

CONFORMED COPY

LOAN NUMBER 4013 LT

Loan Agreement

(Klaipeda Geothermal Demonstration Project)

between

REPUBLIC OF LITHUANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 28, 1996

LOAN NUMBER 4013 LT

LOAN AGREEMENT

AGREEMENT, dated June 28, 1996, between REPUBLIC OF LITHUANIA (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 Borrower has also requested the Bank, acting as Implementing Agency of the Global Environment Facility Trust Fund, to provide additional financing towards the financing of the Project and by an agreement of even date herewith (the "GEF Trust Fund Grant Agreement") between the Borrower and the Bank, the Bank has agreed to provide such assistance in an aggregate principal amount equivalent to four million six hundred thousand Special Drawing Rights (SDR 4,600,000) (the GEF Trust Fund Grant);

(C) the Borrower intends to contract from the Government of Denmark a grant (the Danish Grant) in an amount equivalent to two million five hundred thousand Dollars (\$2,500,000) to assist in financing the Project on the terms and conditions set forth in an agreement (the Danish Grant Agreement) to be entered into between the Borrower and the Government of Denmark; and

(D) the Project will be carried out by Uzdaroji Akcine Bendrove "Geoterma" (EG) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to EG the proceeds of the Loan as provided in this Agreement.

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

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.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Bank and Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose to any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

- (c) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (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) "Decree No. 1609" means the Borrower's Decree No. 1609 dated December 22, 1995 which grants to EG a permit to construct the geothermal demonstration plant and to supply KDHE with the heat so produced;

(b) "Enterprise Geoterma" or "EG" means Uzdaroji Akcine Bendrove "Geoterma", a closed joint stock company established and operating pursuant to Decree No. 1609 as the same may be amended from time to time, and registered at the Enterprise Registry of the Borrower on March 1, 1996 and any successor thereto;

(c) "KDHE" means Klaipeda District Heating Enterprise, organized as a branch of LPC pursuant to the Articles of Association of LPC dated December 4, 1995 and operating pursuant to By-laws dated January 24, 1996 and a general authorization from LPC dated December 20, 1995, and any successor thereto;

(d) "LPC" means "AB Lietuvos Energija," the Lithuanian Power Company, established and operating pursuant to Articles of Association dated October 3, 1995, the Law on Joint Stock Companies No. I-528 dated July 5, 1994, and Law No. I-794 on Special Purpose Companies dated February 15, 1995, as the same may be amended from time to time, and the Decree of the Ministry of Energy of the Borrower No. 176 dated August 11, 1995 on the Reorganization of Lithuanian Power System into a Joint Stock Company, as the same may be amended from time to time;

(e) "PIP" means Project Implementation Plan agreed between the Borrower and the Bank on November 10, 1995 as the same may be amended

from time to time, and referred to in Section 2.01 of the Project Agreement;

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

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

(h) "EG Statutes" means the founding statutes, charter, articles of association and by-laws or other similar instrument of EG registered by EG with Vilnius City Council Register of Enterprises on March 1, 1996;

(i) "Shareholders' Agreement" means a Shareholders' Agreement dated February 15, 1996, between the Borrower and LPC as founding shareholders in EG;

(j) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and EG 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 to the Subsidiary Loan Agreement; and

(k) "Take or Pay Contract" means the contract for purchase by KDHE from EG of the heat generated by EG, concluded between EG and KDHE on behalf of LPC on April 11, 1996, as the same may be amended from time to time, and referred to in Sections 3.05, 5.01 (f) and 6.02 (c) 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 five million and nine hundred thousand dollars (\$5,900,000), 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 works required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan and in respect of interest and other charges on the Loan.

(b) The Borrower may, for the purposes of Part B of the Project, open and maintain in dollars a special deposit account in a commercial bank acceptable to the 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.

(c) On each of the semiannual interest payment dates specified in Section 2.06 of this Agreement, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay, on such date, interest and other charges on the Loan accrued and payable on or before the date set forth, and up to the amount allocated in Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank.

Section 2.03. The Closing Date shall be July 31, 1999 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 (6) months or the second six (6) months of a calendar year.

(d) On such date as the Bank may specify by no less than six (6) 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."

Section 2.06. Interest and other charges shall be payable semi-annually on March 15 and September 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. EG is designated as representative of the Borrower in respect of the Project 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 any limitation or restriction upon any of its other obligations under the Loan Agreement, shall require EG to perform in accordance with the provisions of the Project Agreement all the obligations of EG therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable EG 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 EG under a subsidiary loan agreement to be entered into between the Borrower and EG, under terms and conditions which shall have been approved by the Bank, and which shall include, inter alia: (i) maturity of 20 years, with 5-year grace period; (ii) interest rate equal to the Loan rate as specified in Section 2.05 of this Agreement; and (iii) the relending of such proceeds of the Loan by the Borrower and the repayment by EG to be in foreign exchange, with the foreign exchange risk to be borne by EG.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and works required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of the Schedule to the Project Agreement.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part B of the Project shall be carried out by EG pursuant to Section 2.03 of the Project Agreement.

Section 3.04. Without limitation upon the provisions of Section 3.01 (a) of this Agreement, during execution of Project, the Borrower shall make available to EG annually on a grant basis the funds that shall have been determined by the Borrower and EG and agreed by the Bank to be sufficient to cover EG's direct operating expenses during each year of Project implementation.

Section 3.05. The Borrower shall take, and shall cause LPC to take, all necessary measures to ensure that KDHE complies with its obligations under the Take or Pay Contract.

ARTICLE IV

Financial Covenants

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

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts 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 (6) months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
 - (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

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) EG 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 EG will be able to perform its obligations under the Project Agreement.
- (c) The EG Statutes shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of EG to perform any of its obligations under the Project Agreement.
- (d) The Shareholders' Agreement shall have been amended, canceled, abrogated, terminated, assigned, waived or modified so as to affect materially and adversely the ability of EG to perform any of its obligations under the Project Agreement.
- (e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of EG or for the suspension of its operations.
- (f) Decree No. 1609 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of EG to perform any of its obligations under the Project Agreement.
- (g) The Take or Pay Contract shall have been amended, canceled, abrogated, terminated, assigned, waived or otherwise modified so as to affect materially and adversely the ability of EG to perform any of its obligations under the Project Agreement or otherwise meet the objectives of the Project.
- (h)
 - (i) Subject to subparagraph (ii) of this paragraph the right of the Borrower to withdraw the proceeds of any grant made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms thereof.
 - (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the

Bank that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under the relevant grant agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(b) the events specified in paragraphs (c), (d), (e), (f), (g) and (h) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (h) (ii) of said Section.

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 Subsidiary Loan Agreement has been executed on behalf of the Borrower and EG; and

(b) all conditions precedent to the effectiveness of the Danish Grant Agreement and the GEF Trust Fund Grant Agreement have been fulfilled, other than those relating to the effectiveness of this Agreement.

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

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

(c) that the Take or Pay Contract has been duly authorized by EG and KDHE on behalf of LPC and is legally binding upon EG and LPC 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. Except as provided in Section 2.08 of this Agreement, 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
Sermuksniu 6

2696 Vilnius
Republic of Lithuania

Telex:
261252 FIMA SU

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) |

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 LITHUANIA

By /s/ Alfonsas Eidintas
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Basil Kavalsky
Acting Regional Vice President
Europe and Central 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) Works under Part B of the Project | 230,000 | 100% of foreign expenditures and 80% of local expenditures |
| (2) Goods under Part B of the Project | 5,270,000 | 100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expendi- tures for other items |

| | | |
|--|-----------|---|
| | | procured locally |
| (3) Interest and other charges on the Loan accrued on or before March 15, 1999 | 400,000 | Amount due pursuant to Section 2.02 (c) of this Agreement |
| | | |
| TOTAL | 5,900,000 | |
| | ===== | |

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 and works 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 works 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 \$550,000, may be made in respect of Categories (1) and (2) on account of payments made for expenditures before that date but after January 1, 1996.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for goods and works under contracts not exceeding \$250,000 equivalent, 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 to: (i) demonstrate the feasibility and value of using low temperature geothermal water as a renewable indigenous energy resource in district heating systems; (ii) reduce the emission of greenhouse gases and sulfur dioxide by replacing gas and heavy oil with geothermal energy; and (iii) promote sustainable management and the development of environmentally sound and non-polluting geothermal resources on a national and regional level.

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: Technical Assistance and Training

1. Design of the geothermal loop including all necessary equipment for extracting heat from the geothermal water and transferring it to the district heating system.
2. Preparation of detailed drilling, testing, and completion programs.
3. Management support for Project implementation, including support in preparing tender documents, and construction supervision.
4. Training of EG staff and management in the operation of a similar geothermal plant in Thirsted, Denmark, to optimize the transfer of technology.

Part B: Investment Component

1. Establishment of two production wells and one injection well.
2. Construction of above-ground facilities, including plant building and necessary equipment, such as absorption heat pumps, heat exchanger, and auxiliary equipment for control and regulation of the plant and the

heat transfer to the district heating system.

3. Laying of piping network between production wells and the geothermal plant, the geothermal plant and injection well, and the geothermal plant and the district heating network.

* * * * *

The Project is expected to be completed by January 31, 1999.

SCHEDULE 3

Amortization Schedule

| Date Payment Due | Payment of Principal (Expressed in dollars) |
|--------------------|--|
| September 15, 2001 | 115,000 |
| March 15, 2002 | 120,000 |
| September 15, 2002 | 120,000 |
| March 15, 2003 | 125,000 |
| September 15, 2003 | 130,000 |
| March 15, 2004 | 135,000 |
| September 15, 2004 | 140,000 |
| March 15, 2005 | 145,000 |
| September 15, 2005 | 150,000 |
| March 15, 2006 | 155,000 |
| September 15, 2006 | 160,000 |
| March 15, 2007 | 165,000 |
| September 15, 2007 | 170,000 |
| March 15, 2008 | 180,000 |
| September 15, 2008 | 185,000 |
| March 15, 2009 | 190,000 |
| September 15, 2009 | 200,000 |
| March 15, 2010 | 205,000 |
| September 15, 2010 | 210,000 |
| March 15, 2011 | 220,000 |
| September 15, 2011 | 230,000 |
| March 15, 2012 | 235,000 |
| September 15, 2012 | 245,000 |
| March 15, 2013 | 255,000 |
| September 15, 2013 | 260,000 |
| March 15, 2014 | 270,000 |
| September 15, 2014 | 280,000 |
| March 15, 2015 | 290,000 |
| September 15, 2015 | 300,000 |
| March 15, 2016 | 315,000 |

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) and (2) 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 works required for Part B of 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 \$500,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 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 \$2,000,000.

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 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 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 Categories for Part B of the Project, 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 Part B of 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 for Part B of the Project 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.



