

Public Disclosure Authorized

CONFIRMED COPY

LOAN NUMBER 7942-BR

# Loan Agreement

(Rio de Janeiro Municipality  
Fiscal Consolidation for Efficiency and Growth Development Policy Loan  
*Projeto de Política de Desenvolvimento do Município do Rio de Janeiro*)

Between

MUNICIPALITY OF THE CITY OF RIO DE JANEIRO

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated August 20, 2010

Public Disclosure Authorized

## **LOAN AGREEMENT**

Agreement dated August 20, 2010, entered into between MUNICIPALITY OF THE CITY OF RIO DE JANEIRO (“Borrower”) and 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 A of Schedule 1 to this Agreement, (b) the Guarantor’s maintenance of an appropriate macroeconomic policy framework; and (c) the Borrower’s maintenance of an appropriate expenditure program and fiscal arrangements with the Guarantor. 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 one billion and forty five million Dollars (\$1,045,000,000), 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”).
- 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.
- 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. The Borrower shall pay the Front-end Fee not later than sixty days after the Effective Date.
- 2.04. The Borrower shall pay a transaction fee for its selection of a monthly amortization schedule for the Loan. Such transaction fee shall be charged at a rate of one hundredth of one percent (0.01%) of the Loan amount *per annum*.

- The transaction fee shall be added to the interest rate applicable to the Withdrawn Loan Balance and shall be payable monthly on each Payment Date.
- 2.05. 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.
- 2.06. The Payment Dates are the 15<sup>th</sup> of each calendar month.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.
- 2.08. (a) The Borrower may at any time, in each case with the prior non-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 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; 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.

### **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 and fiscal arrangements with the Guarantor; and (iii) the progress achieved in carrying out the Program and the actions specified in Section I of Schedule 1 to this Agreement;
- (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 — REMEDIES OF THE BANK**

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

- (a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- (b) An action has been taken or a policy has been adopted to reverse any action or policy under the Program (including any action listed in Section I of Schedule 1 to this Agreement) in a manner that would, in the opinion of the Bank, adversely affect the achievement of the objectives of the Program.
- (c) The Borrower's expenditure program and/or its fiscal arrangements with the Guarantor have become inconsistent with the objectives of the Program.

#### **ARTICLE V — EFFECTIVENESS; TERMINATION**

5.01. The Additional Legal Matter consists of the following, namely, that (a) the Loan has been registered with the Guarantor's Central Bank; and (b) a Separate Agreement between the Borrower and the Guarantor has been duly executed in form and substance satisfactory to the Bank.

- 5.02. 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 2, 2012.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is its Mayor.

- 6.02. The Borrower's address is:  
Rua Afonso Cavalcanti, 455  
Anexo - Sala 506, 5º andar, Cidade Nova  
Rio de Janeiro, RJ 20211-900  
Brazil

Facsimile:  
(55-021) 2293-3498

- 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:                | Telex:                       | Facsimile:     |
| INTBAFRAD<br>Washington, D.C. | 248423(MCI) or<br>64145(MCI) | 1-202-477-6391 |

AGREED at Rio de Janeiro, Federative Republic of Brazil, as of the day and year first above written.

MUNICIPALITY OF RIO DE JANEIRO

By /s/ Eduardo Paes

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Makhtar Diop

Authorized Representative

## SCHEDULE 1

### Program Actions; Availability of Loan Proceeds

#### **Section I.      Actions under the Program**

**A.      Actions Taken Under the Program for the First Withdrawal Tranche.** The actions taken by the Borrower under the Program include the following:

**1.      Creating Fiscal Space to Expand Public Investment and Lay the Foundations for Municipal Growth**

The Borrower has submitted to its Legislative Assembly, a draft law consistent with the Guarantor's Constitutional Amendments N° 20 of 1998 and N° 41 of 2003 (including provisions mandating the following for new public servants: (a) the calculation of pension benefits based on the average wage; (b) the indexation of pension benefits on inflation; and (c) the reduction by 30% of survivors benefits for pensioners above the RGPS ceiling, as evidenced, through the Borrower's letter (*mensagem*) N° 91 dated May 20, 2010 duly received by the Legislative Assembly on May 20, 2010, and published in the Borrower's Official Gazette on May 27, 2010.

**2.      Innovating in Public Service Delivery**

**(a)     Sound and Attractive Private Sector Business Environment**

The Borrower has adopted a legal framework which simplifies the registration process for municipal business licenses for activities with low environmental risk, as evidenced through the Borrower's Decree N° 30,568/2009 dated April 2, 2009, as published in the Borrower's Official Gazette on April 3, 2009.

**(b)     Increased Access to Quality Family Health Care and Emergency Care Services**

The Borrower has adopted a legal and administrative framework to transfer public services management to social organizations, as evidenced, through: (i) the Borrower's Law N° 5,026/2009 dated May 19, 2009, as published in the Borrower's Official Gazette on May 20, 2009; (ii) the Borrower's Decrees N° 30,780 dated June 2, 2009, N° 30,907 dated July 23, 2009, and N° 30,916 dated July 29, 2009, as published in the Borrower's Official Gazette, respectively on June 3, 2009, July 24, 2009, and on July 30, 2009; and (iii) the execution of three management contracts between the Borrower's Health Secretariat and qualified social organizations to deliver services in ten family health care

clinic and three emergency care clinics, as published in the Borrower's Official Gazette on December 16, 2009, January 4, 2010 and May 2010.

**(c) Improved Early Development of Poor Children, Better Quality of Primary Schools in High Conflict Slum Areas and System Wide Improvement in Student Learning Outcomes**

The Borrower has established: (i) the design for innovative schools including an appropriate budget for said schools (*Bairro Educador/Escolas do Amanhã*) in 150 high-conflict slum neighborhoods, as evidenced through the Borrower's Decrees N° 30,934/2009, dated July 31, 2009, and N° 31,022 dated August 24, 2009, as published respectively in the Borrower's Official Gazette on August 3, 2009, and August 25, 2009; and (ii) a new model of integrated early child care and pre-school services (*Espaços de Desenvolvimento Infantil*) as evidenced through the adoption of Resolution N° 1,057/2010 dated January 22, 2010, published in the Borrower's Official Gazette on January 25, 2010.

**3. Improving Public Sector Management**

**(a) Strengthening the Public Institutional Framework for Efficient Service Delivery**

The Borrower has developed a framework to improve the efficiency of service delivery in the public sector, through the implementation of a system for monitoring and evaluating result-based management tools, as evidenced through: (i) the Borrower's Decree N° 32,214, dated May 4, 2010, as published in the Borrower's Official Gazette on May 5, 2010; and (ii) the execution of sixteen results agreements between the Borrower represented by its Mayor and each of the following Borrower's entities and secretariats: *Secretaria Extraordinária de Desenvolvimento, Autarquia Instituto Municipal de Urbanismo Pereira Passos, Secretaria Municipal de Administração, Secretaria Municipal de Assistência Social, Companhia de Engenharia de Tráfego, Secretaria Municipal de Transportes, Secretaria Municipal de Obras, Secretaria Municipal de Educação, Secretaria Municipal de Habitação, Secretaria Municipal de Urbanismo, Procuradoria Geral do Município, Secretaria Especial da Ordem Pública, Empresa Municipal de Urbanização, Secretaria Municipal de Meio Ambiente, Secretaria Municipal da Casa Civil, and Secretaria Municipal de Saúde e Defesa Civil.*

**(b) Strengthening the Private Institutional Framework for Efficient Service Delivery**

The Borrower has developed a framework to improve the efficiency of service delivery, through public-private partnerships in priority areas, as evidenced through the establishment of a legal basis to enable such public-private partnerships to invest in infrastructure and service delivery initiatives, as evidenced through the Borrower's Law N° 105/2009, dated December 22, 2009, and the Borrower's Decree N° 32,120, dated April 13, 2010, as published, respectively, in the Borrower's Official Gazette on December 23, 2009, and on April 14, 2010.

**B. Actions to be Taken Under the Program for the Second Withdrawal Tranche.** The actions to be taken by the Borrower under the Program include the following:

**1. Creating Fiscal Space to Expand Public Investment and Lay the Foundations for Municipal Growth**

- (a) The Borrower has submitted to its Legislative Assembly a draft law, and/or has adopted the adequate regulatory framework, to allow adequate transfers to recapitalize FUNPREVI (including through future royalties revenues of the Borrower, returns from the portfolio of real estate loans and real estate assets of FUNPREVI and of the Borrower or other equivalent measures), as evidenced through a Borrower's letter (*mensagem*) duly received by the Legislative Assembly and/or the enactment of said adequate regulatory framework all in form and substance satisfactory to the Bank and as published in the Borrower's Official Gazette.
- (b) The Borrower has implemented the electronic fiscal invoice system (*Nota Fiscal Eletrônica*) for the collection of the municipal tax on services, and has created a database system (*Inteligência Fiscal*) to facilitate the identification of the fiscal evasion related to said municipal tax on services, as evidenced through: (i) a decree to be adopted and published by the Borrower; (ii) the acceptance of the services provided for the implementation of the database system; and (iii) the preparation of a technical report and a confirmation letter to be issued by the Borrower; all in form and substance satisfactory to the Bank.
- (c) The Borrower has submitted to its Legislative Assembly a draft law, in form and substance satisfactory to the Bank, for approval thereof, to expedite judicial enforcement and recovery of tax arrears, as evidenced through a Borrower's letter (*mensagem*) in form and substance

satisfactory to the Bank duly received by the Legislative Assembly and published in the Borrower's Official Gazette.

## **2. Innovating in Public Service Delivery**

### **(a) Increased Access to Quality Family Health Care and Emergency Care Services**

The Borrower has expanded the implementation of the legal and administrative framework mentioned in Section I.A.2 (b) of this Schedule, as evidenced through the execution of five new separate management contracts between the Borrower's Health Secretariat and qualified social organizations to deliver services in ten additional family health care clinics and four additional emergency care clinics, all in form and substance satisfactory to the Bank, and as published in the Borrower's Official Gazette.

### **(b) Improved Early Development of Poor Children, Better Quality of Primary Schools in High Conflict Slum Areas and System Wide Improvement in Student Learning Outcomes**

The Borrower has operationalized the new model of integrated early child care and pre-school services (*Espaços de Desenvolvimento Infantil*) referred to in Section I.A.2 (c) ((ii) of this Schedule in a first set of ten centers in targeted low-income areas duly operational, as evidenced through a letter from the Borrower's Secretariat of Education confirming that ten centers are fully operational in said targeted low-income areas; all in form and substance satisfactory to the Bank.

## **3. Improving Public Sector Management**

### **(a) Strengthening the Public Institutional Framework for Efficient Service Delivery**

The Borrower has: (i) initiated the implementation of a medium term expenditures framework as evidenced through a report presented by the Borrower's Secretariat of Finance confirming consistency between said framework and the Borrower's budget guideline draft law of 2012 in form and substance satisfactory to the Bank; (ii) enhanced the implementation of result-based management tools through the carrying out of an evaluation of the sixteen results agreements with respect to the 2010 targets mentioned in Section I.A.3 (a) (ii) of this Schedule, as evidenced through an adequate publication made by the Borrower of said evaluation report, in form and substance satisfactory to the Bank.

**(b) Strengthening the Private Institutional Framework for Efficient Service Delivery**

The Borrower has: (i) created a public-private partnership unit fully staffed and operational as evidenced through the issuance of adequate regulations by the Borrower and published in the Borrower's Official Gazette; and (ii) implemented a stock management system for the health sector and approved a schedule for a system wide roll-out within 15 months (including the e-procurement scheme at municipal level), as evidenced through an implementation report and a letter from the Borrower's Secretariat of Administration; all in form and substance satisfactory to the Bank.

**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 shall (except for amounts required to pay the Front-end Fee) be withdrawn in two tranches. The allocation of the amounts of the Loan to this end is set out in the table below:

| <b>Allocations</b>        | <b>Amount of the Loan Tranche Allocated<br/>(expressed in US Dollars)</b> |
|---------------------------|---------------------------------------------------------------------------|
| First Withdrawal Tranche  | 545,000,000                                                               |
| Second Withdrawal Tranche | 500,000,000                                                               |
| <b>TOTAL AMOUNT</b>       | <b>1,045,000,000</b>                                                      |

- 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. Withdrawal Tranche Release Conditions.**
1. No withdrawal shall be made of the First Withdrawal Tranche and of the Second Withdrawal Tranche unless the Bank is satisfied, after an exchange of views as described in Section 3.01(a) and (b) of this Agreement based on evidence satisfactory to the Bank:
    - (a) with the progress achieved by the Borrower in carrying out the Program;

- (b) that the Guarantor is maintaining a macroeconomic policy framework which does not jeopardize the objectives of the Program;
- (c) that the Borrower's expenditure program, and fiscal arrangements with the Guarantor, are consistent with the objectives of the Program; and
- (d) that the actions described in Part A of Section I of this Schedule for the purposes of the First Withdrawal Tranche, and in Part B of Section I of this Schedule for the purposes of the Second Withdrawal Tranche, have been taken.

If, after this exchange of views, the Bank is not so satisfied, it may give notice to the Borrower to that effect and, if within ninety (90) days after the notice, the Borrower has not taken steps satisfactory to the Bank, with respect to paragraphs (a), (b), (c) and (d) above, then the Bank may, by notice to the Borrower, cancel all or any part of the Unwithdrawn Loan Balance.

**E. 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 *Banco do Brasil S/A, Banco N° 001, Agência N° 9863-9 (COGER/GECO/DEBAM-DF), Conta-Corrente n° 24245-7200-8*, as found 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.

**F. 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.

**G. Closing Date.** The Closing Date is June 30, 2013. The Bank will grant an extension of the Closing Date 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.

| <b>Principal Payment Date</b> | <b>Installment Share<br/>(Expressed as a Percentage)</b> |
|-------------------------------|----------------------------------------------------------|
| 15 August 2010                | 0.004                                                    |
| 15 September 2010             | 0.004                                                    |
| 15 October 2010               | 0.004                                                    |
| 15 November 2010              | 0.004                                                    |
| 15 December 2010              | 0.004                                                    |
| 15 January 2011               | 0.004                                                    |
| 15 February 2011              | 0.004                                                    |
| 15 March 2011                 | 0.004                                                    |
| 15 April 2011                 | 0.004                                                    |
| 15 May 2011                   | 0.004                                                    |
| 15 June 2011                  | 0.004                                                    |
| 15 July 2011                  | 0.004                                                    |
| 15 August 2011                | 0.004                                                    |
| 15 September 2011             | 0.005                                                    |
| 15 October 2011               | 0.005                                                    |
| 15 November 2011              | 0.005                                                    |
| 15 December 2011              | 0.005                                                    |
| 15 January 2012               | 0.008                                                    |
| 15 February 2012              | 0.008                                                    |
| 15 March 2012                 | 0.008                                                    |
| 15 April 2012                 | 0.008                                                    |
| 15 May 2012                   | 0.008                                                    |
| 15 June 2012                  | 0.008                                                    |
| 15 July 2012                  | 0.008                                                    |
| 15 August 2012                | 0.008                                                    |
| 15 September 2012             | 0.008                                                    |
| 15 October 2012               | 0.008                                                    |

|                   |       |
|-------------------|-------|
| 15 November 2012  | 0.008 |
| 15 December 2012  | 0.008 |
| 15 January 2013   | 0.008 |
| 15 February 2013  | 0.008 |
| 15 March 2013     | 0.008 |
| 15 April 2013     | 0.008 |
| 15 May 2013       | 0.008 |
| 15 June 2013      | 0.008 |
| 15 July 2013      | 0.008 |
| 15 August 2013    | 0.008 |
| 15 September 2013 | 0.008 |
| 15 October 2013   | 0.008 |
| 15 November 2013  | 0.008 |
| 15 December 2013  | 0.008 |
| 15 January 2014   | 0.008 |
| 15 February 2014  | 0.008 |
| 15 March 2014     | 0.008 |
| 15 April 2014     | 0.008 |
| 15 May 2014       | 0.02  |
| 15 June 2014      | 0.03  |
| 15 July 2014      | 0.03  |
| 15 August 2014    | 0.03  |
| 15 September 2014 | 0.03  |
| 15 October 2014   | 0.03  |
| 15 November 2014  | 0.03  |
| 15 December 2014  | 0.03  |
| 15 January 2015   | 0.03  |
| 15 February 2015  | 0.03  |
| 15 March 2015     | 0.03  |
| 15 April 2015     | 0.03  |
| 15 May 2015       | 0.1   |
| 15 June 2015      | 0.1   |
| 15 July 2015      | 0.1   |
| 15 August 2015    | 0.1   |
| 15 September 2015 | 0.1   |
| 15 October 2015   | 0.1   |
| 15 November 2015  | 0.1   |
| 15 December 2015  | 0.1   |
| 15 January 2016   | 0.1   |
| 15 February 2016  | 0.1   |
| 15 March 2016     | 0.1   |
| 15 April 2016     | 0.1   |
| 15 May 2016       | 0.14  |

|                   |      |
|-------------------|------|
| 15 June 2016      | 0.14 |
| 15 July 2016      | 0.14 |
| 15 August 2016    | 0.14 |
| 15 September 2016 | 0.14 |
| 15 October 2016   | 0.14 |
| 15 November 2016  | 0.14 |
| 15 December 2016  | 0.14 |
| 15 January 2017   | 0.14 |
| 15 February 2017  | 0.14 |
| 15 March 2017     | 0.14 |
| 15 April 2017     | 0.14 |
| 15 May 2017       | 0.2  |
| 15 June 2017      | 0.2  |
| 15 July 2017      | 0.2  |
| 15 August 2017    | 0.2  |
| 15 September 2017 | 0.2  |
| 15 October 2017   | 0.2  |
| 15 November 2017  | 0.2  |
| 15 December 2017  | 0.2  |
| 15 January 2018   | 0.2  |
| 15 February 2018  | 0.2  |
| 15 March 2018     | 0.2  |
| 15 April 2018     | 0.2  |
| 15 May 2018       | 0.23 |
| 15 June 2018      | 0.23 |
| 15 July 2018      | 0.23 |
| 15 August 2018    | 0.23 |
| 15 September 2018 | 0.23 |
| 15 October 2018   | 0.23 |
| 15 November 2018  | 0.23 |
| 15 December 2018  | 0.23 |
| 15 January 2019   | 0.23 |
| 15 February 2019  | 0.23 |
| 15 March 2019     | 0.23 |
| 15 April 2019     | 0.23 |
| 15 May 2019       | 0.33 |
| 15 June 2019      | 0.33 |
| 15 July 2019      | 0.33 |
| 15 August 2019    | 0.33 |
| 15 September 2019 | 0.33 |
| 15 October 2019   | 0.33 |
| 15 November 2019  | 0.33 |
| 15 December 2019  | 0.33 |

|                   |      |
|-------------------|------|
| 15 January 2020   | 0.33 |
| 15 February 2020  | 0.33 |
| 15 March 2020     | 0.33 |
| 15 April 2020     | 0.33 |
| 15 May 2020       | 0.35 |
| 15 June 2020      | 0.35 |
| 15 July 2020      | 0.35 |
| 15 August 2020    | 0.35 |
| 15 September 2020 | 0.35 |
| 15 October 2020   | 0.35 |
| 15 November 2020  | 0.35 |
| 15 December 2020  | 0.35 |
| 15 January 2021   | 0.35 |
| 15 February 2021  | 0.35 |
| 15 March 2021     | 0.35 |
| 15 April 2021     | 0.35 |
| 15 May 2021       | 0.35 |
| 15 June 2021      | 0.35 |
| 15 July 2021      | 0.35 |
| 15 August 2021    | 0.35 |
| 15 September 2021 | 0.35 |
| 15 October 2021   | 0.35 |
| 15 November 2021  | 0.35 |
| 15 December 2021  | 0.35 |
| 15 January 2022   | 0.35 |
| 15 February 2022  | 0.35 |
| 15 March 2022     | 0.35 |
| 15 April 2022     | 0.35 |
| 15 May 2022       | 0.35 |
| 15 June 2022      | 0.35 |
| 15 July 2022      | 0.35 |
| 15 August 2022    | 0.35 |
| 15 September 2022 | 0.35 |
| 15 October 2022   | 0.35 |
| 15 November 2022  | 0.35 |
| 15 December 2022  | 0.35 |
| 15 January 2023   | 0.35 |
| 15 February 2023  | 0.35 |
| 15 March 2023     | 0.35 |
| 15 April 2023     | 0.35 |
| 15 May 2023       | 0.35 |
| 15 June 2023      | 0.35 |
| 15 July 2023      | 0.35 |

|                   |      |
|-------------------|------|
| 15 August 2023    | 0.35 |
| 15 September 2023 | 0.35 |
| 15 October 2023   | 0.35 |
| 15 November 2023  | 0.35 |
| 15 December 2023  | 0.35 |
| 15 January 2024   | 0.35 |
| 15 February 2024  | 0.35 |
| 15 March 2024     | 0.35 |
| 15 April 2024     | 0.35 |
| 15 May 2024       | 0.35 |
| 15 June 2024      | 0.35 |
| 15 July 2024      | 0.35 |
| 15 August 2024    | 0.35 |
| 15 September 2024 | 0.35 |
| 15 October 2024   | 0.35 |
| 15 November 2024  | 0.35 |
| 15 December 2024  | 0.35 |
| 15 January 2025   | 0.35 |
| 15 February 2025  | 0.35 |
| 15 March 2025     | 0.35 |
| 15 April 2025     | 0.35 |
| 15 May 2025       | 0.35 |
| 15 June 2025      | 0.35 |
| 15 July 2025      | 0.35 |
| 15 August 2025    | 0.35 |
| 15 September 2025 | 0.35 |
| 15 October 2025   | 0.35 |
| 15 November 2025  | 0.35 |
| 15 December 2025  | 0.35 |
| 15 January 2026   | 0.35 |
| 15 February 2026  | 0.35 |
| 15 March 2026     | 0.35 |
| 15 April 2026     | 0.35 |
| 15 May 2026       | 0.36 |
| 15 June 2026      | 0.36 |
| 15 July 2026      | 0.36 |
| 15 August 2026    | 0.36 |
| 15 September 2026 | 0.36 |
| 15 October 2026   | 0.36 |
| 15 November 2026  | 0.36 |
| 15 December 2026  | 0.36 |
| 15 January 2027   | 0.36 |
| 15 February 2027  | 0.36 |

|                   |      |
|-------------------|------|
| 15 March 2027     | 0.36 |
| 15 April 2027     | 0.36 |
| 15 May 2027       | 0.36 |
| 15 June 2027      | 0.36 |
| 15 July 2027      | 0.36 |
| 15 August 2027    | 0.36 |
| 15 September 2027 | 0.36 |
| 15 October 2027   | 0.36 |
| 15 November 2027  | 0.36 |
| 15 December 2027  | 0.36 |
| 15 January 2028   | 0.36 |
| 15 February 2028  | 0.36 |
| 15 March 2028     | 0.36 |
| 15 April 2028     | 0.36 |
| 15 May 2028       | 0.36 |
| 15 June 2028      | 0.36 |
| 15 July 2028      | 0.36 |
| 15 August 2028    | 0.36 |
| 15 September 2028 | 0.36 |
| 15 October 2028   | 0.36 |
| 15 November 2028  | 0.36 |
| 15 December 2028  | 0.36 |
| 15 January 2029   | 0.36 |
| 15 February 2029  | 0.36 |
| 15 March 2029     | 0.36 |
| 15 April 2029     | 0.36 |
| 15 May 2029       | 0.45 |
| 15 June 2029      | 0.45 |
| 15 July 2029      | 0.45 |
| 15 August 2029    | 0.45 |
| 15 September 2029 | 0.45 |
| 15 October 2029   | 0.45 |
| 15 November 2029  | 0.45 |
| 15 December 2029  | 0.45 |
| 15 January 2030   | 0.45 |
| 15 February 2030  | 0.45 |
| 15 March 2030     | 0.45 |
| 15 April 2030     | 0.45 |
| 15 May 2030       | 0.5  |
| 15 June 2030      | 0.5  |
| 15 July 2030      | 0.5  |
| 15 August 2030    | 0.5  |
| 15 September 2030 | 0.5  |

|                   |      |
|-------------------|------|
| 15 October 2030   | 0.5  |
| 15 November 2030  | 0.5  |
| 15 December 2030  | 0.5  |
| 15 January 2031   | 0.5  |
| 15 February 2031  | 0.5  |
| 15 March 2031     | 0.5  |
| 15 April 2031     | 0.5  |
| 15 May 2031       | 0.5  |
| 15 June 2031      | 0.5  |
| 15 July 2031      | 0.5  |
| 15 August 2031    | 0.5  |
| 15 September 2031 | 0.5  |
| 15 October 2031   | 0.5  |
| 15 November 2031  | 0.5  |
| 15 December 2031  | 0.5  |
| 15 January 2032   | 0.5  |
| 15 February 2032  | 0.5  |
| 15 March 2032     | 0.5  |
| 15 April 2032     | 0.5  |
| 15 May 2032       | 0.45 |
| 15 June 2032      | 0.45 |
| 15 July 2032      | 0.45 |
| 15 August 2032    | 0.45 |
| 15 September 2032 | 0.45 |
| 15 October 2032   | 0.45 |
| 15 November 2032  | 0.45 |
| 15 December 2032  | 0.45 |
| 15 January 2033   | 0.45 |
| 15 February 2033  | 0.45 |
| 15 March 2033     | 0.45 |
| 15 April 2033     | 0.45 |
| 15 May 2033       | 0.45 |
| 15 June 2033      | 0.45 |
| 15 July 2033      | 0.45 |
| 15 August 2033    | 0.45 |
| 15 September 2033 | 0.45 |
| 15 October 2033   | 0.45 |
| 15 November 2033  | 0.45 |
| 15 December 2033  | 0.45 |
| 15 January 2034   | 0.45 |
| 15 February 2034  | 0.45 |
| 15 March 2034     | 0.45 |
| 15 April 2034     | 0.45 |

|                   |      |
|-------------------|------|
| 15 May 2034       | 0.45 |
| 15 June 2034      | 0.45 |
| 15 July 2034      | 0.45 |
| 15 August 2034    | 0.45 |
| 15 September 2034 | 0.45 |
| 15 October 2034   | 0.45 |
| 15 November 2034  | 0.45 |
| 15 December 2034  | 0.45 |
| 15 January 2035   | 0.45 |
| 15 February 2035  | 0.45 |
| 15 March 2035     | 0.45 |
| 15 April 2035     | 0.45 |
| 15 May 2035       | 0.45 |
| 15 June 2035      | 0.45 |
| 15 July 2035      | 0.45 |
| 15 August 2035    | 0.45 |
| 15 September 2035 | 0.45 |
| 15 October 2035   | 0.45 |
| 15 November 2035  | 0.45 |
| 15 December 2035  | 0.45 |
| 15 January 2036   | 0.45 |
| 15 February 2036  | 0.45 |
| 15 March 2036     | 0.45 |
| 15 April 2036     | 0.45 |
| 15 May 2036       | 0.45 |
| 15 June 2036      | 0.45 |
| 15 July 2036      | 0.45 |
| 15 August 2036    | 0.45 |
| 15 September 2036 | 0.45 |
| 15 October 2036   | 0.45 |
| 15 November 2036  | 0.45 |
| 15 December 2036  | 0.45 |
| 15 January 2037   | 0.45 |
| 15 February 2037  | 0.45 |
| 15 March 2037     | 0.45 |
| 15 April 2037     | 0.45 |
| 15 May 2037       | 0.45 |
| 15 June 2037      | 0.45 |
| 15 July 2037      | 0.45 |
| 15 August 2037    | 0.45 |
| 15 September 2037 | 0.45 |
| 15 October 2037   | 0.45 |
| 15 November 2037  | 0.45 |

|                   |       |
|-------------------|-------|
| 15 December 2037  | 0.45  |
| 15 January 2038   | 0.1   |
| 15 February 2038  | 0.1   |
| 15 March 2038     | 0.1   |
| 15 April 2038     | 0.1   |
| 15 May 2038       | 0.1   |
| 15 June 2038      | 0.1   |
| 15 July 2038      | 0.1   |
| 15 August 2038    | 0.1   |
| 15 September 2038 | 0.1   |
| 15 October 2038   | 0.084 |
| 15 November 2038  | 0.01  |
| 15 December 2038  | 0.01  |
| 15 January 2039   | 0.01  |
| 15 February 2039  | 0.01  |
| 15 March 2039     | 0.01  |
| 15 April 2039     | 0.01  |
| 15 May 2039       | 0.01  |
| 15 June 2039      | 0.01  |
| 15 July 2039      | 0.01  |
| 15 August 2039    | 0.01  |
| 15 September 2039 | 0.01  |
| 15 October 2039   | 0.01  |
| 15 November 2039  | 0.01  |
| 15 December 2039  | 0.01  |
| 15 January 2040   | 0.01  |
| 15 February 2040  | 0.01  |
| 15 March 2040     | 0.01  |
| 15 April 2040     | 0.01  |
| 15 May 2040       | 0.01  |
| 15 June 2040      | 0.02  |
| TOTAL             | 100   |

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 weeks 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. “Constitutional Amendment N° 20 of 1998” means the amendment to the Guarantor’s Federal Constitution, establishing, *inter alia*, a legal framework for the Guarantor’s social security system, as published in the Guarantor’s Official Gazette (*Diário Oficial da União*) dated December 16, 1998.
2. “Constitutional Amendment N° 41 of 2003” means the amendment to the Guarantor’s Federal Constitution, establishing, *inter alia*, programmatic provisions regulating the Guarantor’s social security, as published in the Guarantor’s Official Gazette (*Diário Oficial da União*) dated December 31, 2003.
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, N° 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:

| Group | Sub-group | Description of Item                                                   |
|-------|-----------|-----------------------------------------------------------------------|
| 112   |           | Alcoholic beverages                                                   |
| 121   |           | Tobacco, un-manufactured, tobacco refuse                              |
| 122   |           | Tobacco, manufactured (whether or not containing tobacco substitutes) |
| 525   |           | Radioactive and associated materials                                  |
| 667   |           | Pearls, precious and semiprecious stones, unworked or worked          |

|     |        |                                                                                                                                               |
|-----|--------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| 718 | 718.7  | Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors                                         |
| 728 | 728.43 | Tobacco processing machinery                                                                                                                  |
| 897 | 897.3  | Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems) |
| 971 |        | Gold, non-monetary (excluding gold ores and concentrates)                                                                                     |

- (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. "First Withdrawal Tranche" means the amount of the Loan allocated to the category entitled "First Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
5. "FUNPREVI" means *Fundo Especial de Previdência do Município do Rio de Janeiro*, the Borrower's pension fund, as established and operating under the Borrower's Law N° 3,344 dated December 28, 2001, published in the Borrower's Official Gazette on December 28, 2001.

6. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005, (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
7. “Legislative Assembly” means the Borrower’s legislative assembly (*Câmara Municipal*) as established and operating under the Borrower’s *Lei Orgânica* dated April 5, 1990, and published in the Borrower’s Official Gazette.
8. “Program” means the program of actions, objectives and policies, designed to promote growth and achieve sustainable reductions in poverty by creating fiscal space for public investment, innovative public services delivery and modernization of public sector management, by restructuring at least twenty percent of the Borrower’s debt towards the Guarantor (in accordance with the provisions set forth in the Guarantor’s Law N° MP 2,185-35 dated August 24, 2001) and by enhancing efficiency in tax revenue collection and controlling pension-related expenditures, as set forth or referred to in the letter dated April 14, 2010, 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. “RGPS” means *Regime Geral De Previdência Social*, the Guarantor’s general system of social security, as established and operating under the Guarantor’s Law N° 8212 dated July 24, 1991, as published in the Guarantor’s Official Gazette on July 25, 1991.
10. “Second Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Second Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
11. “Separate Agreement” means an agreement in form and substance satisfactory to the Bank to be executed between the Borrower and the Guarantor and that establishes obligations between said parties pertaining to the fiscal arrangements between the Borrower and the Guarantor.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

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

2. 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.
3. Paragraph (a) of Section 2.05 (renumbered as such pursuant to paragraph 2 above) is modified to read as follows:

“Section 2.05. *Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest*

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

4. Sections 5.01 (*Project Execution Generally*), and 5.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article V are renumbered accordingly.
5. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 4 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
6. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 4 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.”

7. Paragraph (c) of Section 5.07 (renumbered as such pursuant to paragraph 4 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.

8. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:
- (a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘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.”
  - (b) The term “Financial Statements” and its definition are deleted in their entirety.
  - (c) The term “Project” 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”):

“‘Program’ means the program referred to in the Loan Agreement in support of which the Loan is made.”
  - (d) The term “Program Preparation Advance” (renamed as such pursuant to subparagraph 8 [(c)] above) is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Loan Agreement and repayable in accordance with Section 2.05.”
  - (e) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”
  - (f) The term "Fixed Spread" is modified to read as follows: "Fixed Spread" means, for each Withdrawal, the Bank's fixed spread for the initial Loan Currency in effect at 12:01 a.m. Washington D.C. time, one calendar day prior to the date of the Loan Agreement as modified by the Basis Swap Adjustment for such Withdrawal; provided that: (a) for the purposes of

determining the Default Interest Rate, pursuant to Section 3.02(d), 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 Fixed Spread, as modified by the Basis Swap Adjustment, that was applicable to such amount of the Withdrawn Loan Balance immediately prior to the Conversion to a Fixed Rate; (b) 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 pursuant to Section 4.04(a), the Fixed Spread shall be adjusted on the Execution Date in the manner specified in the Conversion Guidelines.

- (g) The term "Variable Spread" is modified to read as follows: "Variable Spread" means, for each Withdrawal and each Interest Period: (1) the Bank's standard variable spread for Loans in effect at 12:01 a.m. Washington D.C. time, one calendar day prior to date of the Loan Agreement; (2) minus (or plus) the weighted average margin for the Interest Period, below (or above) LIBOR, or other reference rates, 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 modified by the Basis Swap Adjustment for such Withdrawal; 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 the Currencies.
- (h) A new term "Basis Swap Adjustment" is added as follows: "Basis Swap Adjustment" means, for each Withdrawal, the adjustment (whether by a positive or negative number) that results from a basis swap transaction executed by the Bank to swap the London interbank offered rate for six month deposits into the London interbank offered rate for one month deposits, as reasonably determined by the Bank on the Withdrawal Date.
- (i) The term "LIBOR" is modified to read as follows: "LIBOR" means, for any Interest Period, the London interbank offered rate for one-month deposits in the Loan Currency, expressed as a percentage per annum, that appears on the Relevant Telerate Page as of 11:00 a.m., London time, on the LIBOR Reset Date for the Interest Period. If such rate does not appear on the Relevant Telerate Page, the Bank shall request the principal London office of each of four major banks to provide a quotation of the rate at which it offers one-month deposits in the Loan Currency to leading banks in the London interbank market at approximately 11:00 a.m. London time on the LIBOR Reset Date for the Interest Period. If at least two such quotations are provided, the rate for

the Interest Period shall be the arithmetic mean (as determined by the Bank) of the quotations. If less than two quotations are provided as requested, the rate for the Interest Period shall be the arithmetic mean (as determined by the Bank) of the rates quoted by four major banks selected by the Bank in the relevant Financial Center, at approximately 11:00 a.m. in the Financial Center, on the LIBOR Reset Date for the Interest Period for loans in the Loan Currency to leading banks for a period of one month. If less than two of the banks so selected are quoting such rates, LIBOR for the Interest Period shall be equal to LIBOR in effect for the Interest Period immediately preceding it.

(j) A new term “Withdrawal” is added as follows:

“Withdrawal” means each amount of the Loan withdrawn by the Borrower from the Loan Account pursuant to Section 2.01.

(k) A new term “Withdrawal Date” is added to read as follows:

“Withdrawal Date” means, for each Withdrawal, the date on which the Bank pays the Withdrawal.