Loan Agreement

(São Paulo State Feeder Roads Project- Programa de Pavimentação e Recuperação de Estradas Vicinais do Estado de São Paulo)

between

STATE OF SÃO PAULO

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated August 24, 2009
LOAN AGREEMENT

Agreement dated August 24, 2009, between the STATE OF SÃO PAULO (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank 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 $166,650,000 (one hundred sixty six million six hundred fifty thousand Dollars), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in partially financing the project described in Schedule 1 to this Agreement (“Project”).

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 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 Borrower’s Transport Secretariat.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower
shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.

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

2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.07. (a) The Borrower may at any time in each case with the prior no-objection of the Guarantor and through the Guarantor’s Secretariat of National Treasury, 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 unwritten, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable 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.

(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.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall, in accordance with the provisions of Article V of the General Conditions:

(a) carry out Part 2.A of the Project through SEP and Part 2.C of the Project through ST, all under the coordination of SEP;
(b) cause Parts 1 and 2.D of the Project to be carried out by DER-SP; and

(c) for purposes of joint implementation by SMA and CETESB of Part 2.B of the Project: (i) carry out Part 2.B of the Project through SMA; and (ii) cause Part 2.B of the Project to be carried out by CETESB, ensuring at all times that SMA and CETESB carry out their responsibilities under Part 2.B of the Project with mutual collaboration between SMA and CETESB, all under the coordination of SEP.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV—REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following:

(a) DER-SP shall have failed to perform any of its obligations under the Subsidiary Agreement to an extent that, in the opinion of the Bank, would materially and adversely affect the achievement of the Project objective.

(b) CETESB shall have failed to perform any of its obligations under the Technical Cooperation Agreement to an extent that, in the opinion of the Bank, would materially and adversely affect the achievement of the Project objective, and the Borrower has not assumed such obligations.

4.02. The Additional Event of Acceleration consists of the following:

Any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 90 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) the Subsidiary Agreement has been signed on behalf of the Borrower and DER-SP.

(b) the Technical Cooperation Agreement has been signed on behalf of the Borrower, CETESB and DER-SP.
5.02. The Additional Legal Matters consist of the following:

(a) The Subsidiary Agreement has been duly authorized or ratified by the Borrower and DER-SP and is legally binding upon the Borrower and DER-SP in accordance with its terms.

(b) The Technical Cooperation Agreement has been duly authorized or ratified by DER-SP and CETESB and is legally binding upon DER-SP and CETESB in accordance with its terms.

(c) The Loan has been validly registered by the Guarantor’s Central Bank.

5.03. Without prejudice to the provisions of the General Conditions, 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 which expire on January 10, 2011.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Borrower’s Representative is its Governor.

6.02. The Borrower’s Address is:

Secretaria da Fazenda  
Avenida Rangel Pestana, 300 – 5º andar  
São Paulo – SP  
CEP: 01017-911  
Facsimile: (55-11-3243 3296)

With copies to:

Secretaria de Economia e Planejamento  
Avenida Morumbi, 4500 – sala 159  
Morumbi, Sao Paulo - SP  
CEP: 05650- 905  
Facsimile: (55-11-2193 8658)

Secretaria do Meio Ambiente  
Av. Prof. Frederico Hermann Jr., 345, Prédio 1, 5º andar  
Alto de Pinheiros, São Paulo –SP  
CEP: 05459-900  
Facsimile: (55-11-3133 3345)
6.03. 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
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
AGREED at the District of Columbia, United States of America, as of the day and year first above written.

STATE OF SÃO PAULO

By /s/ José Serra

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Elizabeth Adu

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to improve the efficiency of the Borrower’s paved municipal road network.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objective:

**Part 1: Feeder Roads Rehabilitation**

(a) Carrying out of rehabilitation works on approximately 100 km of the Borrower’s paved road sections, and 1,500 km of particular sections of the Borrower’s municipal paved road network that have been identified as eligible road sections under the 3 first phases of the Pró-Vicinais Program including, *inter alia*: (i) rehabilitation of existing road bases and surfaces, as well as of bridges; (ii) rehabilitation and/or surfacing of shoulders to protect the shoulders’ surfaces from erosion and improve the driving conditions; (iii) upgrading of drainage systems and signalization; and (iv) road safety improvements, including localized curve realignments and critical spots elimination.

(b) consolidating DER-SP’s capacity to manage its road investment programs, including the Pró-Vicinais Program.

**Part 2: Institutional Strengthening**

A. Strengthening of SEP’s institutional capacity to manage the State Investments Program, through the provision of technical assistance, training and equipment for, *inter alia*: (i) the structuring and initial operation of a monitoring and evaluation system of the State Investments Program; (ii) the definition of a methodology to identify and prioritize projects potentially attractive to the private sector; (iii) the preparation and structuring of projects with private sector participation; (iv) the carrying out of improvements to SEP’s capacity in obtaining external financing (including from multilateral agencies); and (v) the elaboration of a strategy for communication with key stakeholders under the State Investments Program, including federal and municipal governments, private sector and civil society.

B. Strengthening of SMA’s and CETESB’s institutional capacity to support the modernization of the Borrower’s environmental management system, through the provision of technical assistance, training and equipment for, *inter alia*: (i) the definition and implementation of the structure of the Borrower’s unified environmental management organizational structure (*licenciamento unificado*) and related processes; and (ii) the integration, modernization and expansion of related information management systems, including geo-referenced monitoring.
C. Strengthening of ST’s institutional and planning capacity to support the Borrower’s transport sector, through the provision of technical assistance for, *inter alia*: (i) the carrying out of a study of transport demand for general cargo, including elaboration of the study’s methodology and surveys with research on specific logistics chains; (ii) the identification and selection of public and private sector actions on the demand side to motivate an optimized use of existing transport infrastructure and services; and (iii) the structuring of a methodology to assess economic and social impacts of road investment programs.

D. Strengthening of DER-SP’s institutional capacity to support the Borrower’s road sector, through the provision of technical assistance, training and equipment for, *inter alia*: (i) consolidating DER-SP’s pavement management system, structuring a bridge management system and monitoring road conditions and traffic level data; (ii) increasing the technical capacity of DER-SP staff; (iii) structuring of traffic monitoring systems; (iv) managing and monitoring environmental and social impacts of road investment programs, and providing technical support to municipalities in environmental management and monitoring of civil works; and (v) supporting municipalities in defining and implementing mechanisms for sustainable maintenance of municipal networks.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall, at all times during the execution and until completion of the Project:

   (a) maintain a unit within SEP to be responsible for the coordination and monitoring of Parts 2.A, 2.B and 2.C of the Project (the “SEP PCU”), such unit to have a structure and functions satisfactory to the Bank, as well as staff in adequate numbers and with qualifications and experience acceptable to the Bank; and

   (b) cause DER-SP to maintain a unit to be responsible for the implementation and coordination of Parts 1 and 2.D of the Project (the “DER-SP PCU”) and for carrying out all procurement, fiduciary, administrative and reporting responsibilities for all activities under the Project. The DER-SP PCU shall have a structure, functions and staff acceptable to the Bank, as defined in the Operation Manual, and shall be headed at all times by a coordinator with qualifications, experience, functions and responsibilities satisfactory to the Bank.

B. Subsidiary Agreement and Technical Cooperation Agreement

1. To facilitate the carrying out of Parts 1 and 2.D of the Project, the Borrower shall enter into a subsidiary agreement with DER-SP, under terms and conditions acceptable to the Bank (the “Subsidiary Agreement”), which shall include, inter alia, the obligation of the Borrower to make the proceeds of the Loan available to DER-SP and DER-SP’s obligation to carry out its responsibilities under the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, procurement, auditing, environmental and social standards and practices.

2. The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.
3. To facilitate the carrying out Part 2.B of the Project, the Borrower shall enter into an agreement with CETESB and DER-SP, under terms and conditions acceptable to the Bank (the “Technical Cooperation Agreement”), which shall include, *inter alia*, CETESB’s obligation to carry out its responsibilities under Part 2.B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, procurement, auditing, environmental and social standards and practices.

4. The Borrower shall exercise its rights under the Technical Cooperation Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive or fail to enforce the Technical Cooperation Agreement or any of its provisions.

C. Operational Manual

Without limitation to the provisions of Section 5.01 of the General Conditions, the Borrower shall cause the Project to be carried out in accordance with the provisions of a manual, satisfactory to the Bank (the “Operational Manual”), which shall detail the procedures and guidelines for the execution, monitoring and evaluation of the Project, including, *inter alia*:

(a) the procedures for the carrying out, monitoring and evaluation of the Project (including the technical, procurement, disbursement, financial management, social and environmental requirements thereof);

(b) the eligibility criteria for civil works under Part 1 of the Project;

(c) the Indicators to be used for Project monitoring and evaluation;

(d) the functions, responsibilities, structure and key staff composition of the SEP PCU and the DER-SP PCU; and

(e) the Environmental Assessment and the Involuntary Resettlement Framework.

The Operational Manual may be amended by the Borrower from time to time with the prior approval of the Bank. In case of any conflict or inconsistency between the terms of this Agreement and those of the Operational Manual, the terms of this Agreement shall prevail.

D. Anti-Corruption

The Borrower shall carry out, and shall cause the Project to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.
E. Environmental and Social Provisions

1. Without limitation to the provisions of Section 5.01 (b) of the General Conditions, the Borrower shall carry out and shall cause DER-SP to carry out the Project in accordance with the provisions and recommendations of the Environmental Assessment (including provisions regarding chance finding and protection of cultural property) and the Involuntary Resettlement Framework, when applicable.

2. Prior to carrying out any civil works under Part 1 of the Project, the Borrower shall cause DER-SP to submit to the Bank evidence that environmental and social impacts have been identified and planned mitigation measures defined, in accordance with the provisions of the Environmental Assessment and the Involuntary Resettlement Framework, as applicable.

3. The Borrower shall cause DER-SP to ensure that any contractors that will carry out civil works under Part 1 of the Project shall perform their work in accordance with the technical and environmental practices for the Project, as set forth in the Environmental Assessment.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall cause DER-SP, with the assistance of SEP, SMA, CETESB and ST for their Respective Parts of the Project, to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the Indicators included in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than two months after the end of the period covered by such report.

2. The Borrower, through SEP and DER-SP, shall, not later than June 30 of each year of Project implementation, review with the Bank the progress in the carrying out of their respective responsibilities of Part 2 of the Project during the preceding twelve-month period, and the need to add or eliminate the activities included therein, in order to achieve the objective of said Part 2 of the Project.

3. The Borrower shall cause DER-SP to, at the earliest of: (a) September 30, 2011; or (b) the point when fifty percent (50%) of the Loan amount has been disbursed, carry out a review with the Bank on the overall progress in the execution of the Project, and set out the measures and take any remedial action as a result of such review, as agreed with the Bank.
B. Financial Management, Financial Reports and Audits

1. The Borrower shall cause DER-SP to maintain a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. The Borrower shall cause DER-SP to prepare and furnish to the Bank, as part of the Project Reports, not later than two months after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower shall cause DER-SP to have the Project’s Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

4. The Borrower shall, through SEP, SMA and ST for their Respective Parts of the Project to, provide (and, in the case of Part 2.B of the Project, cause CETESB to provide) DER-SP with all such information as DER-SP shall request for the purposes of complying with paragraphs 1 to 3 of Section II.B above.

Section III. Procurement

A. General

1. Goods and Works and Non-consultant Services. All goods, works and non-consultant services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods, Works and Non-consultant Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consultant services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Works and Non-consultant services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works and non-consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, including in respect of goods, works and non-consultant services, convite, tomada de preços and concorrência (set forth in the Guarantor’s Law no. 8.666 of June 21, 1993), pregão eletrônico (set forth in the Guarantor’s Law no. 10520 of July 17, 2002), under ‘COMPRASNET’, the procurement portal of the Guarantor, or any other e-procurement system approved by the Bank, subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank.</td>
</tr>
<tr>
<td>(b) Shopping (including, in respect of goods, pregão eletrônico set forth in the Guarantor’s Law No. 10520, of July 17, 2002).</td>
</tr>
</tbody>
</table>

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Selection Based on the Consultants’ Qualifications (CQS)</td>
</tr>
<tr>
<td>(b) Least-Cost Selection (LCS)</td>
</tr>
<tr>
<td>(c) Procedures set forth in Paragraphs 5.2, and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(d) Single-Source Selection (SSS)</td>
</tr>
</tbody>
</table>
D. **Review by the Bank of Procurement Decisions**

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for works estimated to cost the equivalent of $15,000,000 or more; (b) each contract for goods and non-consultant services estimated to cost the equivalent of $5,000,000 or more; and (c) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $200,000 or more. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of: (a) Article II of the General Conditions; (b) this Section; and (c) such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed inclusive of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works, Non-consultant services and Consultant services for Part 1 of the Project</td>
<td>145,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, Non-consultant services, Training and Consultant services for Part 2 of the Project</td>
<td>12,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Unallocated</td>
<td>9,233,375</td>
<td></td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (expressed in USD)</td>
<td>Percentage of Expenditures to be financed inclusive of tax</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td>(4) Front-end Fee</td>
<td>416,625</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(5) Premia for Interest Rate Caps and Interest Rate Collars</td>
<td>0</td>
<td>Amount payable pursuant to Section 2.07 (c) of the this Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>166,650,000</td>
<td></td>
</tr>
</tbody>
</table>

For purposes of this table, the term:

(a) “Training” means reasonable expenditures (other than those for consultants’ services) incurred by the Borrower for the purposes of the Project and directly related to training activities described in the Project, including, *inter alia*, costs related to workshops, seminars, conferences, study tours, training registration fees, facility and equipment rentals, and local travel costs and *per diems*;

(b) “Non-consultant services” means reasonable expenditures incurred by the Borrower for services under Part 1 (b) and Part 2 of the Project related, *inter alia*, to data collection services.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $58,000,000 equivalent may be made for payments made within one year prior to this date but in no case before April 1, 2008, for Eligible Expenditures.

2. The Closing Date is June 30, 2014.

**Section V. Other Undertakings**

Within six months after the Effective Date, the Borrower shall cause DER-SP to sign the contract, satisfactory to the Bank, for the provision of the external financial audit referred to in Section II.B.3 of Schedule 2 to this Agreement.
SCHEDULE 3

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 November 15, 2014</td>
<td>2.00%</td>
</tr>
<tr>
<td>through May 15, 2039</td>
<td></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 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


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

3. “CETESB” means Companhia de Tecnologia de Saneamento Ambiental, the Borrower’s technology and environmental sanitation agency responsible for controlling the quality of the environment in the Borrower’s territory, created through Law No.118 of June 29, 1973 and published in the Borrower’s Official Gazette Nº 122, page 5, as amended to the date of this Agreement, or its successor or successors thereto.


5. “DER-SP” means Departamento de Estradas de Rodagem, the Borrower’s road administration department responsible for managing the Borrower’s road network, regulated by the Borrower’s Decree No. 26.673 of January 28, 1987 and published in the Borrower’s Official Gazette Nº 19, as amended to the date of this Agreement, or its successor or successors thereto.

6. “DER-SP PCU” means Unidade de Coordenação do Programa, the unit referred to in Section I.A.1 (b) of Schedule 2 of this Agreement, established pursuant to the Portaria SUP/DER No.33, dated April 2, 2008 and published in the Borrower’s Official Gazette No. 118, as amended to the date of this Agreement.

7. “Environmental Assessment” means the Borrower’s assessment, dated February, 2008, of the Project environmental impacts, which identifies the existing environmental conditions and the potential direct and indirect environmental impacts from the carrying out of the Project, and recommends mitigation measures for each negative impact identified, as well as measures for enhancing each identified positive impact.

9. “Indicators” means the indicators to be used in the monitoring and evaluation of the Project, agreed with the Bank and set forth in the Operational Manual.

10. “Involuntary Resettlement Framework” means the Borrower’s document dated February 2008, specifying the population resettlement policies, planning principles, institutional arrangements, procurement arrangements and design criteria that shall apply to the preparation and carrying out of the action plans for the resettlement of population under the Project.

11. “Operational Manual” means the manual referred to in Section I.C of Schedule 2 to this Agreement, dated February, 2nd 2009, as the same may be amended from time to time with the agreement of the Bank.


13. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated January 27th 2009 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

14. “Pro-Vicinais Program” means Programa de Pavimentação e Recuperação de Estradas Vicinais do Estado de São Paulo, the Borrower’s municipal paved road program created in 2007 for the rehabilitation of approximately 12,000 km of the Borrower’s municipal paved road network.

15. “SEP” means Secretaria de Economia e Planejamento do Estado de São Paulo, the Borrower’s Secretariat of Economy and Planning.

16. “SEP-PCU” means Unidade de Coordenação de Projeto, the unit referred to in Section I.A.1 (a) of Schedule 2 to this Agreement, established within SEP pursuant to Resolução SEP N° 1, dated January 23, 2009 and published in the Borrower’s Official Gazette of January 27, 2009.

17. “SMA” means Secretaria do Meio Ambiente do Estado de São Paulo, the Borrower’s Environment Secretariat.

18. “ST” means Secretaria dos Transportes do Estado de São Paulo, the Borrower’s Transport Secretariat.

20. “Subsidiary Agreement” means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement, pursuant to which the Borrower shall make the proceeds of the Loan available to DER-SP.

21. “Technical Cooperation Agreement” means the agreement referred to in Section I.B.3 of Schedule 2 to this Agreement pursuant, to which the Borrower shall implement Part 2.B of the Project.