

CONFORMED COPY

LOAN NUMBER 3933 CHA

Loan Agreement

(Ertan II Hydroelectric Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated November 2, 1995

LOAN NUMBER 3933 CHA

LOAN AGREEMENT

AGREEMENT, dated November 2, 1995, 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 Borrower intends to contract from certain financial institutions syndicated loans in an amount equivalent to one hundred and fifty million dollars (\$150,000,000) (the Syndicated Loans) to assist in financing a portion of Parts B and C of the Project on the terms and conditions set forth in syndicated loan agreements (the Syndicated Loan Agreements) to be entered into between the Borrower and said financial institutions;

(C) the Project will be carried out by Ertan Hydropower Development Company, Ltd. (EHDC) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to EHDC 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 EHDC;

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) The second sentence of Section 5.01 is modified to read:

"Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

- (c) 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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "Charter" means the Articles of Association of EHDC dated February 9, 1995.
- (b) "Company Law" means the Borrower's Company Law promulgated on December 29, 1993 and effective as of July 1, 1994, as the same may be amended from time to time.
- (c) "Environmental Management Program" means the environmental management and monitoring plan related to the Project approved by the National Environmental Protection Administration of the Borrower, dated June 3, 1995, as the same may be supplemented and amended from time to time with the approval of the Bank.
- (d) "EHDC" means the Ertan Hydropower Development Company, Ltd., a company established under the Company Law and operating pursuant to the Charter and Business License No. 201B7022-1 issued by the Sichuan Provincial Industry and Commerce Administration on March 1, 1995.
- (e) "Ertan Hydroelectric Scheme" means Parts A, B, C, D and E of Schedule 2 to this Agreement.
- (f) "Prior Loan Agreement" means the Loan Agreement dated July 11, 1991, between the Borrower and the Bank for an Ertan Hydroelectric Project (Loan No. 3387 CHA).
- (g) "Prior Project Agreement" means the Project Agreement dated July 11, 1991 between the Bank and EHDC for an Ertan Hydroelectric Project (Loan No. 3387 CHA).
- (h) "Project Agreement" means the agreement between the Bank and EHDC 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.
- (i) "Purchase Agreement" means the agreement to be entered into between EHDC

and SEPC pursuant to Section D of Schedule 1 to the Project Agreement.

(j) "Resettlement Action Plan" means the resettlement action plan related to the Project, dated May 15, 1995, and the addendum thereto dated June 13, 1995, both prepared by the Sichuan Provincial Resettlement Bureau and approved by the Sichuan Provincial Government, as the same may be supplemented and amended from time to time with the approval of the Bank, in accordance with the provisions of Section 3.05 of this Agreement.

(k) "SEPC" means Sichuan Electric Power Company, a state-owned enterprise of the Borrower, established under the laws of the Borrower and operating pursuant to its charter dated March 26, 1993, and includes any successors and permitted assigns.

(l) "Sichuan" means the Sichuan Province, a political sub-division of the Borrower and any successor thereto.

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

(n) "Subsidiary Loan Agreements" means the agreements to be entered into between the Borrower and Sichuan, and Sichuan and EHDC, 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 Agreements; "Subsidiary Loan Agreement" means either of the Subsidiary Loan Agreements; and "Subsidiary Loan" means either of the loans provided under the Subsidiary Loan Agreements.

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 four hundred million dollars (\$400,000,000), 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 may, for the purposes of the Project, open and maintain in dollars a special deposit account in a financial institution and on terms and conditions, both 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 December 31, 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 per cent ($3/4$ 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 April 15 and October 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.

Section 2.08. EHDC is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

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 EHDC to perform in accordance with the provisions of the Project Agreement all the obligations of EHDC therein set forth, shall take or cause to be taken all action, including the provision of funds (including, without limitation, the proceeds of the Syndicated Loans), facilities, services and other resources, necessary or appropriate to enable EHDC 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 (i) relend the proceeds of the Loan to Sichuan under a subsidiary loan agreement to be entered into between the Borrower and Sichuan, and

(ii) cause Sichuan to relend said proceeds to EHDC under a subsidiary loan agreement, in each case under terms and conditions which shall have been approved by the Bank, and which shall include, without limitation, terms whereby:

(A) the principal amount of the Subsidiary Loan shall be the equivalent in dollars (determined on the date or respective dates of withdrawal from the Loan Account or payment out of the Special Account, as the case may be) of the value of the currency or currencies so withdrawn or paid out, on account of the cost of goods and services required for the Project and to be financed out of the proceeds of the Loan;

(B) the Subsidiary Loan shall be made for a period not exceeding twenty (20) years, inclusive of a grace period not exceeding five (5) years; and

(C) the Subsidiary Loan shall be charged: (a) interest, on the principal amount thereof withdrawn and outstanding from time to time, at a rate equal to the rate applicable to the Loan pursuant to Section 2.05 of the Loan 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 its Subsidiary Loan Agreement with Sichuan and cause Sichuan and EHDC to exercise their respective rights under the Subsidiary Loan Agreements 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, and shall not permit Sichuan or EHDC to, assign, amend, abrogate or waive the Subsidiary Loan Agreements to which Sichuan or EHDC is a party, or any provision thereof.

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 2 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 EHDC pursuant to Section 2.03(a) of the Project Agreement.

Section 3.04. (a) The Borrower shall take all steps necessary to ensure that SEPC shall enter into the Purchase Agreement with EHDC not later than June 30, 1997, and that SEPC shall perform all of its obligations thereunder in accordance with the provisions thereof.

(b) Section 3.04 of the Prior Loan Agreement is hereby amended to read as set forth in paragraph (a) of this Section.

Section 3.05. (a) The Borrower shall take or cause to be taken all measures necessary to ensure that all persons displaced as a result of the Project shall be resettled in accordance with the the Resettlement Action Plan.

(b) The Borrower shall:

(i) maintain or cause to be maintained policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Resettlement Action Plan, and the achievement of the objectives thereof;

(ii) prepare or cause to be prepared under terms of reference acceptable to the Bank, and furnish to the Bank annual reports on or about April 30 in each calendar year, integrating the results of the monitoring and evaluation activities performed pursuant to

paragraph (b)(i) of this Section, on the progress achieved in the carrying out of the Resettlement Action Plan during the preceding calendar year, together with any revisions proposed to be made thereto in order to achieve the objectives thereof; and

(iii) review with the Bank each report furnished to the Bank pursuant to paragraph (b)(ii) of this Section, and promptly introduce such revisions into the Resettlement Action Plan as shall have been approved by the Bank.

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 (6) 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) EHDC 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 EHDC will be able to perform its obligations under the Project Agreement.

(c) The Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of EHDC to perform any of

its obligations under the Project Agreement.

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

(e) The Syndicated Loan Agreements shall have failed to become effective by December 31, 1995, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(f) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower;

(b) the events specified in paragraphs (c) (d) or (e) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (f)(i)(B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (f)(ii) of said Section.

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 Agreements have been executed on behalf of the Borrower, Sichuan and EHDC.

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 EHDC, and is legally binding upon EHDC 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 said 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. Except as provided in Section 2.08 of this Agreement, 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:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

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/ Nicholas C. Hope

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) Civil Works	270,000,000	100% of foreign expenditures
(2) Goods	85,000,000	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	12,500,000	100%
(4) Unallocated	32,500,000	
	400,000,000	
TOTAL	=====	

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 payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$30,000,000, may be made on account of payments made for expenditures before that date but after March 30, 1995.

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 and works under contracts not exceeding \$5,000,000 equivalent; (b) training; (c) services provided by consulting firms under contracts costing less than \$100,000 equivalent; and (d) services provided by individual consultants under contracts costing less than \$50,000 equivalent, 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 assist in the: (i) alleviation of acute power shortages in Sichuan in a least-cost manner through the completion of the Ertan Hydroelectric Scheme; (ii) further institutional development of EHDC as an autonomous, financially sound and commercially-oriented entity; (iii) promotion of competition through the development of market-oriented commercial arrangements for the sale of power generated under the Project; (iv) diversification of financing strategies for power development; and (v) transfer of modern technology for hydroelectric power

plants in the Borrower's territory.

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:

Carrying out of preparatory works, including construction of access roads and bridges, provision of water and electricity supply and communication links, and construction of plants and site facilities.

Part B:

Construction of a parabolic, double curvature arch dam about 240 meters high and about 775 meters long, across the Yalong River, together with an underground powerhouse complex, a log conveyance system and appurtenant works and structures.

Part C:

Provision and installation of six 550-megawatt generating units and associated electrical equipment, including a 550-kilovolt step-up substation.

Part D:

Resettlement of about 35,000 people affected by the Project.

Part E:

Establishment of a science station for environmental monitoring and carrying out of studies on the environment; and implementation of an environmental management program.

Part F:

Carrying out of a program to strengthen the organization, management and operations of EHDC, consisting of the: (1) carrying out of a study of EHDC's organization, management and staffing with a view to strengthening its operational and commercial activities and thereafter implementing the recommendations thereof; (2) development and introduction of suitable accounting and financial management systems designed to facilitate EHDC's transition to a financially autonomous and commercially-oriented enterprise and its access to domestic and foreign financial markets; (3) development of suitable commercially-oriented power sales agreements between EHDC and power purchasers; (4) implementation of training programs for staff of EHDC in institutional development, utility management, financial planning, and operation and maintenance of hydroelectric power facilities; and (5) provision of computer hardware and software required for the above.

Part G:

(1) Carrying out of studies on: (a) power pricing in Sichuan; (b) optimal power plant and reservoir operation; (c) safety of structures; (d) monitoring of energy dissipation facilities; and (e) powerhouse ventilation.

(2) Carrying out of studies to prepare future power projects.

* * *

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

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
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April 15, 2001	7,690,000
October 15, 2001	7,965,000
April 15, 2002	8,245,000
October 15, 2002	8,540,000
April 15, 2003	8,840,000
October 15, 2003	9,155,000
April 15, 2004	9,480,000
October 15, 2004	9,815,000
April 15, 2005	10,165,000
October 15, 2005	10,525,000
April 15, 2006	10,895,000
October 15, 2006	11,285,000
April 15, 2007	11,685,000
October 15, 2007	12,095,000
April 15, 2008	12,525,000
October 15, 2008	12,970,000
April 15, 2009	13,430,000
October 15, 2009	13,905,000
April 15, 2010	14,400,000
October 15, 2010	14,910,000
April 15, 2011	15,440,000
October 15, 2011	15,985,000
April 15, 2012	16,550,000
October 15, 2012	17,140,000
April 15, 2013	17,745,000
October 15, 2013	18,375,000
April 15, 2014	19,025,000
October 15, 2014	19,700,000
April 15, 2015	20,400,000
October 15, 2015	21,120,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Section 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 eleven years before maturity	0.55
More than eleven years but not more than sixteen years before maturity	0.80
More than sixteen years but not more than eighteen years	0.90

before maturity

More than eighteen 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) 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 \$25,000,000 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 \$15,000,000 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 \$150,000,000.

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.

