

**CONFORMED COPY**

**LOAN NUMBER 7869-BR**

# **Loan Agreement**

**(São Paulo Metro Line 4 (Phase 2) Project -  
*Empreendimento Linha 4 – Amarela do Metrô de São Paulo*)**

**between**

**STATE OF SÃO PAULO**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated September 27, 2010**

## **LOAN AGREEMENT**

Agreement dated September 27, 2010, between the STATE OF SÃO PAULO (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”).

WHEREAS by an agreement (the Co-financing Agreement) to be entered into with the Co-financier (as defined in this Agreement), the Borrower has agreed to contract a loan in the amount of one hundred and thirty million Dollars (\$130,000,000) to assist in financing the Project, on terms and conditions set forth in the Co-financing Agreement.

The Borrower and the Bank hereby agree as follows:

### **ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

### **ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred and thirty million Dollars (\$130,000,000), 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”), to assist partially in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 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 Secretary of Finance.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The 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.

- 2.05. The Payment Dates are April 15 and October 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time, in each case with the prior no-objection of the Guarantor and through the Guarantor's Secretariat of National Treasury, 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.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

### **ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, in accordance with the provisions of Article V of the General Conditions, the Borrower: (i) shall carry out Part B (ii) of the Project through STMSF; and (ii) shall cause Part A and Part B (i) of the Project to be carried out by SP Metro,

pursuant of the provisions of the Subsidiary Agreement and under the general coordination of STMSP.

- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

#### **ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Event of Suspension consists of the following, namely that SP Metro has failed to comply with any of its obligations under the Subsidiary Agreement to an extent that, in the opinion of the Bank, would materially and adversely affect the achievement of the Project objective, and the Borrower has not taken measures to comply in full with said obligations.
- 4.02. The Additional Events of Acceleration consist of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.

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

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Subsidiary Agreement has been signed by the parties thereto, and said agreement is in full force and effect.
- 5.02. The Additional Legal Matters consist of the following:
  - (a) The Subsidiary Agreement has been duly authorized or ratified by the Borrower and the SP Metro and is legally binding upon the Borrower and the SP Metro in accordance with its terms.
  - (b) The Loan has been validly registered by the Guarantor's Central Bank.
- 5.03. 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 November 4, 2011.

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

- 6.01. Except as provided in Section 2.02 of this Agreement, the Borrower's Representative is its Governor.

6.02. The Borrower's Address is:

Secretaria da Fazenda  
Avenida Rangel Pestana 300 – 5º andar  
São Paulo - SP 01017-911

Facsimile: (55-11) 3243-3296

With copies to:

Secretaria dos Transportes Metropolitanos – STM  
Secretário dos Transportes Metropolitanos  
Rua Boa Vista 175, Bloco B – 10º Andar  
São Paulo - SP 01014-001

Facsimile: (55-11) 3291-2110

Companhia do Metropolitano de São Paulo – METRÔ  
Presidência  
Rua Boa Vista 175, Bloco B – 7º Andar  
São Paulo - SP 01014-001

Facsimile: (55-11) 3291-2810

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

STATE OF SÃO PAULO

By /s/ Alberto Goldman

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Makhtar Diop

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are: (a) to improve the quality of service provided to the urban transport users in the area of influence of the new Line 4 stations (*São Paulo-Morumbi, Fradique Coutinho, Oscar Freire, Higienópolis-Mackenzie* and *Vila Sônia*), and (b) to facilitate the integration between metro and bus at those stations.

The Project consists of the following parts, subject to such modifications thereof as the Bank and the Borrower may agree upon from time to time to achieve such objectives:

#### **Part A: Infrastructure and Equipment Investment**

Provision of financing for: (i) completion of the works of the four stations of Line 4 initiated during the Line 4 Phase 1 Project; (ii) construction of one new station (*Vila Sônia*) and its access tunnel of about 1.5 km extension; (iii) construction of additional facilities at the *Vila Sônia* yard; and (iv) acquisition and installation of escalators, platform doors, and signaling and telecommunication systems necessary to operate the stations referred to in (i) and (ii) above.

#### **Part B: Technical Assistance**

Provision of technical assistance for: (i) the management oversight and supervision of the carrying out of Part A of the Project; (ii) the carrying out of specific studies or assessments required during the execution the Project, including, *inter alia*, a study for estimating carbon emissions reduction due to the implementation of Line 4.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Borrower shall maintain, at all times during the execution and until completion of the Project, a unit within STMSP to be responsible for the overall coordination of the Project (the "PCU"), such PCU to have structure and functions satisfactory to the Bank, and with staff in adequate numbers and with adequate qualifications, for the purposes of assisting STMSP in the general coordination of the Project implementation. The PCU shall be headed at all times by a coordinator with qualifications, experience, functions and responsibilities satisfactory to the Bank, who shall report directly to the Borrower's Secretary of Metropolitan Transport.
2. The Borrower shall cause SP Metro through the Subsidiary Agreement to maintain, at all times during the execution and until completion of the Project, a unit (the PMU) with responsibilities, structure and functions satisfactory to the Bank and with staff in adequate numbers and with adequate qualifications, for the purposes of assisting the SP Metro in the carrying out of its responsibilities under the Project, including those related to procurement of works and consultants' services under the Project, Loan disbursements, Project financial management, and Project monitoring, evaluation and reporting. Such unit shall be headed at all times by a coordinator with qualifications, experience, functions and responsibilities satisfactory to the Bank, who shall report directly to the President of the SP Metro.

##### B. Subsidiary Agreement

1. The Borrower, through STMSP, shall enter into an agreement (the "Subsidiary Agreement") with SP Metro, under terms and conditions approved by the Bank, which shall include, *inter alia*: (i) SP Metro's undertaking to comply with the safeguards, fiduciary and technical requirements applicable to the Project in accordance with the provisions of this agreement; (ii) SP Metro's undertaking to comply with the provisions of the Anti-Corruption Guidelines, and (iii) the Borrower's undertaking to make the necessary proceeds of the Loan available to SP Metro to carry out the Project.



2. The Borrower shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

**C. Anti-Corruption**

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**D. Environmental and Social Provisions**

1. Without limitation to the provisions of Section 5.01 (b) of the General Conditions, the Borrower, through STMSM, shall carry out, and shall cause SP Metro to carry out, the Project in accordance with the provisions and recommendations of the Environmental Impact Assessment, the Addendum to the EIA, the Resettlement Plan and the new Abbreviated Resettlement Plan.
2. The Borrower, through STMSM, shall cause SP Metro to ensure that any contractors that will carry out civil works under the Part A of the Project shall perform their work in accordance with the technical and environmental practices applicable to the Project, as set forth in the Environmental Impact Assessment, the Addendum to the EIA, the Resettlement Plan and the new Abbreviated Resettlement Plan.

**E. Operational Manual**

1. Without limitation to the provisions of Section 5.01 of the General Conditions, the Borrower shall cause the Project to be carried out in accordance with the provisions of a manual, satisfactory to the Bank (the "Operational Manual"), which shall detail the procedures and guidelines for the execution, monitoring and evaluation of the Project, including, *inter alia* the procedures for the carrying out, monitoring and evaluation of the Project (including disbursement, financial management and auditing).
2. The Operational Manual may be amended by the Borrower from time to time with the prior approval of the Bank. In case of any conflict or inconsistency between the terms of this Agreement and those of the Operational Manual, the terms of this Agreement shall prevail.

**Section II. Project Monitoring Reporting and Evaluation**

**A. Project Reports**

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the Indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than two months after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

1. The Borrower, through STMSP, shall maintain and shall cause SP Metro to maintain a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall cause SP Metro to prepare and furnish to the Bank not later than 60 days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the pertinent quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall cause SP Metro to have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Works, goods and non-consultant services.** All works, goods and non-consultant services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular

contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Works, Goods and Non-consultant services**

1. **International Competitive Bidding.** Works and goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Works, Goods and Non-consultant services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for works, goods and non-consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b><u>Procurement Method</u></b>
National Competitive Bidding, including in respect of goods, works and non-consultant services, <i>concorrência</i> (set forth in the Guarantor's Law N° 8666 of June 21, 1993), in respect of goods and non-consultant services, <i>pregão eletrônico</i> (set forth in the Guarantor's Law N° 10520 of July 17, 2002), under 'COMPRASNET', the procurement portal of the Guarantor, or any other e-procurement system approved by the Bank, subject to the following additional procedure, namely, that the bidding documents shall be acceptable to the Bank.

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b><u>Procurement Method</u></b>
(a) Selection under a Fixed Budget (FBS)
(b) Selection Based on the Consultants Qualifications (CQS)
(c) Least Cost Selection (LCS)
(d) Single-Source Selection (SSS)
(e) Quality-based Selection (QBS)
(f) Procedures set forth in Paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants

**D. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<b><u>Category</u></b>	<b><u>Amount of the Loan Allocated (expressed in USD)</u></b>	<b><u>Percentage of Expenditures to be financed (inclusive of Taxes)</u></b>
(1) Works, Goods and Non-consultant services for Part A of the Project	121,942,000	100%
(2) Consultants' services for Part B of the Project	7,733,000	100%
(3) Front-end Fee	325,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount payable pursuant to Section 2.07 (c) of this Agreement
<b>TOTAL AMOUNT</b>	<b>130,000,000</b>	

For purposes of this table, the term “Non-consultant services” means reasonable expenditures incurred by the Borrower for services under the Project related to, *inter alia*, geotechnical testing and surveying and instrumentation analysis.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$26,000,000 equivalent may be made for payments made within one year prior to this date but on or after February 28, 2009, for Eligible Expenditures.
2. The Closing Date is June 30<sup>th</sup>, 2014. The Bank will only grant an extension of the Closing Date after the Guarantor’s Ministry of Finance has informed the Bank that it agrees with such extension.

**Section V. Other Undertakings**

- A. The Borrower shall, within the limits of its authority, commit to preserve the CDTI and BUI at all times during execution and until the completion of the Project, in the present or other format as long as it continues to enhance the mobility and affordability of metropolitan transport for users, particularly those of low-income. In addition, the Borrower shall undertake its best efforts to extend the BUI to other modes of transportation and expand the CDTI to include other municipalities of the SPMR.
- B. The Borrower shall take all necessary measures in a timely manner to ensure the operation of Line 4 to achieve the Indicators agreed with the Bank.

**SCHEDULE 3**

**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>
On each April 15 and October 15 Beginning October 15, 2015 through April 15, 2040	2%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
- (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
  - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

## APPENDIX

### Section I. Definitions

1. “Abbreviated Resettlement Plan” means the Borrower’s plan, dated June 30, 2009 and disclosed at SP Metro’s website at [www.metro.sp.gov.br](http://www.metro.sp.gov.br), for the resettlement of the population to be displaced because of the carrying out works included in Part A of the Project that were not covered by the Resettlement Plan.
2. “Addendum to the EIA” means the assessment, dated July 16, 2009, and disclosed at SP Metro’s website at [www.metro.sp.gov.br](http://www.metro.sp.gov.br) of the environmental and social impacts of the carrying out the works of Part A of the Project that were not included in the Line 4 Phase 1 Project, which includes a revised and updated environmental mitigation plan and the Abbreviated Resettlement Plan.
3. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
4. “BUI” means *Bilhete-Único Integrado*, an integrated single fare electronic ticket which within a two-hour period allows the integration of transport modes, with one trip over the rail based system and up to three bus trips within the São Paulo municipality bus transport system.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “CDTI” means *Comitê Diretor de Transporte Integrado*, the Borrower’s integrated transport coordination committee, created on May 11, 2006 through a protocol signed by the STMSM and the São Paulo Secretary of Municipal Transport to ensure the technical and institutional cooperation for the implementation of actions to promote the integration of policies, plans, projects and programs of the public transport systems and traffic management in the SPMR.
7. “Co-financier” means the financiers (as defined in the Co-financing Agreement as lenders) and the Japan Bank for International Cooperation (JBIC), referred to in paragraph 15 of the Appendix to the General Conditions.
8. “Co-financing” means an amount of one hundred and thirty million U.S. Dollars (\$130,000,000) to be provided by the Co-financier to assist in financing the Project.



9. “Co-financing Agreement” means the loan agreement referred to in the Whereas clause, to be entered into between the Borrower and the Co-financier providing for the Co-financing.
10. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
11. “Environmental Impact Assessment” means the assessment, contained in the Borrower’s report dated July 27, 2001, of the environmental and social impacts of the carrying out of Part A of the Line 4 Phase 1 Project, which includes the Environmental Mitigation Plan and the Resettlement Plan.
12. “Environmental Mitigation Plan” means the Borrower’s plan, set forth in the Environmental Impact Assessment, for the mitigation of the environmental impacts of the carrying out of Part A of the of Line 4 Phase 1 Project.
13. “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.
14. “Indicators” means the impact, performance and implementation indicators agreed with the Bank and set forth in a supplemental letter of even date herewith, as such letter may be amended from time to time with the agreement of the Bank.
15. “Line 4” means the line of the SP Metro which will link the SP Metro’s *Vila Sonia* yard facility to the SP Metro’s *Luz* station and will include the following stations: *Vila Sonia, São Paulo Morumbi, Butantã, Pinheiros, Faria Lima, Fradique Coutinho, Oscar Freire, Paulista, Mackenzie-Higienópolis, República and Luz.*
16. “Line 4 Phase 1 Project” means the Project as described in the Loan Agreement between the State of São Paulo and the Bank, dated June 25, 2002, corresponding to the Loan Number 4636-BR.
17. “Operational Manual” means the manual referred to in Section I. E of Schedule 2 to this Agreement, dated September 22, 2009, as the same may be amended from time to time with the agreement of the Bank.
18. “PCU” means the unit referred to in Section I.A.1 of Schedule 2 of this Agreement;
19. “PMU” means the unit referred to in Section I.A.2 of Schedule 2 of this Agreement;

20. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
21. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated March 10, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
22. “Resettlement Plan” means the Borrower’s plan, set forth in the Environmental Impact Assessment, as such plan was updated in November 2001, for the resettlement of the population to be displaced because of the carrying out of Part A of the Line 4 Phase 1 Project.
23. “SP Metro” means *Companhia do Metropolitano de São Paulo - METRÔ*, the Borrower’s subway transportation company, created by São Paulo Municipality Law (*Lei Municipal*) N° 6988 of December 26, 1966, as amended to date.
24. “SPMR” means São Paulo metropolitan region, an area comprising the following municipalities of the Borrower: Arujá, Barueri, Biritiba-Mirim, Cajamar, Caieiras, Carapicuíba, Cotia, Diadema, Embú, Embú-Guaçu, Ferraz de Vasconcelos, Francisco Morato, Franco da Rocha, Guararema, Guarulhos, Itapevi, Itaquaquecetuba, Itapeçerica da Serra, Jandira, Jquitiba, Mairiporã, Mauá, Mogi das Cruzes, Osasco, Pirapora do Bom Jesus, Poá, Ribeirão Pires, Rio Grande da Serra, Salesópolis, Santa Isabel, Santana do Parnaíba, Santo André, São Bernardo do Campo, São Caetano do Sul, São Lourenço da Serra, São Paulo, Suzano, Taboão da Serra and Vargem Grande Paulista.
25. “Subsidiary Agreement” means the agreement referred to in Section I. B.1 of Schedule 2 to this Agreement pursuant to which the Borrower, through STMSP, shall make the proceeds of the Loan available to SP Metro.
26. “STMSP” means *Secretaria dos Transportes Metropolitanos*, the Borrower’s Secretariat of Metropolitan Transport.

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

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

“Section 2.07. *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.”

2. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

... (l) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

3. 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 term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

- (b) 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.”