Development Policy Loan)

between

REPUBLIC OF PERU

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Date: ____________, 20__
LOAN AGREEMENT

Agreement, as of the signature Date (as defined in the Appendix to the Loan Agreement), between the REPUBLIC OF PERU ("Borrower") and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, inter alia, of: (a) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Borrower’s maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of four hundred million United States Dollars ($400,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan").

2.02. The Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Section II of Schedule 1 to this Agreement. The Borrower’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Minister of Economy and Finance, or the Borrower’s Director of Indebtedness and Public Treasury of the Ministry of Economy and Finance or any person whom any of them shall designate in writing.

2.03. The Front-end Fee payable by the Borrower shall be equal to one half of one percent (0.50%), of the Loan amount. The Borrower shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.

2.04. If, at the Borrower’s request and on such terms and conditions as the Bank may agree, the Closing Date is extended, the fee payable by the Borrower for each extension of the Closing Date shall be at the rate of one quarter of one percent (0.25%) of the amount of the Loan available for withdrawal upon such extension. If the Borrower elects to capitalize the fee from the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself such amounts required to pay such fee. If the Borrower elects to pay the fee from its own resources, the Borrower shall pay such fee not later than sixty (60) days after the date of the notice given by the Bank to the Borrower confirming the extension of the Closing Date.
2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (c) of the General Conditions.

2.06. The Payment Dates are May 15 and November 15 in each year.

2.07. (a) Except as otherwise provided in paragraph (b) of this Section, the principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 2 to this Agreement.

(b) The Borrower may at the time of requesting a Withdrawal also request repayment provisions different from those set out in Schedule 2 to this Agreement for such Withdrawal, provided that: (i) the average maturity of such Withdrawal does not exceed twenty (20) years from the Withdrawal Date and the final maturity of such Withdrawal does not exceed thirty-five (35) years from the Withdrawal Date (or such other average maturity and/or final maturity as may be generally applicable to loans made by the Bank to the Borrower at the time of such agreement); and (ii) such repayment provisions have been agreed between the Borrower and the Bank prior to the Withdrawal Date of such Withdrawal.

2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
2.09. At any time prior to the Closing Date, the Borrower may, by notice to the Bank, refund any amount of the Withdrawn Balance for the purpose of re-crediting such amount to the Loan Account for further withdrawals. Upon such refund, the repayment schedule shall be adjusted on a pro rata basis, on terms and conditions acceptable to the Bank.

2.10. Without limitation upon the provisions of Section 5.08 of the General Conditions (renumbered as such pursuant to paragraph 5 of Section II of the Appendix to this Agreement and relating to Cooperation and Consultation), the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.08 of the General Conditions:

(a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower's macroeconomic policy framework and the progress achieved in carrying out the Program;

(b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Additional Condition of Effectiveness consists of the following, namely, that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework.

4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. Except as provided in Section 2.02 of this Agreement, the Borrower's Representative is its Minister of Economy and Finance, provided that the Borrower's Director of Indebtedness and Public Treasury of the Ministry of Economy and Finance may, by him or herself, represent the Borrower to sign amendments and/or notices to this Agreement which are considered of an administrative and non-financial nature. The signing by such Director of an amendment and/or notice shall constitute a representation by the Borrower that any such amendment and/or notice is considered to be administrative and non-financial in nature.
5.02. The Borrower’s Address is:

Ministry of Economy and Finance
Jr. Junín 319
Lima, Perú

Facsimile:
(511) 626-9921

5.03. The Bank’s Address is:

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. 64145(MCI)

Telex: 248423(MCI) or 1-202-477-6391

AGREED at LIMA, PERU on behalf of the Bank on APRIL 27, 2015, and at
LIMA, PERU on behalf of the Borrower on MAY 06, 2015.

REPUBLIC OF PERU

By ________________________________
Authorized Representative

Name: ALONSO SEGURA V.
Title: MINISTRO DE ECONOMÍA Y FINANZAS

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By ________________________________
Authorized Representative

Name: ALBERTO RODRIGUEZ
Title: COUNTRY DIRECTOR
SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

The actions taken by the Borrower under the Program include the following:

A. Improving Efficiency in Public Resource Allocations for Disaster Risk Management

1. The Borrower has strengthened the financial mechanisms for the implementation of the National Disaster Risk Management Plan (PLANAGERD), through the integration of the existing DRM budgetary program into the new DRM policy framework established by the PLANAGERD, and enabling the inclusion of disaster risk information into regional development planning, as evidenced by: (i) the issuance of Supreme Decree No. 034-2014-PCM of May 12, 2014 approving the PLANAGERD 2014-2021; (ii) the inclusion of the necessary budgetary allocations for the DRM budgetary program in the 2015 National Budgetary Law No. 30281 of December 4, 2014; and (iii) the issuance of CENEPRED Administrative Resolution (Resolución Jefatural) No. 044-2014-CENEPRED/J of May 23, 2014 approving the guidelines for the incorporation of DRM in the Regional Development Plans.

B. Strengthening Vulnerability Reduction Policies in Infrastructure for Education and Housing Sectors and Flood Protection Measures

1. The Borrower, through MINEDU, has adopted policies to integrate seismic risk reduction considerations for existing and new school infrastructure in the Borrower’s territory through the establishment of PRONIED, as evidenced by the issuance of Supreme Decree No. 004-2014-MINEDU of May 30, 2014.

2. The Borrower, through MVCS, established a financing mechanism for a pilot program to reduce seismic vulnerability of low income housing as evidenced by the issuance of Law 30191 for the Prevention, Mitigation and Attention to Disasters of May 9, 2014 and Ministerial Resolution No. 172-2014-VIVIENDA of June 5, 2014 approving the operational rules for the “Grant for the Protection of Vulnerable Housing to Seismic Risk”.

3. The Borrower, through MINAGRI, has taken measures to improve the design of flood protection programs at the national and sub-national level, through: (i) the expansion of the mandate of the National Water Authority to conduct hydraulic studies that support the design of regional and local flood protection programs; and (ii) the definition of specific minimum standards for the preparation of pre-investment studies for flood protection public investments projects under the SNIP framework, as evidenced by the issuance of Supreme Decree No. 006-2014-MINAGRI of May 23, 2014 and MEF Directorial Resolution No. 006-2014-EF/63.01 of September 3, 2014.
C. **Increasing the Borrower's Capacity for Post-Disaster Recovery and Reconstruction**

1. The Borrower has taken measures to improve post-disaster recovery and reconstruction processes in the aftermath of a disaster through the establishment of a regulatory and institutional framework for reconstruction, as evidenced by the issuance of: (i) Supreme Decree No. 034-2014-PCM approving the PLANAGERD-2014-2021, of May 12, 2014; and (ii) defining internal coordination mechanisms to finance rehabilitation and reconstruction processes, as evidenced by MEF Ministerial Resolution No. 034-2015-EF/10 of January 22, 2015.

**Section II. Availability of Loan Proceeds**

A. **General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.

B. **Allocation of Loan Amounts.** The Loan is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Loan (expressed in US Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>400,000,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>400,000,000</td>
</tr>
</tbody>
</table>

C. **Payment of Front-end Fee.** No withdrawal shall be made from the Loan Account until the Bank has received payment in full of the Front-end Fee.

D. **Payment of Fee Pursuant to Section 2.04 of Agreement.** If the Closing Date is extended pursuant to Section 2.04 of this Agreement and the Borrower elects to finance from its own resources the fee set forth in said Section, no withdrawal shall be made from the Loan Account until the Bank has received payment in full of such fee.

E. **Withdrawal of Loan Proceeds**

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied, based on evidence satisfactory to it, that a national State of Emergency (*Estado de Emergencia*) exists in the Borrower's territory as a result of a natural disaster which has been declared by the Borrower, through a *Decreto Supremo* (Supreme Decree), all in accordance with the Borrower's legislation.

2. Notwithstanding the foregoing, if, at any time prior to the receipt by the Bank of a request for withdrawal of an amount of the Loan, the Bank determines that a review of the Borrower's progress in carrying out the Program is warranted, the Bank shall give notice to the Borrower to that effect. Upon the giving of such notice, no withdrawals shall be made of the Unwithdrawn Loan Balance unless and until the Bank has notified the Borrower of its satisfaction, after an exchange of views as described in paragraphs (a) and
(b) of said Section 3.01. with the progress achieved by the Borrower in carrying out the Program.

F. **Deposits of Loan Amounts.** Except as the Bank may otherwise agree:

a. all withdrawals from the Loan Account shall be deposited by the Bank into an account designated by the Borrower and acceptable to the Bank; and

b. the Borrower shall ensure that upon each deposit of an amount of the Loan into this account, an equivalent amount is accounted for in the Borrower’s budget management system, in a manner acceptable to the Bank.

G. **Excluded Expenditures.** The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded Expenditure, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

H. **Closing Date.** The Closing Date is March 12, 2018.
SCHEDULE 2

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15 Beginning May 15, 2027 through November 15, 2030</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two (2) calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on
or after the respective Principal Payment Date, the provisions of such sub-
paragraph shall no longer apply to any withdrawals made after the adoption of such
billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency
Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency,
the amount so converted in the Approved Currency that is repayable on any Principal
Payment Date occurring during the Conversion Period, shall be determined by the Bank by
multiplying such amount in its currency of denomination immediately prior to the
Conversion by either: (i) the exchange rate that reflects the amounts of principal in the
Approved Currency payable by the Bank under the Currency Hedge Transaction relating
to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion
Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the
provisions of this Schedule shall apply separately to the amount denominated in each Loan
Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Section I. Definitions

1. “CENEPRED” means Centro Nacional de Estimación, Prevención y Reducción de Riesgos de Desastres, the Borrower’s Center for the Estimation, Prevention and Reduction of Disaster Risks.

2. “DRM” means disaster risk management.

3. “Excluded Expenditure” means any expenditure:

   (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;

   (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>

(c) for goods intended for a military or paramilitary purpose or for luxury consumption;
(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or other recipient of the Loan proceeds, without the Borrower (or other such recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.

4. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.

5. “MEF” means Ministerio de Economía y Finanzas, the Borrower’s Ministry of Economy and Finance.

6. “MINAGRI” means Ministerio de Agricultura y Riego, the Borrower’s Ministry of Agriculture and Irrigation.

7. “MINEDU” means Ministerio de Educación, the Borrower’s Ministry of Education.

8. “MVCS” means Ministerio de Vivienda, Construcción y Saneamiento, the Borrower’s Ministry of Housing, Construction and Sanitation.


10. “Program” means the program of actions, objectives and policies designed to strengthen the institutional and legal framework to contribute towards the reduction of the Borrower’s fiscal and physical vulnerability to disasters, and set forth or referred to in the letter dated January 20, 2015 from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution.

11. “PRONIED” means Programa Nacional de Infraestructura Educativa, the Borrower’s National School Infrastructure Program.

12. “Signature Date” means the latest of the two dates on which the Borrower and the Bank signed the Loan Agreement and such definition applied to all references to “the date of the Loan Agreement” in the General Conditions.
13. "Single Withdrawal Tranche" means the amount of the Loan allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

14. "SNIP" means Sistema Nacional de Inversión Pública, the Borrower’s System of Public Investments.

15. "State of Emergency" means a declaration by the Borrower, through a Supreme Decree, of a state of emergency (Estado de Emergencia) due to a catastrophic disaster generated by natural geological phenomena, including *inter alia:* earthquake, tsunamis, volcanoes and landslides; and/or hydro-meteorological phenomena, including *inter alia:* floods, hurricanes, *El Niño/La Niña,* and storms surge, as stated in article 137 of the Borrower’s Constitution, and regulated by: (i) Supreme Decree No. 005-88-SGMD, dated May 17, 1988 and modified by Supreme Decrees No. 058-2001-PCM, dated May 22, 2001 and No. 069-2005-PCM, dated September 14, 2005; (ii) Supreme Decree (Decreto Supremo) No. 001-A-2004-DE/SG, dated January 15, 2004; and (iii) any other legal instrument, compatible with the established procedures for the declaration of a State of Emergency, that the Borrower may introduce from time to time.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

3. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

4. Section 3.01. (Front-end Fee) is modified to read as follows:

"Section 3.01. Front-end Fee; Commitment Charge

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty (60) days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”

5. Sections 5.01 (Project Execution Generally), and 5.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the subsequent Sections in Article V are renumbered accordingly.
6. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 5 above and relating to Use of Goods Works and Services) is deleted in its entirety.

7. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 5 above) is modified to read as follows:

"Section 5.06. Plans; Documents; Records

... (c) The Borrower shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Loan until two (2) years after the Closing Date. The Borrower shall enable the Bank's representatives to examine such records."

8. Paragraph (c) of Section 5.07 (renumbered as such pursuant to paragraph 5 above) is modified to read as follows:

"Section 5.07. Program Monitoring and Evaluation

... (c) The Borrower shall prepare, or cause to be prepared, and furnish to the Bank not later than six (6) months after the Closing Date, a report of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program, the performance by the Loan Parties and the Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan."

9. In the Appendix, Definitions, all references to Section numbers and paragraphs are modified, as necessary, to reflect the modifications set forth above.

10. The Appendix is modified by inserting a new paragraph 19 with the following definition of "Commitment Charge", and renumbering the remaining paragraphs accordingly:

"19. "Commitment Charge" means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b)."

11. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Eligible Expenditure") is modified to read as follows:

"37. "Eligible Expenditure" means any use to which the Loan is put in support of the Program, other than to finance expenditures excluded pursuant to the Loan Agreement."

12. Renumbered paragraph 44 (originally paragraph 43) of the Appendix ("Financial Statements") is deleted in its entirety.

13. In paragraph 46 of the Appendix, the term "Fixed Spread" is modified to read as follows:

"46. "Fixed Spread" means, for each Withdrawal, the Bank's fixed spread for the Loan Currency of the Withdrawal in effect at 12:01 a.m. Washington, D.C. time, on the Withdrawal Date, and expressed as a percentage per annum; provided, that: (a) for purposes of determining the Default Interest Rate, pursuant to Section 3.02 (e), that is applicable to an amount of the Withdrawn Loan Balance on which interest is payable at a
Fixed Rate, the "Fixed Spread" means the Bank's fixed spread in effect at 12:01 a.m. Washington, D.C. time, one calendar day prior to the date of the Loan Agreement, for the Currency of denomination of such amount; (b) for purposes of a Conversion of the Variable Rate based on a Variable Spread to a Variable Rate based on the Fixed Spread, and for purposes of fixing the Variable Spread pursuant to Section 4.02, "Fixed Spread" means the Bank's fixed spread for the Loan Currency in effect at 12:01 a.m. Washington, D.C. time on the Conversion Date; and (c) upon a Currency Conversion of all or any amount of the Unwithdrawn Loan Balance, the Fixed Spread shall be adjusted on the Execution Date in the manner specified in the Conversion Guidelines."

14. In paragraph 48 of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

15. In paragraph 67 of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

"67. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower."

16. In paragraph 72 of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.

17. The defined term “Project” in paragraph 75 of the Appendix is modified to read “Program” and its definition is modified to read as follows (and all references to “Project” throughout these General Conditions are deemed to be references to “Program”):

“75. “Program” means the program referred to in the Loan Agreement in support of which the Loan is made.”

18. In paragraph 94 of the Appendix, the term “Variable Spread” is modified to read as follows:

“94. “Variable Spread” means, for each Withdrawal and each Interest Period: (1) the Bank's standard lending spread for Loans in effect at 12:01 a.m. Washington, D.C. time, on the Withdrawal Date; (2) minus (or plus) the weighted average margin, for the Interest Period, below (or above) the Reference Rate, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by it to fund loans that carry interest at a rate based on the Variable Spread; as reasonably determined by the Bank and expressed as a percentage per annum. In the case of a Loan denominated in more than one Currency, “Variable Spread” applies separately to each of such Currencies.”

19. The following definitions of the terms “Withdrawal” and “Withdrawal Date” are inserted as new paragraphs 98 and 99, respectively:
"98. "Withdrawal" means each amount of the Loan withdrawn by the Borrower from
the Loan Account pursuant to Section 2.01.

99. "Withdrawal Date" means, for each Withdrawal, the date on which the Bank pays
the Withdrawal."