

CONFORMED COPY

LOAN NUMBER 4022 SLO

Loan Agreement

(Environment Project - Air Pollution Abatement Program)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

ENVIRONMENTAL FUND OF SLOVENIA

Dated June 18, 1996

LOAN NUMBER 4022 SLO

LOAN AGREEMENT

AGREEMENT, dated June 18, 1996, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and ENVIRONMENTAL FUND OF SLOVENIA (the Borrower).

WHEREAS (A) the REPUBLIC OF SLOVENIA (the Guarantor) and the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, have requested the Bank to assist in the financing of the Project;

(B) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan; 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;

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 (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) "APAP" means the Air Pollution Abatement Program of the Borrower established on July 21, 1995;

(b) "Statutes" means the statutes of the Borrower dated July 28, 1994.

(c) "Operating Manual" means the operating manual, including the Project Implementation Plan, of the Borrower setting forth, inter alia, the procedures, terms and conditions pursuant to which each Financial Agent shall administer Sub-loans on behalf of the Borrower;

(d) "Financial Agent" means Nova Kreditna Banka Maribor or any other financial institution selected by the Borrower on the basis of criteria acceptable to the Bank to act as a financial agent of the Borrower for purposes of administering Sub-loans out of the proceeds of the Loan;

(e) "Financial Administration Agreement" means the agreement between the Borrower and a Financial Agent referred to in Section 3.01 (c) of this Agreement;

(f) "PIT" means the Project Implementation Team referred to in Section 3.02 of this Agreement;

(g) "Eligible Municipality" means any municipality in a local air basin where a proposed Sub-project is located where: (i) the average level of either sulfur dioxide or black smoke during the heating season over the period 1990 through 1995, as measured by monitoring stations within the main urban center or centers of the air basin, was at least 50 micrograms per cubic meter; or (ii) the air basin is of special significance because it includes either a national park, or major tourist sites, or a concentration of health care facilities;

(h) "Beneficiary" means a household or a boilerhouse owner or operator which is the recipient of a Sub-loan;

(i) "Sub-loan" means a loan made or proposed to be made by the Borrower out of the proceeds of the Loan to a Beneficiary provided under a Sub-loan Agreement to finance a Sub-project;

(j) "Sub-loan Agreement" means an agreement between the Borrower and a Beneficiary entered into pursuant to Section 3.01 (b) of this Agreement, as amended from time to time;

(k) "Sub-project" means a project to be carried out by a Beneficiary to convert to cleaner fuels or heating systems (natural gas, district heating, liquid petroleum gas, low sulfur oil, heat pumps, solar energy) from dirty fuels or heating systems (coal, wood, other solid fuels, heavy oil);

(l) "PM<sub>10</sub>" means particulate matter, with particles less than 10 microns in diameter;

(m) "Deutsche Mark" and "DEM" each means the lawful currency of the Federal Republic of Germany;

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

(o) "fiscal year" means the period January 1 through December 31.

## 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 thirty million Deutsche Mark (DEM 30,000,000).

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 DEM 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, 2001 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor 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 per cent ( $3/4$  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 Deutsche Mark 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 Guarantor and 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 amounts of the Loan not yet withdrawn, 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 June 15 and December 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, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, engineering and financial practices and with due regard to ecological and environmental factors, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower shall provide, or provide through one or more Financial Agents, to Beneficiaries the proceeds of the Loan under Sub-loan Agreements, with terms and conditions satisfactory to the Bank, which shall include those set forth in Schedule 4 to this Agreement, and in accordance with the Operating Manual.

(c) The Borrower shall enter into a Financial Administration Agreement with each Financial Agent, with terms and conditions satisfactory to the Bank, including provision for the payment of fees by the Borrower to each said Financial Agent as set forth in paragraph 7 (c) of Schedule 4 to this Agreement.

(d) The Borrower shall exercise its rights under each Financial Administration Agreement and shall cause each Financial Agent to exercise its rights under each Sub-loan Agreement in such manner as to protect the interests of the Bank, the Borrower and said Financial Agent 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 Financial Administration Agreement or any provision thereof and shall cause said Financial Agent not to assign, amend, abrogate or waive any Sub-loan Agreement or any provision thereof.

Section 3.02. The Borrower shall establish and thereafter maintain the PIT with qualified and experienced staff, satisfactory to the Bank, including a team leader and two professional staff, to manage the APAP.

Section 3.03. The Borrower 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 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 January 31 of each calendar year, 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;

(c) review with the Bank, by January 31, 1997, 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 said report and the Bank's views on the matter.

Section 3.04. Except as the Bank shall otherwise agree, procurement of goods and services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of paragraph 8 (b) of Schedule 4 to this Agreement.

Section 3.05. For the purposes of Section 9.07 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 Bank and the Borrower, a plan for the future operation 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) The Borrower shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition, and shall maintain or cause each Financial Agent to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project.

(b) The Borrower shall and shall cause each Financial Agent to:

(i) have the records and accounts referred to in paragraph (a) 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 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; and

(iii) furnish to the Bank such other information concerning such records, accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall and shall cause each Financial Agent to:

(i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, 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, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains 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.

Section 4.02. The Borrower shall make available from its own resources funds allocated to the APAP in an amount of up to DEM 500,000 to cover the accumulated income account deficit of the APAP.

#### 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) The Statutes shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of the Borrower or the ability of the Borrower to perform any of its obligations under any Financial Administration Agreement.

(b) The Operating Manual shall have been amended so as to affect materially and adversely the operations or the financial condition of the Borrower or the ability of the Borrower to perform any of its obligations under any Financial Administration Agreement.

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

(d) The Guarantor, or any other authority having jurisdiction, shall have taken: (i) any actions which shall adversely affect the carrying out of the Project or the performance by the Borrower of any of its obligations under any Financial Administration Agreement; or (ii) any action for the dissolution or disestablishment of the Borrower 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, namely, the events specified in Section 5.01 (a), (b) or (d) of this Agreement shall occur.

#### ARTICLE VI

##### Effectiveness; Termination

Section 6.01. For purposes of Section 12.03 of the General Conditions, the following event is specified as a condition to the effectiveness of the Loan Agreement, namely, that the Borrower shall have appointed the staff for the PIT referred to in Section 3.02 of this Agreement.

Section 6.02. 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

##### Miscellaneous

Section 7.01. The Director of the Borrower is designated as representative of the Borrower for 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 Bank:

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

Cable address:

Telex:

INTBAFRAD  
Washington, D.C.

197688 (TRT),  
248423 (RCA),  
64145 (WUI) or  
82987 (FTCC)

For the Borrower:

Environmental Fund of Slovenia

Trg republike 3  
61000 Ljubljana  
Slovenia

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

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jean-Michel Severino

Regional Vice President  
Europe and Central Asia

ENVIRONMENTAL FUND OF SLOVENIA

By /s/ Ljubo Zuzek

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 DEM Equivalent)	% of Expenditures to be Financed
Sub-loans	30,000,000	75%
	<hr/>	
TOTAL	30,000,000 =====	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of 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 Schedule 4 to this Agreement; and

(b) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of DEM 3,000,000, may be made for Sub-loans before that date but after July 1, 1995.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for Sub-loans not exceeding the equivalent of DEM 400,000 each, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to reduce ambient concentration of PM10 and sulfur dioxide along with health damage associated with exposure to air pollution.

The Project consists of the following, subject to such modifications thereof as the Bank and the Borrower may agree upon from time to time to achieve such objective, namely, the financing of Sub-projects through Sub-loans to households and boilerhouse owners or operators in Eligible Municipalities to convert to cleaner fuels and heating systems from dirty fuels and heating systems.

\* \* \*

The Project is expected to be completed by December 31, 2000.

### SCHEDULE 3

#### Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Deutsche Mark)*
On each June 15 and December 15 beginning December 15, 2001 through June 15, 2011	1,500,000

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\* The figures in this column represent the amount in Deutsche Marks to be repaid, except as provided in Section 4.04 of the General Conditions.

### SCHEDULE 4

#### Terms and Conditions of Sub-loans

The Borrower shall review with the Bank, not later than January 31 of each year: (a) the list of Eligible Municipalities in light of current information on ambient air quality and thereafter adjust said list as agreed with the Bank; and (b) the terms and conditions of Sub-loans set forth below and thereafter adjust said terms and conditions as agreed with the Bank.



1. The amount of each Sub-loan shall not exceed eighty percent (80%) of the estimated cost of each Sub-project. Each Beneficiary shall make available from its own resources not less than twenty percent (20%) of the cost of each Sub-project.

2. The principal amount of each Sub-loan made out of the proceeds of the Loan shall be denominated and be the equivalent in Deutsche Mark (DEM) (determined as of the date or respective dates of withdrawal from the Loan Account or payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out on account of goods and services financed out of the proceeds of the Sub-loan.

3. Each Sub-loan shall be charged interest on the principal amount thereof withdrawn and outstanding from time to time at a rate equal to the rate specified in Section 2.05 of this Agreement, plus a margin of not more than 2%. The Borrower shall, not later than January 31, 1999, review with the Bank said margin in light of the operating results of the Project and thereafter adjust said margin taking into account said operating results.

4. Subject to the provisions of paragraph 1 of this Schedule, each Sub-loan to a Beneficiary which is a household shall be in an amount not to exceed DEM 12,500, and each Sub-loan to a Beneficiary which is a boilerhouse owner or operator shall be in an amount not to exceed DEM 600,000.

5. For each Beneficiary which is a household, the term of the Sub-loan shall be not more than six years.

6. For each Beneficiary which is a boilerhouse owner or operator, the term of the Sub-loan shall be not more than ten years.

7. Fees shall be as follows:

(a) Each Beneficiary which is a household shall pay: (i) a loan origination fee of DEM 75, and (ii) a loan insurance fee of 1.8% of the Sub-loan amount for each Sub-loan with a repayment term of up to three years and 2.5% for each Sub-loan with a repayment term of more than three years.

(b) Each Beneficiary which is a boilerhouse owner or operator shall pay to the Financial Agent a loan origination fee of DEM 150.

(c) Each Beneficiary shall pay to the Financial Agent an annual administration fee of DEM 55 for each Sub-loan to a Beneficiary which is a household and DEM 115 for each Sub-loan to a Beneficiary which is a boilerhouse owner or operator.

8. Sub-loans shall be provided on terms whereby the Borrower shall obtain, through the Sub-loan Agreements, rights adequate to protect the interests of the Bank and the Borrower, including the right to:

(a) require the Beneficiary to carry out and operate the Sub-project with due diligence and efficiency and in accordance with sound technical, financial, managerial, environmental and ecological standards;

(b) require that:

(i) the goods and services to be financed out of the proceeds of the Loan shall be procured, in the case of each Beneficiary which is a household, in accordance with commercial practices satisfactory to the Bank; in the case of each Beneficiary which is a boilerhouse owner or operator not subject to the Guarantor's public procurement legislation, in accordance with established commercial practices satisfactory to the Bank; and in the case of all other Beneficiaries, in accordance with the Guarantor's public procurement legislation;

(ii) such goods and services shall be used exclusively for the Sub-project;

(c) inspect, by itself or jointly with representatives of the Bank, if the Bank shall so request, the goods and plants included in the Sub-project, the operation thereof and any relevant records and documents;

(d) require that:

(i) the Beneficiary shall take out and maintain with responsible insurers such insurance against such risks and in such amounts, as shall be consistent with sound business practices; and

(ii) without any limitation upon the foregoing, such insurance shall cover the hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Beneficiary to replace or repair such goods;

(e) obtain all such information as the Bank shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Beneficiary and to the benefits derived from the Sub-project; and

(f) suspend or terminate the right of the Beneficiary to the use of the proceeds of the Loan upon failure by the Beneficiary to perform its obligations under the Sub-loan Agreement.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Category" means the Category 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 Investment Projects and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Category in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equal to DEM 5,000,000 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 equal to DEM 4,000,000 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 DEM 6,000,000.

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 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 under the respective eligible Category, 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 Category, 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 allocated to the eligible Category 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.

