

CONFORMED COPY

LOAN NUMBER 4309 CHA

Loan Agreement

(State Farms Commercialization Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated June 12, 1998

LOAN NUMBER 4309 CHA

LOAN AGREEMENT

AGREEMENT, dated June 12, 1998, between PEOPLE'S REPUBLIC OF CHINA (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 Project will be carried out by China Trust and Investment Corporation for Economic Development (CTICED) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to CTICED 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 CTICED;

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 of Section 6.03 set forth below (the General Conditions) constitute an integral part of this Agreement:

"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, or (g) by the date specified in Part B.4(d) of Section II of Schedule 1 to the Project Agreement, the Bank shall, in respect of any portion of the Loan, (i) have received no applications or requests under Part B.4(b) or Part B.4(c) of said Section II or (ii) have denied any such applications or requests, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to submit such applications or requests or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be canceled."

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

(a) "Category" means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(b) "CTICED" means the China Trust and Investment Corporation for Economic Development, a state-owned non-bank financial institution established and operating under the laws of the Borrower and in accordance with the CTICED Basic Documents.

(c) "CTICED Basic Documents" means: (i) the Charter of CTICED, approved by the People's Bank of China (PBC) in 1991; (ii) License to Conduct Financial Services, dated October 18, 1991 issued by PBC; (iii) Financial Institution Legal Entity License No. K15711000019, dated May 27, 1997, issued by PBC; (iv) Business License No. 1000787-5, dated May 24, 1993, issued by the Borrower's State Administration of Industry and Commerce; and (v) License to Conduct Foreign Exchange Operations set forth in Document No. 384 (1997) dated July 29, 1997, issued by the Borrower's State Foreign Exchange Administration Bureau; as the same may be amended and renewed from time to time.

(d) "MOA" means the Borrower's Ministry of Agriculture, and any successor thereto.

(e) "Participating Provinces" means such provinces, autonomous regions and directly-administered municipalities of the Borrower as may be selected from time to time by agreement between the Borrower and the Bank; and "Participating Province" means any of the Participating Provinces.

(f) "Project Agreement" means the agreement between the Bank and CTICED, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement.

(g) "Renminbi" means the currency of the Borrower.

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

(i) "State Farm Enterprise" means any enterprise operating in the territory of a Participating Province of which 20% or more of the outstanding voting stock or other proprietary interest is owned or effectively controlled by the State Farms Bureau of MOA or by a governmental agency or enterprise operating under the supervisory authority of said State Farms Bureau.

(j) "Sub-loan" means a loan made or proposed to be made by CTICED out of the proceeds of the Loan to a State Farm Enterprise for a Sub-project.

(k) "Sub-project" means a specific investment project under Part A of the Project to be carried out by a State Farm Enterprise utilizing the proceeds of a Sub-loan.

(l) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and CTICED pursuant to Part B of Schedule 4 to this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement; and "Subsidiary Loan" means the loan provided for under the Subsidiary Loan Agreement.

## 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: (i) amounts paid (or, if the Bank shall so agree, to be paid) by CTICED on account of withdrawals made by State Farm Enterprises under Sub-loans to meet the reasonable cost of goods and services required for the Sub-projects in respect of which withdrawal from the Loan Account is requested; and (ii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Part B of 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 or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2004 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 semi-annually in arrears on 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, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause CTICED to perform in accordance with the provisions of the Project Agreement all the obligations of CTICED 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 CTICED to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the actions set forth in Schedule 4 to this Agreement in order to ensure the proper implementation of the Project.

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 Schedule 2 to the Project Agreement.

Section 3.03. The Bank and the Borrower 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) shall be carried out by CTICED pursuant to Section 2.03 of the Project Agreement.

Section 3.04. 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, integrating the plan prepared by CTICED pursuant to Section 2.03(b) of the Project Agreement, for the continued achievement of the objectives of the Project; and

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

#### ARTICLE IV

##### Financial 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:

(i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts adequate to reflect 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:

(i) have the records and accounts referred to in paragraph (a)(i) of this Section and those for the Special Account for each fiscal year audited, in accordance with consistently applied auditing principles acceptable to the Bank, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six 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 and concerning said auditors, as the Bank shall from time to time reasonably request.

#### 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) CTICED 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 CTICED will be able to perform its obligations under the Project Agreement.

(c) The CTICED Basic Documents shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CTICED 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 CTICED or for the suspension of its operations.

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

(a) The event specified in Section 5.01(a) of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

(b) The events specified in Sections 5.01(c) and 5.01(d) of this Agreement shall occur.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions, namely, that the Subsidiary Loan Agreement has been executed on behalf of the Borrower and CTICED.

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

(a) that the Project Agreement has been duly authorized or ratified by CTICED and is legally binding upon CTICED in accordance with its terms; and

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

Section 6.03. The date ninety (90) 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  
Sanlihe  
Beijing 100820  
People's Republic of China

Cable address:

FINANMIN  
Beijing

Telex:

22486 MFPRC CN

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.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Li Zhaoxing

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Sven Sandstrom

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Sub-loans	149,500,000	100% of payments made by CTICED under Sub-loans
(2) Goods for Part B of the Project	50,000 ) ) ) ) ) )	100% of foreign expenditures; 100% of local expenditures (ex-factory cost); and 75% of local expenditures for other items procured locally
(3) Consultants' services and training for Part B of the Project	450,000	100%
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; provided that expenditures in the currency of the Hong Kong Special Administrative Region of the Borrower for goods or services supplied from said Region shall be deemed to be "foreign expenditures"; 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 prior to the date of this Agreement (i) by CTICED under Sub-loans or (ii) for expenditures for Part B of the Project, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$10,000,000 may be made on account of any such payments made before that date but after December 1, 1996; or

(b) a Sub-loan unless the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Section II of Schedule 1 to the Project Agreement.

4. The Bank may require the following withdrawals from the Loan Account to be made on the basis of statements of expenditure, under such terms and conditions as the Bank shall specify by notice to the Borrower:

(a) withdrawals under Category (1) for payments made under Sub-loans;

(b) withdrawals under Category (2) for expenditures for goods; and

(c) withdrawals under Category (3) for expenditures for (i) consultants' services provided under contracts awarded to individuals costing less than \$50,000 equivalent each and (ii) training.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist in: (1) expanding the productive capacity, and strengthening of the organization and management, of enterprises operating within the Borrower's state farms system; and (2) further developing the Borrower's rural finance system through strengthening of the institutional capabilities of CTICED.

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: Sub-loans

The financing, through the provision of Sub-loans by CTICED, of investment projects to expand the productive capacity of State Farm Enterprises.

Part B: CTICED Institutional Strengthening

Development and implementation of a program to strengthen the institutional capabilities of CTICED, such program to include: (1) training programs for staff in project analysis and supervision and portfolio management; (2) development and adoption of a strategic plan for CTICED, development and application of a credit manual, standardized loan documentation and policies and procedures for disbursements and external audits and further development of a management information system; (3) strengthening of CTICED's organization in the areas of credit and internal audit operations; and (4) provision of equipment required for said program.



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The Project is expected to be completed by June 30, 2003.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars)*
November 15, 2003	3,165,000
May 15, 2004	3,260,000
November 15, 2004	3,355,000
May 15, 2005	3,455,000
November 15, 2005	3,560,000
May 15, 2006	3,665,000
November 15, 2006	3,775,000
May 15, 2007	3,885,000
November 15, 2007	4,000,000
May 15, 2008	4,120,000
November 15, 2008	4,245,000
May 15, 2009	4,370,000
November 15, 2009	4,500,000
May 15, 2010	4,635,000
November 15, 2010	4,770,000
May 15, 2011	4,915,000
November 15, 2011	5,060,000
May 15, 2012	5,210,000
November 15, 2012	5,365,000
May 15, 2013	5,525,000
November 15, 2013	5,690,000
May 15, 2014	5,860,000
November 15, 2014	6,035,000
May 15, 2015	6,215,000
November 15, 2015	6,400,000
May 15, 2016	6,590,000
November 15, 2016	6,785,000
May 15, 2017	6,985,000
November 15, 2017	7,195,000
May 15, 2018	7,410,000
TOTAL	150,000,000

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\* 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

Implementation Program

The provisions of this Schedule shall apply for the purposes of Section 3.01(b) of this Agreement.

A. Project Oversight

In order to ensure the proper oversight of the Project, the Borrower shall maintain throughout the period of Project implementation, with functions, composition and resources acceptable to the Bank, a Project oversight office within the Foreign Economic Cooperation Center of MOA and headed by a Director, to be responsible for (a) providing policy guidance and technical assistance to State Farm Enterprises in developing Sub-projects, (b) providing policy guidance and technical assistance to CTICED in supervising Sub-projects, (c) monitoring the implementation of any resettlement plans required pursuant to Part B.1(b)(iii) of Section II of Schedule 1 to the Project Agreement and (d) liaising between MOA and other agencies involved in

Project implementation.

B. Subsidiary Loan Agreement

1. The Borrower shall relend the proceeds of the Loan to CTICED under a subsidiary loan agreement to be entered into between the Borrower and CTICED, under terms and conditions which shall have been approved by the Bank and which shall include the following principal terms:

(a) The principal amount of the Subsidiary Loan shall be denominated and repaid in Dollars.

(b) The Subsidiary Loan shall be charged on the principal amount thereof withdrawn and outstanding from time to time, interest at a rate equal to the rate applicable to the Loan pursuant to Section 2.05 of this Agreement.

(c) The Subsidiary Loan shall be repaid over a period not to exceed fifteen years, inclusive of a grace period of five years.

2. 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.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3).

(b) the term "eligible expenditures" means:

(i) expenditures in respect of amounts paid by CTICED under Sub-loans and to be financed out of the proceeds of the Loan allocated from time to time to Category (1) in accordance with the provisions of Schedule 1 to this Agreement; provided, however, that notwithstanding the provisions of Part B.4 of Section II of Schedule 1 to the Project Agreement, payments for expenditures to be financed out of the proceeds of free-limit Sub-loans (as defined in said Part) may be made out of the Special Account before the Bank shall have authorized withdrawals from the Loan Account in respect thereof, but such expenditures shall qualify as eligible expenditures only if the Bank shall subsequently authorize such withdrawals; and

(ii) expenditures in respect of the reasonable cost of goods and services required for Part B of the Project and to be financed out of the proceeds of the Loan allocated from time to time to Categories (2) and (3) in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$10,000,000 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 equivalent to \$6,000,000 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 \$45,000,000.

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 deposit 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 para graph 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 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 Section 2.02(a) 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, 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 the 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 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.

