

CONFORMED COPY  
LOAN NUMBER 3811-PE

Loan Agreement  
(Lima Water Rehabilitation and Management Project)

between  
REPUBLIC OF PERU

and  
INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated February 2, 1995

LOAN NUMBER 3811-PE

LOAN AGREEMENT

AGREEMENT, dated February 2, 1995, between REPUBLIC OF PERU (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 or supervised by Servicio de Agua Potable y Alcantarillado de Lima (SEDAPAL) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to SEDAPAL the proceeds of the Loan as provided in this Agreement;

(C) the Borrower intends to contract from the Overseas Economic Cooperation Fund of Japan (OECF) a loan (the OECF Loan) in an amount equivalent to \$76,200,000 to assist in financing the Project on the terms and conditions set forth in an agreement (OECF Loan Agreement) to be entered into between the Borrower and OECF; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the Page 2

terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Bank and SEDAPAL;

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" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted; and
- (b) In Section 6.02, subparagraph (k) is relettered as sub-paragraph (l) and a new subparagraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of 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) "Concessionaire" means the company to be established under Peruvian law to whom SEDAPAL may have awarded a concession for the provision of water supply and sewerage services in the Lima Metropolitan Area;
- (b) "Concession Contract" means the contract to be entered into, if the case, between SEDAPAL and the Concessionaire and such term shall include all schedules and agreements supplemental to the Concession Contract;
- (c) "First Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and SEDAPAL pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the First Subsidiary Loan Agreement;
- (d) "Fiscal Year" means the fiscal year of the Borrower and SEDAPAL starting on January 1 and ending on December 31;
- (e) "Implementation Manual" means the manual, satisfactory to the Bank, to be approved by SEDAPAL pursuant to Section 6.01 (c) of this Agreement; such manual to contain norms and procedures for Project implementation and supervision including: (i) the procedures and criteria to select the investments under Part C of the Project; (ii) the disbursement and procurement procedures to be followed by SEDAPAL during Project implementation, including standard disbursement forms and standard bidding documents; (iii) the terms of reference of the consultants to be employed in the PMU; and (iv) norms and procedures related to engineering, communication, reporting and administrative matters;
- (f) "Lima Metropolitan Area" means the Province of Lima and the Constitutional Province of Callao;
- (g) "Management Agreement" means an annual agreement, satisfactory to the Bank, to be entered into between the Borrower, through its Ministry of the Presidency, and SEDAPAL and which agreement shall provide for the management and supervision of SEDAPAL's operations including the commitment of SEDAPAL to achieve targets concerning its operational efficiency, physical activity, commercial efficiency, financial management, productivity and service quality; and "Management Agreements" means collectively all of such agreements;
- (h) "PCC" means a project consultative committee to be established by SEDAPAL pursuant to Section 6.01 (d) of this Agreement, and which committee shall be responsible for providing guidance to the PMU (as hereinafter defined) and to ensure proper coordination between the execution of the Project and other investments and activities of SEDAPAL;
- (i) "PMU" means a project management unit to be established by SEDAPAL pursuant to Section 6.01 (d) of this Agreement for the management and supervision of the Project;
- (j) "Project Account" means the account referred to in Section 2.01 (b) of the Project Agreement;
- (k) "Project Agreement" means the agreement between the Bank and SEDAPAL 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;
- (l) "Regulations" means the regulations referred to in Section 6.01 (f) of this Agreement;

(m) "Second Subsidiary Loan Agreement" means the agreement, satisfactory to the Bank, to be entered into, if the case, between SEDAPAL and the Concessionaire, providing for the transfer of Loan proceeds from SEDAPAL to the Concessionaire and the latter's responsibilities in the implementation of the Project, as the same may be amended from time to time, and such term includes all schedules, including performance plans and monitoring indicators, and agreements supplemental to the Second Subsidiary Loan Agreement;

(n) "SEDAPAL Bylaws" means the bylaws of SEDAPAL approved by the Borrower's Supreme Decree (Decreto Supremo) No. 048-81-VI dated December 15, 1981 and published in the Borrower's official gazette (El Peruano) on December 20, 1981, as such bylaws are amended from time to time;

(o) "Services Law" means the Borrower's Ley General de Servicios de Saneamiento, No. 26338 dated July 15, 1994, and published in the Borrower's official gazette (El Peruano) on July 24, 1994;

(p) "SNSS" means the Borrower's National Superintendency for Sanitation Services (Superintendencia Nacional de Servicios de Saneamiento);

(q) "SNSS Agreement" means the agreement, satisfactory to the Bank, to be entered into between SEDAPAL and SNSS providing for the participation and responsibilities of SNSS in the implementation of Part D.1 (d) of the Project; and

(r) "Special Account" means the account referred to in Section 2.02(b) of this 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, various currencies that shall have an aggregate value equivalent to the amount of one hundred and fifty million Dollars (\$150,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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

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

Section 2.03. The Closing Date shall be June 30, 2001 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 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 the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

- (i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(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 Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement,

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the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually 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.

Section 2.08. The General Manager of SEDAPAL is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V 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, without limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause SEDAPAL to perform all its obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable SEDAPAL to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend the proceeds of the Loan to SEDAPAL under a subsidiary loan agreement to be entered into between the Borrower and SEDAPAL, under terms and conditions which shall have been approved by the Bank.

(c) The Borrower shall exercise its rights under the First 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, terminate or waive the First Subsidiary Loan Agreement or any provision thereof.

(d) The Borrower through its Ministry of Presidency, shall enter into annual Management Agreements with SEDAPAL as long as SEDAPAL has not awarded the Concession Contract. The Borrower shall duly perform all of its obligations under the Management Agreements. Except as the Bank shall otherwise agree, the Borrower shall not amend, assign, abrogate, terminate, waive or fail to enforce the Management Agreements or any provision thereof.

Section 3.02. The Borrower shall participate with SEDAPAL and the Bank in the Project reviews referred to in Sections 2.09 and 2.10 of the Project Agreement. As part of such reviews the Bank may require that the Borrower and SEDAPAL, separately or jointly, prepare an action plan, satisfactory to the Bank, to make adjustments in Project design and implementation. In the event that the Bank requires the Borrower to prepare an  
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action plan, or a joint action plan with SEDAPAL, the Borrower shall furnish such action plan to the Bank not later than thirty days after the conclusion of the review in question and shall thereafter carry out, or cause to be carried out, such action plan in accordance with its terms.

Section 3.03. The Borrower shall implement, or cause to be

implemented, the plan referred to in Section 6.01 (e) of this Agreement in a manner satisfactory to the Bank until the Concession Contract shall have become effective in accordance with its terms.

Section 3.04. The Borrower shall amend the SEDAPAL Bylaws, in form and substance satisfactory to the Bank, to adapt such bylaws to the Services Law prior to the review referred to in Section 2.10 of the Project Agreement.

#### 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 separate accounts reflecting such expenditures;
  - (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account was made; and
  - (iii) enable the Bank's representatives to examine such records.
- (b) The Borrower shall:
- (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 Bank;
  - (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each Fiscal Year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
  - (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

#### ARTICLE V

##### Remedies of the Bank

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

- (a) SEDAPAL 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 SEDAPAL will be able to perform its obligations under the Project Agreement;

(c) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SEDAPAL or for the suspension of its operations;

(d) The Services Law or the Regulations or the SEDAPAL Bylaws shall have been amended, suspended, abrogated, repealed, or waived in a manner which, in the opinion of the Bank, would adversely affect: (i) the ability of SEDAPAL to carry out the Project or perform any of its obligations under the Project Agreement; or (ii) the efficient management of water supply and sewerage services in the Lima Metropolitan Area;

(e) Any of the parties to the Second Subsidiary Loan Agreement shall have failed to perform any of their respective obligations thereunder; and

(f) SNSS shall have failed to perform any of its obligations under the SNSS Agreement in which case the Bank may, by notice to the Borrower, suspend the Borrower's right to make withdrawals from the Loan Account only with respect to Part D.1 (d) of the Project.

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

(a) any event specified in paragraphs (a), (e) or (f) 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 Bank to the Borrower; and

(b) any event specified in paragraph (c) or (d) 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 Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the First Subsidiary Loan Agreement has been signed on behalf of the Borrower and SEDAPAL;

(b) the Management Agreement for 1995 has been signed on behalf of the Borrower and SEDAPAL;

(c) the Implementation Manual has been duly approved by SEDAPAL;

(d) the PCC and PMU have been established and the following personnel have been employed in the PMU: the Project manager, a procurement specialist, a field supervision engineer, a financial manager and a social assessment specialist;

(e) the Borrower has furnished to the Bank a time-bound plan, satisfactory to the Bank, to set up a mechanism for the financing of secondary works in the Lima Metropolitan Area;

(f) the Borrower's Executive Branch has enacted regulations, satisfactory to the Bank, to the Services Law; such regulations to include specific norms and criteria regarding the tariff structure and levels for the provision of

water supply and sewerage services; and

(g) SEDAPAL has opened the Project Account in a manner satisfactory to the Bank.

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 SEDAPAL, and is legally binding upon SEDAPAL in accordance with its terms;

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

(c) that the Management Agreement for 1995 has been duly authorized or ratified by the Borrower and SEDAPAL and is legally binding upon the Borrower and SEDAPAL in accordance with its terms;

(d) that the Regulations have been legally enacted and are in full force and effect; and

(e) that the Implementation Manual has been duly approved by SEDAPAL.

Section 6.03. The date May 2, 1995 is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.08 of this Agreement, the Minister of Economy and 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:

Ministerio de Economía y Finanzas  
Jiron Junin 319  
Lima 1, Peru

Telex:  
25013 PE MEF

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                      248423 (RCA)  
Washington, D.C.                82987 (FTCC)  
64145 (WUI) or

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197688 (TRT)

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.

REPUBLIC OF PERU



By /s/ Jorge Camet Dickman  
 Authorized Representative  
 INTERNATIONAL BANK FOR  
 RECONSTRUCTION AND DEVELOPMENT  
 By /s/ Shahid Javed Burki  
 Regional Vice President  
 Latin America and the Caribbean

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 Dollar Equivalent)	% of Expenditures to be Financed
(1) Works	100,400,000	100% of foreign expenditures and 66% of local expenditures
(2) Goods	23,800,000	100% of foreign expenditures and 66% of local expenditures
(3) Technical assistance (Project manage- ment, engineering and supervision, institutional strengthening and studies)	25,800,000	100% of foreign expenditures and 85% of local expenditures
TOTAL	<u>150,000,000</u> =====	

2. For the purposes of this Schedule:

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

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

3. Notwithstanding the provisions of paragraph 1 above, no  
 withdrawals shall be made in respect of: (a) payments made for  
 expenditures prior to the date of this Agreement, except that  
 withdrawals, in an aggregate amount not to exceed \$10,000,000,  
 may be made in respect of payments made for expenditures before  
 that date but after May 15, 1994; and (b) payments made for  
 expenditures under Part D.1 (d) of the Project unless the SNSS  
 Agreement has been duly executed by the parties thereto.

4. The Bank may require withdrawals from the Loan Account to be  
 made on the basis of statements of expenditure for expenditures  
 under contracts for: (a) works estimated to cost \$500,000

equivalent or less; (b) goods estimated to cost \$100,000 equivalent or less; and (c) technical assistance estimated to cost \$50,000 equivalent or less, in the case of consulting firms and \$20,000 equivalent or less, in the case of individual consultants, under such terms and conditions as the Bank shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are: (a) to improve the efficiency in the provision of water supply and sewerage services in the Lima Metropolitan Area by promoting water conservation and supporting the privatization of SEDAPAL's operations; (b) to rehabilitate the damaged water supply and sewerage system in the Lima Metropolitan Area; and (c) to expand water supply and sewerage services in the low-income areas of the Lima Metropolitan Area.

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: Water Conservation

1. Execution of a program to reduce unaccounted-for water consisting of: (a) the preparation of a water connection cadastre; (b) the reconstruction of substandard water meter boxes; and (c) the installation of about 406,000 new water meters covering about fifty-six percent (56%) of SEDAPAL's water connections.
2. Execution of a program for conjunctive use of surface and groundwater consisting of: (a) the installation of secondary network pipes (including the acquisition and utilization of pipes required therefor) in the districts of San Miguel, Los Olivos, San Martin de Porres and Callao; (b) the construction of about 9 water reservoirs in the districts mentioned in (a) above; (c) the rehabilitation of wells in the districts mentioned in (a) above; and (d) the reinforcement of about 35 kilometers of primary network pipes to use additional water flow from the La Atarjea treatment plant.

#### Part B: Rehabilitation Works

1. Rehabilitation of the existing water supply network in selected districts, agreed between SEDAPAL and the Bank, consisting of: (a) the replacement or rehabilitation, as the case may be, of about 42 kilometers of primary network pipes and about 622 kilometers of secondary network pipes; (b) the rehabilitation of about 129 unused water reservoirs; (c) the  
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reparation of about 156 water reservoirs; and (d) the acquisition and utilization of maintenance equipment.
2. Rehabilitation of the sewerage network in selected districts, agreed between SEDAPAL and the Bank, consisting of: (a) the replacement of about 77 kilometers of primary network pipes and about 616 kilometers of secondary network pipes; (b) the reparation of about 123,000 house connections and about 12,300 manholes; and (c) the acquisition and utilization of maintenance equipment.
3. Rehabilitation of about 124 water wells and the acquisition and utilization of maintenance equipment.

#### Part C: Service Expansion

Expansion of the water supply and sewerage systems to cover about 600,000 people in low-income areas (pueblos jóvenes) including the construction of transmission lines, pumping stations, reservoirs, interceptors and wastewater treatment plants.

Part D: Institutional Strengthening

1. Execution of programs to (a) strengthen the PMU; (b) assist SEDAPAL in the engineering design and supervision of the works to be carried out under the Project; (c) strengthen SEDAPAL's commercial and financial management functions; (d) strengthen SNSS's institutional capacity; (e) support the creation and establishment of a water management authority for the Rimac, Chillón and Lurín river basins; and (f) design a proposed project on wastewater management and coastal pollution control in the Lima Metropolitan Area.

2. Carrying out of studies on: (a) the sectorization of the main central water supply network in Lima, including the acquisition and utilization of equipment required therefor; (b) the modeling of the aquifer of Lima; (c) the unaccounted-for water in the District of Pueblo Libre, including the acquisition and utilization of equipment required therefor; (d) the feasibility of constructing a water treatment plant and associated works in the Chillón river; and (e) the feasibility of constructing a wastewater disposal facility in Lima.

\* \* \*

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

SCHEDULE 3  
Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
May 15, 2000	2,880,000
November 15, 2000	2,985,000
May 15, 2001	3,090,000
November 15, 2001	3,200,000
May 15, 2002	3,315,000
November 15, 2002	3,430,000
May 15, 2003	3,555,000
November 15, 2003	3,680,000
May 15, 2004	3,810,000
November 15, 2004	3,945,000
May 15, 2005	4,085,000
November 15, 2005	4,230,000
May 15, 2006	4,380,000
November 15, 2006	4,535,000
May 15, 2007	4,695,000
November 15, 2007	4,865,000
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May 15, 2008	5,035,000
November 15, 2008	5,215,000
May 15, 2009	5,400,000
November 15, 2009	5,590,000
May 15, 2010	5,790,000
November 15, 2010	5,995,000
May 15, 2011	6,210,000
November 15, 2011	6,430,000

May 15, 2012	6,655,000
November 15, 2012	6,895,000
May 15, 2013	7,140,000
November 15, 2013	7,390,000
May 15, 2014	7,655,000
November 15, 2014	7,920,000

\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

#### Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

#### SCHEDULE 4 Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and

(b) the term "Authorized Allocation" means an amount equivalent to \$8,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that, unless the Bank

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shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$4,000,000 until the aggregate amount of withdrawals (from the Loan Account plus the total amount of all outstanding special commitments entered by the Bank pursuant to Section 5.02 of the General Conditions) shall be equal to or exceed the equivalent of \$10,000,000.

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 a deposit or deposits 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 in the Special Account such amount or amounts as the Borrower shall have requested.

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

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

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

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

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right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General

Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to 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 Categories shall follow such procedures as the Bank shall specify by notice to the borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all 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.