

CONFORMED COPY

LOAN NUMBER 3582 CHA

(Southern Jiangsu Environmental Protection Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated March 23, 1994

LOAN NUMBER 3582 CHA

LOAN AGREEMENT

AGREEMENT, dated March 23, 1994, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) the Project will be carried out by Jiangsu Province with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Jiangsu Province the proceeds of the Loan as provided in this Agreement; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "CIB" means China Investment Bank, a specialized bank established and operating under its Charter dated December 4, 1981.

(b) "Company" means any of the Sewerage Companies or the Wuxi Hazardous Material Company.

(c) "TVIE Sub-Project" means a specific investment project designed to abate pollution caused by a township and village industrial enterprise, and "TVIE Sub-loan" means a sub-loan made or proposed to such an enterprise by CIB as financial agent out of the proceeds of the Loan to finance a TVIE Sub-project.

(d) "Financial Agency Agreements" means the five agreements referred to in paragraph B.1 of Schedule 3 to the Project Agreement entered into between CIB and Jiangsu Province and the Project Municipalities, respectively, on January 20 and 21, 1993, under which CIB will act as financial agent for the Project Municipalities for Sub-loans under Part A of the Project.

(e) "km" means kilometers.

(f) "Large-scale Industrial Pollution Control Sub-project" means a specific investment project designed to abate pollution created by an industrial enterprise in an urban area, and "Large-scale Industrial Pollution Control Sub-loan" means a sub-loan, in an amount exceeding \$500,000, made or proposed to be made to such an enterprise by CIB as financial agent out of the proceeds of the Loan to finance a Large-scale Industrial Pollution Control Sub-project.

(g) "Project Agreement" means the agreement between the Bank and Jiangsu Province 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.

(h) "Project Municipalities" means the municipalities in Jiangsu Province, of Changzhou, Suzhou, Wuxi and Zhenjiang.

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

(j) "Sewerage Companies" means the Changzhou Urban Sewerage Company, the Wuxi Drainage Company and the Zhenjiang Water Supply and Drainage General Company, collectively, and "Sewerage Company" means any of the Sewerage Companies.

(k) "Small-scale Industrial Pollution Control Sub-project" means a specific investment project designed to abate pollution created by an industrial enterprise in an urban area, and "Small-scale Industrial Pollution Control Sub-loan" means a sub-loan, in an amount not exceeding \$500,000, made or proposed to be made to such an enterprise by CIB as financial agent out of the proceeds of the Loan to finance a Small-scale Industrial Pollution Control Sub-project.

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

(m) "Sub-borrower" means the enterprise to which a Sub-loan has been made or is proposed to be made.

(n) "Sub-loan" means any of: Large-scale Industrial Pollution Control Sub-loans, Small-scale Industrial Pollution Control Sub-loans and TVIE Sub-loans.

(o) "Sub-project" means any of: Large-scale Industrial Pollution Control Sub-projects, Small-scale Industrial Pollution Control Sub-projects and TVIE Sub-projects.

(p) "Subsidiary Loan Agreements" means the agreements to be entered into by Changzhou, Wuxi and Zhenjiang each with their respective Sewerage Company and by Wuxi with the Wuxi Hazardous Material Company in accordance with paragraph A.1 of Schedule 2 to the Project Agreement.

(q) "Wuxi Hazardous Material Company" means the Wuxi Hazardous Material Storage and Trading Company.

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 two hundred fifty million dollars (\$250,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in a 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, 2001 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

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

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

(c) For the purposes of this Section:

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

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

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

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

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

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

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

Section 2.06. Interest and other charges shall be payable semiannually on May 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

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 Jiangsu Province to perform in accordance with the provisions of the Project Agreement all the obligations of Jiangsu Province 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 Jiangsu Province 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 Jiangsu Province on the following principal terms and conditions:

(i) repayment over a period not exceeding eighteen years, including five years of grace;

(ii) interest to be paid by Jiangsu Province at a rate equal to eighty-five percent (85%) of the rate calculated in accordance with Section 2.05 (a) of this Agreement;

(iii) Jiangsu Province to bear the foreign exchange risk between the Renminbi and the Bank's currency pool; and

(iv) commitment charges to be paid by Jiangsu Province at the rate stated in Section 2.04 of this Agreement.

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

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by Jiangsu Province pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

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

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

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

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

(b) The Borrower shall:

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

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

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

ARTICLE V

Remedies of the Bank

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

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

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

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely that any event specified in paragraphs (a) or (c) 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.

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

(b) the Subsidiary Loan Agreements shall have been entered into on behalf of Changzhou, Wuxi and Zhenjiang with the Sewerage Companies and on behalf of Wuxi and the Wuxi Hazardous Material Company.

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

(b) that the Subsidiary Loan Agreements have been duly authorized or ratified by the parties thereto and are legally binding upon such parties 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/ Callisto Madavo

Acting 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 Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Sub-loans	179,000,000	100% of amounts disbursed by CIB
(2) Goods for:		100% of foreign expenditures, 100% of local ex- penditures (ex- factory cost) and 75% of local expen- ditures for other items procured locally
(a) Part B of the Project	15,000,000	
(b) Parts C and D of the Project	6,000,000	
(3) Works for Part B of the Project	22,000,000	50%

(4)	Consultants' services and training for:	100%
	(a) Part B of the Project	1,300,000
	(b) Parts C and D of the Project	1,700,000
(5)	Unallocated	25,000,000
	TOTAL	<u>250,000,000</u> =====

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 Sub-loan 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 3 to the Project Agreement;

(b) expenditures under Categories 2 (a), 3 and 4 (a) until waste discharge permits shall have been issued for all existing municipal sewage treatment plants in Changzhou, Wuxi and Zhenjiang and temporary permits shall have been issued for the facilities under Part B of the Project and resettlement plans meeting the requirements of paragraph A.4 (a) of Schedule 2 to the Project Agreement have been provided to the Bank; and

(c) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$2,000,000, may be made in respect of Categories (1) and (4) on account of payments made for expenditures before that date but after October 31, 1992.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower and Jiangsu Province in reducing the widening gap between environmental protection and economic development in Southern Jiangsu, by supporting high priority, cost effective pollution control investments, improving the management of urban wastewater in the Project Municipalities, and the management of toxic and hazardous material and waste in Jiangsu Province and Wuxi Municipality.

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: Industrial Pollution Control

Financing of Large-scale Industrial Pollution Control Sub-projects designed to contribute to pollution abatement in the Project Municipalities and financing of Small-scale Industrial Pollution Control Sub-projects and TVIE Sub-projects in Greater Wuxi and Suzhou.

Part B: Urban Wastewater Management

1. Supporting the implementation of the Changzhou municipal long-term wastewater master plan, through: construction and equipping of about 27 km of sewers and 5 sewage pumping stations and primary and secondary treatment and related facilities at the Chengbei, Lihua and Qingtoan Sewage Treatment Plants and training facilities and provision of equipment, vehicles and materials for sewer system cleaning and maintenance, effluent and system monitoring, consultants' services and staff training.

2. Supporting the implementation of the Wuxi municipal long-term wastewater master plan, through: construction and equipping of about 334 km of sewers and 14 sewage pumping stations and primary and secondary treatment and related facilities at the Lucun Sewage Treatment Plant and provision of equipment, vehicles and materials for sewer system cleaning and maintenance, effluent and system monitor, consultants' services and staff training.

3. Supporting the implementation of the Zhenjiang municipal long-term wastewater master plan, through: construction and equipping of about 30 km of sewers, a submarine pipeline, outfall facilities and pilot waste stabilization pond for Zherenzhou Island, 7 sewage pumping stations and the pumping station and treatment facilities at Jiangbin, and provision of equipment, vehicles and materials for sewer system cleaning and maintenance, effluent system monitoring and training, and consultants' services and staff training.

4. Undertaking studies of the structure and level of Sewerage Company tariffs in Changzhou, Wuxi and Zhenjiang.

Part C: Management of Hazardous Materials and Waste

1. Establishment and operation of the Jiangsu Solid and Hazardous Waste Management and Registration Center and the Wuxi Solid and Hazardous Waste Management and Registration Center and hazardous material emergency response center, including construction and equipping of facilities and provision of specialized monitoring vehicles, consultants' services and training.

2. Establishment of a facility to handle the storage and trans-shipment of hazardous materials in Wuxi, including construction and equipping of facilities and provision of consultants' services and training.

3. Undertaking a study of a hazardous material storage and trans-shipment tariff in Wuxi.

Part D: Institutional Development

Undertaking a program of staff training for the environmental protection bureaus of Jiangsu Province and the Project Municipalities, including relevant staff from CIB, including the provision of monitoring and training equipment.

* * *

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

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
November 15, 1998	4,675,000
May 15, 1999	4,850,000
November 15, 1999	5,030,000
May 15, 2000	5,215,000
November 15, 2000	5,410,000
May 15, 2001	5,610,000
November 15, 2001	5,815,000
May 15, 2002	6,035,000
November 15, 2002	6,260,000

May 15, 2003	6,490,000
November 15, 2003	6,730,000
May 15, 2004	6,980,000
November 15, 2004	7,240,000
May 15, 2005	7,510,000
November 15, 2005	7,790,000
May 15, 2006	8,080,000
November 15, 2006	8,380,000
May 15, 2007	8,690,000
November 15, 2007	9,010,000
May 15, 2008	9,345,000
November 15, 2008	9,695,000
May 15, 2009	10,055,000
November 15, 2009	10,430,000
May 15, 2010	10,815,000
November 15, 2010	11,215,000
May 15, 2011	11,635,000
November 15, 2011	12,065,000
May 15, 2012	12,515,000
November 15, 2012	12,980,000
May 15, 2013	13,450,000

* 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 Sub-projects and 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 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 Sub-loans referred to in paragraph C.1 (c) of Schedule 3 to the Project Agreement 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 \$10,000,000 to be withdrawn from the Loan Account and deposited in to the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

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

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

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

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

(b) once the total unwithdrawn amount of the Loan allocated to the eligible

Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account:

(i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or

(ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

