

CONFORMED COPY

LOAN NUMBER 3572 CHA

(Tianjin Industrial Development Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated June 2, 1994

LOAN NUMBER 3572 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) Tianjin Municipality has adopted a development program and strategy for the industrial sub-sectors of machine tools, construction equipment, electronics components, automotive parts and electric motors, dated January 29, 1993;

(C) Part B.1 of the Project will be carried out by Tianjin Municipality and Parts A and B.2 of the Project will be carried out by Bank of Communications, Tianjin Branch (BOCOM), and Industrial and Commercial Bank of China (ICBC) (the Financial Intermediaries), all with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Tianjin Municipality 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 Tianjin Project Agreement of even date herewith between the Bank and Tianjin Municipality and the Financial Intermediaries Project Agreement of even date herewith between the Bank and the Financial Intermediaries;

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 in Schedule 5 to this Agreement (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) "BOCOM" means the Bank of Communications, Tianjin Branch, an independent legal person established and operating under the BOCOM Charter.

(b) "BOCOM Charter" means the Charter of the Bank of Communications, a national socialist joint-stock financial enterprise primarily under public ownership, approved by the People's Bank of China on March 10, 1987.

(c) "BOCOM Statement of Operating Policies and Procedures" means the Statement of operating policies and procedures approved by the Directors of BOCOM on January 6, 1993, and as revised thereafter with the Bank's concurrence.

(d) "Development Program and Strategy" means the development program and strategy for the industrial sub-sectors of machine tools, construction equipment, electronics components, automotive parts and electric motors, adopted by Tianjin Municipality, dated January 29, 1993 and includes any development program and strategy for a Project Sub-sector thereafter agreed with the Bank pursuant to paragraph 4 of Schedule 2 to the Tianjin Project Agreement.

(e) "Financial Intermediaries" means BOCOM and ICBC, collectively, and "Financial Intermediary" means any of the Financial Intermediaries.

(f) "Financial Intermediaries Project Agreement" means the agreement among the Bank and the Financial Intermediaries 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 Financial Intermediaries Project Agreement.

(g) "foreign Currency" means any currency other than the currency of the Borrower.

(h) "free-limit Sub-loan" means a Sub-loan, as so defined, which qualifies as a free-limit Sub-loan pursuant to the provisions of paragraph 2 (b) of Schedule 1 to the Financial Intermediaries Project Agreement.

(i) "ICBC" means the Industrial and Commercial Bank of China, a specialized banking institution established and operating under the ICBC Charter.

(j) "ICBC Charter" means the Charter of the Industrial and Commercial Bank of China, approved by the State Council on recommendation of the People's Bank of China on November 15, 1989.

(k) "ICBC Policy Statement" means the policy statement approved by ICBC in July 1989, and as revised thereafter with the Bank's concurrence.

(l) "Investment Enterprise" means an enterprise meeting the criteria set out in paragraph 1 (f) to Schedule 1 to the Financial Intermediaries Project Agreement, to which a Financial Intermediary proposes to make or has made a Sub-loan.

(m) "Investment Project" means a specific technological restructuring project in a Project sub-sector to be carried out by an Investment Enterprise utilizing the proceeds of a Sub-loan.

(n) "Project Sub-sector" means an industrial sub-sector agreed between the Bank and Tianjin Municipality pursuant to paragraph 4 of Schedule 2 to the Tianjin Project Agreement.

(o) "Renminbi" means the currency of the Borrower.

(p) "Tianjin Project Agreement" means the agreement between the Bank and Tianjin Municipality 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 Tianjin Project Agreement.

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

(r) "Sub-loan" means a loan made or proposed to be made by a Financial Intermediary out of the proceeds of the Loan to an Investment Enterprise for an Investment Project.

(s) "Subsidiary Loan Agreements" means the agreements to be entered into between the Tianjin Municipality and the Financial Intermediaries pursuant to Section 2.02 (a) of the Tianjin Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreements, and "Subsidiary Loan Agreement" means any of the Subsidiary Loan Agreements.

(t) "Subsidiary" means any company of which a majority of the outstanding voting stock or other proprietary interest is owned or effectively controlled by a Financial Intermediary or by any one or more Subsidiaries of said Financial Intermediary or by said Financial Intermediary and any one or more of its Subsidiaries.

## 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 fifty million dollars (\$150,000,000), 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:

(i) amounts paid (or, if the Bank shall so agree, to be paid) by a Financial Intermediary on account of withdrawals made by an Investment Enterprise under a Sub-loan to meet the reasonable cost of goods and services required for the Investment Project in respect of which the withdrawal from the Loan Account is requested;

(ii) amounts in respect of interest during construction by an Investment Enterprise under a Sub-loan; and

(iii) 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 Part B of the Project 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 bank and 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."

(i) in paragraph (a), the term "Interest Period" in the first sentence is replaced by the term "Quarter" and the word "rate" in the second sentence is replaced by the word "rates";

(b), is (ii) the term "Semester", whenever it appears in paragraphs (a) and replaced by the term "Quarter"; and

(iii) sub-paragraph (c) (iii) replaces the definition of "Semester" in its entirety.

Section 2.06. Interest and other charges shall be payable semi-annually on May 15 and November 15 in each year.

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

### ARTICLE III

#### Execution of the Project; Use of the Proceeds of the Loan

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 limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause Tianjin Municipality and the Financial Intermediaries to perform all their respective obligations set forth in the Tianjin Project Agreement and the Financial Intermediaries Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Tianjin Municipality and the Financial Intermediaries 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 onlend the proceeds of the Loan to Tianjin Municipality on the following principal terms and conditions: (i) repayment over a period not exceeding 20 years, including five years of grace; (ii) interest calculated in accordance with Section 2.05 (a) of this Agreement; (iii) commitment charges at the rate stated in Section 2.04 of this Agreement; and (iv) foreign exchange risk to be borne by Tianjin Municipality.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods 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 Tianjin Project Agreement and Schedule 2 to the Financial Intermediaries 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): (a) in respect of Part B.1 of the Project, shall be carried out by Tianjin Municipality pursuant to Section 2.04 of the Tianjin Project Agreement; and (b) in respect of Parts A and B.2 of the Project, shall be carried out by the Financial Intermediaries pursuant to Section 2.03 of the Financial intermediaries Project Agreement.

Section 3.04. From time to time, at the request of any party, the Borrower shall exchange views with the Bank and any Financial Intermediary on the interest rates to be charged by each Financial Intermediary in its lending operations in light of its cost of funds and profitability and of movements in interest and inflation rates in China and internationally.

### 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 or payment out of the Special 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 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 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) Tianjin Municipality or any Financial Intermediary shall have failed to perform any of its obligations under the Tianjin Project Agreement or the Financial Intermediaries Project Agreement, respectively.

(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 Tianjin Municipality or any Financial Intermediary will be able to perform its obligations under the Tianjin Project Agreement or the Financial Intermediaries Project Agreement, respectively.

(c) The BOCOM Charter or ICBC Charter or the BOCOM Statement of Operating Policies and Procedures or the ICBC Policy Statement shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of any Financial Intermediary or its ability to carry out the Project or to perform any of its obligations under the Financial Intermediaries Project Agreement.

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

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower; and

(b) any event specified in paragraph (c) or (d) of Section 5.01 of this Agreement shall occur.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the

General Conditions:

(a) the Subsidiary Loan Agreements have been executed on behalf of Tianjin Municipality and the Financial Intermediaries;

(b) the Borrower's State Council has approved the Loan Agreement; and

(c) the project implementation consultants shall have been appointed in accordance with Section II of Schedule 1 to the Tianjin Project 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 Tianjin Project Agreement has been duly authorized or ratified by Tianjin Municipality and is legally binding upon Tianjin Municipality in accordance with its terms;

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

(c) that the Subsidiary Loan Agreements have been duly authorized or ratified by Tianjin Municipality and the Financial Intermediaries and are legally binding upon Tianjin Municipality and the Financial Intermediaries in accordance with their respective 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 100820  
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

Regional Vice President  
East Asia and Pacific

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 (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Sub-loans	134,500,000	
(a) interest during construction		90% of amounts financed by a Financial Intermediary
(b) other expenditures		100% of amounts disbursed by a Financial intermediary
(2) Goods under Part B.1 of the Project	10,520,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(3) Consultants' services and training under Part B.1 of the Project	4,780,000	100%



(4) Staff training under Part B.2 of the Project	200,000	100%
TOTAL	150,000,000	

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: (a) a Subloan unless the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 1 to the Financial Intermediaries Project Agreement; and (b) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$5,000,000, may be made in respect of Categories (2), (3) and (4) on account of payments made for expenditures before that date but after July 31, 1992.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to assist the Borrower in industrial restructuring and to assist Tianjin Municipality in the implementation of its Development Program and Strategy, through acceleration of policy and enterprise reforms in Project Subsectors, modernization and restructuring of enterprises in the Project Sub-sectors based on economic criteria and commercial viability; strengthening related technological infrastructure; improvement and reorganization of internal enterprise management systems; and diversification and strengthening of the financial intermediation process.

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

Part A: Financial Assistance

Financing of specific technological restructuring projects through Sub-loans to enterprises in the Project Sub-sectors.

Part B: Institutional Support

1. Supporting the overall restructuring of the Project Sub-sectors, through provision of consultants' services, equipment and materials and local and overseas training in the areas of design and research, vocational training, management and operational training of enterprise management and staff and labor development.

2. Strengthening the staff capabilities of the Financial Intermediaries through a program of staff training.

\* \* \*

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

#### SCHEDULE 3

##### Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
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November 15, 1998	2,805,000
May 15, 1999	2,910,000
November 15, 1999	3,015,000
May 15, 2000	3,130,000
November 15, 2000	3,245,000
May 15, 2001	3,365,000
November 15, 2001	3,490,000
May 15, 2002	3,620,000
November 15, 2002	3,755,000
May 15, 2003	3,895,000
November 15, 2003	4,040,000
May 15, 2004	4,190,000
November 15, 2004	4,345,000
May 15, 2005	4,505,000
November 15, 2005	4,675,000
May 15, 2006	4,845,000
November 15, 2006	5,025,000
May 15, 2007	5,215,000
November 15, 2007	5,405,000
May 15, 2008	5,610,000
November 15, 2008	5,815,000
May 15, 2009	6,035,000
November 15, 2009	6,255,000
May 15, 2010	6,490,000
November 15, 2010	6,730,000
May 15, 2011	6,980,000
November 15, 2011	7,240,000
May 15, 2012	7,510,000
November 12, 2012	7,790,000
May 15, 2013	8,070,000

\* 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 not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90

More than 18 years before  
maturity

1.00

#### SCHEDULE 4

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (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 Investment Projects 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, provided, however, that notwithstanding the provisions of paragraph 3 (a) of Schedule 1 to this Agreement, payments for expenditures to be financed out of the proceeds of free-limit Sub-loans may be made out of the Special Account before the Bank shall have authorized withdrawals from the Loan Account in respect thereof. Such expenditures, however, shall qualify as eligible expenditures only if the Bank shall subsequently authorize such withdrawals; and

(c) the term "Authorized Allocation" means an amount equivalent to \$8,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for 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 into the Special Account such amount or amounts as the Borrower shall have requested.

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

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

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; 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.

#### SCHEDULE 5

##### Modifications of the General Conditions

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

a. The last sentence of Section 3.02 is deleted.

b. The following subparagraph is added to Section 2.01:

"21. The term 'Financial Intermediaries Project Agreement' has the meaning set forth in paragraph (j) of Section 1.02 of the Loan Agreement."

c. The words "the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (e) by the date specified in subparagraph 3(c) of Schedule 1 to the Financial Intermediaries Project 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 and Guarantor, 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."

