

CONFORMED COPY

LOAN NUMBER 3066 CHA

(Hubei Phosphate Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated September 8, 1989

LOAN NUMBER 3066 CHA

LOAN AGREEMENT

AGREEMENT, dated September 8, 1989, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) Parts A and B of the Project will be carried out by Jinxiang Phosphate Chemical Company (the Jinxiang Company) and the Huangmailing Phosphate Chemical Company (the Huangmailing Company), respectively, with the Borrower's assistance, and as part of such assistance, the Borrower will make available to each of the Companies a portion of the proceeds of the Loan as provided in this Agreement; and

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

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 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) "MCI" means the Borrower's Ministry of Chemical Industry or any successor thereto;

(b) "Jinxiang Company" means Jinxiang Phosphate Chemical Company, a state enterprise of the Borrower established and operating pursuant to its Charter, dated March 2, 1988;

(c) "Huangmailing Company" means Huangmailing Phosphate Chemical Company, a state enterprise of the Borrower established and operating pursuant to its Charter, dated November 20, 1987;

(d) "Companies" means the Jinxiang Company and the Huangmailing Company, and "Company" means either of the Companies;

(e) "Charters" means Charters of the Jinxiang Company and the Huangmailing Company, referred to in sub-paragraphs (b) and (c) above, collectively;

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

(g) "Subsidiary Loan Agreements" means the agreements to be entered into pursuant to Section 3.02 (a) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to such agreements, and "Subsidiary Loan Agreement" means any of the Subsidiary Loan Agreements;

(h) "Special Account" means the account to be opened and thereafter maintained pursuant to Section 2.02 (b) of this Agreement; and

(i) "tpy" means metric tons per year.

## 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 thirty-seven million dollars (\$137,000,000), 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 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 shall, for the purposes of the Project, open and maintain in dollars, a special account in a bank acceptable to the Bank, on terms and conditions satisfactory to the Bank. 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 March 31, 1995 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the

Loan not withdrawn from time to time.

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

(e) Notwithstanding the provisions of paragraph (a) of this Section, the interest rate for the Interest Period commencing in the first Semester of 1989 shall be seven and sixty-five hundredths percent (7.65%).

Section 2.06. Interest and other charges shall be payable semi-annually on April 1 and October 1 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. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end:

(a) shall carry out Part C of the Project through MCI 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 the Project; and

(b) without limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause each of the Companies 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 each of the Companies 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. (a) The Borrower shall relend, through Hubei Province, out of the proceeds of the Loan, the equivalent of ninety-four million one hundred fifty thousand dollars (\$94,150,000) to the Jinxiang Company and forty-two million eight hundred fifty thousand dollars (\$42,850,000) to the Huangmailing Company under Subsidiary Loan Agreements to be entered into between the Borrower and Hubei Province, and Hubei Province and the Jinxiang Company and the Huangmailing Company, respectively, under terms and conditions which shall have been approved by the Bank and which shall include, inter alia, those specified in paragraph (b) of this Section.

(b) Except as the Bank shall otherwise agree, the relending terms and conditions shall include, inter alia: (i) interest payable at 105% of the variable rate payable under Section 2.05 of this Agreement; (ii) commitment charge calculated in accordance with Section 2.04 of this Agreement; (iii) repayment period of 20 years, including a grace period of five years; and (iv) each of the Companies shall bear the foreign exchange risk for its subsidiary loan.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreements to affect the provisions of paragraph (b) above.

Section 3.03. The Borrower shall maintain the Project Coordination Unit established within MCI to coordinate implementation of the Project, with staff and responsibilities acceptable to the Bank.

Section 3.04. Except as the Bank shall otherwise agree, procurement of the goods and employment of engineering firms and consultants required for the Project, to be financed out of the proceeds of the Loan, shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.05. The Bank and the Borrower hereby agree that the obligations set forth in Sections 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 and maintenance, respectively) in respect of Parts A and B of the Project, shall be carried out by the Jinxiang Company and the Huangmailing Company, respectively, pursuant to Section 2.04 of the Project Agreement.

#### ARTICLE IV

##### Financial and Other Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Part C of the Project.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) 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 such year, a certified copy of 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 said accounts and the audit thereof and said reports 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:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, separate 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 separate accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report thereof contains, in respect of such separate accounts, a separate opinion by said auditors as to whether the proceeds of the Loan withdrawn in respect of such expenditures have been used for the purpose for which they were provided.

Section 4.02. The Borrower shall allow the Companies to sell their entire output of fertilizer and phosphate concentrate outside the state allocation plan at negotiated prices.

Section 4.03. Without limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cover any cash flow deficits of any of the Companies during its first three years of operations, provided such deficits do not result from inefficient management or operation, as determined by agreement between the Borrower and the Bank.

## ARTICLE V

### Remedies of the Bank

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

(a) either of the Companies shall have failed to perform any of its obligations under the Project Agreement;

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

(c) either of the Charters shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the respective Company to perform any of its obligations under the Project Agreement; and

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

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the

following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower and the respective Company; and

(b) any event specified in paragraphs (c) and (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 Borrower's State Council has approved the Loan Agreement; and

(b) the Subsidiary Loan Agreements have been executed on behalf of the Borrower, Hubei Province and the Companies.

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) the Project Agreement has been duly authorized or ratified by, executed and delivered on behalf of each of the Companies, and is legally binding upon each of the Companies in accordance with its terms; and

(b) each of the Subsidiary Loan Agreements has been duly authorized or ratified by the parties thereto and is legally binding upon the parties thereto in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministry of Finance  
Sanlihe  
Beijing 100820  
People's Republic of China

Cable address:

FINANMIN  
Beijing

Telex:

22486 MFPRC CN

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

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.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zhao Xixin

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ A. Karaosmanoglu

Regional Vice President  
Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Equipment and materials	88,700,000	100% of foreign expenditures, 100% of local expenditures (ex-factory) and 75% of local expenditures for other items procured locally
(2) Engineering, licensing and technical services	14,200,000	100%
(3) Training	1,400,000	100%
(4) Project management	4,500,000	100%

(5) Unallocated 28,200,000

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TOTAL 137,000,000

2. For the purposes of this Schedule:

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

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$2,000,000, may be made in respect of Categories (1) and (2) on account of payments made for expenditures before that date but after February 5, 1989.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower in: (a) implementing the integrated development of phosphate mines and fertilizer plants; and (b) strengthening central government staff capability for project management and for identifying and analyzing potential safety hazards and plant operability in chemical plant design and operations.

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: Dayukou Phosphate Mine and Fertilizer Development

1. Construction and equipping of: (a) an open-pit mine at Dayukou, Hubei Province, to produce 1,500,000 tpy of phosphate rock; (b) a beneficiation plant to produce 650,000 tpy of phosphate rock concentrate; (c) a 560,000 tpy triple superphosphate plant, in combination with a 560,000 tpy sulfuric acid plant and a 200,000 tpy phosphoric acid plant; (d) a 12,000 tpy aluminum flouride plant; and (e) related infrastructure, including workshops, stores, offices, laboratories, effluent treatment plant, power and water supply and housing.

2. Strengthening the management and staff capabilities of the Jinxiang Company, through: (a) training of staff; and (b) provision of consultants' services.

#### Part B: Huangmailing Phosphate Mine and Fertilizer Development

1. Construction and equipping of: (a) an open-pit mine at Huangmailing, Hubei Province, to produce 1,000,000 tpy of phosphate rock; (b) a beneficiation plant to produce 240,000 tpy of phosphate rock concentrate; (c) a monoammonium phosphate plant of 180,000 tpy capacity, in combination with a 280,000 tpy sulfuric acid plant and a 93,000 tpy phosphoric acid plant; (d) rehabilitation of the ammonia plant at Dawu; and (e) related infrastructure, including workshops, stores, offices, laboratories, effluent treatment plant, power and water supply and housing.

2. Strengthening the management and staff capabilities of the Huangmailing Company, through: (a) training of staff; and (b) provision of consultants' services.

#### Part C: Institutional Development

Strengthening the capabilities of central government staff and staff of the Companies in project implementation, mine maintenance, sub-sector planning, and plant operation, through training of staff (including a workshop on modern methodologies for hazard and operability analysis), and provision of consultants' services and



equipment.

\* \* \*

The Project is expected to be completed by September 30, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
October 1, 1994	2,515,000
April 1, 1995	2,610,000
October 1, 1995	2,720,000
April 1, 1996	2,815,000
October 1, 1996	2,920,000
April 1, 1997	3,035,000
October 1, 1997	3,150,000
April 1, 1998	3,270,000
October 1, 1998	3,395,000
April 1, 1999	3,525,000
October 1, 1999	3,660,000
April 1, 2000	3,800,000
October 1, 2000	3,945,000
April 1, 2001	4,095,000
October 1, 2001	4,255,000
April 1, 2002	4,415,000
October 1, 2002	4,585,000
April 1, 2003	4,760,000
October 1, 2003	4,945,000
April 1, 2004	5,130,000
October 1, 2004	5,330,000
April 1, 2005	5,530,000
October 1, 2005	5,745,000
April 1, 2006	5,965,000
October 1, 2006	6,190,000
April 1, 2007	6,430,000
October 1, 2007	6,675,000
April 1, 2008	6,930,000
October 1, 2008	7,195,000
April 1, 2009	7,475,000

\* 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 balance outstanding on 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

##### Procurement and Consultants' Services

###### Section I. Procurement of Goods

###### Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

###### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A of this Schedule, goods manufactured in China may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

###### Part C: Other Procurement Procedures

1. Equipment for which there are only a limited number of suppliers, as determined by the Bank, up to an aggregate amount not exceeding the equivalent of \$22,000,000 may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of qualified suppliers, to be agreed with the Bank, eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

2. Items or groups of items estimated to cost the equivalent of not more than \$200,000 per contract, up to an aggregate amount not exceeding the equivalent of \$5,700,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from at least three qualified suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

###### Part D: Review by the Bank of Procurement Decisions

###### 1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of more than \$1,000,000, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank, pursuant to said paragraph 2 (d), shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to the Loan Agreement.

(c) The provisions of the preceding sub-paragraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

## Section II. Employment of Consultants

1. In order to assist in carrying out the Project, the Borrower and the Companies shall employ engineering firms and consultants, whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank.

2. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

## SCHEDULE 5

### 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 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 \$10,000,000 to be withdrawn from 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 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 made 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; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories less the amount of any outstanding special commitment 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 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; (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.

