

**CONFORMED COPY**

**LOAN NUMBER 7584-BR**

# **Loan Agreement**

**(Rio Grande do Sul Fiscal Sustainability for Growth Development Policy Loan)**

**between**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**and**

**STATE OF RIO GRANDE DO SUL**

**Dated September 1, 2008**

## **LOAN AGREEMENT**

Agreement dated September 1, 2008, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and STATE OF RIO GRANDE DO SUL (“Borrower”) 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 macro-economic 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 one hundred million dollars (\$1,100,000,000), 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. The Borrower’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Borrower’s 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. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 2.04. The Borrower shall pay to the Bank a transaction fee at a rate of 0.02 percent per annum. The transaction fee is expressed as a percentage per annum on the outstanding loan amount and is payable monthly.
- 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 Fixed 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 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 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:
  - (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on 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 exchange views with the Bank on any proposed action to be taken after the disbursement of the Loan which 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; NOTICES**

- 5.01. The Additional Legal Matter consists of the following, namely that that the Loan has been registered with the Guarantor's Central 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 31, 2010.
- 5.03. Notices from the Bank to the Loan Parties in respect of Loan Payments may be given or made by electronic means used by the Bank from time to time.

## **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is its Governor.
- 6.02. The Borrower's Address is:  
Av. Mauá, 1155, 5.º andar  
Centro  
90030-080 - Porto Alegre, RS  
Brazil
- Facsimile:  
(55-51) 3227-3967

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 Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Rio Grande do Sul, Federative Republic of Brazil, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By/s/ John Briscoe  
Authorized Representative

STATE OF RIO GRANDE DO SUL

By/s/ Yeda Rorato Crusius  
Authorized Representative

## SCHEDULE 1

### Program Actions; Availability of Loan Proceeds

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

A. **Actions Taken for Release of the First Tranche of the Program.** The actions taken by the Borrower under the Program for the release of the First Tranche include the following:

#### **1. Fiscal Sustainability**

##### **(a) Fiscal Adjustment**

- (i) The Borrower has achieved in 2007 a primary surplus of at least R\$1,076 million in compliance with the PAF-2007-2009 as evidenced through *Oficio* No. 3195/2008/COREM/STN sent by STN to the Borrower on April, 11, 2008.
- (ii) Guarantor is maintaining a macroeconomic policy framework which does not jeopardize the objectives of the Program, in the opinion of the Bank.

##### **(b) Public Expenditures**

- (i) The Borrower has during 2007 contained its payroll compared to its net current revenue at 68% in compliance with the PAF-2007-2009 targets as evidenced through *Oficio* No. 3195/2008/COREM/STN sent by STN to the Borrower on April, 11, 2008.
- (ii) The Borrower's operating expenses in 2007 have decreased by 5.6% in relation to 2006 as evidenced through Annex I referred in *Oficio* No. 155/2008-GSF, dated March 17, 2008 sent by the Borrower to STN.

##### **(c) Revenue**

- (i) The Borrower has adopted and implemented successfully a matrix management model for tax payer surveillance at DRPE as evidenced through *Oficio* No. 288/2008-GSF sent by SEFAZ to the Bank on April 30, 2008.
- (ii) The Borrower has adopted and published Decrees No. 45.260, dated September 19, 2007; No. 45.390, dated December 11, 2007; No. 45.471, dated February 8, 2008; and No. 45.533, dated March 5, 2008; all establishing a tax substitution regime for ICMS.
- (iii) The Borrower has adopted and published Decrees No. 44.879, dated January 30, 2007; No. 44.911, dated February 28, 2007; No. 45.190, dated July 30, 2007; No. 45.191, dated July 30, 2007; No. 45.359, dated

November 27, 2007; No. 45.360, dated November 27, 2007; No. 45.363, dated November 28, 2007; No. 45.364, dated November 29, 2007; No. 45.366, dated November 29, 2007; No. 45.418, dated December 21, 2007; No. 45.423, dated December 26, 2007; No. 45.426, dated December 27, 2007; No. 45.427, dated December 27, 2007; all in order to reduce tax expenditures under the presumed credit modality for selected sectors.

- (iv) The Borrower, through its Governor and SEPLAG, has executed on March 14, 2008 the Result Agreement with SEFAZ to increase ICMS tax collection in 2008.

## **2. Debt Restructuring**

- (a) The Borrower has achieved in 2007 a financial debt to net real revenue ratio of 2.84 in compliance with the PAF-2007-2009 as evidenced through *Oficio* No. 3195/2008/COREM/STN sent by STN to the Borrower on April 11, 2008.
- (b) The Borrower has presented to the Bank:
  - (i) Certification of payment for the Selected Debts under the First Tranche referred to under Section I A of Schedule 3 to this Agreement (May 15, 2008 maturity); and
  - (ii) The Separate Agreements with the creditors of the Selected Debts under the First Tranche or the certification of payment for said Selected Debts under the First Tranche referred to under Section I A of Schedule 3 to this Agreement (November 15, 2008 maturity).
- (c) The Borrower has presented to the Bank the Separate Agreements with the creditors of the Selected Debts under the First Tranche referred to under Section I B of Schedule 3 to this Agreement.

## **3. Social Security**

### **(a) Reform of the State Social Security System – Financial Sustainability**

The Borrower has adopted and published Law No. 12.909/2008 dated March 3, 2008, in order to establish a single administrator for the Borrower's RPPS.

### **(b) Reform of the State Social Security System – Equitable Treatment**

The Borrower has submitted for approval to its legislature the draft law No. 393/2007 in order to regulate the Borrower's complementary funds for its social security system as evidenced through *Oficio* GG/SL No. 277 sent by the Borrower's Governor on October 4, 2007 to the Borrower's legislature.

#### **4. Modernization of the State Public Sector**

##### **(a) Introduction of Result-Based Management**

- (i) The Borrower has approved and published Law No. 12.901, dated January 11, 2008, establishing the OSCIP model for social service delivery and has issued operational Decree No. 45.541, dated March 13, 2008, to regulate said Law.
- (ii) The Borrower has completed the design of eleven (11) strategic programs as evidenced through *Oficio* GAB.SEPLAG No. 132/2008 dated April 29, 2008 and a report annexed therewith both sent to the Bank by SEPLAG and has executed three (3) Results Agreements with SEE, SEPLAG and SEFAZ in order to implement three (3) strategic programs in the Borrower's territory.
- (iii) The Borrower has established a governance committee through the adoption and publication of Decree No. 45.273 dated October 4, 2007 to control state-owned enterprises; and has executed on March 14, 2008, Result Agreements with six state-owned enterprises.

##### **(b) Human Resource Policies**

The Borrower has established the Borrower's school of government through Decree No. 45.400 dated December 17, 2007, and has launched the effective operation of said school of government as evidenced through report and related annexes sent by SARH and received by the Bank on April 29, 2008.

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

#### **1. Fiscal Sustainability**

##### **(a) Fiscal Adjustment**

The Borrower has achieved a primary surplus of at least R\$ 1.1 billion in 2008 and of R\$ 1.4 billion in 2009, evaluated in accordance with the methodologies included in the PAF-2007-2009 as evidenced through official data included in letters sent by STN to the Borrower for 2008 and by the Borrower to STN for 2009; all in form and substance satisfactory to the Bank which may include prior exchange of views between the Bank and STN.

##### **(b) Public Expenditures**

- (i) The Borrower has reduced its payroll compared to its net current revenue to 66% in 2008 and to 65% in 2009, evaluated in accordance with the methodologies included in the PAF-2007-2009, as evidenced through official data included in letters sent by STN to the Borrower for 2008 and



by the Borrower to STN for 2009; all in form and substance satisfactory to the Bank which may include prior exchange of views between the Bank and STN.

- (ii) The Borrower has adopted and published a decree in form and substance satisfactory to the Bank, including an implementation time-frame with defined targets for the restructuring of the Borrower's procurement system in accordance with a strategic program called "*Fazendo Mais com Menos*" established and operating pursuant to the Borrower's Decree No. 45.273 dated October 4, 2007.

**(c) Revenue**

- (i) The Borrower has reached a revenue collection (*receita de arrecadação própria*) of at least R\$14.5 billion for 2008 and R\$16.0 billion for 2009, evaluated in accordance with the methodologies included in the PAF-2007-2009, as evidenced through official data included in letters to be sent by STN to the Borrower for 2008 and by the Borrower to STN for 2009 all in form and substance satisfactory to the Bank which may include prior exchange of views between the Bank and STN.
- (ii) The Borrower has included an annex to its annual budget laws for 2009 and 2010 reporting the tax expenditures of 2007 and 2008 respectively in form and substance satisfactory to the Bank as evidenced through the published budget law for 2009 and 2010.
- (iii) The Borrower has published through its official gazette and through its website at [www.sefaz.rs.gov.br](http://www.sefaz.rs.gov.br) the historical statistic series on tax incentives including an annual performance report on FUNDOPEM, all in form and substance satisfactory to the Bank.

**2. Debt Restructuring**

- (a) Immediately after the disbursement of the First Tranche, the Borrower has furnished to the Bank official data in form and substance satisfactory to the Bank evidencing payment of the Selected Debts under the First Tranche.
- (b) The Borrower has presented an irrevocable commitment to pay the Selected Debt under the Second Tranche, in form and substance satisfactory to the Bank.
- (c) The Borrower has presented to the Bank the Separate Agreement with the creditor of the Selected Debt under the Second Tranche.
- (d) The Borrower has achieved in 2008 and in 2009 a financial debt to net real revenue ratio in accordance with the Current PAF, all as evidenced through official data included in letters to be sent by STN to the Borrower for 2008 and by the Borrower to STN for 2009; all in form and substance satisfactory to the Bank which may include prior exchange of views between the Bank and STN.

### **3. Social Security**

- (a) The Borrower has adopted and published a law to regulate the Borrower's complementary funds for its social security system in form and substance satisfactory to the Bank.
- (b) The Borrower has implemented a pension reform for new civil servants in accordance with the provisions of paragraph 37 of the Program through the adoption and publication of a decree in form and substance satisfactory to the Bank.

### **4. Modernization of the State Public Sector**

#### **(a) Introduction of Result-Based Management**

- (i) The Borrower has executed at least six (6) partnership agreements with selected OSCIPs for social service delivery, as determined under Law No. 12.901, dated January 11, 2008; all in form and substance satisfactory to the Bank, and said OSCIPs have implemented in a satisfactory manner, in the Bank's opinion, said partnership agreements as evidenced through a report prepared by SEPLAG and SJDS.
- (ii) The Borrower has established a monitoring and evaluation system, fully operational and satisfactory to the Bank, as defined through a *portaria* to be issued by SEPLAG in application of the Borrower's Decree No. 45.273 dated October 4, 2007 for the management of the Strategic Programs, as published in its website [www.seplag.rs.gov.br](http://www.seplag.rs.gov.br) (*Portal de Gestão*), and said monitoring and evaluation system has found that 25 out of 42 projects under said Strategic Programs have been executed in a satisfactory manner.

#### **(b) Human Resource Policies**

The Borrower has submitted to its legislature for approval a draft law, in form and substance satisfactory to the Bank in accordance with the provisions of paragraph 46 of the Program, for the strengthening of its civil service career in the Direct and Indirect Administration, including for the creation of a public management career as evidenced through an *Oficio* to be sent by the Borrower's Governor to the Borrower's legislature.

## **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 (expressed in US Dollars)</b>
First Tranche	650,000,000
Second Tranche	450,000,000
<b>TOTAL AMOUNT</b>	<b>1,100,000,000</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. Tranche Release Conditions.** No withdrawal shall be made of the Second Tranche unless the Bank is satisfied, after an exchange of views as described in Sections 3.01 (a) and (b) of this Agreement based on evidence satisfactory to the Bank:

1. with the progress achieved by the Borrower in carrying out the Program;
2. that the Guarantor is maintaining a macroeconomic policy framework which does not jeopardize the objectives of the Program;
3. that the Borrower's expenditure program, and/or its fiscal arrangements with the Guarantor, are consistent with the objectives of the Program; and
4. that the actions described in Part B of Section I of this Schedule 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 1, 2, 3 and 4 above, then the Bank may, by notice to the Borrower, cancel all or any part of the Unwithdrawn Loan Balance.

**E. Deposit of Loan Amounts.** Except as the Bank and the Guarantor may otherwise agree, all withdrawals from the Loan Account shall be used exclusively for the payment to its creditors on behalf of the Borrower (or reimbursement of such payment already made by the Borrower) of the Selected Debts as referred to in Schedule 3 to this Agreement in accordance with the additional instructions specified by notice to the Borrower and referred to under Section II.A above.

**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 December 31, 2010. 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 (Expressed as a Percentage)</b>
15 September 2008	0.00403
15 October 2008	0.00403
15 November 2008	0.00403
15 December 2008	0.00403
15 January 2009	0.00403
15 February 2009	0.00403
15 March 2009	0.00403
15 April 2009	0.00403
15 May 2009	0.00403
15 June 2009	0.00403
15 July 2009	0.00403
15 August 2009	0.00403
15 September 2009	0.00403
15 October 2009	0.00403
15 November 2009	0.00403
15 December 2009	0.00403
15 January 2010	0.00403
15 February 2010	0.00403
15 March 2010	0.00833
15 April 2010	0.00833
15 May 2010	0.00833
15 June 2010	0.00833
15 July 2010	0.00833
15 August 2010	0.00833
15 September 2010	0.00819
15 October 2010	0.00819
15 November 2010	0.00819
15 December 2010	0.00819
15 January 2011	0.00819
15 February 2011	0.00819
15 March 2011	0.00819
15 April 2011	0.00819
15 May 2011	0.00819
15 June 2011	0.00819
15 July 2011	0.00819

15 August 2011	0.00819
15 September 2011	0.00819
15 October 2011	0.00819
15 November 2011	0.00819
15 December 2011	0.00819
15 January 2012	0.00819
15 February 2012	0.00819
15 March 2012	0.00819
15 April 2012	0.00819
15 May 2012	0.00864
15 June 2012	0.00864
15 July 2012	0.00864
15 August 2012	0.00864
15 September 2012	0.00864
15 October 2012	0.00864
15 November 2012	0.00864
15 December 2012	0.00864
15 January 2013	0.00864
15 February 2013	0.00864
15 March 2013	0.00864
15 April 2013	0.00864
15 May 2013	0.00864
15 June 2013	0.00864
15 July 2013	0.00864
15 August 2013	0.00864
15 September 2013	0.17287
15 October 2013	0.17287
15 November 2013	0.17287
15 December 2013	0.17287
15 January 2014	0.17287
15 February 2014	0.17287
15 March 2014	0.17287
15 April 2014	0.17287
15 May 2014	0.17287
15 June 2014	0.17287
15 July 2014	0.17287
15 August 2014	0.17287
15 September 2014	0.17287
15 October 2014	0.17287
15 November 2014	0.17287
15 December 2014	0.17287
15 January 2015	0.17287
15 February 2015	0.17287
15 March 2015	0.17287
15 April 2015	0.17287
15 May 2015	0.17287
15 June 2015	0.17287
15 July 2015	0.17287
15 August 2015	0.17287
15 September 2015	0.17287
15 October 2015	0.17287
15 November 2015	0.17287

15 December 2015	0.17287
15 January 2016	0.17287
15 February 2016	0.17287
15 March 2016	0.17287
15 April 2016	0.17287
15 May 2016	0.17287
15 June 2016	0.17287
15 July 2016	0.17287
15 August 2016	0.17287
15 September 2016	0.17287
15 October 2016	0.17287
15 November 2016	0.17287
15 December 2016	0.17287
15 January 2017	0.17287
15 February 2017	0.17287
15 March 2017	0.17287
15 April 2017	0.17287
15 May 2017	0.17287
15 June 2017	0.17287
15 July 2017	0.17287
15 August 2017	0.17287
15 September 2017	0.17287
15 October 2017	0.17287
15 November 2017	0.17287
15 December 2017	0.17287
15 January 2018	0.17287
15 February 2018	0.17287
15 March 2018	0.33665
15 April 2018	0.33665
15 May 2018	0.33665
15 June 2018	0.33665
15 July 2018	0.33665
15 August 2018	0.33665
15 September 2018	0.33665
15 October 2018	0.33665
15 November 2018	0.33665
15 December 2018	0.33665
15 January 2019	0.33665
15 February 2019	0.33665
15 March 2019	0.33665
15 April 2019	0.33665
15 May 2019	0.33665
15 June 2019	0.33665
15 July 2019	0.33665
15 August 2019	0.33665
15 September 2019	0.40944
15 October 2019	0.40944
15 November 2019	0.40944
15 December 2019	0.40944
15 January 2020	0.40944
15 February 2020	0.40944
15 March 2020	0.40944

15 April 2020	0.40944
15 May 2020	0.40944
15 June 2020	0.40944
15 July 2020	0.40944
15 August 2020	0.40944
15 September 2020	0.40944
15 October 2020	0.40944
15 November 2020	0.40944
15 December 2020	0.40944
15 January 2021	0.40944
15 February 2021	0.40944
15 March 2021	0.50042
15 April 2021	0.50042
15 May 2021	0.50042
15 June 2021	0.50042
15 July 2021	0.50042
15 August 2021	0.50042
15 September 2021	0.50042
15 October 2021	0.50042
15 November 2021	0.50042
15 December 2021	0.50042
15 January 2022	0.50042
15 February 2022	0.50042
15 March 2022	0.50042
15 April 2022	0.50042
15 May 2022	0.50042
15 June 2022	0.50042
15 July 2022	0.50042
15 August 2022	0.50042
15 September 2022	0.50042
15 October 2022	0.50042
15 November 2022	0.50042
15 December 2022	0.50042
15 January 2023	0.50042
15 February 2023	0.50042
15 March 2023	0.50042
15 April 2023	0.50042
15 May 2023	0.50042
15 June 2023	0.50042
15 July 2023	0.50042
15 August 2023	0.50042
15 September 2023	0.50042
15 October 2023	0.50042
15 November 2023	0.50042
15 December 2023	0.50042
15 January 2024	0.50042
15 February 2024	0.50042
15 March 2024	0.50042
15 April 2024	0.50042
15 May 2024	0.50042
15 June 2024	0.50042
15 July 2024	0.50042

15 August 2024	0.50042
15 September 2024	0.6824
15 October 2024	0.6824
15 November 2024	0.6824
15 December 2024	0.6824
15 January 2025	0.6824
15 February 2025	0.6824
15 March 2025	0.81888
15 April 2025	0.81888
15 May 2025	0.81888
15 June 2025	0.81888
15 July 2025	0.81888
15 August 2025	0.81888
15 September 2025	0.81888
15 October 2025	0.81888
15 November 2025	0.81888
15 December 2025	0.81888
15 January 2026	0.81888
15 February 2026	0.81888
15 March 2026	1.00085
15 April 2026	1.00085
15 May 2026	1.00085
15 June 2026	1.00085
15 July 2026	1.00085
15 August 2026	1.00085
15 September 2026	1.00085
15 October 2026	1.00085
15 November 2026	1.00085
15 December 2026	1.00085
15 January 2027	1.00085
15 February 2027	1.00085
15 March 2027	0.81888
15 April 2027	0.81888
15 May 2027	0.81888
15 June 2027	0.81888
15 July 2027	0.81888
15 August 2027	0.81888
15 September 2027	1.31930
15 October 2027	1.31930
15 November 2027	1.31930
15 December 2027	1.31930
15 January 2028	1.31930
15 February 2028	1.31930
15 March 2028	0.00318
15 April 2028	0.00318
15 May 2028	0.00318
15 June 2028	0.00318
15 July 2028	0.00318
15 August 2028	0.00318
15 September 2028	0.00318
15 October 2028	0.00318
15 November 2028	0.00318



15 December 2028	0.00318
15 January 2029	0.00318
15 February 2029	0.00318
15 March 2029	0.00318
15 April 2029	0.00318
15 May 2029	0.00318
15 June 2029	0.00318
15 July 2029	0.00318
15 August 2029	0.00318
15 September 2029	0.00318
15 October 2029	0.00318
15 November 2029	0.00318
15 December 2029	0.00318
15 January 2030	0.00318
15 February 2030	0.00318
15 March 2030	0.00318
15 April 2030	0.00318
15 May 2030	0.00318
15 June 2030	0.00318
15 July 2030	0.00318
15 August 2030	0.00318
15 September 2030	0.00318
15 October 2030	0.00318
15 November 2030	0.00318
15 December 2030	0.00318
15 January 2031	0.00318
15 February 2031	0.00318
15 March 2031	0.00318
15 April 2031	0.00318
15 May 2031	0.00318
15 June 2031	0.00318
15 July 2031	0.00318
15 August 2031	0.00318
15 September 2031	0.00318
15 October 2031	0.00318
15 November 2031	0.00318
15 December 2031	0.00318
15 January 2032	0.00318
15 February 2032	0.00318
15 March 2032	0.00318
15 April 2032	0.00318
15 May 2032	0.00318
15 June 2032	0.00318
15 July 2032	0.00318
15 August 2032	0.00318
15 September 2032	0.00318
15 October 2032	0.00318
15 November 2032	0.00318
15 December 2032	0.00318
15 January 2033	0.00318
15 February 2033	0.00318
15 March 2033	0.00318

15 April 2033	0.00318
15 May 2033	0.00318
15 June 2033	0.00318
15 July 2033	0.00318
15 August 2033	0.00318
15 September 2033	0.00318
15 October 2033	0.00318
15 November 2033	0.00318
15 December 2033	0.00318
15 January 2034	0.00318
15 February 2034	0.00318
15 March 2034	0.00318
15 April 2034	0.00318
15 May 2034	0.00318
15 June 2034	0.00318
15 July 2034	0.00318
15 August 2034	0.00318
15 September 2034	0.00318
15 October 2034	0.00318
15 November 2034	0.00318
15 December 2034	0.00318
15 January 2035	0.00318
15 February 2035	0.00318
15 March 2035	0.00318
15 April 2035	0.00318
15 May 2035	0.00318
15 June 2035	0.00318
15 July 2035	0.00318
15 August 2035	0.00318
15 September 2035	0.00318
15 October 2035	0.00318
15 November 2035	0.00318
15 December 2035	0.00318
15 January 2036	0.00318
15 February 2036	0.00318
15 March 2036	0.00318
15 April 2036	0.00318
15 May 2036	0.00318
15 June 2036	0.00318
15 July 2036	0.00318
15 August 2036	0.00318
15 September 2036	0.00318
15 October 2036	0.00318
15 November 2036	0.00318
15 December 2036	0.00318
15 January 2037	0.00318
15 February 2037	0.00318
15 March 2037	0.00318
15 April 2037	0.00318
15 May 2037	0.00318
15 June 2037	0.00318
15 July 2037	0.00318

15 August 2037	0.00318
15 September 2037	0.00318
15 October 2037	0.00318
15 November 2037	0.00318
15 December 2037	0.00318
15 January 2038	0.00318
15 February 2038	0.00318
15 March 2038	0.00318
15 April 2038	0.00318
15 May 2038	0.00318
15 June 2038	0.00318
15 July 2038	16.63864
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.

### SCHEDULE 3

#### Selected Debts

#### **Section I. Selected Debts under the First Tranche**

##### **A.**

Name of the Operation	Name of Creditor	Name and Date of Contract	Maturity
LFT-RS ( <i>Letras Financeiras do Tesouro do Estado do Rio Grande do Sul</i> )	Bond Holders	LFT-RS ( <i>Letras Financeiras do Tesouro do Estado do Rio Grande do Sul</i> ) pursuant to <i>Edital de Leilão Especial de Venda de LFTs</i> , published in the Borrower's Official Gazette dated 22 September 2003.	May 15, 2008
LFT-RS ( <i>Letras Financeiras do Tesouro do Estado do Rio Grande do Sul</i> )	Bond Holders	LFT-RS ( <i>Letras Financeiras do Tesouro do Estado do Rio Grande do Sul</i> ) pursuant to <i>Edital de Leilão Especial de Venda de LFTs</i> , published in the Borrower's Official Gazette dated 22 September 2003.	November 15, 2008

##### **B.**

BBFundef	Guarantor	<i>Contrato de Empréstimo entre a União, representada pelo Banco do Brasil, e o Estado do Rio Grande do Sul, firmado em 30 de março de 1999, autorizado pela resolução do Senado No. 108-98, pelas leis federais No 9424-96 e No. 9653-98 e MP 1759-10, de 11 de Março de 1999.</i>	December 30, 2009
Fundação Banrisul	Fundação Banrisul de Seguridade Social (Banrisul Foundation for Social Security)	<i>Contrato de Assunção de Dívida, entre o Estado do Rio Grande do Sul, a Fundação Banrisul de Seguridade Social, e a Interveniência do Banco do Estado do Rio Grande do Sul, firmado em 31 de Março de 1998, autorizado pelas leis estaduais No 10959/97 e 11105/98.</i>	November 16, 2028

#### **Section II. Selected Debt under the Second Tranche**

Name of the Operation	Name of Creditor	Name and Date of Contract	Payment Date
PROES Banrisul	Guarantor	<i>Dívida Integrante do Contrato 014/98 – Contrato de Confissão, promessa e assunção, consolidação e refinanciamento de dívidas, entre a União e o Estado do Rio Grande do Sul, com intervenção do Banco do Estado do Rio Grande do Sul, do Banco do Brasil e das Centrais Elétricas Brasileiras, nos termos da lei No. 9496, de 11 de Setembro de 1997 e resolução do Senado No. 104-96, firmado em 15 de Abril de 1998.</i>	April 1, 2028

## APPENDIX

### Section I. Definitions

1. “Current PAF” means *Programa de Ajuste Fiscal*, the Borrower’s current fiscal adjustment program signed between the Borrower and the Guarantor in accordance with the Guarantor’s Law No. 9496, dated 11 September 1997.
2. “Deposit Accounts” means both the Foreign Currency Deposit Account and the Local Currency Deposit Account.
3. “Direct and Indirect Administration” means organs of the public administration in its centralized and decentralized structures.
4. “DRPE” means *Departamento de Receita Pública Estadual*, the Borrower’s state department of public revenue, established and operating under the Borrower’s Decree No. 37297, dated 13 March 1997.
5. “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:

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[, and any other goods designated as environmentally hazardous by agreement between the Borrower and the Bank;
- (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.
6. “First Tranche” means the amount of the Loan allocated to the category entitled “First Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
7. “FUNDOPEM” means *Fundo de Operação Empresa*, the Borrower’s mechanism for revenue incentives, established by the Borrower’s Law No. 11916, dated 2 June 2003.
8. “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.
9. “ICMS” means *Imposto sobre Operações relativas à Circulação de Mercadorias e sobre Prestações de Serviços de Transporte Interestadual, Intermunicipal e de Comunicação*, the Borrower’s value added tax, as levied in the Borrower’s territory and operating in accordance with the Borrower’s Law No. 8820, dated 27 January 1989, as amended from time to time.

10. “OSCIP” means *Organização da Sociedade Civil de Interesse Público*, a civil society organization of public interest, as established and operating in the Borrower’s territory in accordance with the Borrower’s Law No. 12.901, dated 11 January 2008.
11. “PAF-2007-2009” means *Programa de Ajuste Fiscal 2007-2009*, the Borrower’s fiscal adjustment program signed between the Borrower and the Guarantor on November 28, 2007 in accordance with the Guarantor’s Law No. 9496, dated September 11, 1997.
12. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated May 16, 2008 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.
13. “R\$” or “Reais” means *reais*, the currency of the Guarantor.
14. “Result Agreement” or “Result Agreements” means any or all of the agreements executed among the Borrower through its Governor and SEPLAG, on one hand and any administrative unit or public company pertaining to the Borrower’s administrative structure, on the other hand, pursuant.
15. “RPPS” means *Regime Próprio da Previdência Social*, the Borrower’s special regime for civil service social security as established and operating under the Borrower’s Law No. 12065, dated 29 March 2004.
16. “SARH” means *Secretaria da Administração e dos Recursos Humanos*, the Borrower’s state secretariat for administration and human resources.
17. “Second Tranche” means the amount of the Loan allocated to the category entitled “Second Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
18. “SEE” means *Secretaria da Educação*, the Borrower’s state secretariat of education.
19. “SEFAZ” means *Secretaria da Fazenda*, the Borrower’s state secretariat of finance.
20. “Selected Debts” means debts owed by the Borrower to selected creditors and to be paid out of the proceeds of the Loan under the First Tranche and under the Second Tranche as referred to in Schedule 3 to this Agreement.
21. “Selected Debts under the First Tranche” means debts owed by the Borrower and to be paid out of the proceeds of the First Tranche as referred to in Schedule 3 to this Agreement.
22. “Selected Debts under the Second Tranche” means the debt owed by the Borrower and to be paid out of the proceeds of the Second Tranche as referred to in Schedule 3 to this Agreement.



23. “Separate Agreements” means the agreements reached with each of the creditors for the Selected Debts referred to under Schedule 3 of this Agreement whereby said creditors accept to receive and/or liquidate said Selected Debts and send notification of receipt and discharge thereof.
24. “SEPLAG” means *Secretaria do Planejamento e Gestão*, the Borrower’s state secretariat of planning and administration.
25. “SJDS” means *Secretaria da Justiça e do Desenvolvimento Social*, the Borrower’s state secretariat of justice and social development.
26. “STN” means *Secretaria do Tesouro Nacional*, the Guarantor’s secretariat of national treasury.
27. “Strategic Programs” means priority governmental programs, as established and operating under the Borrower’s Decree No. 45273, dated 4 October 2007.

## **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. 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.
4. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
5. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 3 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.”

6. Paragraph (c) of Section 5.07 (renumbered as such pursuant to paragraph 3 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.”

7. 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 as set forth in the Appendix are deleted in their entirety.

- (c) The term “Fixed Spread” is modified to read as follows:

“Fixed Spread” means 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 at the time of withdrawal of any amount of the Loan; provided, that: (a) for 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 Bank’s fixed spread in effect at 12:01 a.m. Washington, D.C. time, one calendar day prior to the date of the Loan Agreement, for the Currency of denomination of such amount; (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.

- (d) A new term “Basis Swap Adjustment” is added as follows:

“Basis Swap Adjustment” means the adjustment in rate (whether positive or negative) that results from a basis swap transaction executed by the Bank to swap the London inter-bank offered rate for six month deposits into the London inter-bank offered rate for one month deposits, as reasonably determined by the Bank at the time of withdrawal of an amount of the Loan.

- (e) 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.

- (f) 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.