

CONFORMED COPY

LOAN NUMBER 4324 UA

Loan Agreement

(Kiev District Heating Improvement Project)

between

UKRAINE

and

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Dated October 14, 1998

LOAN NUMBER 4324 UA

LOAN AGREEMENT

AGREEMENT, dated October 14, 1998, between Ukraine (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 Parts A, C.2 and C.4 of the Project;

(B) Parts A, C.2 and C.4 of the Project will be carried out by Kievenergo (as hereinafter defined) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Kievenergo the proceeds of the Loan as provided in this Agreement;

(C) the Borrower intends to contract from European Bank for Reconstruction and Development (EBRD) a loan (the EBRD Loan) in an amount of forty million Dollars (\$40,000,000) equivalent to assist in financing Parts B, C.3 and C.5 of the Project on the terms and conditions to be set forth in an agreement (the EBRD Loan Agreement) to be entered into between the Borrower and EBRD; 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 Project Agreement of even date herewith between the Bank and Kievenergo;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995, with the modification set forth below (the General Conditions) constitute an integral part of this Agreement:

Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty (30) days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be canceled."

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) "Kiev District Heating System" means the physically integrated system of heat production, transmission and distribution for the City of Kiev operated by Kievenoergo and KMDHC;

(b) "Kievenoergo" means the state-owned joint stock energy-supply company established pursuant to Order No. 177 of the Borrower's Ministry of Power and Electrification, dated August 31, 1995, and registered with Starokievsky Rayon State Administration on September 28, 1995, under No. 00131305, which is responsible for the generation, transportation, distribution and sale of electrical and thermal energy in the City of Kiev, and includes any successors to Kievenoergo;

(c) "KMDHC" means the Kiev Municipal District Heating Company established as a state municipal enterprise wholly-owned by the City of Kiev pursuant to the Order No. 368 of the Representative of the President of Ukraine to City Kiev, dated May 29, 1992, and registered with the Kiev City State Administration on July 1, 1992, and includes any successor to KMDHC;

(d) "NERC" means the National Electricity Regulatory Commission of the Borrower established by Decree of the President of Ukraine No. 738 on December 8, 1994, and includes any successor to NERC;

(e) "Project Agreement" means the agreement between the Bank and Kievenoergo 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;

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

(g) "Statutes of Kievenergo" means the statutes of Kievenergo, dated August 31, 1995, and approved by the Minister of Power and Electrification of the Borrower, and any statutes that Kievenergo may adopt in the future as part of its restructuring, if any, agreed with the Bank; and

(h) "Subsidiary Loan Agreement" means the agreement entered into between the Borrower and Kievenergo pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan 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, an amount equal to two hundred million Dollars (\$200,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for Parts A, C.2 and C.4 of the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of Parts A, C.2 and C.4 of the Project, open and maintain in Dollars a separate 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 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 December 31, 2004, 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 LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) "LIBOR Total Spread" means, for each Interest Period: (A) one half of one percent ($1/2$ of 1%); (B) minus (or plus) the weighted

average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. 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 this Loan Agreement, shall:

(a) cause the City of Kiev to carry out Part C.1 of the Project with due diligence and efficiency and in conformity with appropriate administrative, accounting and financial practices, and shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate to enable the City of Kiev to carry out Part C.1 of the Project, and shall not take or permit to be taken any action which would prevent or interfere with the ability of the City of Kiev to carry out Part C.1 of the Project;

(b) cause Kievenergo to carry out Parts A, C.2 and C.4 of the Project in accordance with the provisions of the Project Agreement all the obligations of Kievenergo 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 Kievenergo to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance;

(c) the Borrower shall relend the proceeds of the Loan to Kievenergo under a subsidiary loan agreement to be entered into between the Borrower and Kievenergo, under terms and conditions which shall have been approved by the Bank. Except as the Bank shall otherwise agree, such terms and conditions shall include the following:

(i) the principal amount of the subsidiary loan shall be denominated in Dollars and shall be repaid by Kievenergo to the Borrower in semi-annual installments over twenty years, including a grace period of five years;

(ii) interest shall be charged on the principal amount of the subsidiary loan withdrawn and outstanding from time to time at a rate equal to the rate payable by the Borrower from time to time pursuant to Section 2.05 (a) of this Agreement plus up to one percent (1%);

(iii) a commitment fee shall be charged on the undisbursed amount of the

subsidiary loan at a rate equal to the rate payable by the Borrower
from time to time pursuant to Section 2.04 of this Agreement;
and

(d) 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, works and consultants' services required for Parts A, C.2 and C.4 of 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 Borrower shall cause the City of Kiev to:

(a) commence by the date falling two years after the Effective Date of this Loan Agreement a study of institutional structure of the district heating services in the City of Kiev under Part C.1 of the Project in accordance with terms of reference agreed with the Bank, which study shall, among other things, review options for the most efficient institutional and corporate structure for the provision of district heating services in the City of Kiev, identify the requirements for effective management of the said services, corporate and operations alternatives and propose a strategy and an action plan for implementation of its recommendations;

(b) complete the said study within one (1) year of its commencement date; and

(c) within three (3) months of completing the said study, submit to the Bank for review and comment the report summarizing the findings, conclusions and recommendations of the said study.

Section 3.04. 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) shall be carried out by Kievenergo pursuant to Section 2.04 of the Project Agreement.

Section 3.05. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Bank and the Borrower, a plan for the future operation of the Project; and

(ii) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause Kievenergo to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations and financial condition of Kievenergo and to register separately the operations, resources and expenditures relating to Parts A, C.2 and C.4 of the Project.

(b) The Borrower shall cause Kievenergo to:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the records and accounts 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: (A) certified copies of the financial statements referred to in paragraph (a) above for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

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

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

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

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

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

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditures submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. The Borrower shall cause NERC to establish electricity tariffs for Kievenergo at such levels as shall enable Kievenergo to meet the financial covenants set out in Sections 4.02 and 4.03 of the Project Agreement.

Section 4.03. The Borrower shall cause the City of Kiev to:

(a) adjust heat tariffs for Kievenergo on a regular basis to such levels as shall enable Kievenergo to cover the costs of production, transmission and distribution, operation and maintenance, interest payments, make allowances for depreciation and make contributions to its reserves; and

(b) maintain the present lack of cross-subsidization between heat tariffs payable by different categories of heat consumers.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) Kievenergo 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 Kievenergo will be able to perform its obligations under the Project Agreement.

(c) Statutes of Kievenergo shall have been amended, suspended, abrogated, repealed or waived, except as otherwise agreed with the Bank, so as to affect materially and adversely the ability of Kievenergo to perform any of its obligations

under the Project Agreement.

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

(e) The EBRD Loan Agreement shall have failed to become effective by September 1, 2000, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for Parts B, C.3 and C.5 of the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(f) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of the EBRD Loan shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the EBRD Loan Agreement, or

(B) the EBRD Loan shall have become due and payable prior to the maturity 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, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for Parts B, C.3 and C.5 of 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;

(b) any event specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur; and

(c) any event specified in paragraphs (e) or (f)(i) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (f)(ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely that the Subsidiary Loan Agreement has been duly executed on behalf of the Borrower and Kievenergo.

Section 6.02. The following are specified as additional matters, with 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 Kievenergo, and is legally binding upon Kievenergo in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and Kievenergo and is legally binding upon the Borrower and Kievenergo 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:

Minister of Finance
12/2 Hrushevsky Street
Kiev 252008 Ukraine

Telex:

131450

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:

248423 (MCI) or
64145 (MCI)

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.

UKRAINE

By /s/ Yuri Shcherbak

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Paul Siegelbaum

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 Dollars)	% of Expenditures to be Financed
(1) Goods		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(i) Goods under Part A of the Project; and	188,800,000	
(ii) Goods under Part C.2 of the Project	100,000	
(2) Works under Part A of the Project	1,000,000	100% of foreign expenditures and 80% of local expenditures
(3) Consultants' services and training under Parts C.2 and C.4 (i) of the Project	300,000	100%
(4) Incremental Operating Costs under Part C.4 (ii) of the Project	200,000	100%
(5) Unallocated	9,600,000	
TOTAL	200,000,000	

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, works or services supplied from the territory of any country other than that of the Borrower;

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

(c) the term "incremental operating costs" means cost of audits required under Section 4.01 of the Loan Agreement which would not have been incurred absent the Project.

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 \$7,000,000, may be made in respect of Categories 1, 2 and 3 on account of payments made for expenditures before that date but after March 1, 1998.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (i) goods under contracts not exceeding \$300,000 equivalent; (ii) works under contracts not exceeding \$1,000,000 equivalent; (iii) services of consulting firms under contracts not exceeding \$100,000 equivalent; and (iv) services of individual consultants under contracts not exceeding \$50,000 equivalent, all 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) improve heat production capacity of

the Kiev District Heating System in order to improve its reliability and service levels and enable it to better meet existing and expected future demand; (ii) rehabilitate and introduce modern technologies and materials into the said system in order to extend its life, increase its efficiency and enhance conservation; and (iii) promote sound cost recovery policies and practices and support institutional strengthening and commercialization of Kieveno and KMDHC so as to optimize the manner in which district heating services are provided in Kiev, facilitate implementation of the Project as well as eventual privatization of the Kiev district heating service.

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: Kievenergo District Heating Improvement

1. Expansion and replacement of old and worn-out boilers at CT-1 and CT-2 plants with new boilers, corresponding with output capacity of about 1000 Gcal/h.
2. Rehabilitation of other boilers at CT-1 and CT-2 plants and construction of a new 100 m high stack at CT-1 plant to improve the environmental conditions in the center of Kiev.
3. Rehabilitation and expansion of boiler capacity at TETS 5 and TETS 6 CHP plants, including construction of about 600 Gcal/h of new capacity and reconstruction of the water treatment system at TETS 5.
4. Completion of the partially-constructed boiler house at Pozniaki subdivision and equipping it with new boiler capacity of about 600 Gcal/h.
5. Replacement and rehabilitation of about 80 km of old transmission networks and valves.
6. Replacement of the electric substation servicing the center of Kiev and installation of two 110 Kv power cable lines as part thereof.

Part B: KMDHC District Heating Improvement

Rehabilitation of about 1,500 substations, including installation of heat meters, and rehabilitation of secondary networks of KMDHC.

Part C: Institutional Support

1. Carrying out of a study of institutional structure of the district heating services in the City of Kiev.
2. Provision of personnel training and equipment to Kievenergo.
3. Provision of personnel training and equipment to KMDHC.
4. Provision of: (i) technical assistance to Kievenergo required for implementation of Part A of the Project, including, inter alia, assistance with detailed design, construction supervision, as well as procurement and disbursement activities; and (ii) funding for the carrying out of audits required under the Project.
5. Provision of technical assistance to KMDHC required for implementation of Part B of the Project.

* * *

The Project is expected to be completed by June 30, 2004.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in Dollars)*
October 15, 2003	4,220,000
April 15, 2004	4,345,000
October 15, 2004	4,475,000
April 15, 2005	4,610,000
October 15, 2005	4,745,000
April 15, 2006	4,885,000
October 15, 2006	5,035,000
April 15, 2007	5,180,000
October 15, 2007	5,335,000
April 15, 2008	5,495,000
October 15, 2008	5,660,000
April 15, 2009	5,825,000
October 15, 2009	6,000,000
April 15, 2010	6,180,000
October 15, 2010	6,365,000
April 15, 2011	6,550,000
October 15, 2011	6,745,000
April 15, 2012	6,950,000
October 15, 2012	7,155,000
April 15, 2013	7,365,000
October 15, 2013	7,585,000
April 15, 2014	7,810,000
October 15, 2014	8,045,000
April 15, 2015	8,285,000
October 15, 2015	8,530,000
April 15, 2016	8,785,000
October 15, 2016	9,045,000
April 15, 2017	9,315,000
October 15, 2017	9,590,000
April 15, 2018	9,890,000

SCHEDULE 4

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, works and services required for Parts A, C.2 and C.4 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 \$800,000 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 \$400,000 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 \$5,000,000.

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 Kievenergo, on behalf of 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 with respect to Parts A, C.2 and C.4 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 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 Accounts.

(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.

