

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7207-ME

Loan Agreement

(Second Community Forestry Project)

between

UNITED MEXICAN STATES

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated March 28, 2004

Public Disclosure Authorized

LOAN AGREEMENT

AGREEMENT, dated March 28, 2004 between UNITED MEXICAN STATES (the Borrower) represented by its signatory on page 12 of this Agreement and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower is a signatory of the Articles of Agreement of the International Bank for Reconstruction and Development (the international treaty by which the Bank was created), which Articles of Agreement contain, *inter alia*, general provisions relating to loans extended by the Bank;

WHEREAS (B) 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;

WHEREAS (C) the Project will be carried out by the Borrower's *Comisión Nacional Forestal* (CONAFOR) with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the Loan available to CONAFOR, as set forth 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 and in the agreement dated March 10, 2004 between the Bank and CONAFOR (the Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans" of the Bank dated September 1, 1999 (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) “Activities” means collectively Social Capital Strengthening Activities and Forest Resource Management Technical Strengthening Activities;

(b) “Approved POA” means each annual operating plan referred to in Section 2.07 (b) of the Project Agreement;

(c) “Capacity Building Implementation Agreement” means any of the agreements referred to in Section 2.01 (c) (i) of the Project Agreement;

(d) “Community” means any population and land tenancy unit (*comunidad*), with its own legal personality, governed by Title III, Chapter V of the Borrower’s Agrarian Law (*Ley Agraria*), published in the Official Gazette on February 26, 1992, or a legally established association of Communities, located in any Participating State and composed mostly of indigenous peoples represented by the Community’s duly elected officials of the Community, which meets the criteria and other requirements set forth in the Operational Manual;

(e) “*Ejido*” means any population and land tenancy unit, with its own legal personality, governed by Title III, Chapters I-IV of the Borrower’s Agrarian Law (*Ley Agraria*), published in the Official Gazette on February 26, 1992, or a legally established association of *Ejidors*, located in any Participating State, which meets the criteria and other requirements set forth in the Operational Manual to participate in the Project;

(f) “Environmental Management Plan” means CONAFOR’s environmental management plan for the Project set forth in the Implementation Letter;

(g) “Field Guide” means a guide prepared by CONAFOR to introduce concepts and procedures for sustainable management of forests in the relevant ecosystems of the Participating States;

(h) “FMR” means each report prepared in accordance with Section 4.02 of the Project Agreement;

(i) “Forest Resource Management Technical Strengthening Activity” means a technical assistance or training activity or activities to be carried out by a Community and/or *Ejido* for the improvement of the capacity of such Community or *Ejido* for forest

management, land-use planning and zoning, strengthening of Community/*Ejido* enterprises, building and strengthening intercommunity associations, attaining independent performance-based certification of forestry practices, and carrying out of feasibility studies for investments in timber or non-timber forest products, which activity or activities are eligible for financing out of the proceeds of the Loan in accordance with the criteria and other requirements set forth in the Operational Manual;

(j) “Forest Management Program” means a plan prepared by a Community or *Ejido* as a requirement for the extraction of forest products;

(k) “Forestry Law” means the Borrower’s General Law for Sustainable Forestry Development published in the Official Gazette on February 25, 2003, regulating the forestry sector and establishing CONAFOR;

(l) “Implementation Agreements” means collectively Capacity Building Implementation Agreements and Investment Implementation Agreements;

(m) “Implementation Letter” means the letter of even date herewith from the Borrower and CONAFOR to the Bank dated March 10, 2004, containing: (i) the indicators to be used in monitoring the progress of the implementation of the Project and in evaluating its results; (ii) the Environmental Management Plan; and (iii) the Indigenous Peoples Action Plan;

(n) “Indigenous Peoples Action Plan” means CONAFOR’s plan for benefiting indigenous peoples under the Project as set forth in the Implementation Letter;

(o) “Investment Implementation Agreement” means any of the agreements referred to in Section 2.01 (c) (ii) of the Project Agreement;

(p) “Investment Subproject” means a subproject to be carried out by a Community and/or *Ejido* and consisting of a set of activities for the development, management and commercialization of tradable or potentially tradable timber, non-timber and other forest products and/or services, which subproject is eligible for financing out of the proceeds of the Loan in accordance with the criteria and other requirements set forth in the Operational Manual;

(q) “*MANDATO* Contract” means the contract to be entered into among the Borrower, NAFIN and CONAFOR 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 *MANDATO* Contract;

(r) “NAFIN” means *Nacional Financiera, S.N.C.* a Mexican development bank serving as the Borrower’s financial agent for purposes of the Loan;

(s) “Official Gazette” means the Borrower’s *Diario Oficial de la Federación*;

(t) “Operational Manual” means the manual referred to in Section 2.05 of the Project Agreement;

(u) “Participating State” means any of the following states of the Borrower: Durango, Guerrero, Jalisco, Michoacán, Oaxaca and Quintana Roo and any other state as CONAFOR shall propose and the Bank shall agree;

(v) “PIU” means the unit referred to in Section 2.01 (b) of the Project Agreement;

(w) “Priority Regions” means regions within the Participating States identified in the Operational Manual;

(x) “Project Agreement” means the agreement between the Bank and CONAFOR dated March 10, 2004, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(y) “Regional Committees” means committees, or other forms of association of Communities and *Ejidos*, formed to carry out participatory regional planning of forestry activities, information dissemination, and coordination of activities among Communities and *Ejidos*, governmental and non-governmental agencies and the private sector;

(z) “SHCP” means *Secretaría de Hacienda y Crédito Público* (the Borrower’s Secretariat of Finance and Public Credit);

(aa) “Social Capital Strengthening Activity” means a technical assistance or training activity or set of activities to be carried out by a Community and/or *Ejido* to, *inter alia*, conduct participatory rural appraisals of the Communities’ and *Ejidos*’ capacity and interests in development, assist in the development of Community and *Ejido* statutes and by-laws, and improve participation, governance and capacity for decision making, which activity or activities are eligible for financing out of the proceeds of the Loan in accordance with the criteria and other requirements set forth in the Operational Manual; and

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

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to CONAFOR.

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 this Agreement, an amount equal to twenty one million three hundred thousand Dollars (\$21,300,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

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, works, and services required for the Project and to be financed out of the proceeds of the Loan, in respect of the front-end fee referred to in Section 2.04 of this Agreement, and in respect of any premiums in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

(b) The Borrower may, for the purposes of the Project, cause NAFIN to open and maintain in Dollars a special deposit account on the Borrower's behalf either: (i) in the Borrower's Central Bank on terms and conditions satisfactory to the Bank; (ii) in NAFIN on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment; or (iii) in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and 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, 2008 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 front-end fee in an amount equal to one percent (1%) of the amount of the Loan. The Borrower agrees that on or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (a) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to, but not including, the fourth anniversary of such date; and (b) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on May 15 and November 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01 (7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

Section 2.10. The *Director de Financiamientos Internacionales* of NAFIN, and any person or persons whom he or she shall designate in writing are designated as representatives 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, Other Covenants

Section 3.01. (a) The Borrower declares its commitment to the objective of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause CONAFOR to perform in accordance with the provisions of the Project Agreement all the obligations of CONAFOR therein set forth, shall take or cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable CONAFOR 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, through SHCP, shall enter into a contract (*MANDATO Contract*) with NAFIN and CONAFOR, satisfactory to the Bank, whereby:

- (i) NAFIN agrees to act as financial agent of the Borrower with regard to the Loan, meaning that, *inter alia*, NAFIN agrees to represent the Borrower *vis-à-vis* the Bank for purposes of submitting Loan withdrawal applications to the Bank in form and substance sufficient to justify disbursement by the Bank to the Borrower of Loan proceeds;
- (ii) CONAFOR agrees to carry out the Project; and
- (iii) the Borrower agrees that, through SHCP and NAFIN as financial agent, the Borrower shall cooperate fully with CONAFOR to

ensure that CONAFOR is able to comply with all of CONAFOR's obligations referred to in the Project Agreement.

(c) The Borrower shall exercise its rights and carry out its obligations under the *MANDATO* Contract in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank may otherwise agree, the Borrower shall not amend or fail to enforce any provision of the *MANDATO* Contract. In case of any conflict between the terms of: (i) the *MANDATO* Contract; and (ii) those of this Agreement, the terms of this Agreement shall prevail.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services 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 the Project shall be carried out by CONAFOR pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower shall participate and cause NAFIN to participate in the reviews referred to in Section 2.06 (c) of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause NAFIN: (i) to maintain a financial management system, including records and accounts; and (ii) to prepare financial statements, all in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect its operations, resources and expenditures related to the Project.

(b) The Borrower shall cause NAFIN:

(i) to have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank) audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;

- (ii) to furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or such other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
 - (iii) to furnish to the Bank such other information concerning such records, accounts and the audit of such financial statements, and concerning said auditors, as the Bank may 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 cause NAFIN to:
- (i) 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, or covering, the fiscal year in which the last withdrawal from the Loan Account was made;
 - (ii) enable the Bank's representatives to examine such records; and
 - (iii) ensure that such statements of expenditure are included in any audit that the Bank may have requested pursuant to paragraph (b) of this Section.

ARTICLE V

Remedies of the Bank

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

- (a) CONAFOR shall have failed to perform any of its obligations under the Project Agreement or the *MANDATO* Contract or NAFIN shall have failed to perform any of its obligations under the *MANDATO* Contract.

(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 CONAFOR will be able to perform any of its obligations under the Project Agreement.

(c) The Forestry Law shall have been amended, suspended, abrogated, repealed or waived so as to affect, in the opinion of the Bank, materially and adversely the ability of CONAFOR to perform any of its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01 (k) of the General Conditions, the following additional event is specified namely that the event specified in paragraph (c) 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 *MANDATO* Contract has been executed on behalf of the Borrower, NAFIN and CONAFOR; and

(b) the Operational Manual has been issued by CONAFOR.

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, by counsel to each of the parties to the respective agreements:

(a) that the Project Agreement has been duly authorized or ratified by CONAFOR, and is legally binding upon CONAFOR in accordance with its terms; and

(b) that the *MANDATO* Contract has been duly authorized or ratified by the Borrower, NAFIN and CONAFOR and is legally binding upon the Borrower, NAFIN and CONAFOR in accordance with its terms.

Section 6.03. The date June 28, 2004 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 2.10 of this Agreement, the *Titular de la Unidad de Crédito Público* of SHCP 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:

Secretaría de Hacienda y Crédito Público
Unidad de Crédito Público
Palacio Nacional
Patio Central
3er piso, oficina 3010
Colonia Centro
06000 México, D.F.

Facsímile: 011-52-555-228-1156

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 Lima, Perú, as of the day and year first above written.

UNITED MEXICAN STATES

By /s/ José Francisco Gil Díaz

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ David de Ferranti

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:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods (other than for Investment Subprojects)	180,000	83%
(2) Consultants' Services (including audits) (other than for Investment Subprojects and Activities)	6,300,000	83%
(3) Training, Workshops and Regional Committees	1,667,000	83%
(4) Activities	8,840,000	83% of the cost of consultants' services under the respective Activity
(5) Investment Subprojects	2,000,000	83% of the cost of goods, works and services under the respective Investment Subproject
(6) Front End Fee	213,000	Amount due under Section 2.04 of this Agreement
(7) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.09 (c) of this Agreement
(8) Unallocated	<u>2,100,000</u>	
TOTAL	<u>21,300,000</u>	

2. For the purposes of this Schedule the term “Training, Workshops and Regional Committees” means expenditures incurred in connection with the provision of training (including workshops), and in connection with meetings of the Regional Committees (including trainers’ fees, logistics, materials, and the reasonable travel cost of travel and per diem of participants).

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 exceeding \$2,100,000, may be made on account of payments made for expenditures within twelve months before that date, but in no case incurred before September 23, 2003;

(b) payments covered by Categories (4) and (5) set forth in the table in paragraph 1 of this Schedule, unless the respective Implementation Agreement has been entered into with the respective Community or *Ejido*; and

(c) payments covered by Category (5) set forth in the table in paragraph 1 of this Schedule in respect of any Investment Subproject involving humid tropical forest timber extraction, unless: (i) the respective forest management practices of the Community or *Ejido* applicable to the Investment Subproject has received certification from an independent entity satisfactory to the Bank; or (ii) a Field Guide, satisfactory to the Bank, with recommendations and procedures for the sustainable extraction of timber in the ecosystem where the Investment Subproject is to be carried has been disseminated in the applicable region.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures, all under such terms and conditions as the Bank shall specify by notice to the Borrower for:

(a) goods and services under contracts not subject to prior review in accordance with the provisions of Part C of Section I and Part D of Section II of the Schedule to the Project Agreement; and

(b) training (other than for consultants’ contracts subject to prior review in accordance with the provisions of Part C of Section I and Part D of Section II of the Schedule to the Project Agreement), workshops, Regional Committees, Activities and Investment Subprojects (other than works and goods subject to prior review in accordance with the provisions of Part C of Section I of the Schedule to the Project Agreement).

SCHEDULE 2

Description of the Project

The objective of the Project is to assist Communities and *Ejidors* who own forests in Priority Regions in the Participating States to improve the management and conservation of their forest resources and to generate alternative sources of income in a sustainable manner.

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: Social Capital Strengthening

1. Carrying out of Social Capital Strengthening Activities.
2. Implementation, on a national or regional level, of workshops sponsored by the Communities and/or *Ejidors* to exchange information on forestry development and conservation activities.
3. Formation and strengthening of Regional Committees.

Part B: Forest Resource Management Technical Strengthening

1. Carrying out of Forest Resource Management Technical Strengthening Activities and preparation of Forest Management Programs, if required.
2. Carrying out of a human capital development training program, including delivery of specialized courses on the identification and management of conflict within and/or between Communities and/or *Ejidors*, and also including the training of forest technicians in Communities and *Ejidors*.
3. Preparation of Field Guides for each Participating State.
4. Compilation and maintenance of a roster (*padrón*) of qualified professionals relevant to the implementation of the Project and training to build and maintain the skills of such professionals.

Part C: Diversification and Investment

1. Carrying out of feasibility studies, market analyses and other specialized studies on forest products and services as required to identify potential productive investments (including Investment Subprojects) for Community and *Ejidos*.
2. Carrying out of Investment Subprojects.
3. Provision of technical assistance and training for the identification and design of projects for which environmental services could be paid at the local or regional level.

Part D: Institutional Strengthening

1. Strengthening of CONAFOR's capacity to operate in the Participating States through training in subjects relevant to the Project, and equipping of its offices.
2. Carrying out of a baseline study and impact evaluations to measure the impact of the Project.
3. Carrying out of strategic studies relevant to the objectives of the Project, proposed by CONAFOR and agreed to by the Bank.

Part E: Project Management

1. Establishment and operation of the PIU, carrying out of the audits referred to in Section 4.01 of this Agreement and the Project Agreement, and Project monitoring.
2. Carrying out of a communication and outreach program to further the goals of the Project.

* * *

The Project is expected to be completed by December 31, 2007.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
On each May 15 and November 15 Beginning May 15, 2009 through November 15, 2018	5%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second

Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of subparagraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such subparagraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1) through (5) 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, works 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 the amount of \$2,100,000 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 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, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, 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; 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.