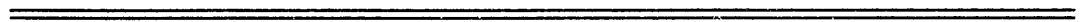


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LOAN NUMBER 1406 BR

LOAN AGREEMENT

(Sergipe Fertilizer Project)

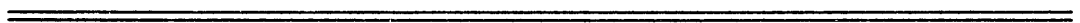
between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

PETROBRÁS FERTILIZANTES S.A.

Dated April 29, 1977



LOAN AGREEMENT

AGREEMENT, dated April 29, 1977, between INTERNATIONAL BANK  
FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank)  
and PETROBRÁS FERTILIZANTES S.A. (hereinafter called the  
Borrower).

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "PETROBRÁS" means Petróleo Brasileiro S.A.

(b) "PETROBRÁS Shareholder Agreement" means the agreement of even date herewith between the Bank and PETROBRÁS whereby PETROBRÁS agrees, inter alia, to undertake certain obligations in respect of the provisions of funds to the Borrower for the Project.

(c) "Subsidiary" means any company of which a majority of the outstanding voting stock or other proprietary interest is owned or effectively controlled by the Borrower or by any one or more subsidiaries of the Borrower or by the Borrower and one or more of its subsidiaries.

(d) "Estatutos" means the estatutos set forth in the escritura de constituição da Sociedade Petrobrás Fertilizantes S.A. dated March 24, 1976, as amended to the date of this Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to sixty-four million dollars (\$64,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

Section 2.03. Except as the Bank shall otherwise agree, contracts for the purchase of goods to be financed out of the proceeds of the Loan, shall be procured in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be November 30, 1981 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $3/4$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of eight and two-tenths per cent (8.20%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on June 1 and December 1 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and administrative practices.

Section 3.02. The Borrower shall take all reasonable measures to ensure that the execution and operation of the Project are carried out with due regard to ecological and environmental factors, and, to that end, the Borrower shall monitor and treat effectively the ecologically harmful discharge from the Project facilities.

Section 3.03. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

Section 3.04. The Borrower shall furnish to the Bank, promptly upon request, the plans, specifications, reports, contract documents and work and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

Section 3.05. (a) The Borrower: (i) shall maintain records adequate to reflect the progress and cost of the Project and to identify the goods and services financed out of the proceeds of the Loan, and to disclose their use in the Project; (ii) shall, without limitation upon the provisions of paragraph (b) of this Section, enable the Bank's representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

(b) The Borrower shall enable the Bank's representatives to visit all plants, installations, sites, works, buildings, property and equipment of the Borrower, and shall furnish to the Bank all such information relating thereto as the Bank shall reasonably request.



ARTICLE IV

Management and Operations of the Borrower

Section 4.01. (a) The Borrower shall at all times manage its affairs, carry out its operations, plan the development of its business and undertaking and maintain its financial position, all in accordance with sound industrial, financial and administrative practices under the supervision of qualified and experienced management.

(b) The Borrower shall: (i) operate and maintain its plants, equipment, properties and facilities and shall, from time to time, promptly as needed, make all necessary renewals and repairs thereof, all in accordance with sound engineering practices; and (ii) not sell, lease, transfer or otherwise dispose of any of its properties or assets required for the efficient carrying out of its business and undertaking, including the carrying out of the Project, except in the normal course of its business or with the prior agreement of the Bank.

Section 4.02. The Borrower shall at all times take all steps necessary: (i) to maintain its right to carry on its operations, including the Project; and (ii) to acquire and retain such land and properties, and to acquire, maintain and renew such licenses, consents, franchises and other rights, as may be necessary or useful for the construction and operation of the Project and the conduct of its business and undertaking.

Section 4.03. The Borrower shall take out and maintain with responsible insurers, insurance against such risks and in such amounts as shall be consistent with sound industrial insurance practice.

Section 4.04. The Borrower shall inform the Bank before establishing or acquiring any Subsidiary or making any substantial financial commitment in or with regard to any Subsidiary.

Section 4.05. The Borrower shall, by March 31, 1978, furnish to the Bank a detailed plan, satisfactory to the Bank, to recruit and train the staff required to operate the facilities included in the Project, and shall thereafter carry out such plan.

Section 4.06. The Borrower shall, by August 31, 1977, cause to be furnished to the Bank a report on the financial condition of Industria e Comercio de Fertilizantes, S.A. and on its plans for improving the latter's financial results.

ARTICLE V

Financial Covenants

Section 5.01. The Borrower shall maintain records adequate to reflect in accordance with consistently maintained sound accounting practices its operations and financial condition, and, separately, the operations and financial condition of the Project. For the latter purpose, except as the Bank and the Borrower shall agree, the Borrower shall maintain records reflecting separately the income, cash flow, and pro-forma balance sheet accounts for such facilities, as if they were separate profit centers.

Section 5.02. (a) The Borrower shall: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements), including the accounts required by Section 5.01 in respect of the Project, for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year, beginning with the fiscal year ending December 31, 1976, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the

accounts and financial statements of the Borrower and the audit thereof as the Bank shall from time to time reasonably request.

(b) The Borrower shall furnish to the Bank, as soon as available but in any case not later than four months after the end of each fiscal year of the Borrower, consolidated financial statements, prepared as in paragraph (a) of this Section provided, covering the Borrower's operations and the operations of its Subsidiaries during that fiscal year.

Section 5.03. (a) The Borrower represents that at the date of this Agreement no lien exists on any of its assets as security for any debt.

(b) The Borrower undertakes that, except as the Bank shall otherwise agree, if the Borrower shall create any lien, or if any statutory lien shall be created, on any assets of the Borrower as security for any debt, the Borrower shall forthwith create, at no cost to the Bank, an equivalent lien, satisfactory to the Bank, to secure the payment of the principal of, and interest and other charges on, the Loan; provided, however that the foregoing provisions of this paragraph shall not apply to: (A) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (B) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after the date on which it is originally incurred.

Section 5.04. Except as the Bank shall otherwise agree, the Borrower:

(a) shall not purchase, redeem or otherwise acquire for value any shares in the Borrower's capital;

(b) (i) shall at all times after the completion of the Project, maintain, in respect of the operations of the Borrower and separately in respect of the operations of the Project, a ratio of current assets to current liabilities of not less than 1.2:1, and (ii) shall not pay dividends (other than dividends payable in shares in the Borrower's capital or dividends on the preferred shares of the Borrower issued in accordance with the Estatutos), or prepay any loans other than the Loan, or prepay part of the outstanding amount of the Loan or make any other cash distribution, or make any financial commitment in or with regard to any Subsidiary, if after any such payment or commitment such ratio would be smaller than 1.5:1;

(c) shall at all times after the completion of the Project, maintain, in respect of the operations of the Borrower and separately in respect of the operations of the Project, a debt/equity ratio not greater than 60:40; and

(d) shall not incur any debt if after the incurrence thereof its projected debt service coverage ratio, in respect of the operations of the Borrower and separately in respect of the

operations of the Project, would fall below 1.5 for any fiscal year after the completion of the Project, including the debt to be incurred.

For purposes of this Section:

- (i) "debt" means any debt incurred by the Borrower and maturing more than one year after the date on which it is originally incurred;
- (ii) debt shall be deemed to be incurred (1) under a loan contract or agreement, on the date it is drawn down but only to the extent that it is outstanding, and (2) under a guarantee agreement, on the date such agreement is entered into;
- (iii) "debt service coverage ratio" means the ratio between the reasonably estimated net revenues for any fiscal year and the aggregate amount of amortization (including sinking fund payments, if any) of, and interest and other charges on, debt payable in the same fiscal year;
- (iv) "equity" means the sum of the Borrower's unimpaired paid-in share capital, surplus and free reserves; provided, however, that there shall be excluded therefrom such items as shall represent equity interests of the Borrower in any Subsidiary or of any Subsidiary in the Borrower or in any other Subsidiary;

- (v) "net revenues" means gross revenues from all sources less all operating and administrative expenses, and amounts paid or to be paid within the year on account of taxes; provided that the operating and administrative expenses shall not include interest and other charges on debt, and provision for depreciation of assets;
- (vi) "current assets" includes cash, accounts receivable due within twelve months, less an appropriate reserve for bad debts, prepaid expenses, and inventories and all other assets (excluding spare parts), which could in the ordinary course of business, be converted within twelve months into cash;
- (vii) "current liabilities" includes accounts payable within twelve months, customer advances, amounts due for income taxes, dividends, bonuses and all other liabilities due and payable, or which could be called for payment, within twelve months; and
- (viii) whenever it shall be necessary to value in terms of the currency of the Guarantor obligations denominated in another currency, such valuation shall be made using the rates of exchange provided by the Banco Central do Brasil.

Section 5.05. The Borrower shall furnish to the Bank, every year starting on July 1, 1977, its financial projections for the following five years, for all of the Borrower and, separately, for each of its industrial units.

Section 5.06. The Borrower shall punctually pay to the Guarantor the fee referred to in the Preamble to the Guarantee Agreement.

Section 5.07. The Borrower shall take all measures required on its part to obtain: (i) a loan in the currency of the Guarantor, from Banco Nacional do Desenvolvimento Econômico or any other source, in an amount equivalent to not less than \$71,000,000, to be repaid in about 15 years, with a grace period of about 4-1/2 years, for purposes of the Project; and (ii) within six months after the date of this Agreement, such untied credit in foreign exchange in such aggregate amount, currently estimated to be \$25,000,000 equivalent, as shall be required for purposes of the Project.



ARTICLE VI

Remedies of the Bank

Section 6.01. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified pursuant to paragraph (k) thereof:

(a) a change shall have been made in the Estatutos which shall materially and adversely affect the carrying out of the Project or the operations or financial condition of the Borrower;

(b) PETROBRÁS shall have failed to perform any of its obligations under the PETROBRÁS Shareholder Agreement; and

(c) the right of the Borrower to utilize the funds provided under the PETROBRÁS Shareholder Agreement shall have been suspended or cancelled, in whole or in part.

Section 6.02. For the purposes of Section 7.01 of the General Conditions, the following events are specified pursuant to paragraph (h) thereof:

(a) any of the events specified in Section 6.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower; and

(b) any debt for money borrowed by the Borrower with an original maturity of one year or more shall have become due and payable before its agreed maturity in accordance with the terms thereof.

ARTICLE VII

Effective Date; Termination

Section 7.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) this Agreement has been duly registered by Banco Central do Brasil;

(b) the execution and delivery of the PETROBRÁS Shareholder Agreement on behalf of PETROBRÁS have been duly authorized or ratified by all necessary corporate and governmental action; and

(c) the Borrower has made arrangements satisfactory to the Bank with appropriate enterprises for the supply of natural gas, vacuum gas oil, Bunker C fuel oil, electricity and water to ensure the timely availability of such supplies in sufficient quantity and of appropriate quality for the full utilization of the facilities included in the Project.

Section 7.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that this Agreement has been duly registered by Banco Central do Brasil;

(b) on behalf of PETROBRÁS, that the PETROBRÁS Shareholder Agreement has been duly authorized or ratified by all corporate and governmental action, and is legally binding upon PETROBRÁS in accordance with its term; and

(c) that all necessary acts, consents and approvals to be performed or given by the Guarantor, its political subdivisions or agencies, or otherwise to be performed or given in order to authorize the carrying out of the Project and to enable the Borrower to perform all of the obligations of the Borrower in this Agreement contained (including the obligations thereof relating to procurement of goods for the Project) together with all necessary powers and rights in connection therewith, have been duly and validly performed or given and that no other such acts, consents or approval are required in order to authorize the carrying out of the Project and to enable the Borrower to perform all of the obligations of the Borrower in this Agreement contained.

Section 7.03. The date August 1, 1977, is hereby specified for the purpose of Section 12.04 of the General Conditions.

ARTICLE VIII

Addresses

Section 8.01. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

For the Borrower:

Petrobrás Fertilizantes S.A.  
Praça Pio X, 119  
Rio de Janeiro, RJ 20000  
Brazil

Cable address:

PETROBRÁS  
Rio de Janeiro

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ A. Krieger

Regional Vice President  
Latin America and the Caribbean

PETROBRÁS FERTILIZANTES S.A.

By /s/ P.V. Belotti

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Equipment, railcars, spare parts, and materials	50,000,000	100% of foreign expenditures or 100% of the ex- factory cost of goods manufac- tured in Brazil
(2) Foreign engi- neering ser- vices	9,100,000	100% of foreign expenditures
(3) Unallocated	4,900,000	
	<hr/>	
TOTAL	64,000,000	
	<hr/> <hr/>	

2. For the purposes of this Schedule the term "foreign expenditures" means expenditures in the currency of any country other than the Guarantor and for goods or services supplied from the territory of any country other than the Guarantor.

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Loan decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Bank.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement except that withdrawals, in an aggregate amount not exceeding the equivalent of \$1,500,000 may be made on account of payments made for such expenditures before that date but after April 1, 1977.



5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower, reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures.

6. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.

SCHEDULE 2

Description of the Project

The Project consists in the construction of an ammonia plant at Laranjeiras, Sergipe, with a manufacturing capacity of about 907 metric tons per day, a urea plant with a capacity of about 1,100 metric tons per day, and all related ancillary facilities.

The Project includes facilities for the storage and transportation of ammonia and for the bagging, storage and transportation of urea.

\* \* \*

The Project is expected to be completed by January 1, 1981, and will be deemed to have been completed only when the facilities included in it shall have been in satisfactory operation for not less than sixty consecutive days at an average production rate of not less than 80% of their respective designed capacities.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
On each June 1 and December 1	
beginning December 1, 1981 through December 1, 1991	2,910,000
On June 1, 1992	2,890,000

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\* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

Premiums on Prepayment

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions:

<u>Time of Prepayment</u>	<u>Premium</u>
Not more than three years before maturity	1.65%
More than three years but not more than six years before maturity	3.30%
More than six years but not more than eleven years before maturity	6.00%
More than eleven years but not more than thirteen years before maturity	7.10%
More than thirteen years before maturity	8.20%

SCHEDULE 4

Procurement

A. International Competitive Bidding

Except as provided in Part B hereof, contracts for the purchase of goods shall be procured in accordance with procedures consistent with those set forth in the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in August 1975 (hereinafter called the Guidelines), on the basis of international competitive bidding as described in Part A of the Guidelines.

B. Other Procurement Procedures; Critical and Small Items

1. The Borrower may procure:

- (i) such critical and highly specialized equipment required for the timely execution of the project as the Bank and the Borrower shall agree, after obtaining bids from a reasonable number of suppliers acceptable to the Bank; provided that the aggregate cost of the items so procured does not exceed the equivalent of \$13,000,000.
- (ii) imported equipment and materials estimated to cost less than \$100,000 equivalent each, after obtaining quotations from a reasonable number of

suppliers from different member countries of the Bank (including Switzerland); provided that the aggregate cost of items so procured does not exceed the equivalent of \$12,000,000.

2. The manufacturer of the ammonia converter and urea reactor for the Project shall be acceptable to the Bank and the arrangements for the manufacture thereof shall be satisfactory to the Bank.

C. Evaluation and Comparison of Bids for Goods; Preference for Domestic Manufacturers

1. For the purpose of evaluation and comparison of bids for the supply of goods: (i) bidders shall be required to state in their bid the f.o.b. (port of shipment) and the c.i.f. (port of entry) price for imported goods, or the ex-factory price for domestically manufactured goods; and (ii) customs duties and other import taxes on imported goods, including merchant fleet renewal and port improvement taxes, and sales and similar taxes on domestically supplied goods, shall be excluded.

2. Goods manufactured in Brazil may be granted a margin of preference in accordance with, and subject to, the following provisions:

(a) All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for

such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.

(b) After evaluation, responsive bids will be classified in one of the following two groups:

(1) Group A: bids offering goods manufactured in Brazil if the bidder shall have established to the satisfaction of the Borrower and the Bank that such goods contain components manufactured in Brazil equal to at least 50% of the value of the complete goods.

(2) Group B: bids offering any other goods.

(c) All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes (including merchant fleet renewal and port improvement taxes) on goods to be imported and any sales or similar taxes on goods to be supplied domestically, to determine the lowest evaluated bid of each group. The lowest evaluated bid of each group shall then be compared with each other, and if, as a result of this comparison, a bid from group A is the lowest, it shall be selected for the award.

(d) If, as a result of the comparison under paragraph (c) above, the lowest bid is a bid from group B, all group B bids shall be further compared with the lowest evaluated bid from group

A after adding: (1) to the c.i.f. bid price of goods in each group B bid, an amount equal to the smaller of (i) the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of the goods offered in such group B bid, or (ii) 15% of the c.i.f. bid price of such goods; and (2) to the ex-factory bid price of goods supplied domestically offered in each group B bid, an amount equal to the smaller of (i) the amount of customs duties and other import taxes which would be levied on the goods offered in such group B bid if they originated from the same foreign country as the goods included in the group B bid which is subject to the lowest customs duties and other import taxes, or (ii) 15% of the ex-factory bid price of such goods. If, as a result of this comparison, the bid from group A is the lowest, it shall be selected for the purpose of award; if not, lowest evaluated bid from group B, as determined under paragraph (c) above, shall be selected for purposes of award.

D. Review of Procurement Decisions by the Bank

1. The Borrower shall, before initiating procurement of equipment, including the preparation of the list of suppliers, inform the Bank in detail of the procedures (including advertising procedures) to be followed, and shall introduce such modifications in said procedures as the Bank shall reasonably request. The list of bidders, together with a statement of their qualifications and



of the reasons for the exclusion of any applicant shall be furnished by the Borrower to the Bank for comments before the applicants are notified, and the Borrower shall make such additions to, deletions from, or modifications in, the said list as the Bank shall reasonably request.

2. Review of invitations to bid and of proposed awards and final contracts:

With respect to all contracts estimated to cost the equivalent of \$300,000 or more:

(a) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, and shall make such modifications in the said documents or procedures as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to which it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the

intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Bank's concurrence, materially differ from those on which bids were asked.

(d) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the delivery to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

3. With respect to each contract to be financed out of the proceeds of the Loan and not governed by the preceding paragraph, the Borrower shall furnish to the Bank, promptly after its execution and prior to delivering to the Bank the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids, recommendations for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

4. For bid comparison purposes there shall be used the rates of exchange provided by the Banco Central do Brasil.