Loan Agreement

(Service Delivery and Fiscal Management Development Policy Loan - Programa de Consolidação do Equilíbrio Fiscal para Melhoria da Prestação de Serviços Públicos do Município de Manaus – PROCONFIS MANAUS)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

MUNICIPALITY OF MANAUS

Dated June 22, 2016
LOAN AGREEMENT

AGREEMENT dated 22, June 2016, entered into between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and the MUNICIPALITY OF MANAUS ("Borrower") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement).

WHEREAS (A) the Bank has decided to provide this financing on the basis of, inter alia: (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; (b) the Guarantor’s maintenance of an adequate macroeconomic policy framework; and (c) the Borrower’s maintenance of: (i) an appropriate expenditure program; (ii) sustainable debt; and (iii) appropriate fiscal arrangements with the Guarantor.

WHEREAS (B) the Borrower has informed the Bank that, upon deposit by the Bank of the proceeds of the Loan (on the terms set forth in Section II of Schedule 1 to this Agreement and for purposes of supporting the Program) into an account to be designated by the Borrower, the Borrower’s financial capacity will be strengthened by expanding its fiscal space to finance further public investments in accordance with the Borrower’s budgetary laws.

The Bank and the Borrower 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 one hundred fifty million Dollars ($150,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 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 purpose of taking any action required or permitted to be taken pursuant to this Section is its Secretary of Finance.

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 Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. (a) If on any given day, the Total Exposure exceeds the Standard Exposure Limit (as said terms are defined in sub-paragraphs (b)(ii) and (b)(iii) of this Section), the Borrower shall pay to the Bank a surcharge at the rate of one half of one percent (0.5%) per annum of the Allocated Excess Exposure Amount (as defined in sub-paragraph (b)(i) of this Section) for each said day ("Exposure Surcharge"). The Exposure Surcharge (if any) shall be payable semi-annually in arrears on each Payment Date.

(b) For purposes of this Section the following terms have the meanings set forth below:

(i) "Allocated Excess Exposure Amount" means for each day during which the Total Exposure exceeds the Standard Exposure Limit, the product of: (A) the total amount of said excess; and (B) the ratio of all (or, if the Bank so determines, a portion) of the Loan to the aggregate amount of all (or the equivalent portions) of the loans made by the Bank to the Borrower, the Guarantor and to other borrowers guaranteed by the Guarantor that are also subject to an exposure surcharge, as said excess and ratio are reasonably determined from time to time by the Bank.

(ii) "Standard Exposure Limit" means the standard limit on the Bank's financial exposure to the Guarantor which, if exceeded, would subject the Loan to the Exposure Surcharge, as determined from time to time by the Bank.

(iii) "Total Exposure" means for any given day, the Bank's total financial exposure to the Guarantor, as reasonably determined by the Bank.

2.06. 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 days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.07. The Payment Dates are March 15 and September 15 in each year.

2.08. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 2 to this Agreement.

2.09. (a) The Borrower may at any time, in each case with the prior no objection of the Guarantor, through the Secretariat of the National Treasury of the Guarantor’s Ministry of Finance, 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 Spread to 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.

2.10. 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: (i) the Guarantor’s macroeconomic policy framework; (ii) the Borrower’s maintenance of an appropriate expenditure program, sustainable debt, and appropriate fiscal arrangements with the Guarantor; and (iii) 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: (i) impairing the Borrower’s ability to maintain an appropriate expenditure program, sustainable debt, and/or appropriate fiscal arrangements with the Guarantor; or (ii) reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule I to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following, namely, an action has been taken or a policy has been adopted by the Borrower to reverse any action or policy under the Program, including any action listed in Section I of Schedule I to this Agreement, in a manner that would, in the opinion of the Bank, adversely affect the achievement of the objectives of the Program.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) The Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Guarantor’s macroeconomic policy framework.

(b) The Bank is satisfied with the Borrower’s maintenance of: (i) an appropriate expenditure program; (ii) sustainable debt; and (iii) appropriate fiscal arrangements with the Guarantor.
5.02. The Additional Legal Matter consists of the following, namely, that the Loan has been registered with the Guarantor’s Central Bank.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Mayor.

6.02. The Borrower’s Address is:

Prefeitura de Manaus
Avenida Brasil, nº 2971
Compensa
Manaus – AM, 69.036-110

Facsimile: + 55 92 3625-7224

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 Brasilia, Federative Republic of Brazil, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative
MUNICIPALITY OF MANAUS

By

Authorized Representative
SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

The actions taken by the Borrower under the Program, aimed at assisting the Borrower in improving management of the Borrower’s finances, and of its education and transport sectors, include the following:

A. Strengthened Public Sector and Fiscal Management.

1. The Borrower has, through SEMEF, adopted a management model following the PDCA methodology, an integrated electronic document management system, and monitored the achievement of selected indicators, as evidenced by: (a) the Borrower’s Portaria No. 022/2015-GS/SEMEF, dated and published in the Borrower’s Official Gazette on January 29, 2015; (b) the Borrower’s Decree No. 2.796, dated and published in the Borrower’s Official Gazette on May 21, 2014; and (c) the Borrower’s Oficio No. 253/2015 – GS/SEMEF, dated March 9, 2015.

2. The Borrower has implemented an integrated supply management system and processes for procuring goods and services, including electronic bidding and inspection of goods delivery, and adopted the legal framework for binding selected vendors registering prices for the provision of services and goods through the signing of Ata de Registro de Preços, as evidenced by the Borrower’s Decree Nos. 3.009, 3.011, 3.012, 3.013, and 3.014, all dated and published in the Borrower’s Official Gazette on January 26, 2015.

3. The Borrower has adopted the legal framework for auditing the Borrower’s payroll system and carried out an audit of the Borrower’s payroll in all of its secretariats, as evidenced by: (a) the Borrower’s Decree No. 2.683, dated and published in the Borrower’s Official Gazette on December 27, 2013; (b) the Borrower’s Programa de Auditoria Especial – PAE No. 001/2014, dated April 28, 2014; and (c) the Borrower’s Ordem de Serviço OS 2014 No. 001, dated April 28, 2014.

4. The Borrower has established the Manaus Previdência, as evidenced by: (a) the Borrower’s Law No. 1.803, dated and published in the Borrower’s Official Gazette on November 29, 2013; and (b) the Borrower’s Decree No. 2.714, dated and published in the Borrower’s Official Gazette on January 29, 2014.

5. The Borrower has adopted administrative procedures to enable taxpayers to pay their respective tax arrears in instalments and to enable the Borrower to contact taxpayers in arrears by different means of communication, as evidenced by: (a) the Borrower’s Ordem de Serviço No. 001/2013 – DECOB/SUBREC/SEMEF, dated
August 1, 2013; and (b) the Borrower’s Law No. 1.792, dated and published in the Borrower’s Official Gazette on November 12, 2013.

B. Enhanced Management and Quality of the Education and Transport Sectors.

1. The Borrower has, through SEMED, implemented an integrated school management model, including the establishment of school-level targets and pedagogical planning, as evidenced by: (a) the Borrower’s Portaria No. 0145/2014, dated and published in the Borrower’s Official Gazette on January 31, 2014; and (b) copies of two commitment letters between SEMED and school directors, both dated April 15, 2014.

2. The Borrower has, through SEMED, implemented a certification program on school management skills for school directors and adopted a meritocratic selection process for school directors, as evidenced by: (a) the Borrower’s Decree No. 3.022, dated and published in the Borrower’s Official Gazette on March 5, 2015; and (b) the Borrower’s Edital No. 001/2015 – SEMED/GS, dated and published in the Borrower’s Official Gazette on March 6, 2015.

3. The Borrower has, through SEMED, adopted the procedures and criteria for appointment and relocation of public servants serving SEMED, as evidenced by: (a) the Borrower’s Portaria No. 0570/2014 – SEMED/GS, dated May 8, 2014, and published in the Borrower’s Official Gazette on May 9, 2014; and (b) the Borrower’s Decree, unnumbered, dated and published in the Borrower’s Official Gazette on July 10, 2014.

4. The Borrower has adopted an integrated urban regeneration policy for the city center in the Borrower’s territory, including licensing, retraining and relocating street vendors to selected venues, as evidenced by: (a) the Borrower’s Law No. 1.780, dated and published in the Borrower’s Official Gazette on October 30, 2013; and (b) the Borrower’s Decree No. 3.008, dated and published in the Borrower’s Official Gazette on January 23, 2015.

5. The Borrower has adopted processes for managing the concession of bus services in the Borrower’s territory (including real-time tracking and control of the bus fleet in the Borrower’s territory), and policies to license selected public transport in selected areas of the Borrower’s territory, as evidenced by: (a) the Borrower’s Decree No. 2.566, dated and published in the Borrower’s Official Gazette on October 11, 2013; (b) the Oficio ACOP No. 012/2015, issued by ACOP, dated February 9, 2015; (c) the Borrower’s Edital Concorrência Pública No. 001/2014 – CEL/SMTU, dated February 27, 2014; and (d) the Borrower’s Despacho de Homologação e de Adjudicação Concorrência Pública No. 001/2013 – CEL/SMTU, dated April 23, 2014, and published in the Borrower’s Official Gazette on April 24, 2014.
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 (except for amounts required to pay the Front-end Fee) 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 Allocated (expressed in Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>149,625,000</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>375,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>150,000,000</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions.

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied:

   (a) with the adequacy’s of the Guarantor’s macroeconomic policy framework;

   (b) with the Borrower’s maintenance of: (i) an appropriate expenditure program; (ii) sustainable debt; and (iii) appropriate fiscal arrangements with the Guarantor; and

   (c) with the progress achieved by the Borrower in carrying out the Program.

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

1. 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

2. 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.

E. 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.

F. **Closing Date.** The Closing Date is July 31, 2017. The Bank will grant an extension of the Closing Date only after the Guarantor’s Ministry of Finance has informed the Bank that it agrees with such an extension.
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 March 15 and September 15</td>
<td>2.63%</td>
</tr>
<tr>
<td>Beginning March 15, 2021, through March 15, 2039</td>
<td></td>
</tr>
<tr>
<td>On September 15, 2039</td>
<td>2.69%</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

1. “ACOP” means Acordo Operacional das Empresas de Transporte Coletivo Urbano, the agreement created by the Borrower’s Decree No. 2.566, dated and published in the Borrower’s Official Gazette on October 11, 2013, aimed at improving public urban transport and at addressing economic and financial imbalances resulting from urban transport tariff, as referred to in Schedule 1, Section I.B.5, to this Agreement.

2. “Ata de Registro de Preços” means a binding document recording the price, vendor, units, participants, and conditions for future hire, all in accordance with the vendor’s respective bid and offer, pursuant to the Borrower’s Decree No. 3.013, dated and published in the Borrower’s Official Gazette on January 26, 2015, as referred to in Schedule 1, Section I.A.2, to this Agreement.

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>121</td>
<td>Tobacco, un-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>manufactured, tobacco</td>
</tr>
<tr>
<td></td>
<td></td>
<td>refuse</td>
</tr>
<tr>
<td>122</td>
<td>122</td>
<td>Tobacco, manufactured</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(whether or not containing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td>525</td>
<td>Radioactive and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>associated materials</td>
</tr>
<tr>
<td>667</td>
<td>667</td>
<td>Pearls, precious</td>
</tr>
<tr>
<td></td>
<td></td>
<td>and semiprecious</td>
</tr>
<tr>
<td></td>
<td></td>
<td>stones, unworked or</td>
</tr>
<tr>
<td></td>
<td></td>
<td>worked</td>
</tr>
<tr>
<td>HS Code</td>
<td>Description</td>
<td>Additional Information</td>
</tr>
<tr>
<td>---------</td>
<td>------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>718</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
<td></td>
</tr>
<tr>
<td>728</td>
<td>Tobacco processing machinery</td>
<td></td>
</tr>
<tr>
<td>897</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
<td></td>
</tr>
<tr>
<td>971</td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
<td></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. “Manaus Previdência” means the Borrower’s independent authority responsible for managing the Borrower’s public servants retirement system, including its responsibilities for clear and accountable decision making for investments under its jurisdiction, as referred to in Schedule 1, Section I.A.4, to this Agreement.

7. "PDCA" means the “plan, do, check, action” methodology adopted by the Borrower’s *Portaria* No. 022/2015-GS/SEMEF, dated and published in the Borrower’s Official Gazette on January 29, 2015, as referred to in Schedule 1, Section I.A.1, to this Agreement.

8. “Program” means the program of actions, objectives and policies designed to assist the Borrower in improving management of the Borrower’s finances, and of its education and transport sectors, set forth or referred to in the letter dated March 10, 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.

9. “SEMED” means Secretaria Municipal de Educação, the Borrower’s Secretariat of Education, or any successor thereof.

10. “SEMEF” means Secretaria Municipal de Finanças, Tecnologia da Informação e Controle Interno, the Borrower’s Secretariat of Finance, Information Technology and Internal Control, or any successor thereof.

11. “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.

**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”).

- 15 -
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 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 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 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 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).

14. 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 surcharge, 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."

15. 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".

16. 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."