

CONFORMED COPY

LOAN NUMBER 4529 CHA

Loan Agreement

(Tongbai Pumped Storage Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 5, 2000

LOAN NUMBER 4529 CHA

LOAN AGREEMENT

AGREEMENT, dated June 5, 2000, 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; and

(B) the Project will be carried out by Zhejiang Provincial Electric Power Company (ZPEPC) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to ZPEPC the proceeds of the Loan as provided in this Agreement;

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through December 2, 1997), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement.

(a) Section 2.01, paragraph 9, is modified to read:

"Euro', ' ' and 'EUR' each means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union.";

(b) a new paragraph (d) is added to Section 3.04 as follows:

"(d) If the Bank shall at any time receive less than the full amount then due and payable to it under the Loan Agreement, the Bank shall have the right to allocate and apply the amount so received in any manner and for such purposes under the Loan Agreement as the Bank shall in its sole discretion determine."; and

(c) Section 11.01 is modified by replacing in the second sentence, the word "radiogram" with the word "facsimile" and adding a new sentence at the end of said Section to read:

"Deliveries made by facsimile transmission shall also be confirmed by mail.".

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 wherever used herein:

(a) "Affected Person" means a person who on account of the execution of the Project had or would have his or her: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected, and "Affected Persons" means collectively all persons who qualify as an Affected Person.

(b) "Environmental Management Plan" means the environmental management plans dated March 1999 in respect of Part A of the Project and October 1998 in respect of Part B of the Project, prepared by ZPEPC for the monitoring and mitigation of the environmental impact of the Project, as said plan may be supplemented or modified from time to time with the prior agreement of the Bank.

(c) "Project Agreement" means the agreement between the Bank and ZPEPC of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.

(d) "Resettlement Action Plan", means the plans, acceptable to the Bank, dated January 1999, for the compensation, resettlement and rehabilitation of Affected Persons in respect of Parts A and B of the Project as said resettlement plans may be supplemented and amended from time to time with the prior agreement of the Bank.

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

(f) "Subsidiary Loan Agreement" means the agreement to be entered into

between the Borrower and ZPEPC pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement.

(g) "Zhejiang" means the Borrower's province of Zhejiang, and any successor thereto.

(h) "ZPEPC" means Zhejiang Provincial Electric Power Company, a corporation established and existing under the laws of the Borrower in accordance with: (i) Business License No. 3300001002345, dated October 15, 1990, issued by Zhejiang Industry and Commerce Administration Bureau; and (ii) the ZPEPC Charter.

(i) "ZPEPC Charter" means the charter of ZPEPC, dated March 30, 1990, as amended to the date of this Agreement.

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

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to three hundred twenty million Dollars (\$320,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan and in respect of the front-end fee referred to in Section 2.04 of this Agreement.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank acceptable to the Bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2007 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 fee in an amount equal to three million two hundred thousand Dollars (\$3,200,000). On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge 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 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the

first Interest Payment Date occurring thereafter,
and after the initial period, each period from and including an
Interest Payment Date to, but excluding the next following Interest
Payment Date.

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

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

(iv) "LIBOR Total Spread" means, for each Interest Period: (A)
three-fourths of one percent (3/4 of 1%); (B) minus (or plus)
the weighted average margin, for such Interest Period, below (or
above) the London interbank offered rates, or other
reference rates, for six-month deposits, in respect of the Bank's outstanding
borrowings or portions thereof allocated by the Bank to fund single
currency loans or portions thereof made by it that include the
Loan; as reasonably determined by the Bank and
expressed as a percentage per annum.

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

(d) Whenever, in light of changes in market practice affecting the
determination of the interest rates referred to in this Section 2.06, the Bank
determines that it is in the interest of its borrowers as a whole and of the
Bank to apply a basis for determining the interest rates applicable to the Loan
other than as provided in said Section, the Bank may modify the basis for
determining the interest rates applicable to the Loan upon not less than six (6)
months' notice to the Borrower of the new basis. The basis shall become
effective on the expiry of the notice period unless the Borrower notifies the
Bank during said period of its objection thereto, in which case said
modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually on
March 15 and September 15 in each year.

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives
of the Project as set forth in Schedule 2 to this Agreement, and, to this end,
without any limitation or restriction upon any of its other obligations under
the Loan Agreement, shall cause ZPEPC to perform in accordance with the
provisions of the Project Agreement all the obligations of ZPEPC therein set
forth, shall take or cause to be taken all action, including the provision of
funds, facilities, services and other resources, necessary or appropriate to
enable ZPEPC 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 relend the proceeds of the Loan to ZPEPC under a
subsidiary loan agreement to be entered into between the Borrower and ZPEPC (the
Subsidiary Loan Agreement) under terms and conditions which shall have been
approved by the Bank. Except as the Bank shall otherwise agree, such terms and

conditions shall include the following:

(i) the principal amount of the subsidiary loan shall be repaid by ZPEPC in _____ Dollars to the Borrower over a period not exceeding twenty (20) years, _____ including a grace period of five (5) years;

(ii) the principal amount of the subsidiary loan repayable by ZPEPC shall be the _____ equivalent in Dollars (determined as of the date, or respective dates, of _____ repayment) of the value of the currency or currencies withdrawn from the Loan Account; and

(iii) the subsidiary loan shall be charged: (A) interest on the amount thereof _____ withdrawn and outstanding from time to time, at a rate equal to the rate _____ payable by the Borrower from time to time pursuant to Section 2.06 (a) of this Agreement; and (B) a commitment charge on the principal amount thereof not _____ withdrawn from time to time at a rate equal to three fourths of one percent (3/4 of 1%) per annum.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

Section 3.04. The Borrower and the Bank hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project shall be carried out by ZPEPC pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

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

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

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

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

(b) The Borrower shall:

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

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and

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

ARTICLE V

Remedies of the Bank

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

(a) ZPEPC shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that ZPEPC will be able to perform its obligations under the Project Agreement.

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

ARTICLE VI

Effective Date; Termination

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

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in

the opinion or opinions to be furnished to the Bank:

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

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and ZPEPC and is legally binding upon the Borrower and ZPEPC in accordance with its terms.

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

ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministry of Finance
Sanlihe
Beijing 100820
People's Republic of China

Cable address:	Telex:	Facsimile:
FINAMIN Beijing	22486 MFPRC CN	8610-6855-1125

For the Bank:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	202-477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Beijing, People's Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zhu Guangyao

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Yukon Huang

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Goods		100% of foreign expenditures, 100% of local
(a) Under Part A of the Project	180,000,000	(ex-factory cost) and 75% of local expenditures for other items procured locally
(b) Under Part B of the Project	78,000,000	
(2) Consultants' services		100%
(a) Under Part A of the Project	7,200,000	
(b) Under Part B of the Project	2,000,000	
(c) Under Part C of the Project	7,500,000	
(3) Training		100%
(a) Under Part A of the Project	1,200,000	
(b) Under Part B of the Project	2,500,000	
(4) Fee	3,200,000	Amount due under Section 2.04 of this Agreement
(5) Unallocated	38,400,000	
TOTAL	320,000,000	

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, provided, however, that expenditures in the currency of the Hong Kong Special Administrative Region of the Borrower for goods or services supplied from said region shall be deemed to be "foreign expenditures"; and

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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$10,000,000, may be made in respect of Categories (1)(a), (2) and (3) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after October 1, 1999.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$3,000,000 equivalent each; (b) consulting services under contracts awarded to consulting firms costing less than \$100,000 equivalent each; (c) consulting services under contracts awarded to individual consultants costing less than \$50,000 equivalent each; and (d) training, regardless of the cost thereof; all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (a) increase peaking capacity and improve load following capability and power quality in the power system of Zhejiang and the Borrower's provinces of Anhui and Jiangsu and municipality of Shanghai; and (b) improve operating and investment efficiency in power generation through the development and implementation of a competitive generation market in Zhejiang.

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

Part A: Tongbai Pumped Storage Plant

Construction of a pumped storage hydroelectric power plant on the Tongbai and Baizhang Rivers in Zhejiang, together with a lower reservoir and an underground powerhouse and water conveyance system.

Part B: Transmission and Distribution

Expansion and reinforcement of the transmission network in Zhejiang through:

1. construction of two 500 kilovolt (kV) substations at Xiaoshan and Yongxi, each with a capacity of 750 megavolt amperes (MVA);

2. expansion of existing 500kV substations at Ningbo and Wenzhou by 1000 MVA each and the erection of a 500kV transmission line of approximately 275 kilometers (km) between said substations;

3. erection of twin 500kV transmission lines of approximately 110 km connecting the Tongbai pumped storage plant to the 500kV grid at Zhuji and the

construction of a 500kV substation with a capacity of 750MVA at Zhuji;

4. erection of three short 500kV double-circuit transmission lines connecting substations at Zhuji, Yongxi and Xiaoshan to existing transmission lines;

5. implementation of distribution management systems in Hangzhou and Ningbo and development of customer service centers in Zhejiang; and

6. supply and installation of associated telecommunication and dispatch automation equipment.

Part C: Power Sector Reform Strategy and Implementation Plan

Development and implementation of a program of power market development and sector restructuring in Zhejiang through:

1. implementation of a competitive power generation market in Zhejiang;

2. restructuring of ZPEPC with a view to separating generation from transmission functions, including the incorporation of power generation entities in Zhejiang as limited liability companies;

3. consolidation of decentralized and fragmented distribution operations into county-level distribution entities and the subsequent incorporation of said entities as limited liability companies;

4. development and implementation of a regulatory framework and establishment of a provincial regulatory authority in Zhejiang;

5. implementation of an office automation system and an enterprise resource planning system in ZPEPC;

6. carrying out of a study of and preparation of recommendations for a program of power sector customer relations in Zhejiang; and

7. carrying out of studies of: (a) generation planning and retail tariff design; and (b) introduction of a conditional maintenance program into the Zhejiang power system; and

8. carrying out of a program of training for selected staff of ZPEPC in business administration, corporate governance, conditional maintenance, power market management; distribution management; power station technical and commercial operation and utility management.

* * *

The Project is expected to be completed by June 30, 2007.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in Dollars)*
September 15, 2005	6,700,000
March 15, 2006	6,900,000
September 15, 2006	7,110,000
March 15, 2007	7,325,000

September 15, 2007	7,545,000
March 15, 2008	7,775,000
September 15, 2008	8,010,000
March 15, 2009	8,255,000
September 15, 2009	8,505,000
March 15, 2010	8,760,000
September 15, 2010	9,025,000
March 15, 2011	9,300,000
September 15, 2011	9,580,000
March 15, 2012	9,870,000
September 15, 2012	10,165,000
March 15, 2013	10,475,000
September 15, 2013	10,790,000
March 15, 2014	11,120,000
September 15, 2014	11,455,000
March 15, 2015	11,800,000
September 15, 2015	12,160,000
March 15, 2016	12,525,000
September 15, 2016	12,905,000
March 15, 2017	13,295,000
September 15, 2017	13,695,000
March 15, 2018	14,110,000
September 15, 2018	14,540,000
March 15, 2019	14,980,000
September 15, 2019	15,430,000
March 15, 2020	15,895,000

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

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) 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 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 \$20,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$14,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$140,000,000.

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

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

follows:

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

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

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

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

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

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

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to 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.

