

CONFORMED COPY

LOAN NUMBER 4178 RO

## Loan Agreement

(Second Roads Project)

between

ROMANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated July 1, 1997

LOAN NUMBER 4178 RO

## LOAN AGREEMENT

AGREEMENT, dated July 1, 1997, between ROMANIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) the Borrower intends to contract from the Fund for Assistance to Central and European Countries (PHARE) a grant (the PHARE Grant) in an amount equivalent to sixteen million dollars (\$16,000,000) to assist in financing Parts A, D and E of the Project on the terms and conditions set forth in an agreement (the PHARE Grant Agreement) to be entered into between the Borrower and PHARE;

(C) by agreement (the EBRD Loan Agreement), dated November 20, 1996, the European Bank for Reconstruction and Development (EBRD) has agreed to make a loan (the EBRD Loan) to the Borrower in an aggregate principal amount equivalent to eighty five million nine hundred thousand dollars (\$85,900,000) to assist in financing Part B of the Project on the terms and conditions set forth in the EBRD Loan Agreement;

(D) by agreement (the EIB Loan Agreement), dated October 25, 1996, the European Investment Bank (EIB) has agreed to make a loan (the EIB Loan) to the Borrower in an aggregate principal amount equivalent to about eighty eight million dollars (\$88,000,000) to assist in financing Part B of the Project on the terms and conditions set forth in the EIB Loan Agreement; and

(E) Parts B, C and D of the Project will be carried out by the National Administration of Roads (NAR) with the Borrower's assistance and, as part of such

assistance, the Borrower will make available to NAR the proceeds of the Loan as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Bank and NAR;

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995, with the modification set forth below (the General Conditions) constitute an integral part of this Agreement:

Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled."

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

(a) "Project Agreement" means the agreement of even date herewith between the Bank and NAR, as the same may be amended from time to time, and such terms include all agreements supplemental to the said Project Agreement;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and NAR, pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time;

(c) "Subsidiary Loan" means the loan provided under the Subsidiary Loan Agreement;

(d) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(e) "NAR Decision" means Government Decision No. 1275, dated December 8, 1990, regarding the establishment of NAR, and any subsequent modifications thereto;

(f) "PMU" means the Project management unit to be maintained by NAR, in accordance with the provisions of Section 4.04 of the Project Agreement, with

responsibility for the overall coordination and supervision of the carrying out of Parts B, C and D of the Project and the procurement of the goods and services therefor;

(g) "ICRS" means the Interministerial Council for Road Safety established by Government Decision No. 437, dated June 20, 1995;

(h) "SICRS" means the permanent secretariat of the ICRS;

(i) "Lead Reduction Action Plan" means the action plan for the phasing out of lead in petrol, referred to in Section 4.04 of the Loan Agreement;

(j) "National Traffic Safety Action Plan" means the action plan for improving traffic safety, referred to in Section 4.06 of the Loan Agreement;

(k) "Traffic Safety Program" means the program referred to in Section 4.05 of the Loan Agreement; and

(l) "Lei" means the Borrower's currency.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to one hundred fifty million dollars (\$150,000,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2003 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) "LIBOR Total Spread" means, for each Interest Period: (A) one half of one percent (1/2 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end: (i) shall carry out Parts A and E of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources needed for Parts A and E of the Project; and (ii) without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause NAR to perform in accordance with the provisions of the Project Agreement all the obligations of NAR therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable NAR to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend the proceeds of the Loan to NAR under a subsidiary loan agreement to be entered into between the Borrower and NAR, under terms and conditions which shall have been approved by the Bank which shall include the following principal terms: (i) the principal amount of the Subsidiary Loan shall be repaid in Lei in amounts equivalent (determined as of the date or respective dates of repayment, according to Schedule 3 to this Agreement) to the amounts withdrawn from the Loan Account or paid out of the Special Account on account of goods and services for Parts B and C of the Project, and financed out of the proceeds of the Loan; (ii) the principal amount of the Subsidiary Loan shall be repaid over a period of no more than twenty (20) years, including a grace period of no more than five (5) years; and (iii) NAR shall pay interest and other charges on the principal amount of the Subsidiary Loan at a rate equal to the rate applicable to the Loan pursuant to this Agreement.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of the Schedule to the Project Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of Parts A and E of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. The Borrower and the Bank hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively), in respect of Parts B, C and D of the Project, shall be carried out by NAR pursuant to Section 2.03 of the Project Agreement.

#### ARTICLE IV

##### Financial and Other Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall or shall cause NAR to:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and
- (iii) enable the Bank's representatives to examine such records.

(b) The Borrower shall or shall cause NAR to:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

Section 4.02. The Borrower shall:

(a) review with the Bank, not later than November 30 of each fiscal year, the Borrower's proposed budget and expenditure program for its national roads network during the following fiscal year and take the Bank's views into consideration in finalizing said program; and

(b) thereafter ensure that any investment in its national roads network estimated to cost \$6,000,000 equivalent or more shall be carried out only if

determined to be economically viable in accordance with criteria agreed with the Bank.

Section 4.03. The Borrower shall maintain, at all times until the completion of the Project, the ICRS and SICRS with a sufficient number of qualified staff and adequate facilities, as satisfactory to the Bank.

Section 4.04. The Borrower shall: (i) by December 31, 1997, submit (through the ICRS) to the Bank a Lead Reduction Action Plan, satisfactory to the Bank; and (ii) carry out said Action Plan in accordance with its terms.

Section 4.05. The Borrower shall: (a) carry out the Traffic Safety Program with due diligence and efficiency; (b) review with the Bank, by June 30 of each year, the progress achieved in the carrying out of such a program; and (c) within four (4) months of each such review, update the program and, thereafter, implement all measures required to ensure the efficient carrying out thereof during the period after such review, taking into consideration the Bank's comments on the matter.

Section 4.06. The Borrower shall: (i) by December 31, 1999, submit (through the ICRS) to the Bank, for its review, a draft National Traffic Safety Action Plan; (ii) immediately thereafter finalize said Action Plan taking into consideration the Bank's comments on such a draft; and (iii) carry out said Action Plan in accordance with its terms.

Section 4.07. The Borrower, through the ICRS, shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of Parts A and E of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about March 31, 2000, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by June 30, 2000, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank views on the matter.

## ARTICLE V

### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) NAR shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that NAR will be able to perform its obligations under the Project Agreement.

(c) The NAR Decision shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of NAR to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of NAR or for the suspension of its operations.

(e) The PHARE Grant Agreement shall have failed to become effective by December 31, 1998, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of

the Borrower under this Agreement.

- (f) (i) Subject to subparagraph (ii) of this paragraph:
- (A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the EBRD Loan Agreement, EIB Loan Agreement, or PHARE Grant Agreement, providing therefor, or
- (B) the EBRD Loan or the EIB Loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that:
- (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

- (a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower;
- (b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur; and
- (c) the event specified in paragraph (f) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (f) (ii) of that Section.

## ARTICLE VI

### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and NAR; and
- (b) all conditions precedent to the effectiveness of the EBRD Loan Agreement and the EIB Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement.

Section 6.02. The following are specified as additional matters, with the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

- (a) that the Project Agreement has been duly authorized or ratified by NAR and is legally binding upon NAR in accordance with its terms; and
- (b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and NAR and is legally binding upon the Borrower and NAR in accordance with its terms.

Section 6.03. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## ARTICLE VII

### Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
17 Apolodor Street  
Bucharest  
Romania

Telex:

11230

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

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

ROMANIA

By /s/ Mircea Geoana

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Kenneth G. Lay

Acting Regional Vice President  
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Works under Part B of the Project	125,000,000	100% of foreign expenditures and

		60% of local expenditures
(2)	Goods under Parts B and C of the Project	13,000,000
		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(3)	Consultants' Services under Parts B and C of the Project	4,000,000
(4)	Unallocated	8,000,000
		<hr/>
	TOTAL	150,000,000
		=====

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$15,000,000 may be made on account of payments made for expenditures before that date but after November 30, 1996.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) contracts for works on roads costing less than \$4,000,000 equivalent each; (b) contracts for works on bridges costing less than \$500,000 equivalent each; and (c) contracts costing less than \$100,000 equivalent each for the employment of consulting firms, and \$50,000 equivalent each for employment of individual consultants, under such terms and conditions as the Bank shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (i) improve traffic safety and the fitness of the vehicle fleet; (ii) continue helping the Borrower to meet the changing pattern of demand for land transport infrastructure; (iii) improve the management and performance of NAR; (iv) assist the Romanian civil works construction industry in its transition to a market economy; and (v) promote the reduction of lead in petrol.

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

#### Part A:

Carrying out of works and provision of goods and consultants' services to improve traffic safety, as well as improve the technical conditions and reduce the emission levels of vehicles, including the preparation of a National Traffic Safety Action Plan.

#### Part B:

Carrying out of works and provision of goods and consultants' services for: (i) the rehabilitation of about 1,000 km of national roads and about 100 bridges; (ii) the elimination of accident black spots; and (iii) traffic safety pilot projects on national roads.

Part C:

Provision of goods and consultants' services for routine maintenance and for the improvement of the management and performance of NAR, including the establishment of a bridge management system and a cost accounting system.

Part D:

Provision of consultants' services, in the areas of contract management, financial management and control of enterprises, to assist the Romanian civil works construction industry in its transition to a market economy.

Part E:

Provision of consultants' services to promote the reduction of lead in petrol, including assistance in the preparation of a Lead Reduction Action Plan.

\* \* \*

The Project is expected to be completed by March 31, 2003.

SCHEDULE 3

Amortization Schedule

Payment of Principal Date Payment Due  
(Expressed in Dollars)\*

November 15, 2002	3,170,000
May 15, 2003	3,265,000
November 15, 2003	3,360,000
May 15, 2004	3,460,000
November 15, 2004	3,565,000
May 15, 2005	3,670,000
November 15, 2005	3,780,000
May 15, 2006	3,890,000
November 15, 2006	4,005,000
May 15, 2007	4,125,000
November 15, 2007	4,245,000
May 15, 2008	4,375,000
November 15, 2008	4,500,000
May 15, 2009	4,635,000
November 15, 2009	4,775,000
May 15, 2010	4,915,000
November 15, 2010	5,060,000
May 15, 2011	5,210,000
November 15, 2011	5,365,000
May 15, 2012	5,525,000
November 15, 2012	5,690,000
May 15, 2013	5,855,000
November 15, 2013	6,030,000
May 15, 2014	6,210,000
November 15, 2014	6,395,000
May 15, 2015	6,585,000
November 15, 2015	6,780,000
May 15, 2016	6,980,000
November 15, 2016	7,185,000
May 15, 2017	7,395,000

\* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

- (a) the term "eligible Categories" means Categories (1) to (3) set forth in

the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equal to \$8,500,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equal to \$1,700,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$25,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General

Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

