

CONFORMED COPY

CREDIT NUMBER 2064 IN

(Industrial Technology Development Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 8, 1989

CREDIT NUMBER 2064 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated December 8, 1989, between INDIA, acting by its President (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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 Association to assist in the financing of the Project;

(B) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards the financing of Parts A and C of the Project and by an agreement of even date herewith between the Borrower and the Bank (the Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to one hundred forty-five million dollars (\$145,000,000) (the Loan);

(C) Part A of the Project will be carried out through ICICI, CanBank, APIDC and GIIC for which the Borrower will make available an amount equivalent to \$45,000,000 out of the proceeds of the Loan as set forth in Schedule 2 to the Loan Agreement;

(D) Part B of the Project will be carried out by ICICI for which the Borrower will make available to ICICI the proceeds of the Credit as provided in this Agreement;

(E) Part C of the Project will be carried out by the Borrower;

(F) the Borrower is expected to receive from the Government of Japan a grant in an amount equivalent to \$2,500,000 to assist in financing Part D of the Project; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the ICICI and IDBI Project Agreements of even date herewith;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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) "Loan Agreement" means the agreement of even date herewith between the Borrower and the Bank for the Project, as such agreement may be amended from time to time; and such term includes the "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement;

(b) "ICICI" means The Industrial Credit and Investment Corporation of India Limited, a company registered under the Companies Act, 1956, of the Borrower;

(c) "TDICI" means the Technology Development and Information Company of India Limited, a company registered under the Companies Act, 1956, of the Borrower;

(d) "CanBank" means the Canara Bank, a bank established and operating under the laws of India;

(e) "CanFina" means the CanBank Financial Services Limited, a subsidiary of Canara Bank and registered under the Companies Act, 1956, of the Borrower;

(f) "APIDC" means the Andhra Pradesh Industrial Development Corporation, a company registered under the Companies Act, 1956, of the Borrower;

(g) "GIIC" means the Gujarat Industrial Investment Corporation, a company registered under the Companies Act, 1956, of the Borrower;

(h) "IDBI" means the Industrial Development Bank of India, a

body corporate established under the Industrial Development Bank of India Act, 1964, as amended to the date of this Agreement;

(i) "ICICI Project Agreement" means the Agreement among the Association, the Bank, ICICI and TDICI 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 ICICI Project Agreement;

(j) "IDBI Project Agreement" means the Agreement between the Bank and IDBI 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 IDBI Project Agreement;

(k) "Project Agreements" means the Agreements referred to in sub-paragraphs (i) and (j) of this Section, collectively;

(l) "ICICI Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and ICICI pursuant to the provisions of Section 3.02 (a) of the Loan Agreement, as the same may be amended from time to time, and such term includes all schedules to the ICICI Subsidiary Loan Agreement;

(m) "IDBI Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and IDBI pursuant to the provisions of Section 3.02 (a) of the Loan Agreement, as the same may be amended from time to time, and such term includes all schedules to the IDBI Subsidiary Loan Agreement;

(n) "Subsidiary Loan Agreements" means the Agreements referred to in sub-paragraphs (l) and (m) of this Section, collectively;

(o) "CanBank Financial Agreement" means the agreement to be entered into between IDBI and CanBank pursuant to the provisions of Section 2.02 of the IDBI Agreement, as the same may be amended from time to time, and such term includes all Schedules to the CanBank Financial Agreement;

(p) "APIDC Financial Agreement" means the agreement to be entered into between IDBI and APIDC pursuant to the provisions of Section 2.02 of the IDBI Agreement, as the same may be amended from time to time, and such term includes all schedules to the APIDC Financial Agreement;

(q) "GIIC Financial Agreement" means the agreement to be entered into between IDBI and GIIC pursuant to the provisions of Section 2.02 of the IDBI Agreement, as the same may be amended from time to time, and such term includes all schedules to the GIIC Financial Agreement;

(r) "Financial Agreements" means the Agreements referred to in sub-paragraphs (o), (p) and (q) of this Section, collectively;

(s) "Sub-loan" means a loan made or proposed to be made by ICICI to a technology service institution for the purpose of Part B.1 of the Project;

(t) "Conditional Sub-loan" means a loan made or proposed to be made by ICICI to a technology service institution for the purpose of Part B.2 of the Project;

(u) "Investment Enterprise" means an enterprise to which VCF has been provided;

(v) "VCF" means a venture capital financing, as an equity investment, loan, quasi-equity investment or other financial investment made in an Investment Enterprise for the purposes of Part A of the Project;

(w) "VC Fund" means a Venture Capital Fund established by ICICI, CanBank, APIDC or GIIC for the purpose of venture capital

financing under Part A of the Project;

(x) "TDF" means the Technical Development Fund to be established for the purposes of carrying out Part C of the Project;

(y) "Rupees" and "Rs" mean the currency of the Borrower; and

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

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to forty-four million two hundred thousand Special Drawing Rights (SDR 44,200,000).

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in the Reserve Bank of India on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1995 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semi-annually on June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 1 and December 1 commencing December 1, 1999 and ending June 1, 2024. Each installment to and including the installment payable on June 1, 2009 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### 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, shall carry out Part C 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 required for Part C of the Project.

(b) Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause ICICI and IDBI to perform in accordance with the provisions of the Project Agreements all of their respective obligations therein set forth, shall take or cause to be taken all action necessary or appropriate to enable them to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

Section 3.02. The Borrower shall, in accordance with arrangements satisfactory to the Association under the ICICI Subsidiary Loan Agreement, make the proceeds of the Credit available to ICICI to manage on behalf of the Borrower to carry out Part B of the Project.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for Part B.1 of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of

Schedule 3 to the ICICI Project Agreement.

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 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 Part B of the Project shall be carried out by ICICI pursuant to Section 2.04 (a) of the ICICI Project Agreement.

#### ARTICLE IV

##### Particular Covenants

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

- (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 Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and
  - (iii) enable the Association'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 appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
  - (ii) furnish to the Association 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 Association 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 Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

#### ARTICLE V

##### Remedies of the Association

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

- (a) ICICI, TDICI or IDBI shall have failed to perform any of their respective obligations under the Project Agreements;
- (b) as a result of events which have occurred after the date

of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that ICICI, TDICI or IDBI will be able to perform their respective obligations under the Project Agreements;

(c) the Memorandum of Association and the Articles of Association of ICICI dated January 5, 1955, as amended to the date of this Agreement shall have been amended, so as to affect materially and adversely the ability of ICICI to perform any of its obligations under the ICICI Project Agreement;

(d) the Borrower shall have made any changes in the existing guidelines and procedures set out in its Ministry of Industry's Press Release Nos. 2(1)88-TDF dated April 22, 1988 and 2(1)89-TDF dated March 17, 1989 which would limit access of industrial firms to the TDF; and

(e) the Borrower has made any changes in the framework of Venture Capital Guidelines outlined in its Press Release No. S.11(86)-CCI(11)/87 dated November 25, 1988 which would affect materially and adversely the efficiency and effectiveness of the venture capital financing under Part A of the Project.

Section 5.02. Pursuant to Section 7.01 (d) 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 days after notice thereof shall have been given by the Association to the Borrower; and

(b) the events specified in paragraphs (c), (d) and (e) of Section 5.01 of this Agreement shall occur.

#### ARTICLE VI

##### Effective Date; Termination

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

(a) the Subsidiary Loan Agreements have been executed on behalf of the Borrower and ICICI and IDBI, respectively;

(b) CanBank Financial Agreement has been executed on behalf of IDBI and CanBank; and

(c) all conditions precedent to the effectiveness of the Loan Agreement shall have been fulfilled, other than those related to the effectiveness of this Agreement.

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

(a) that the Project Agreements have been duly authorized or ratified by ICICI, TDICI and IDBI, respectively, and are legally binding upon said parties in accordance with their respective terms;

(b) that the Subsidiary Loan Agreements have been duly authorized or ratified by the Borrower and ICICI and IDBI, respectively, and are legally binding upon the Borrower and ICICI, and IDBI, respectively in accordance with their respective terms; and

(c) CanBank Financial Agreement has been duly authorized or

ratified by IDBI and CanBank, and is legally binding upon IDBI and CanBank, respectively 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.

Section 6.04. The provisions of paragraphs (a) and (b) of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date 20 years after the date of this Agreement, whichever shall be the earlier.

#### ARTICLE VII

##### Representatives of the Borrower; Addresses

Section 7.01. Any Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry 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:

The Secretary to the Government of India  
Ministry of Finance  
Department of Economic Affairs  
New Delhi, India

Cable address:

ECOFAIRS  
New Delhi

Telex:

953-3166175

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INDEVAS  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

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.

INDIA

By /s/ Anil Kumar

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION



By /s/ Attila Karaosmanoglu  
Regional Vice President  
Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit  
and of the Loan

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

		Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expendi- tures to be Financed
(1)	VCF by ICICI		20,000,000	100%
(2)	VCF through IDBI:			100%
	(a) by CanBank		5,250,000	
	(b) by APIDC		3,000,000	
	(c) by GIIC		5,250,000	
(3)	Sub-loans for technology services:			100%
	(a) Part B.1 of the Project	32,200,000	-	
	(b) Part B.2 of the Project	12,000,000	-	
		Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expendi- tures to be Financed
(4)	Equipment and services under Part C of the Project	-	100,000,000	33% of foreign expendi- tures
(5)	Unallocated for VCF		11,500,000	
	TOTAL	44,200,000	145,000,000	

2. For the purposes of this Schedule 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.

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;

(b) expenditures under Category 2(b) until the APIDC Financial Agreement has been entered into between IDBI and APIDC; and

(c) expenditures under Category 2(c) until the GIIC Financial Agreement has been entered into between IDBI and GIIC; provided, further that disbursements under Categories (1) and (2) shall be subject to the provisions of paragraph 9 of Schedule 2 to the Loan Agreement.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist the Borrower in acquisition and development of technology in its industrial sector.

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

Part A: The carrying out of a program of assistance to technologically innovative and growth oriented enterprises through provision of venture capital financing (VCF).

Part B:

1. The carrying out of a program of assistance to technology service institutions (primarily research and standards) to serve industrial needs by making Sub-loans.
2. The carrying out of a program of research and development sponsored by industrial firms and carried out jointly with or completely by technology service institutions through the provision of conditional Sub-loans.

Part C: The carrying out of a program of promotion of technology modernization by importing technology and technical know-how through the TDF.

Part D: Technical Assistance and Training

- (i) The carrying out of studies by the Council of Scientific and Industrial Research on technology marketing and management and on upgrading of the National Chemical Laboratory's management system, and the implementation of a program of laboratory safety.
- (ii) The carrying out by the Bureau of Indian Standards of a study to determine alternatives for advising Indian exporters on foreign standards.
- (iii) The provision of training and consulting services for ICICI's technology group and the carrying out of studies on industrial technology development programs and policies in India.
- (iv) The provision of internships, training and

consulting services relating to VCF for TDICI,  
CanFina, APIDC Venture Capital Limited and GIIC.

\* \* \*

The Project is expected to be completed by June 30, 1995.

### SCHEDULE 3

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (4) 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 Credit or 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 equivalent to \$20,000,000 to be withdrawn from the Credit Account or the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 Association 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 Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account or 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 Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit Account or 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 made out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account or 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 Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into the Special Account:

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

(b) once the total unwithdrawn amount of the Credit or the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association or the Bank pursuant to Section 5.02 of the respective General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account and the Loan Account of the remaining unwithdrawn amount of the Credit Account or the Loan Account allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association 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 Association 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; (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association or the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association 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 Association 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 Association, refund to the Association or the Bank such outstanding amount.

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

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



