

CONFORMED COPY

LOAN NUMBER 3711 CHA

Loan Agreement

(Shanghai Environment Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 2, 1994

LOAN NUMBER 3711 CHA

LOAN AGREEMENT

AGREEMENT, dated June 2, 1994, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) the Municipality of Shanghai (Shanghai) shall carry out the Project, or cause the Project to be carried out, with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Shanghai the proceeds of the Loan as provided in this Agreement; and

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

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) 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) "Category" means a withdrawal category set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(b) "Fiscal Year" means a calendar year commencing on January 1 and ending on December 31.

(c) "Implementing Agencies" means, collectively, the Sewerage Company, the Wastewater Treatment Plant and the Waterworks Company, and "Implementing Agency" means any of the Implementing Agencies.

(d) "its respective Part of the Project" means, in respect of: (i) the Waterworks Company, Part A of the Project; (ii) the Sewerage Company, Part B thereof; and (iii) the Wastewater Treatment Plant, Part C thereof.

(e) "Project Agreement" means the agreement between the Bank and Shanghai 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) "Sewerage Company" means the Shanghai Sewerage Company, a state-owned enterprise, established with the approval of the Shanghai Construction Committee on March 21, 1987 and operating pursuant to its Charter dated March 21, 1987 and to Business License No. 0100427 dated December 3, 1990, issued by the Shanghai Huangpu District Bureau of Industry and Commerce.

(g) "Sewerage Company Subsidiary Loan Agreement" means the agreement to be entered into between Shanghai and the Sewerage Company pursuant to Part B.2 of Schedule 2 to the Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the Sewerage Company Subsidiary Loan Agreement.

(h) "Sewerage Construction Company" means the Shanghai Sewerage Construction Company, a state-owned enterprise established by Document No. 86-0564 dated November 17, 1986, issued by the Shanghai Construction Commission.

(i) "Shanghai" means the Municipality of Shanghai, a political sub-division of the Borrower.

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

(k) "Subsidiary Loan Agreements" means, collectively, the Sewerage Company Subsidiary Loan Agreement the Wastewater Treatment Plant Subsidiary Loan Agreement and the Waterworks Company Subsidiary Loan Agreement; "Subsidiary Loan Agreement" means any of the Subsidiary Loan Agreements; and "Subsidiary Loan" means the loan provided for under a Subsidiary Loan Agreement.

(l) "Taihu Pumping Station Operation Agreement" means the agreement to be entered into between the Shanghai Water Conservancy Bureau of Shanghai, acting on behalf of Shanghai, and the Taihu Basin Authority, acting on behalf of the Ministry of

Water Resources of the Borrower, referred to in Section 6.01 (b) of this Agreement, and such term includes all schedules to the Taihu Pumping Station Operation Agreement.

(m) "Wastewater Discharge Standards" means (i) the Integrated Standards for Discharge of Wastewater No. GB8978-88 issued by the Borrower's National Environmental Protection Agency; and (ii) the Shanghai Industrial Wastewater Discharge Standards approved by the Shanghai Municipal Government on March 11, 1989.

(n) "Wastewater Treatment Plant" means the Shanghai Songjiang Wastewater Treatment Plant, a state-owned enterprise, established with the approval of the Songjiang County Government and operating pursuant to its Charter dated September 28, 1993, and to Business License No. 270368000 dated November 17, 1993, issued by the Songjiang County Bureau of Industry and Commerce.

(o) "Wastewater Treatment Plant Subsidiary Loan Agreement" means the agreement to be entered into between Shanghai and the Wastewater Treatment Plant pursuant to Part B.3 of Schedule 2 to the Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the Wastewater Treatment Plant Subsidiary Loan Agreement.

(p) "Water Use Regulations" means the Regulations on Administration of Planned Water Use in Shanghai, issued by the Shanghai Municipal Government in 1985 as Document No. 111, as said Regulations may be amended from time to time.

(q) "Waterworks Company" means the Shanghai Municipal Waterworks Company, a state-owned enterprise established with the approval of the Borrower's State Council and operating pursuant to its Charter dated October 1993, and to Business License No. 160509600 dated August 31, 1993, issued by the Shanghai Pudong New Area Bureau of Commerce and Industry.

(r) "Waterworks Company Subsidiary Loan Agreement" means the agreement to be entered into between Shanghai and the Waterworks Company pursuant to Part B.1 of Schedule 2 to the Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the Waterworks Company 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, various currencies that shall have an aggregate value equivalent to the amount of one hundred sixty million dollars (\$160,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in Dollars a special 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.

Section 2.03. The Closing Date shall be June 30, 2000 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

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

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

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

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

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

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

Section 2.06. Interest and other charges shall be payable semiannually on May 1 and November 1 in each year.

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

ARTICLE III

Execution of the Project

Section 3.01. (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 cause Shanghai to perform in accordance with the provisions of the Project Agreement all the obligations of Shanghai 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 Shanghai 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 make available to Shanghai the equivalent in Dollars (determined on the date or respective dates of repayment) of the value of the currency or currencies withdrawn from the Loan Account or paid out of the Special Account on account of the cost of goods and services for the Project to be financed out of the proceeds of the Loan, under arrangements satisfactory to the Bank, which shall include, without limitation, terms whereby Shanghai shall undertake to (i) repay the principal amount so made available over a period of 15 years, inclusive of a grace period of 5 years, (ii) pay interest on the principal amount so made available and withdrawn and outstanding from time to time at a rate equal to 90.63% of the rate of interest applicable from time to time to the Loan pursuant to Section 2.05 of this Agreement, and (iii) pay a commitment charge on the principal amount so made available and not withdrawn from time to time equal to the commitment charge applicable from time to time to the Loan pursuant to Section 2.04 of this Agreement.

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 Schedule 1 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) shall be carried out by Shanghai pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

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

(i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;

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

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

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) (i) of this Section, and those for the Special Account, for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each 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(1) of the General Conditions, the following additional events are specified:

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

(c) Any of the parties to the Subsidiary Loan Agreements shall have failed to perform any of its respective obligations thereunder.

(d) Any of the parties to the Taihu Pumping Station Operation Agreement shall have failed to perform any of its respective obligations thereunder.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional events are specified, namely, that any event specified in paragraph (a) or (c) or (d) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower.

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 Agreements shall have been executed on behalf of the parties thereto.

(b) The Water Conservancy Bureau of Shanghai, acting on behalf of Shanghai, and, the Taihu Basin Authority, acting on behalf of the Borrower's Ministry of Water Resources, shall have entered into an agreement, whose terms and conditions shall be satisfactory to the Bank, designed to ensure (i) the proper operation of a pumping station located at Taihu in Jiangsu Province, (ii) the appropriate financing thereof, and (iii) discharges of water pumped from Taihu Lake into the Huangpu River in amounts adequate to protect the quality of potable water supplied to the intake system constructed under Part A of the Project.

(c) The Waterworks Company's tariffs shall have been increased to levels which would enable the Waterworks Company to comply with its obligations set forth in Part B.2(a) of the Annex to Schedule 2 to the Project Agreement.

(d) The Borrower's State Council shall have approved the Loan 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 Shanghai, and is legally binding upon Shanghai in accordance with its terms;

(b) that the Subsidiary Loan Agreements have been duly authorized or ratified by the parties thereto and are legally binding upon said parties in accordance with their respective terms; and

(c) that the Taihu Pumping Station Operation Agreement has been duly

authorized or ratified by the parties thereto and is legally binding upon said parties in accordance with its terms.

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

ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministry of Finance
Sanlihe
Beijing
People's Republic of China

Cable address:

FINANMIN
Beijing

Telex:

22486 MFPRC CN

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (RCA),
82987 (FTCC),
64145 (WUI) or
197688 (TRT)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Li Daoyu

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Gautam S. Kaji

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) Civil works for Parts A, B, and C of the Project	68,000,000	28%
(2) Goods for Parts A, B, C, D, and F of the Project	66,600,000	100% of foreign expenditures, 100% of local expendi- tures (ex-factory cost) and 75% of local expenditures for other items procured locally
(3) Consultants' services and training	17,400,000	100%
(4) Unallocated	8,000,000	
TOTAL	160,000,000	

2. For the purposes of this Schedule:

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

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$15,000,000, may be made on account of payments made for expenditures before that date but after April 15, 1993.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for goods, works and services under contracts not exceeding \$300,000 equivalent and for training, regardless of the cost thereof, 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 assist in improving the quality of potable water and controlling pollution in Shanghai, so as to provide a sustainable environmental setting for the long-term economic and social development of Shanghai while providing a competitive framework for

industrial growth.

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: Drinking Water Quality Protection

(1) Carrying out of a program to relocate Shanghai's raw water supply intake system at Linjiang on the Huangpu River to Da Qiao, consisting of the: (a) construction and equipping of an intake, pumping stations, a raw water conveyor system, surge protection facilities and telemetry and control systems; and (b) rehabilitation of existing water treatment facilities and distribution systems.

(2) Carrying out of a program to strengthen the management, operations and finances of the Waterworks Company.

(3) Preparation of a water supply master plan for Shanghai.

Part B: Upper Huangpu Catchment Pollution Control

(1) Construction of wastewater conveyance systems in the Wujing and Minhang neighborhoods of the Minhang District of Shanghai, including the construction and equipping of pumping stations and the provision of secondary and tertiary sewers.

(2) Carrying out of a program to strengthen the management and operations of the Sewerage Company.

Part C: Songjiang Wastewater Pollution Control

(1) Extension and upgrading of the wastewater collection and treatment systems in Songjiang Town within Shanghai, including the extension of the trunk conveyance system, construction and equipping of pumping stations and connection of sewerage systems to households and industries.

(2) Carrying out of a program to strengthen the management and operations of the Wastewater Treatment Plant.

Part D: Pollution Sources and Water Quality Monitoring

Construction and equipping of a laboratory at the intake constructed under Part A of the Project and provision of associated sampling and analytical equipment and monitoring systems, all in order to monitor water quality in the Upper Huangpu River Catchment.

Part E: Municipal Solid Waste and Nightsoil Management

(1) Carrying out of a program to develop suitable solid waste and nightsoil management strategies, including the preparation of a hazardous waste management plan.

(2) Carrying out of a program of investments to strengthen solid waste and nightsoil management systems, consisting of: (a) connection of septic tank and nightsoil facilities to municipal sewerage systems, and (b) construction of treatment and disposal facilities for municipal and industrial solid wastes and provision of plant, equipment and vehicles required for the collection and disposal of said wastes.

Part F: Institutional Development

(1) Carrying out of a program to strengthen the institutional capabilities of Shanghai in respect of water supply and environmental management and monitoring, and provision of equipment and materials required therefor.

(2) Carrying out of studies to develop future projects designed to further improve Shanghai's environment.

* * *

The Project is expected to be completed by June 30, 1999.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
November 1, 1999	3,030,000
May 1, 2000	3,140,000
November 1, 2000	3,255,000
May 1, 2001	3,375,000
November 1, 2001	3,495,000
May 1, 2002	3,625,000
November 1, 2002	3,755,000
May 1, 2003	3,890,000
November 1, 2003	4,035,000
May 1, 2004	4,180,000
November 1, 2004	4,330,000
May 1, 2005	4,490,000
November 1, 2005	4,655,000
May 1, 2006	4,820,000
November 1, 2006	4,995,000
May 1, 2007	5,180,000
November 1, 2007	5,365,000
May 1, 2008	5,560,000
November 1, 2008	5,765,000
May 1, 2009	5,975,000
November 1, 2009	6,190,000
May 1, 2010	6,415,000
November 1, 2010	6,650,000
May 1, 2011	6,890,000
November 1, 2011	7,140,000
May 1, 2012	7,400,000
November 1, 2012	7,670,000
May 1, 2013	7,950,000
November 1, 2013	8,235,000
May 1, 2014	8,545,000

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

Premiums on Prepayment

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

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

not more than 11 years before maturity	
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), (2) and (3);

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$9,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

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

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

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; 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.

