

CONFORMED COPY

LOAN NUMBER 7779-DO

Loan Agreement

(Public Finance and Social Sector Development Policy Loan)

between

DOMINICAN REPUBLIC

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated November 18, 2009

LOAN AGREEMENT

Agreement dated November 18, 2009, entered into between DOMINICAN REPUBLIC (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Borrower’s maintenance of an appropriate macro-economic policy framework. The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred and fifty million Dollars (\$150,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Section II of Schedule 1 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are May 15 and November 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 2 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.
- 2.08. Without limitation upon the provisions of paragraph (a) of Section 2.07 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, the interest rate basis applicable to consecutive withdrawals from the Loan Account which in the aggregate equal fifteen million Dollars (\$15,000,000) shall be converted from the initial Variable Rate to a Fixed Rate for the full maturity of such amount in accordance with the provisions of the General Conditions and of the Conversion Guidelines.
- 2.09. Without limitation upon the provisions of Section 5.08 of the General Conditions (renumbered as such pursuant to paragraph 4 of Section II of the Appendix to this Agreement and relating to *Cooperation and Consultation*), the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.08 of the General Conditions:
- (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program;

- (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
- (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following:

- (a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- (b) The Borrower's macroeconomic policy framework has, in the opinion of the Bank, become inconsistent with the objectives of the Program.
- (c) An action has been taken or a policy has been adopted to reverse any action or policy under the Program (including any action listed in Section I of Schedule 1 to this Agreement) in a manner that would, in the opinion of the Bank, adversely affect the achievement of the objectives of the Program.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on May 17, 2011.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its *Secretario de Estado de Hacienda*.

6.02. The Borrower's Address is:

Secretaría de Estado de Hacienda
Avenida México No. 45, Gazcue
Santo Domingo, Apartado Postal 1478
República Dominicana

Tel: (809) 687-5131 Facsimile: (809) 688-8838

6.03. The Bank's Address is:

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)	1-202-477-6391

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

DOMINICAN REPUBLIC

By /s/ Vicente Bengoa Albizu
Authorized Representative

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By /s/ Evangeline Javier
Authorized Representative

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions Taken Under the Program

The actions taken by the Borrower under the Program include the following:

1. The Borrower has taken the following actions to improve the SIUBEN beneficiary database for CCT *Solidaridad* and other social programs:
 - (a) JCE and the Social Cabinet, through its SIUBEN unit, have shared JCE's and SIUBEN's respective databases (including lists of citizens with proper identity documentation and of poor households eligible for social programs, respectively), as evidenced by a letter from JCE to SIUBEN dated March 31, 2009.
 - (b) The Social Cabinet has approved an action plan for the recertification of SIUBEN, including the recertification of SIUBEN registered households and the incorporation of households living in poor areas that were not interviewed in the previous data collection, as evidenced by the Memorandum of July 31, 2009 from the Social Cabinet to the Secretariat of State of Finance attaching the said action plan.
2. The Borrower has taken the following action to implement its Universal Health Insurance Law, providing for the financing of the Borrower's Subsidized Regime:

The Borrower has included in its 2009 budget sufficient resources to finance FHI capitations for all individuals enrolled in the Subsidized Regime at the end of 2008, as evidenced by volume I of the annexes to the Borrower's Budget Law (*Ley No. 498-08 que aprueba el Presupuesto de Ingresos y Gastos Públicos para el año 2009 y su Addendum*).
3. The Borrower has taken the following actions to reduce the fiscal burden created by the losses of the electricity sector:
 - (a) The Electricity Superintendency has increased the average electricity tariff paid by users by 12.25 percent between May and July 2009 and simplified the tariff structure for residential customers from eight to four blocks, as evidenced by Electricity Superintendency Resolutions SIE-44-2009, dated May 29, 2009, and SIE-47-2009, dated June 29, 2009.
 - (b) The Electricity Superintendency has reduced the ceiling for subsidized tariffs from 700 kWh per month to a maximum of 300 kWh per month, as evidenced by Electricity Superintendency Resolutions SIE-44-2009, dated May 29, 2009, and SIE-47-2009, dated June 29, 2009.

- (c) The Distribution Companies have improved their Cost Recovery Index (expressed as a 12-month moving average) from a level of 64 percent in December 2008 to a level of 66 percent in March 2009, as evidenced by letter No. CTR-1511/09-2009 from CDEEE's Comptroller's office dated September 29, 2009, together with the corresponding certified audited accounts of the Distribution Companies.
 - (d) The Borrower has cleared all arrears owned to electricity generators and accumulated during 2008. Additionally and before September 18, 2009, the Borrower has paid an amount up to \$100 million to reduce the arrears owed to the electricity generators and accumulated up to the end of June 2009, to an amount of \$222 million, as evidenced by letter No. CTR-1510/09-2009 from the CDEEE Comptroller's office dated September 30, 2009.
4. The Borrower has taken the following actions to achieve a better targeting of social and other expenditures:
- (a) The Borrower has eliminated the universal subsidy for liquefied gas and replaced it by a new subsidy as part of CCT *Solidaridad* (BONOGAS) targeted to those individuals meeting the SIUBEN criteria or working in the transport sector, as evidenced by SEIC Resolutions No. 95., dated September 26, 2008, and No. 96, dated October 3, 2008 and by Social Cabinet Resolution No. 03-09, dated March 15, 2009.
 - (b) The Borrower has adopted a decree providing for the end of the PRA and its related subsidies based on geographic criteria, as evidenced by Presidential Decree 421-09, dated May 30, 2009.
5. The Borrower has taken the following action to enhance transparency about the efficiency and distributional effects of its tax policies:

The Borrower included as an annex to its 2009 budget an analysis and an estimation of the costs of the exceptions to its taxes on domestic and international transactions, as evidenced by the appendix entitled "Estimation of the 2009 tax expenditures for the Dominican Republic" (*Estimación de Gastos Tributarios del Año 2009 para República Dominicana*) to the Borrower's Budget Law (*Ley No. 498-08 que aprueba el Presupuesto de Ingresos y Gastos Públicos para el año 2009 y su Addendum*).

Section II. Availability of Loan Proceeds

- A. General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. Allocation of Loan Amounts.** The Loan shall (except for amounts required to pay the Front-end Fee) be withdrawn in a single tranche. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan Tranche Allocated (expressed in Dollars)	Percentage of Expenditures to be Financed
Single Tranche	149,625,000	100%
Premia for Interest Rate Caps and Interest Rate Collars	-0-	Amount due under Section 2.07(c) of this Agreement.
Front-end Fee	375,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	150,000,000	

C. Deposits of Loan Amounts.

1. Except as the Bank may otherwise agree:
 - (a) all withdrawals from the Loan Account shall be deposited by the Bank into an account designated by the Borrower and acceptable to the Bank; and
 - (b) the Borrower shall ensure that upon each deposit of an amount of the Loan into this account, an equivalent amount is accounted for in the Borrower's National Treasury, in a manner acceptable to the Bank.

2. For purposes of paragraph 1(a) of this Section C, prior to furnishing to the Bank the first request for withdrawal from the Loan Account, the Borrower shall open and, thereafter maintain, a deposit account in United States Dollars at the Central Bank of the Dominican Republic, on terms and conditions satisfactory and acceptable to the Bank.

3. The Borrower shall confirm to the Bank:
 - (a) the name and number of the designated deposit account mentioned in paragraphs 1(a) and 2 above;
 - (b) the foreign currency amount received in the designated deposit account referred to above;
 - (c) the foreign currency amounts withdrawn from the said designated deposit account at the Central Bank of the Dominican Republic, and the equivalent amounts credited to the National Treasury single account to finance budgeted expenditures; and
 - (d) the date and name, and/or number of the National Treasury account to finance budgeted expenditures to which the amounts equivalent to the amounts withdrawn from the Loan Account have been credited.

D. Excluded Expenditures. The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded Expenditure, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

E. Audit.

1. Upon the Bank's request, the Borrower shall:

- (a) have the Deposit Account audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank;
- (b) furnish to the Bank as soon as available, but in any case not later than six (6) months after the date of the Bank's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Bank shall reasonably request; and
- (c) furnish to the Bank such other information concerning the Deposit Account and their audit as the Bank shall reasonably request.

F. Closing Date. The Closing Date is December 31, 2010.

SCHEDULE 2

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
November 15, 2022	6.66%
May 15, 2023	6.66%
November 15, 2023	6.66%
May 15, 2024	6.66%
November 15, 2024	10.00%
May 15, 2025	0.00%
November 15, 2025	0.00%
May 15, 2026	0.00%
November 15, 2026	0.00%
May 15, 2027	0.00%
November 15, 2027	0.00%
May 15, 2028	10.00%
November 15, 2028	10.00%
May 15, 2029	6.66%
November 15, 2029	6.66%
May 15, 2030	6.66%
November 15, 2030	6.66%
May 15, 2031	6.66%
November 15, 2031	3.33%
May 15, 2032	3.33%
November 15, 2032	3.40%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
 - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

- (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
- 3.
 - (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
- 4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
- 5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX

Section I. Definitions

1. “CCT *Solidaridad*” means the Borrower’s conditional cash transfer program for poor Dominican households as part of the Borrower’s social protection system and created pursuant to the Borrower’s Decree 536-05, dated September 26, 2005.
2. “CDEEE” means *Corporación Dominicana de Empresas Eléctricas Estatales*, the Borrower’s Conglomerate of Electric Companies.
3. “Cost Recovery Index” or “CRI” means Cash Recovery Index, which is calculated monthly on a cumulative basis, using the data for the month of the calculation and the eleven months immediately prior to said calculation date, and using the following formula excluding PRA:

(energy billed by the Distribution Companies/energy purchased by the Distribution Companies)

Multiplied by

(bills paid by consumers to the Distribution Companies/total billing of the Distribution Companies to consumers).

For purposes of this paragraph the data used to calculate said CRI, means data, provided by the Distribution Companies, which shall have been audited on a quarterly basis, by independent auditors acceptable to the Bank, in accordance with appropriate auditing principles consistently applied, for which audits the Borrower shall have furnished to the Bank as soon as available, but in any case not later than 25 days after the close of each month, beginning with the first month following the Effective Date, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested.

4. “Distribution Companies” means, collectively, *Empresa Distribuidora de Electricidad del Norte, S.A.* (EDENORTE), *Empresa Distribuidora de Electricidad del Sur, S.A.* (EDESUR), and *Empresa Distribuidora de Electricidad del Este, S.A.* (EDESTA), the Borrower’s publicly-owned electricity companies.
5. “Electricity Superintendancy” means the Borrower’s *Superintendencia de Electricidad* (SIE), the entity responsible for the supervision of the generation, transmission, and distribution of electricity and created pursuant to the General Electricity Law 125-01 (*Ley General de Electricidad*) dated July 26, 2001.
6. “Excluded Expenditure” means any expenditure:
 - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the

Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;

- (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
- (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;
- (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
- (f) with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or other

recipient of the Loan proceeds, without the Borrower (or other such recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.

7. “FHI” means Family Health Insurance (*Seguro Familiar de Salud*), the mandatory health insurance as established by the Borrower’s Laws 87-01 and 42-01.
8. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
9. “JCE” means *Junta Central Electoral*, the Borrower’s entity responsible for, *inter alia*, organizing and holding public elections and administering and regulating the civil status of the Borrower’s citizens.
10. “PRA” means the Borrower’s Blackout Reduction Program (*Programa de Reducción de Apagones*) created pursuant to Presidential Decree No. 1080-01, dated November 3, 2001, and modified by Presidential Decree No. 1554-04, dated December 13, 2004.
11. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated August 7, 2009 from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution.
12. “SEIC” means *Secretaria de Estado de Industria y Comercio*, the Borrower’s Secretariat of Industry and Commerce.
13. “Single Tranche” means the amount of the Loan allocated to the category entitled “Single Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
14. “SIUBEN” means *Sistema Único de Beneficiarios*, the Borrower’s beneficiary targeting system, created pursuant to Presidential Decree No. 1073-04, dated August 31, 2004.
15. “Social Cabinet” means the Borrower’s set of secretariats in charge of organizing and coordinating the Borrower’s social sector and social assistance programs, and coordinated pursuant to the Borrower’s Presidential Decrees No. 570-05, dated October 12, 2005, No. 1082, dated September 3, 2004, and No. 1251, dated September 22, 2004.
16. “Subsidized Regime” means the subsidized regime (*Régimen Subsidiado*) of the Borrower’s social security for poor individuals (as identified according to the SIUBEN).
17. “Universal Health Insurance Law” means the Borrower’s Law 87-01 (*Ley que crea el Sistema Dominicano de Seguridad Social*), dated May 9, 2001.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Sections 5.01 (*Project Execution Generally*), and 5.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article V are renumbered accordingly.
4. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 4 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
5. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 4 above) is modified to read as follows:

“Section 5.06. *Plans; Documents; Records*

... (c) The Borrower shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Loan until two years after the Closing Date. The Borrower shall enable the Bank’s representatives to examine such records.”

6. Paragraph (c) of Section 5.07 (renumbered as such pursuant to paragraph 4 above) is modified to read as follows:

“Section 5.07. *Program Monitoring and Evaluation*

... (c) The Borrower shall prepare, or cause to be prepared, and furnish to the Bank not later than six months after the Closing Date, a report of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program, the performance by the Loan Parties and the Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan.”

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”

- (b) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Loan is put in support of the Program, other than to finance expenditures excluded pursuant to the Loan Agreement.”

- (c) The term “Financial Statements” and its definition are deleted in their entirety.
- (d) The term “Project” is modified to read “Program” and its definition is modified to read as follows (and all references to “Project” throughout these General Conditions are deemed to be references to “Program”):

“‘Program’ means the program referred to in the Loan Agreement in support of which the Loan is made.”