

CONFORMED COPY

LOAN NUMBER 3702 PH

(Leyte-Cebu Geothermal Project -- PNOC)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

PHILIPPINE NATIONAL OIL COMPANY

Dated March 11, 1994

LOAN NUMBER 3702 PH

LOAN AGREEMENT

AGREEMENT, dated March 11, 1994, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the "Bank") and PHILIPPINE NATIONAL OIL COMPANY (the "Borrower").

WHEREAS: (A) The Republic of the Philippines (the "Guarantor") and the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, have requested the Bank to assist in the financing of the Project;

WHEREAS: (B) By an agreement (the "Guarantee Agreement") of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan, and to undertake such other obligations as set forth in the Guarantee Agreement;

WHEREAS: (C) The Project will be carried out by the Philippine National Oil Company Energy Development Corporation ("PNOC-EDC"), a subsidiary of the Borrower, with the Borrower's assistance and, as part of such assistance, the Borrower shall make available to PNOC-EDC the proceeds of the Loan as provided in this Agreement; and

WHEREAS: (D) 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 (the "Project Agreement"), of even date herewith, between the Bank and PNOC-EDC.

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 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 Borrower's constituent instrument, the Guarantor's Presidential Decree No. 334, dated November 9, 1973, as amended to the date of this Agreement, establishing the Borrower as a state-owned national oil company duly authorized and operating under the Guarantor's laws and regulations;

(b) "Incorporation Law" means, collectively, the Guarantor's Corporation Code, Batas Pambansa Blg. 68, dated May 1, 1980, and PNOC-EDC's Articles of Incorporation and By-Laws, as amended to the date of this Agreement, establishing PNOC-EDC as a subsidiary of the Borrower, duly authorized and operating under the Guarantor's laws and regulations;

(c) "Fiscal Year" means the twelve (12) month period corresponding to any of the Borrower's financial years, which period commences on January 1 and ends on December 31 in each calendar year, and the term "Fiscal Years" means collectively each of said Fiscal Year;

(d) "NPC Loan Agreement" means the Loan Agreement, of even date herewith, entered into between the Guarantor's National Power Corporation and the Bank;

(e) "Project Agreement" means the agreement between the Bank and PNOC-EDC 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;

(f) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

(g) "Subsidiary Loan Agreement" means the subsidiary loan agreement to be entered into between the Borrower and PNOC-EDC pursuant to the provisions of Sections 3.02 of this Agreement.

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 this Agreement, various currencies that shall have an aggregate value equivalent to the amount of sixty-four million dollars (\$64,000,000), 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 commercial bank, 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, 1998, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor 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 and the Guarantor 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 and the Guarantor 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. 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 this Agreement, shall cause PNOC-EDC to carry out the Project and to perform in accordance with the provisions of the Project Agreement all the obligations of PNOC-EDC therein set forth, all with due diligence and efficiency and in conformity with appropriate economic, energy, engineering, financial, administrative and environmental practices, and shall promptly take or cause to be taken all action, including the provision of funds, facilities, services and other resources necessary or appropriate, to enable PNOC-EDC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

Section 3.02. (a) The Borrower shall relend the entire proceeds of the Loan to PNOC-EDC under a Subsidiary Loan Agreement to be entered into between the Borrower and PNOC-EDC, under terms and conditions which shall have been approved by the Bank.

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

Section 3.03. The Borrower shall take all action necessary to ensure that: (a) any adverse environmental impact of the Project, or any part thereof, is mitigated in a timely manner which is acceptable to the Bank; and (b) adequate measures are promptly adopted and carried out for the resettlement and rehabilitation of the persons involuntarily displaced as a result of the Project, or any part thereof, all in accordance with a resettlement plan previously approved by the Bank.

Section 3.04. Without limitation or restriction upon the provisions of Section 9.01 of the General Conditions, beginning on June 30, 1994, the Borrower shall furnish to the Bank: (a) quarterly

Project procurement progress reports and quarterly Project implementation progress reports, of such scope and detail as the Bank shall reasonably request, covering the progress achieved by the Borrower and PNOC-EDC during the immediately preceding quarter; and (b) quarterly progress reports, of such scope and detail as the Bank shall reasonably request, covering the progress achieved by the Borrower, during the immediately preceding quarter, in implementing and monitoring the resettlement plan referred to in Sub-section 3.03 (b) of this Agreement.

Section 3.05. The Borrower shall: (a) maintain, until completion of the Project, a Project Implementation Unit, responsible for the overall supervision of Project implementation, in form and with such composition, functions and terms of reference as shall be satisfactory to the Bank; and (b) ensure that the said Unit is at all times headed by a Project Director and staffed with qualified staff in adequate numbers and with the necessary resources.

Section 3.06. The Borrower shall, not later than June 30, 1994, recruit qualified consultants, in accordance with the provisions of Section II of Schedule 1 to the Project Agreement and based on terms of reference satisfactory to the Bank, to assist the Borrower in carrying out the Project.

Section 3.07. 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, schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project shall be carried out by PNOC-EDC, pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Management and Operations of the Borrower

Section 4.01. The Borrower shall carry on its operations and conduct its affairs in accordance with sound economic, energy, engineering, financial, administrative, environmental and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 4.02. The Borrower shall at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound economic, energy, engineering, financial, administrative, environmental and public utility practices.

Section 4.03. The Borrower shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 4.04. The Borrower shall at all times promptly take all action necessary to: (a) maintain its corporate existence and right to carry on its operations; and (b) acquire, maintain, renew and otherwise exercise any and all rights (including, but without limitation, land rights), powers, privileges and franchises which are necessary in the conduct of its operations and in carrying out of its obligations under this Agreement.

Section 4.05. Except in the ordinary course of its business, the Borrower shall not, without the Bank's prior consent, sell, lease, transfer or otherwise dispose of any of its property or assets which are required for the efficient conduct of its operations, or the carrying out of the Project.

ARTICLE V

Financial Covenants

Section 5.01. (a) The Borrower shall maintain separate records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Borrower shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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, (A) certified copies of its financial statements for such year as so audited, and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof as the Bank shall from time to time reasonably request.

(c) 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, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one (1) year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains 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.

ARTICLE VI

Remedies of the Bank

Section 6.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) The Charter shall have been amended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower or the Guarantor to perform any of their respective obligations under this Agreement or the Guarantee Agreement.

(b) The Incorporation Law shall have been amended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower or PNOC-EDC to perform any of their respective obligations under this Agreement or the Project Agreement.

(c) The Guarantor or any other authority having jurisdiction shall have taken any action for the disestablishment or dissolution of the Borrower, or for the suspension of any of its operations, so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.

(d) The Guarantor, Borrower or any other authority having jurisdiction shall have taken any action for the disestablishment or dissolution of PNOC-EDC, or for the suspension of any of its operations, so as to affect materially and adversely the ability of PNOC-EDC to perform any of its obligations under the Project Agreement.

(e) PNOC-EDC shall have failed to perform any of its obligations under the Project Agreement.

Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified: (a) that the events specified in paragraphs (a), (b) and (e) of Section 6.01 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; and (b) that the events specified in paragraphs (c) and (d) of said Section 6.01 shall occur.

ARTICLE VII

Effective Date; Termination

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) That the Subsidiary Loan Agreement has been executed, and has entered into effect, between the Borrower and PNOC-EDC, pursuant to the provisions of Section 3.02 of this Agreement.

(b) All conditions precedent to the effectiveness of the NPC Loan Agreement (other than those related to the effectiveness of this Agreement) have been fulfilled.

Section 7.02. 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 PNOC-EDC, and is legally binding upon PNOC-EDC in accordance with its terms; and

(b) That the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and PNOC-EDC, and is legally binding upon the Borrower and PNOC-EDC in accordance with its terms.

Section 7.03. 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 VIII

Representative of the Borrower; Addresses

Section 8.01. The President of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of

the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

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).

For the Borrower:

Philippine National Oil Company
7901 Makati Avenue
Makati, Metro Manila
Republic of the Philippines

Cable address:

PNOC
Makati

Telex:

22259

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Marianne Haug

Acting Regional Vice President
East Asia and Pacific

PHILIPPINE NATIONAL OIL COMPANY

By /s/ Monico V. Jacob

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Works	28,000,000)	100% of foreign expenditures
(2) Goods	32,700,000))))))))))))	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(3) Consultants' services	3,300,000)	100%
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TOTAL	64,000,000	

2. For the purposes of this Schedule:

(a) The term "foreign expenditures" means expenditures in the currency of any country other than that of the Guarantor for goods or services supplied from the territory of any country other than that of the Guarantor; and

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

3. Notwithstanding the provisions of paragraph 1 above: (a) 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 to exceed six million dollars (\$6,000,000), may be made in respect of Categories (1), (2) and (3) on account of payments made for expenditures before that date but after July 1, 1993; and (b) no withdrawals shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower for expenditures under Categories (1) and (2), unless the Borrower shall have entered into a build-operate-transfer agreement, acceptable to the Bank, for the development of the Leyte geothermal power field referred to in Part A (1) of the Project, and that said agreement shall have become effective in accordance with its terms.

SCHEDULE 2

Description of the Project

The objectives of the Project are to inter alia: (a) improve the efficiency and overall performance of the Guarantor's energy sector; (b) assist the Borrower in meeting the rapidly increasing demand for electricity power within the Guarantor's Cebu province, by expanding the Borrower's geothermal power generation capacity and reinforcing its related power transmission system; (c) strengthen the Borrower's financial viability and institutional capabilities to enable it to undertake its long-term investment program; and (d) promote private sector participation in geothermal power generation projects within the Guarantor'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: Geothermal Power Development

1. Developing a geothermal power field on the Guarantor's island of Leyte capable of delivering a power capacity of 185 mega-watts, including the provision of materials and equipment necessary therefor; and

2. Carrying out a build-operate-transfer contract for the construction and operation of a 185 mega-watts geothermal power plant on the said island of Leyte.

Part B: Institutional Strengthening.

Provision of technical assistance services to assist the Borrower in carrying out Part A above.

* * * * *

The Project is expected to be completed by June 30, 1997.
SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
May 15, 1999	1,195,000
November 15, 1999	1,240,000
May 15, 2000	1,285,000
November 15, 2000	1,335,000
May 15, 2001	1,385,000
November 15, 2001	1,435,000
May 15, 2002	1,490,000
November 15, 2002	1,545,000
May 15, 2003	1,600,000
November 15, 2003	1,660,000
May 15, 2004	1,725,000
November 15, 2004	1,785,000
May 15, 2005	1,855,000
November 15, 2005	1,920,000
May 15, 2006	1,995,000
November 15, 2006	2,070,000
May 15, 2007	2,145,000
November 15, 2007	2,225,000
May 15, 2008	2,305,000
November 15, 2008	2,395,000
May 15, 2009	2,480,000
November 15, 2009	2,575,000
May 15, 2010	2,670,000
November 15, 2010	2,770,000
May 15, 2011	2,870,000
November 15, 2011	2,980,000
May 15, 2012	3,090,000
November 15, 2012	3,205,000
May 15, 2013	3,325,000
November 15, 2013	3,445,000

* 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 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 before maturity	0.90
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 two million dollars (\$2,000,000) to be withdrawn from the Loan Account and deposited in 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.

