His Excellency
Mr. Rogério Schumann Rosso
Governor of the Federal District
Government of Federal District
Anexo do Palácio Buriti – 11º floor
70075-900 Brasília, DF
BRAZIL
Fax: (55-61) 3352-0390

Re: Brazil: Brasília Environmentally Sustainable Project (Programa Brasília Sustentável)
LN-7326-BR Second Amendment to the Loan Agreement

Excellency:

We refer to the Loan Agreement entered into between the International Bank for Reconstruction and Development (the Bank) and the Federal District (the Borrower) dated February 23, 2006, as amended and restated on May 21, 2007 for the above-captioned Project (the Amended and Restated Loan Agreement). Please note that capitalized terms used in this letter (Amendment Letter) and not defined herein have the meanings ascribed to them in the Amended Loan Agreement.

We are pleased to inform you that, pursuant to your request dated May 14, 2010, as confirmed by the Guarantor on July 9, 2010, the Bank hereby agrees to amend the Amended and Restated Loan Agreement in order to: (a) facilitate the transfer of Project implementation responsibilities to a new agency; (b) modify some of the activities under Part(s) A, C and D of the Project; (c) reallocate the loan proceeds among the Categories and modify the disbursement percentage of eligible expenditures to be financed; and (d) add a new procurement method under the Project. Consequently, the Amended and Restated Loan Agreement is hereby amended as follows:

1. Section 1.01 (c) is amended to read as follows:

“(c) “Co-Executing Agencies” means collectively SLU, IBRAM, SEDUMA and NOVACAP through SO (the latter five as hereinafter defined);”

2. The definition of “IBAMA” included in Section 1.01 (g) is hereby deleted.

3. The word “and” at the end of Section 1.01 (s) is deleted and replaced by a semi-colon “(;)”.

4. The period “(;)” at the end of Section 1.01 (t) is deleted and replaced by a semi-colon “(;)”.
5. The following new definitions are included in Section 1.01 to read as follows:

“(u) “ADASA” means Agência Reguladora de Águas, Energia e Saneamento Básico do Distrito Federal, the Borrower’s Water, Energy and Basic Sanitation Agency established pursuant to the Borrower’s Law No. 3365 of July 16, 2004 as amended by the Borrower’s Law No. 4285, of December 26, 2008;

(v) “IBRAM” means Instituto do Meio Ambiente e dos Recursos Hídricos do Distrito Federal – Brasília Ambiental, the Borrower’s Institute for Environmental and Water Resources Affairs, established pursuant to the Borrower’s Law No. 3984 of May 28, 2007; and

(w) “Lake Paranoá” means one of the main water bodies located in the Borrower’s territory.

6. Section 3.01 is amended to read in its entirety as follows:

“Section 3.01. The Borrower declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall cause ADASA to carry out the Project with the assistance of CAESB and the Co-Executing Agencies, all with due diligence and efficiency and in conformity with appropriate technical, administrative, social, environmental, financial and engineering practices, and shall provide or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.”.

8. Section 3.03 (a) is amended to read in its entirety as follows:

“(a) delegate to ADASA, through a decree issued by the Borrower’s Governor, the responsibility to carry out the Project on the Borrower’s behalf, under terms and conditions satisfactory to the Bank;”.

9. Section 3.05 (a) is amended to read in its entirety as follows:

“(a) operate and maintain, until completion of the Project, a unit within ADASA (the PMU) with staff, structure and functions satisfactory to the Bank, including, inter alia the ability to provide training to procurement staff and controllers of SO, CAESB, NOVACAP and SEDUMA and the ability to adapt the procurement module of SIG (Sistema de Informações Gerenciais);”.

10. Sections 4.01 (a) and (b) are amended to read in their entirety as follows:

“Section 4.01. (a) The Borrower shall cause ADASA and CAESB to maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall cause ADASA to:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank) audited, in accordance with consistently applied auditing
standards acceptable to the Bank, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or such other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.”.

11. The address of “SEDUMA” included in Section 6.02 is deleted and replaced by the address for “ADASA” to read as follows:

“ADASA – Agência Reguladora de Águas, Energia e Saneamento Básico do Distrito Federal
Setor Ferroviário - Parque Ferroviário de Brasília - Estação Rodoviária, Sobrelôba - Ala Norte -
CEP: 70631-900 Brasília –DF - Brazil”

12. The table in paragraph 1 of Schedule 1 is hereby amended and replaced to read in its entirety as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollars)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under the Project (except for Part C.1)</td>
<td>42,467,000.00</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ services</td>
<td>13,681,892.50</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods</td>
<td>1,350,000.00</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Fee</td>
<td>144,107.50</td>
<td>Amount due under Section 2.04 of this Agreement</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>57,643,000</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
13. Part A of Schedule 2 is amended to read in its entirety as follows:

“Part A: Policy and Institutional Development

1. Provide technical assistance to ADASA and SEDUMA and build its capacity to: (i) develop updated management technical tools; and (ii) assess and improve its institutional arrangements and knowledge capacity.

2. Develop studies and management tools and provide technical support to SEDUMA and IBRAM in the area of environment and water resource management to enable these agencies to address key metropolitan and local urban challenges.

3. Provide technical assistance to SLU, SEDUMA and ADASA to improve their solid waste management policies and increase their institutional knowledge capacity.

4. Provide technical assistance to CAESB: (i) to improve the management and protection of water sources; (ii) to identify and remediate environmental impacts caused by the construction of sewerage systems in the Borrower’s territory; and (iii) to finalize its environmental certification system.”.

14. Part C of Schedule 2 is amended to read in its entirety as follows:

“Part C: Water Resources Protection

1. Abate the pollution of the Vicente Pires stream by improving sanitation services in neighboring low-income communities and carrying out the required civil works to that effect.

2. Determine a course of action for the future closure of the Jóquei Clube solid waste landfill based on the various alternatives proposed in technical designs, carry out civil works according to approved designs, and carry out the environmental recuperation of about one third (1/3rd) of the Jóquei Clube area that is not occupied by any economic activity, including, inter alia, cleaning and planting such area.

3. Initiate the procurement process for the construction of a solid waste sanitary landfill according to technical designs developed and approved under the Project.

4. Purchase equipment for the removal of algae from the Lake Paranoá.”

15. Part D.2 of Schedule 2 is amended to read in its entirety as follows:

Part D: Project Management

“2. Provide technical assistance to strengthen the institutional capacity of ADASA.”
16. The first paragraph of Section II B 1. of Schedule 4 is amended by adding a new procurement method known as “pregão eletrônico” to read as follows:

“1. National Competitive Bidding: Goods estimated to cost $100,000 or more but less than $500,000 equivalent per contract and works estimated to cost $500,000 or more but less than $10,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding, including pregão eletrônico as set forth in the Guarantor’s Law No. 10520 of July 17, 2002 and the following additional provisions, using bidding documents, satisfactory to the Bank, in a standardized form for the Project: ”

All other provisions of the Amended and Restated Loan Agreement, except as amended herein, shall remain in full force and effect.

Please confirm your agreement to the foregoing amendment by signing and dating all the originals of this Amendment Letter in the space provided below, and return one fully signed original to us. This Amendment Letter shall become effective upon received by the Bank of one fully executed original of this Amendment Letter.

Please note that it is the Bank’s policy to make publicly available this Amendment Letter and any information related thereto, after this Amendment Letter has become effective and the Borrower has given its consent to such disclosure. The Borrower, by countersigning this Amendment Letter, confirms its consent to such disclosure.

Sincerely yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: /s/ Makhtar Diop
Director
Brazil Country Management Unit
Latin America and the Caribbean Region

AGREED:
FEDERAL DISTRICT

By: /s/ Rogério S. Rosso
Authorized Representative

Name: _ Rogério S. Rosso

Title: Governor

Date: December 28, 2010

CC.: Minister Guido Mantega, Minister of Finance, Fax: (55-61) 3412-1740
Mr. Carlos Augusto Vidotto, Secretary of International Affairs, SEAIN/MP – Fax: 2020-5047
Mr. Benvindo Belluco, Deputy Secretary, SEAIN/MP – Fax: 2020-5006