

CONFORMED COPY

LOAN NUMBER 3866-0-1-2 LT

Loan Agreement

(Enterprise and Financial Sector Assistance Project)

between

REPUBLIC OF LITHUANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 19, 1995

LOAN NUMBER 3866-0-1-2 LT

LOAN AGREEMENT

AGREEMENT, dated July 19, 1995, between REPUBLIC OF LITHUANIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS 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; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Single Currency Loan and Guarantee Agreements" of the Bank, dated February 9, 1993 (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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Apex" means the Apex Unit established and maintained within the Bank of Lithuania as specified in paragraph 1 (c) of Schedule 5 to this Agreement;

(b) "Bank of Lithuania" or "BOL" means the central bank of the Borrower, established and operating pursuant to Borrower's Law on the Bank of Lithuania, dated December 23, 1994, as the same may be amended from time to time;

(c) "Beneficiary" means the Private Enterprise to which a Participating Financial Intermediary proposes to make or has made a Sub-Loan;

(d) "Consulta" means Enterprise Restructuring and Consulting Agency, established as a non-profit organization pursuant to Resolution No. 963 of the Government of the Borrower, dated December 21, 1993, as modified by Resolution No. 194 of the Government of the Borrower, dated March 23, 1994, and registered in the Borrower's Enterprise Register on October 11, 1994;

(e) "Deutsche Mark" and "DM" mean the lawful currency of Germany, but if such currency shall be replaced with the European Currency Unit, then 'Deutsche Mark' and 'DM' shall be replaced by 'European Currency Unit' and 'ECU' for purposes of the Loan, at the ratio in effect as of the date of such replacement;

(f) "Fiscal Agency Agreement" and "Fiscal Agent" mean, respectively, an agreement entered into by the Borrower, through its Ministry of Finance, and the Bank of Lithuania, pursuant to which the Bank of Lithuania shall act as a fiscal agent of the Borrower for the purposes of carrying out Part A of the Project, and the Bank of Lithuania, acting as the fiscal agent of the Borrower in accordance with the terms of the Fiscal Agency Agreement;

(g) "Implementation Agreement" means an agreement entered into by the Borrower, through its Ministry of Finance, and Consulta as specified in paragraph 2 (a) of Schedule 5 to this Agreement for the purposes of carrying out Part B of the Project;

(h) "Law on the Credibility of the Litas" means the law adopted by Seimas (the Parliament of the Borrower) on March 17, 1994;

(i) "Loan Tranche" means each of the amounts in specific currencies provided for in Section 2.01 of this Agreement;

(j) "Participating Financial Intermediaries" or "PFIs" means the banks and other financial institutions established and operating according to the applicable rules of the Borrower and approved by the Bank for participation in the Project; "PFI" means a single participating financial intermediary;

(k) "Private Enterprise" means commercial entity registered according to the applicable rules and regulations of the Borrower, in which more than 51% of the interest is held by persons or companies other than the Borrower, the local authorities or any subdivision thereto, or entities controlled by the Borrower;

(l) "Special Account A" means any of the accounts referred to in Section 2.02 (b) of this Agreement; and "Dollar Special Account" and "Deutsche Mark Special Account" mean the Special Accounts to be maintained in dollars and DM, respectively;

(m) "Special Account B" means the account referred to in Section 2.02 (c) of this Agreement;

(n) "Sub-loan" means a loan made or to be made by a Participating Financial Intermediary, financed in whole or in part out of the proceeds of the Loan, to a Beneficiary for a Sub-project;

(o) "Sub-project" means a specific project to be carried out by a Beneficiary utilizing, in whole or in part, the proceeds of a Sub-loan;

(p) "Subsidiary Loan Agreement" and "Subsidiary Loan" mean, respectively, any agreement entered into between the Bank of Lithuania, acting as the fiscal agent of the Borrower in accordance with the terms of the Fiscal Agency Agreement, and a Participating Financial Intermediary pursuant to Section 1 (a) of Schedule 5 to this Agreement and any loan made pursuant to a Subsidiary Loan Agreement; and

(q) "Swedish Capital Fund" means the entity authorized by the Government of Sweden to make investments in banks and other financial institutions operating in the territory of the Borrower, including the PFIs.

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:

(a) the amount of twenty-two million dollars (\$22,000,000); and

(b) the amount of four million five hundred thousand Deutsche Mark (DM 4,500,000);

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 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 Part A of the Project, open and maintain in the single currency of each Loan Tranche a special deposit account, each 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 Accounts A shall be made in accordance with the provisions of Schedule 6 to this Agreement.

(c) The Borrower shall, for the purposes of Part B of the Project, open and maintain in dollars a special deposit account in a commercial bank acceptable to the Bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account B shall be made in accordance with the provisions of Schedule 7 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2001 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay interest on the principal amount of each Loan Tranche withdrawn and outstanding

from time to time, at a rate for each Interest Period equal to Single Currency LIBOR, plus one-half of one percent (1/2 of 1%), plus or minus the Average Margin as provided in paragraph (b) (iv) below.

- (b) For the purposes of this Section:
 - (i) "Interest Period" means the initial period from and including the date of this Agreement to but not including the first Interest Payment Date and thereafter the period from and including any Interest Payment Date to but not including the next Interest Payment Date.
 - (ii) "Interest Payment Date" means any date specified in Section 2.05 of this Agreement.
 - (iii) "Single Currency LIBOR" means the London interbank offered rate for the Single Currency of each Loan Tranche, expressed as a percentage per annum, reasonably determined by the Bank in accordance with Schedule 9 to this Agreement for the January 15 or July 15 on which an Interest Period commences (or, for the initial Interest Period, the January 15 or July 15 preceding the date of this Agreement or on which such Interest Period commences).
 - (iv) "Average Margin" means, for any Interest Period, the weighted average margin, for the Semester preceding the relevant January 15 or July 15, between: (A) the cost of the outstanding borrowings of the Bank or portions thereof allocated to the funding of single currency loans in all currencies, and (B) the specific London interbank offered rates or other such reference rates attributable to such borrowings in each such currency, all as reasonably determined by the Bank and expressed as a percentage per annum. For any Interest Period in which (A) exceeds (B), the Average Margin shall be added under paragraph (a) above. For any Interest Period in which (B) exceeds (A), the Average Margin shall be subtracted under paragraph (a) above.
 - (v) "Semester" means the first six months or second six months of a calendar year.

(c) After the Bank shall have determined Single Currency LIBOR and the Average Margin for any Interest Period, the Bank shall promptly notify the Borrower of such determination.

Section 2.05. Interest and other charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.06. (a) The Borrower shall repay the principal amount of the Loan disbursed in connection with Part A of the Project on January 15, 2005.

(b) The Borrower shall repay the principal amount of the Loan disbursed in connection with Part B of the Project 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, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, banking, accounting and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to 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 4 to this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower or other entities referred to in paragraphs 1 and 2 of Schedule 5 to this Agreement responsible for carrying out the Project or any part thereof.

(b) The Borrower shall or shall cause others to:

- (i) have the records and accounts referred to in paragraph (a) of this Section 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; 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.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, 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 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.

ARTICLE V

Effective Date; Termination

Section 5.01. 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 Fiscal Agency Agreement satisfactory to the Bank has been duly signed on behalf of the parties thereto and has entered into force; and

(b) At least one Subsidiary Loan Agreement satisfactory to the Bank has been signed on behalf of the parties thereto and has entered into force.

Section 5.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) The "Law on the Credibility of Litas" is in full force and effect; and

(b) Each of the Fiscal Agency Agreement and the Subsidiary Loan Agreement referred to in paragraphs (a) and (b) of Section 5.01 of this Agreement, respectively, has been duly authorized or ratified by the respective parties thereto and is legally binding upon the respective parties thereto in accordance with its terms.

Section 5.03. 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 VI

Representative of the Borrower; Addresses

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
Sermuksniy 6
2696 Vilnius
Lithuania

Telex:

261252 FIMA SU

For the Bank:

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

United States of America

Cable address:

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.

REPUBLIC OF LITHUANIA

By /s/ Alfonsas Eidintas

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Basil G Kavalsky

Acting Regional Vice President
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amount of each Loan Tranche 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)	Amount of the Deutsche Mark Allocated (Expressed in DM Equivalent)	% of Expendi- tures to be Financed
(1) Goods, works and services under Part A of the Project	17,500,000	4,500,000	100% of foreign expen- ditures, 100% of local expen- ditures (ex- factory cost) and 80% of local expenditures for other items pro- cured locally for goods; 100% for works;

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	Amount of the Deutsche Mark Allocated (Expressed in DM Equivalent)	100% for consultants' services
			% of Expendi- tures to be Financed
(2) Services under Part B.1 of the Project	4,380,000		100%
(3) Services under Part B.2 of the Project	40,000		100%
(4) Goods under Part B.2 of the Project	80,000		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
 TOTAL	 22,000,000 =====	 4,500,000 =====	

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; and

(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.

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 to exceed the equivalent of \$2.5 million, may be made in respect of Categories (1), (2), (3) and (4) on account of payments made for expenditures before that date but after October 15, 1994; and

(b) expenditures under Categories (2), (3) and (4) unless the Bank shall have communicated to the Borrower its acceptance of evidence furnished by the Borrower that the Implementation Agreement satisfactory to the Bank has been duly signed and authorized by the parties thereto and is legally binding upon

the parties thereto in accordance with its terms.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for goods and works under Part A of the Project not exceeding \$1,000,000 equivalent, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to support and help accelerate the Borrower's implementation of reforms in the Borrower's enterprise and financial sectors.

The Project consists of the following parts, subject to such modification thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Credit Line

Provision of Sub-loans by Participating Financial Intermediaries to Beneficiaries.

Part B: Technical Assistance

1. Provision of post-privatization and pre-privatization technical assistance to enterprises, including preparation of realistic business plans and restructuring plans, as appropriate.

2. Provision of office equipment and operational support for Consulta.

* * *

The Project is expected to be completed by December 31, 2000.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal Expressed in Dollar Loan Tranche* for Part B of the Project*
July 15, 2000	85,000
January 15, 2001	90,000
July 15, 2001	95,000
January 15, 2002	95,000
July 15, 2002	100,000
January 15, 2003	105,000
July 15, 2003	105,000
January 15, 2004	110,000
July 15, 2004	115,000
January 15, 2005	120,000
July 15, 2005	125,000
January 15, 2006	125,000
July 15, 2006	130,000
January 15, 2007	135,000
July 15, 2007	140,000
January 15, 2008	145,000
July 15, 2008	150,000
January 15, 2009	155,000
July 15, 2009	160,000
January 15, 2010	170,000
July 15, 2010	175,000
January 15, 2011	180,000

July 15, 2011	185,000
January 15, 2012	190,000
July 15, 2012	200,000
January 15, 2013	205,000
July 15, 2013	215,000
January 15, 2014	220,000
July 15, 2014	230,000
January 15, 2015	245,000

* The figures in this column represent the amount in dollars to be repaid, except as provided in section 4.04 (d) of the General Conditions.

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines) in accordance with the following additional procedures:

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Bank's prior review in accordance with the provisions of Part D.1 (a) of this Section, the Bank's prior approval will be required for (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days and (ii) any subsequent extension of the bid validity period.

(b) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(c) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the Republic of Lithuania may be granted a margin of preference

in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Goods and works estimated to cost per contract the equivalent of less than \$1,000,000 shall be procured at competitive prices in accordance with normal commercial practices of respective Beneficiaries, acceptable to the Bank, due account being taken also of other relevant factors such as time of delivery and efficiency and reliability thereof and availability of maintenance and spare parts therefor.

Part D: Review by the Bank of Procurement Decisions

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

(a) With respect to: (i) the first contract for goods or works to be financed by each Participating Financial Intermediary; and (ii) each contract for goods or works to be awarded in accordance with the provisions of Section I, Part A.1 of this Schedule, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account A or the Special Account B, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account A in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account A or the Special Account B, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals are to be made on the basis of statements of expenditure.

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

Section II. Employment of Consultants

1. In order to assist in the implementation of the Project, consultants shall be employed whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such consultants shall be employed under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms agreed with the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports

and contracts shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, this exception to prior Bank review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) the first two contracts for services under Part B.1 of the Project, (d) to assignments of a critical nature as reasonably determined by the Bank, (e) to amendments of contracts for employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (f) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 5

Implementation Program

The provisions of this Schedule shall apply for the purposes of Section 3.01 (b) of this Agreement:

1. For the purpose of carrying out Part A of the Project, the Borrower shall:

(a) relend to PFIs the equivalent of the proceeds of the Loan allocated from time to time to Category (1) of the table set forth in paragraph 1 of Schedule 1 to this Agreement under Subsidiary Loan Agreements to be entered into between the Borrower, acting through the Bank of Lithuania as its fiscal agent, and each such PFI, under terms and conditions which shall include, without limitation, those set forth in Section I of the Annex to this Schedule;

(b) exercise its rights under the Fiscal Agency Agreement and Subsidiary Loan Agreements in such manner as to protect the interests of the Bank and the Borrower and to achieve the purposes of the Project, and, except as the Bank shall otherwise agree, not assign, amend, abrogate or waive the Fiscal Agency Agreement or any Subsidiary Loan Agreements or any respective provision thereof;

(c) cause the Bank of Lithuania to maintain, in accordance with the terms of the Fiscal Agency Agreement, the Apex with staff, functions, responsibilities and technical assistance satisfactory to the Bank, including the responsibility for reporting, on a quarterly basis, to the Swedish Capital Fund, the cumulative amount of Sub-loans concluded by each PFI under Part A of the Project and preparing bi-annual progress reports to be provided to the Bank during the course of the Project;

(d) coordinate the overall execution of the Project and monitor the carrying out by the Participating Financial Intermediaries of their respective Subsidiary Loan Agreements in accordance with policies and procedures satisfactory to the Bank, including the continued compliance by the PFIs with conditions set forth in Section I.B.1 of the Annex to this Schedule 5; and

(e) take or cause to be taken all action necessary or appropriate to enable the Participating Financial Intermediaries to perform in accordance with the provisions of their respective Subsidiary Loan Agreements all the obligations of the Participating Financial Intermediaries therein set forth, and not take or permit to be taken any action which would prevent or interfere with such performance.

2. For the purpose of carrying out Part B of the Project, the Borrower shall:

(a) extend to Consulta on a grant basis the equivalent of the proceeds of the Loan allocated from time to time to

Categories (2), (3) and (4) of the table set forth in paragraph 1 of Schedule 1 to this Agreement under the Implementation Agreement;

(b) exercise its rights under the Implementation Agreement in such manner as to protect the interests of the Bank and the Borrower and to achieve the purposes of the Project, and, except as the Bank shall otherwise agree, not assign, amend, abrogate or waive the said agreement or any provision thereof;

(c) maintain Consulta with staff, functions and responsibilities satisfactory to the Bank, including the responsibility for preparing bi-annual progress reports to be provided to the Bank during the course of the Project; and

(d) take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Consulta to perform in accordance with the provisions of the Implementation Agreement all the obligations of Consulta therein set forth, and not take or permit to be taken any action which would prevent or interfere with such performance.

ANNEX TO SCHEDULE 5

Section I. Principal Terms and Conditions of Subsidiary Loan Agreement

The principal terms and conditions set forth herein shall apply for the purposes of paragraph 1 (a) of Schedule 5 to this Agreement.

A. Terms

1. Principal Amount

The principal amount to be relent out of the proceeds of the Loan to a Participating Financial Intermediary under its respective Subsidiary Loan Agreement shall be: (a) denominated in dollars or Deutsche Marks; and (b) the equivalent of the aggregate outstanding amount of the principal of all Sub-loans made out of the proceeds thereof.

2. Interest Rate

The Subsidiary Loan shall be charged, on the principal amount thereof withdrawn and outstanding from time to time, an interest rate acceptable to the Bank. The interest rate shall represent the prevailing interest rate under the Bank Loan as determined in accordance with Section 2.04 of this Loan Agreement plus a market based spread set by the Borrower from time to time, and agreed to by the Bank, to: (i) compensate the Borrower for the commitment fee payable under the Bank Loan and the administrative costs associated with Part A of the Project; (ii) compensate the Borrower for the credit risk associated with Part A of the Project; and (iii) compensate the Bank of Lithuania for administrative costs associated with acting as the Fiscal Agent, including the maintenance of the Apex.

3. Maturity

The Subsidiary Loan shall be repaid in full on January 15, 2005.

B. Conditions

1. A Subsidiary Loan Agreement may be entered into with a bank or other financial institution, duly established and operating under the laws of the Borrower, which, as the Borrower shall have determined, and the Bank shall have agreed:

(a) has an acceptable audit report which (i) covers one

full year of operations, (ii) incorporates a portfolio review, and (iii) is prepared by an internationally recognized audit firm in accordance with International Accounting Standards ("IAS");

(b) has been in existence and has produced operating results for a minimum of two years;

(c) has agreed to engage in an institutional development program, designed in conjunction with the Bank to (i) address identified deficiencies, and (ii) be implemented with the assistance of a foreign bank or other acceptable experts;

(d) has provided a certificate of compliance from BOL stating that (i) it has a valid banking license, and specifying type and date of license, (ii) BOL is not aware of any criminal proceedings ongoing against the PFI or any of its major shareholders with voting rights in excess of 10 percent, and (iii) the PFI is in general compliance with all relevant banking laws and regulations;

(e) has minimum assets (as defined under IAS) equivalent to US\$25 million;

(f) has minimum equity capital equivalent to US\$2 million and has undertaken to increase its capital as necessary to comply with future increases required by BOL;

(g) has a minimum risk-weighted equity capital adequacy ratio (as defined by the Basil Committee on banking regulations and supervisory practices) of 4 percent by year-end 1994, 5 percent by year-end 1995, 6 percent by year-end 1996, 7 percent by year-end 1997 and 8 percent by year-end 1998;

(h) has exposure to any one borrower as a percent of its equity capital of no more than 50 percent by year-end 1994, 40 percent by year-end 1995, 35 percent by year-end 1996, 30 percent by year-end 1997 and 25 percent by year-end 1998;

(i) has aggregate exposure to insiders (defined as Council members, members of the Management Board, employees in a management position and shareholders with voting rights in excess of 10 percent) of no more than 100 percent of equity capital as of year-end 1994, 90 percent as of year-end 1995, 80 percent as of year-end 1996, 70 percent as of year-end 1997 and 60 percent as of year-end 1998; and

(j) for the purposes of this sub-section I.B.1, the term "International Accounting Standards" or "IAS" means the accounting standards issued or endorsed by the International Accounting Standards Committee and the term "equity capital" or "capital" or "net worth" means assets minus liabilities, as defined under IAS.

2. Each respective Subsidiary Loan Agreement shall contain provisions pursuant to which each respective Participating Financial Intermediary shall undertake to:

(a) carry out its activities under Part A of the Project and conduct its operations and affairs in accordance with appropriate financial standards and practices, with qualified management and staff in adequate numbers and to provide, promptly as needed, the funds, facilities, services and other resources required for the purpose;

(b) (i) make Sub-loans to Beneficiaries on the terms and conditions set forth in Section II of this Annex; (ii) exercise its rights in relation to each such Sub-loan in such manner as to protect its interests and the interests of the Borrower and the Bank, comply with its obligations under its respective Subsidiary Loan Agreement and achieve the purposes of Part A of the Project; (iii) not assign, amend, abrogate or waive any of

its agreements providing for Sub-loans, or any provision thereof, without prior approval of the Borrower and the Bank; and (iv) appraise Sub-projects and supervise, monitor and report on the carrying out by Beneficiaries of Sub-projects, in accordance with procedures satisfactory to the Bank;

(c) (i) exchange views with, and furnish all such information to the Bank and the Apex, as may be reasonably requested by the Bank and/or the Apex, with regard to the progress of its activities under the Project, the performance of its obligations under its respective Subsidiary Loan Agreement, including its continued compliance with conditions set forth in Section I.B.1 of the Annex to Schedule 5 to the Loan Agreement and other matters relating to the purposes of the Project; and (ii) promptly inform the Bank and the Apex of any condition which interferes or threatens to interfere with the progress of its activities under its respective Subsidiary Loan Agreement;

(d) (i) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition; (ii) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank; (iii) furnish to the Apex as soon as available, but in any case not later than six months after the end of each such year, certified copies of said financial statements and accounts for such year as so audited, and the report of such audit by said auditors in such scope and detail as the Bank shall have reasonably requested, including an opinion on the PFI's compliance during the year subject to the audit with conditions set forth in Section I.B.1 of the Annex to Schedule 5 to the Loan Agreement; and (iv) furnish to the Bank and the Apex such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Bank or the Apex shall from time to time reasonably request; and

(e) ensure that appraisal of Sub-projects is undertaken in accordance with the applicable environmental laws and standards of the Borrower and the Bank's policy on environmental assessment.

3. Each respective Subsidiary Loan Agreement shall also provide that unless the Bank agrees otherwise, the right of the Participating Financial Intermediary to commit further Sub-loans shall be:

(a) suspended upon its failure to: (i) meet any of the requirements set forth in Section I.B of this Annex to Schedule 5, or (ii) perform any of its obligations under a Subsidiary Loan Agreement; and

(b) terminated if such right shall have been suspended pursuant to paragraph (a) hereof for a continuing period of 120 days.

Section II. Terms and Conditions of the Sub-loans and Eligibility Criteria:

The provisions of this Section shall apply for the purposes of paragraph 2 (b) (i) of Section I.B of this Annex to Schedule 5.

1. The principal amount of each Sub-loan made out of the proceeds of the Loan allocated from time to time to Category (1) of the table set forth in paragraph 1 of Schedule 1 to this Agreement shall: (a) be denominated in the currency (dollars or Deutsche Marks) agreed to by the PFI and the Beneficiary; and (b) be the equivalent in such currency (determined as of the date or respective dates of withdrawal from the Loan Account or payment out of the Special Account) of the value of the currency or currencies so withdrawn or paid out on account of goods or

services financed out of the proceeds of the Sub-loan.

2. Each Sub-loan shall be: (a) charged interest, on the principal amount thereof withdrawn and outstanding from time to time, at the prevailing interest rate under the Subsidiary Loan Agreement as determined in accordance with Section I.A.2 of this Annex to Schedule 5 of the Loan Agreement plus a spread determined by the PFI on the basis of market conditions; and (b) made for a minimum period of two years and a maximum period of up to nine and one-half years, depending on when the Sub-loan agreement is concluded relative to the maturity of the Subsidiary Loan Agreement.

3. No expenditures for goods, works and services required for a Sub-project shall be eligible for financing out of the proceeds of the Loan:

(a) unless the Sub-loan for such Sub-project:

(i) shall have been approved by the Bank and such expenditures shall have been made not earlier than 120 days prior to the date on which the Bank shall have received the application and information required under paragraph 4 (a) of this Section in respect of such Sub-loan; or

(ii) the Sub-loan for such Sub-project shall be a free-limit Sub-loan for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than 120 days prior to the date on which the Bank shall have received the request and information required under paragraph 4 (b) below in respect of such free-limit Sub-loan. For the purposes of this Agreement, a free-limit Sub-loan shall be a Sub-loan made by a PFI for a Sub-project in an amount to be financed out of the proceeds of the Loan, which shall not exceed \$1,000,000, to be determined by the Bank for such PFI upon its achieving standards of appraisal and supervision of Sub-projects satisfactory to the Bank; or

(b) to finance any investment in military or tobacco industries.

4. (a) When presenting a Sub-loan to the Bank for approval, the PFI shall furnish to the Bank an application, in form satisfactory to the Bank, which shall include (i) a description of the Beneficiary; (ii) the appraisal of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; (iii) the proposed terms and conditions of the Sub-loan; and (iv) any such other information as the Bank shall reasonably request;

(b) Each request by a PFI for Sub-loan authorization in respect of a free-limit Sub-loan shall contain: (i) a summary description of the Beneficiary and the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; and (ii) the terms and conditions of the Sub-loan, including the schedule of amortization therefor; and

(c) Applications and requests made pursuant to the provisions of subparagraphs (a) and (b) of this paragraph shall be presented to the Bank on or before June 30, 2000.

5. Sub-loans shall be made to Beneficiaries who each shall have established to the satisfaction of the Borrower and the Bank that: (i) the maximum debt-equity ratio of each such Beneficiary after receipt of the Sub-loan shall not exceed 70:30; and (ii) the currency and terms of the proposed Sub-loan

are appropriate given the projected revenues of the Beneficiary.

6. Sub-loans shall be made for Sub-projects which are each determined, on the basis of an appraisal carried out in accordance with guidelines satisfactory to the Bank, to be:

(a) technically feasible and economically, financially and commercially viable;

(b) for Sub-loans exceeding \$500,000 equivalent, calculated to have a financial rate of return of at least 20% and, if major price distortions in inputs or outputs are evident, an economic rate of return of 15%; and

(c) in compliance with all environmental laws and standards of the Borrower and the Bank's policy on environmental assessment, as certified by the relevant local or national authority of the Borrower.

7. Sub-loans shall be made on terms whereby the PFI making the Sub-loan shall obtain, by written contract or other appropriate means, rights adequate to protect its interest and those of the Borrower and the Bank, including:

(a) the right to require the Beneficiary to carry out the Sub-project with due diligence and efficiency and in conformity with appropriate technical, economical, financial, environmental and commercial practices, to maintain adequate records, and to provide, promptly as needed, the funds, facilities and other resources required for the purpose;

(b) the right to require that the goods, works and services to be financed out of the proceeds of the Loan be procured in accordance with the provisions of Schedule 4 to this Loan Agreement, and use such goods, works and services exclusively in the carrying out of the Sub-project;

(c) the right to inspect, by itself or jointly with representatives of the Bank or the Borrower if the Bank or the Borrower shall so request, the goods and the sites, works, plans and construction included in the Sub-project, the operation thereof, and any relevant records and documents;

(d) the right to require that the Beneficiary shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practices, including such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Beneficiary to replace or repair such goods;

(e) the right to obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Beneficiary and to the benefits to be derived from the Sub-project; and

(f) the right to suspend or terminate the right of the Beneficiary to the use of the proceeds of the Sub-loan upon failure by such Beneficiary to perform its obligations under its Sub-loan agreement with the Participating Financial Intermediary.

SCHEDULE 6

Special Account A

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Category (1) 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 Part A 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 to be withdrawn from the Loan Account and deposited in Special Account A pursuant to paragraph 3 (a) of this Schedule, equivalent to \$2.5 million for the Dollar Special Account and to DM 1.0 million for the Deutsche Mark Special Account, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1.5 million for the Dollar Special Account and DM 0.5 million for the Deutsche Mark Special Account 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 \$4.0 million and DM 2.5 million, respectively.

2. Payments out of the Special Account A 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 a Special Account A has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish such Special Account A 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 Accounts and deposit in such Special Account A such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of such Special Account A the Borrower shall furnish to the Bank requests for deposits into such Special Account A 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 Accounts and deposit into such Special Account A 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 A 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 any Special Account A, 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 Special Account A:

(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 Tranche 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 Accounts of the remaining unwithdrawn amount of the Loan Tranche 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 such Special Account A 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 A: (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 A (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 A 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 A 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 A.

(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.

SCHEDULE 7

Special Account B

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (2), (3) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$0.2 million to be withdrawn from the Loan Account

and deposited in the Special Account B 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 \$0.1 million 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 \$0.7 million.

2. Payments out of the Special Account B 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 Special Account B has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish such Special Account B 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 such Special Account B such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of such Special Account B, the Borrower shall furnish to the Bank requests for deposits into such Special Account B 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 such Special Account B 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 B 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 any Special Account B, 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 Special Account B:

(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 Tranche 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 Tranche 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 such Special Account B 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 B: (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 B (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 B 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 B 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 B.

(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.

SCHEDULE 8

Modifications of the General Conditions

For the purposes of this Agreement, the provisions of the General Conditions are modified as follows:

The words "the Bank may, by notice to the Borrower or 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 cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (f) by the date specified in Section II.4(c) of the Annex to Schedule 5 to the Loan Agreement, the Bank shall, in respect of any portion of the Loan: (i) have received no applications or requests permitted under subparagraphs (a) or (b) of said paragraph; or (ii) have denied any such applications or requests, the Bank may, by notice to the Borrower, terminate the right to submit such applications or approvals or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be cancelled."

SCHEDULE 9

Single Currency LIBOR Determination

1. Single Currency LIBOR for any Single Currency for any

Interest Period shall be the offered rate for deposits in the Single Currency for a period of six months which appears on the display designated as page "3750" on the Telerate monitor (or such other page or service as may replace it for the purpose of displaying London interbank offered rates of major banks for Single Currency deposits), as of 11:00 a.m. (London time) on the second day on which banks and foreign exchange markets are open for business in London prior to the relevant January 15 or July 15 (the Interest Determination Date).

2. If such rate does not appear on the Telerate monitor or on such service as may replace it, the Bank shall request the London offices of four major banks to provide the Bank with the rate at which deposits in the Single Currency are offered by such banks on the Interest Determination Date to leading banks in the London interbank market for a period of six months ending on the last day of such Interest Period. Single Currency LIBOR for such Interest Period shall be the arithmetic mean (rounded upwards if necessary to the fifth decimal place) of such offered quotations as determined by the Bank.

3. If not more than one major bank provides the Bank with such quotations under paragraph 2 above, Single Currency LIBOR shall be the arithmetic mean (rounded upwards if necessary to the fifth decimal place) determined by the Bank of the rates quoted by at least two major banks in New York City for U.S. Dollars and Frankfurt for Deutsche Marks, as the case may be selected by the Bank on the Interest Determination Date for loans in the Single Currency to leading European banks for a period of six months ending on the last day of such Interest Period. If fewer than two of the banks so selected are quoting such rates, Single Currency LIBOR shall be the Single Currency LIBOR in effect for the last preceding Interest Period.

