

Public Disclosure Authorized

**CONFORMED COPY**

**LOAN NUMBER 7428-BR**

# **Loan Agreement**

**(Second State Pension Reform Technical Assistance Project)**

**between**

**FEDERATIVE REPUBLIC OF BRAZIL**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated July 17, 2008**

Public Disclosure Authorized

**LOAN NUMBER 7428-BR**

**LOAN AGREEMENT**

Agreement dated July 17, 2008, between the FEDERATIVE REPUBLIC OF BRAZIL (“Borrower”) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“the Bank”). 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 the Loan 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 five million Dollars (\$5,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement (“Loan”), to assist 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.
- 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 Fixed Spread. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 February 15 and August 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 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 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 4.04 (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.
- 2.08. Without limitation upon the provisions of paragraph (a) of Section 2.07 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to the aggregate principal amount of the Loan withdrawn during each Interest Period shall be changed from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

### **ARTICLE III—PROJECT**

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project through MPS with the assistance of the Participating States in accordance with the provisions of Article V of the General Conditions.

- 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—EFFECTIVENESS**

- 4.01. The Additional Legal Matter consists of the following, namely that this Agreement has been duly registered with the Central Bank of Brazil.
- 4.02. 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 August 13, 2008.

**ARTICLE V—REPRESENTATIVE; ADDRESSES**

- 5.01. The Borrower's Representative is its Minister of Finance.
- 5.02. The Borrower's Address is:

Ministério da Fazenda  
Procuradoria Geral da Fazenda Nacional  
Esplanada dos Ministérios, Bloco "P" - 8º andar  
70048-900 Brasília, D.F.  
Brazil

Facsimile: (011-55-61) 3412-1740

With copies to:

Ministério do Planejamento, Orçamento e Gestão  
Secretaria de Assuntos Internacionais  
Esplanada dos Ministérios, Bloco "K" - 5º andar  
70040-906 Brasília, D.F.  
Brazil

Facsimile: (011-55-61) 3225-4022

Ministério da Previdência Social  
Secretaria de Políticas de Previdência Social  
Esplanada dos Ministérios, Bloco "F" - 7º andar  
70059-900 Brasília, D.F.

Brazil

Facsimile: (011-55-61) 3433-5195

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

FEDERATIVE REPUBLIC OF BRAZIL

By/s/ Carlos Antonio Correa de Viana Bandeira

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By/s/John Briscoe

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to enhance fiscal stability and sustainable economic growth in the Participating States through improved pension management.

The Project consists of the following parts:

1. Cadastre and Information Technology Upgrading
  - (a) Upgrading of Participating States' executive branch pension registers including verification of individuals' registers and inputting into the respective states' unified pension system.
  - (b) Upgrading of registers and systems of the legislative and judicial branches and other autonomous agencies of the Participating States so that, to the extent possible, they can be integrated with pension cadastres, thereby creating unified cadastres and systems.
  - (c) Upgrading of Participating States' systems so that their respective state government branches' pension data bases are integrated in a unified system.
2. MPS Data Base Implementation and Upgrading
  - (a) Implementation of the MPS Data Base and its modules in Participating States and development of a new payroll module for such Participating States that is compatible with the MPS Data Base.
  - (b) Implementation of the necessary systems refinements so that Participating States' pension data bases can be integrated and cross referenced with extant national data bases that capture obituaries, benefits, contributions, and work experience to upgrade individual registers and identify fraudulent or incorrect payments.
  - (c) Development of software to make the MPS Data Base a more user friendly pension management tool.
3. Unified Administrator Model
  - (a) Development of a unified pension administrator model for Participating States, and carrying out of dissemination and consultation events as may be required therefor.

- (b) Provision of information technology equipment to Participating States.

4. Strengthening the Participating States' Pension Management

- (a) Training of Participating States' staff in subjects related to the Project.
- (b) Carrying out of workshops to disseminate in the Participating States the legislative requirements of the federal pension system, the results of cadastre work undertaken under the Project, and institutional strengthening support implemented under the Project.
- (c) Training of relevant staff of the legislative and judicial branches of Participating States and other autonomous agencies of the Participating States on the unified pension system.
- (d) Training of auditors that would in turn train officials of the Participating States in the unified pension system.

5. Strengthening the MPS

- (a) Carrying out of: (i) a study to assess the needs of Participating States, and recommended reforms, regarding the management of disability insurance; and (ii) dissemination and consultation events connected thereto.
- (b) Strengthening and operation of the Borrower's Council of State Pension Officials (CONAPREV) comprised by, *inter alia*, pension officials from the Borrower and its states (including the Participating States).
- (c) Carrying out of actuarial analysis of the pension systems of the Participating States.
- (d) Diagnosis and development of health and security legislation for the Borrower's states, including dissemination and consultation activities connected thereto.
- (e) Provision of consultants services for the SPS's PEU including printing and dissemination of newsletters and publications on pensions.



## SCHEDULE 2

### Project Execution

#### **Section I.      Subsidiary Agreements, Institutional and Other Arrangements**

##### **A.      Subsidiary Agreement.**

1.      To facilitate the carrying out of the Project, the Borrower shall, before submitting withdrawal applications for expenditures of a particular Participating State, enter into a subsidiary agreement (*Termo de Adesão*) between the Borrower and such Participating State, under terms and conditions approved by the Bank, which shall include, *inter alia*, that such Participating State will declare its commitment to the objective of the Project and will undertake:

- (a)      to carry out such activities and to collaborate with the Borrower in the carrying out of the Project, all as set forth or referred to in the Loan Agreement (including the Operational Manual);
- (b)      to establish and maintain, during the execution of the Project, a unit (the State UT) responsible for implementation, coordination and evaluation of the Project activities to be carried out by such Participating State, such State UT to have a structure and functions satisfactory to the Borrower and the Bank, and to have qualified staff as required to carry out its responsibilities;
- (c)      (i)      to assign trained staff to the unit of such Participating State responsible for pension management; and  
          (ii)     to provide thereto any equipment of such Participating State that has been acquired under Part 3 of the Project;
- (d)      to relate the results of cadastre upgrades to the MPS and follow-up on irregularities identified, and to share pension data bases with the Borrower, all in terms acceptable to the Borrower and the Bank; and
- (e)      to refund to the Borrower the costs incurred for pension programs initiated under the Project if thereafter interrupted by the Participating State.

2.      The Borrower shall exercise its rights under each Subsidiary Agreement in such a 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 or waive any Subsidiary Agreement or any of its provisions.

3. The Borrower shall, during the execution of the Project:

(a) maintain the PCU with a structure and functions satisfactory to the Bank, and with qualified staff in adequate numbers as required to carry out its responsibilities; and

(b) establish not later than two months after the date of this Agreement, and thereafter maintain, a unit in SPS (the PEU) responsible for assisting the PCU and the Participating States in all technical aspects related to the carrying out of the Project, for monitoring and evaluating the Participating States' pension systems, and for providing technical assistance on pension matters to such Participating States, such unit to have a structure and functions satisfactory to the Bank, and to have qualified staff in adequate numbers as required to carry out its responsibilities.

4. (a) The Borrower shall carry out the Project in accordance with the provisions of the Operational Manual.

(b) In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail. The Borrower may amend the Operational Manual solely with the approval of the Bank.

## **Section II. Project Monitoring, Reporting, 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 set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than 45 days after the end of the period covered by such report.

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

1. The Borrower shall maintain or cause to be maintained 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 prepare and furnish to the Bank as part of the Project Report not later than forty-five days after the end of each calendar semester, interim un-audited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower shall 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. Goods and Non-consultants' Services.** All goods and non-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 Section I of the Procurement Guidelines, and with the provisions of this Schedule.

**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 Schedule.

**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 Goods and Non-Consultants Services**

**1. Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consultants' services shall be procured under contracts awarded on the basis of International Competitive Bidding.

**2. Other Methods of Procurement of Goods and Non-Consultant Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and non-consultant services. The Procurement Plan shall specify the circumstances (including thresholds) under which such methods are authorized.

<b><u>Procurement Method</u></b>
(a) National Competitive Bidding, subject to the additional provisions set forth in the paragraph below.
(b) Shopping (including, in respect of goods, <i>pregão eletrônico</i> set forth in the Borrower's Law No. 10520 of July 17, 2002).

Without limitation to any other provisions set forth in this Schedule or the Guidelines, the following shall apply to the procurement under National Competitive Bidding:

- (a) contracts shall be awarded to the bidder whose bid has been determined to be the lowest evaluated bid, such evaluation to be based on price and, whenever appropriate, to also take into account factors similar to those referred to in paragraph 2.51 of the Guidelines, provided, however, that the bid evaluation shall always be based on factors that can be quantified objectively, and the procedure for such quantification shall be disclosed in the invitation to bid;
- (b) whenever required by the Bank, the invitation to bid shall be advertised for at least three consecutive days in a newspaper of wide circulation in Brazil or in the Borrower's Official Gazette;
- (c) the arrangements, under the invitation to bid, for joint-ventures (*consórcios*) of Brazilian and foreign firms shall be approved in advance by the Bank in each case;
- (d) the invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices; and
- (e) the purchaser shall not, without the Bank's prior approval, issue any change order under a contract which would increase or decrease by more than 15% the quantity of goods (and related services) without any change in the unit prices or other terms and conditions of sale.

**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 (including thresholds) under which such methods are authorized.

<b><u>Procurement Method</u></b>
(a) Single-Source Selection.
(b) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultants' Guidelines for the Selection of Individual Consultants.
(c) Sole Source Procedures for the Selection of Individual Consultants.
(d) Selection Based on Consultants' Qualifications

**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: (a) Article II of the General Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World 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>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed</b>
(1) Goods and non-consultants' services	3,866,000	100%
(2) Consultants' services	1,097,000	100%
(3) Front-end fee	12,500	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 due under Section 2.07 (c) of this Agreement
(5) Unallocated	24,500	
<b>TOTAL</b>	<b><u>5,000,000</u></b>	

**B. Withdrawal Conditions; Withdrawal Period.**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made: (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$500,000 equivalent may be made for payments for Eligible Expenditures made within twelve months before the date of this Agreement; and (b) from the Loan Account until the Bank has received payment in full of the Front-end Fee, if the Borrower selects not to capitalize the Front-end Fee.

2. The Closing Date is June 30, 2011.

### 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.

<u>Principal Payment Date</u>	<u>Principal Amount of the Loan Payable (Expressed in Dollars)</u>
On each February 15 and August 15 beginning February 15, 2012 through February 15, 2023	4.17%
On August 15, 2023	4.09%

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. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005, with the modifications set forth in Section II of this Appendix.
4. “MPS” means *Ministério da Previdência Social*, the Borrower’s Ministry of Social Security.
5. “MPS Data Base” means the software developed by MPS which provides a comprehensive format for an electronic data base adequate for pension related reporting, and actuarial and diagnostic purposes.
6. “Operational Manual” means the manual, dated June 12, 2006, which contains, *inter alia*, the operational procedures for the carrying out of the Project, the requirements for a state to become a Participating State, and the model form for Subsidiary Agreements.
7. “Participating State” means any state or the Federal District of the Borrower which meets the requirements set forth in the Operational Manual to benefit from the Project.
8. “PCU” means the unit within the Executive Secretariat of MPS, established pursuant to MPS’s *Portaria* No. 27 of January 14, 2003, which has been assigned responsibility for managing and coordinating the carrying out of Project activities, including Project financial management, procurement and disbursement activities.
9. “PEU” means the unit referred to in Section I. A.3 (b) of Schedule 2 to the Loan Agreement.
10. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
11. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated December 11, 2006 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.

12. "SPS" means *Secretaria de Políticas de Previdência Social*, the Borrower's Social Security Secretariat.
13. "Subsidiary Agreement" means any of the agreements referred to in Section I. A.1 of Schedule 2 to this Agreement.

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

The modifications to the General Conditions are as follows:

1. Section 2.07 (b) shall read as follows:

"Except as otherwise provided in the Loan Agreement, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account on or after the Effective Date and pay to itself the amount of the Front-end Fee payable pursuant to Section 3.01."

2. Section 3.01 shall read as follows:

"Section 3.01. *Front-end Fee*. The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee")."

3. A new paragraph (d) is added to Section 3.02, at the end thereof, which shall read as follows:

"Section 3.02. *Interest*

- (d) Notwithstanding the provisions of paragraph (a) of this Section, 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 Borrower shall pay the Default Interest Rate on such overdue amount in lieu of the interest rate specified in the Loan Agreement (or such other interest rate as may be applicable pursuant to Article IV as a result of a Conversion) until such overdue amount is fully paid. Interest at the Default Interest Rate shall accrue from the first day of each Default Interest Period and shall be payable semi-annually in arrears on each Payment Date."

4. APPENDIX – Definitions:

- 4.01. Definition (19) "Commitment Charge" is deleted.

4. 02. Definition (40) “Fixed Spread” shall 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; provided, that upon a Currency Conversion of all or any amount of the Unwithdrawn Loan Balance, such fixed spread shall be adjusted on the Execution Date in the manner specified in the Conversion Guidelines; and provided further that notwithstanding the foregoing, for purposes of determining the Default Interest Rate 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.”

4. 03. Definition (43) “Front-end Fee” shall read as follows:

“Front-end Fee” means the fee specified in the Loan Agreement for the purpose of Section 3.01.”

4. 04. Definition (56) “LIBOR Reset Date” shall read as follows:

“LIBOR Reset Date” means:

- (a) for any Loan Currency other than Euro, the day two London Banking Days prior to the first day of the relevant Interest Period (or: (i) in the case of the initial Interest Period of a Variable Spread Loan, the day two London Banking Days prior to the fifteenth day of the month preceding the month in which the Loan Agreement is signed; provided that if the date of the Loan Agreement falls on or after the fifteenth day of the month in which the Loan Agreement is signed, the LIBOR Reset Date shall be the day two London Banking Days prior to the fifteenth day of such month; (ii) in the case of the Initial Interest Period of a Fixed Spread Loan, the day two London Banking Days prior to the first or fifteenth day of the month in which the Loan Agreement is signed, whichever day immediately precedes the date of the Loan Agreement; provided, that if the date of the Loan Agreement falls on the first or fifteenth day of such month, the LIBOR Reset Date shall be the day two London Banking Days prior to the date of the Loan Agreement; and (iii) if the Conversion Date of a Currency Conversion of an amount of the Unwithdrawn Loan Balance to any Approved Currency other than Euro falls on a day other than a Payment Date, the initial LIBOR Reset Date for the Approved Currency shall be the day two London Banking Days prior to the first or fifteenth day of the month in which the Conversion Date falls, whichever day immediately precedes the Conversion Date; provided, that if the Conversion Date falls on the first or fifteenth day of

such month, the LIBOR Reset Date for the Approved Currency shall be the day two London Banking Days prior to the Conversion Date);

- (b) for Euro, the day two Target Settlement Days prior to the first day of the relevant Interest Period (or: (i) in the case of the initial Interest Period for a Variable Spread Loan, the day two Target Settlement Days prior to the fifteenth day of the month preceding the month in which the Loan Agreement is signed; provided that if the date of the Loan Agreement falls on or after the fifteenth day of the month in which the Loan Agreement is signed, the LIBOR Reset Date shall be the day two Target Settlement Days prior to the fifteenth day of such month; (ii) in the case of the Initial Interest Period for a Fixed Spread Loan, the day two Target Settlement Days prior to the first or fifteenth day of the month in which the Loan Agreement is signed, whichever day immediately precedes the date of the Loan Agreement; provided that if the date of the Loan Agreement falls on the first or fifteenth day of such month, the LIBOR Reset Date shall be the day two Target Settlement Days prior to the date of the Loan Agreement; and (iii) if the Conversion Date of a Currency Conversion of an amount of the Unwithdrawn Loan Balance to Euro falls on a day other than a Payment Date, the initial LIBOR Reset Date for the Approved Currency shall be the day two Target Settlement Days prior to the first or fifteenth day of the month in which the Conversion Date falls, whichever day immediately precedes the Conversion Date; provided that if the Conversion Date falls on the first or fifteenth day of such month, the LIBOR Reset Date for the Approved Currency shall be the day two Target Settlement Days prior to the Conversion Date); and
- (c) notwithstanding sub-paragraphs (a) and (b) of this paragraph, if, for a Currency Conversion to an Approved Currency, the Bank determines that market practice for the determination of the LIBOR Reset Date is on a date other than as set forth in said sub-paragraphs, the LIBOR Reset Date shall be such other date, as further specified in the Conversion Guidelines.”

4.05. Definition (63) “Loan Payment” shall read as follows:

“Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

4.06. Definition (68) “Payment Date” shall read as follows:

“Payment Date” means each date specified in the Loan Agreement occurring on or after the date of the Loan Agreement on which interest is payable.”

4.07. The following definitions are added to the Appendix at the end thereof:

“Default Interest Period” means for any overdue amount of the Withdrawn Loan Balance, each Interest Period during which such overdue amount remains unpaid; provided, however, that the first such Default Interest Period shall commence on the 31<sup>st</sup> day following the date on which such amount becomes overdue, and the final such Default Interest Period shall end on the date at which such amount is fully paid.”

“Default Interest Rate” means for any Default Interest Period:

- (a) in the case of a Variable Spread Loan: Default LIBOR plus the Variable Spread plus one half of one percent (0.5%);
- (b) in the case of a Fixed Spread Loan for which interest on the amount of the Withdrawn Loan Balance to which the Default Interest Rate applies was payable at a Variable Rate immediately prior to the application of the Default Interest Rate: the Default Variable Rate plus one half of one percent (0.5%); and
- (c) in the case of a Fixed Spread Loan for which interest on the amount of the Withdrawn Loan Balance to which the Default Interest Rate applies was payable at a Fixed Rate immediately prior to the application of the Default Interest Rate: Default LIBOR plus the Fixed Spread plus one half of one percent (0.5%).”

“Default LIBOR” means LIBOR for the relevant Interest Period; it being understood that for the initial Default Interest Period, Default LIBOR shall be equal to LIBOR for the Interest Period in which the amount referred to in paragraph (d) of Section 3.02 first becomes overdue.”

“Default Variable Rate” means the Variable Rate for the relevant Interest Period; it being understood that for the initial Default Interest Period, Default Variable Rate shall be equal to the Variable Rate for the Interest Period in which the amount referred to in paragraph (d) of Section 3.02 first becomes overdue.”