

ANNEX II

LOAN NUMBER 4061 KZ

Amended and Restated
Loan Agreement

(Uzen Oil Field Rehabilitation Project)

between

CLOSED JOINT STOCK COMPANY "NATIONAL OIL AND GAS COMPANY 'KAZAKHOIL'"

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated July 18, 1996

LOAN NUMBER 4061 KZ

LOAN AGREEMENT

AGREEMENT, dated July 18, 1996, between CLOSED JOINT STOCK COMPANY "NATIONAL OIL AND GAS COMPANY "KAZAKHOIL" (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) the Project will be carried out by Uzenmunaigas (UMG) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to UMG 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 UMG;

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) "Block 3A" means the area demarcated as Block 3A in the Uzen Oil Field.

(b) "Project Agreement" means the agreement between the Bank and Uzenmunaigas (UMG) 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.

(c) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to a Letter Agreement dated November 8, 1995 between the Borrower and the Bank.

(d) "Short-term Working Capital Financing Plan" means the short-term working capital financing plan for UMG, dated May 31, 1996, as said plan may be amended from time to time with the concurrence of the Bank.

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

(f) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and UMG pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement; and the term "Subsidiary Loan" means the loan provided thereunder.

(g) "Technical and Management Know-How Services" means services for the transfer of technical and management know-how and includes other consulting services.

(h) "Technical Services" means the wells testing, logging, perforating and wells recompletion services, and rigs workover services to be provided under Parts B.1 and B.2 of the Project.

(i) "UMG" or "Uzenmunaigas" means Uzenmunaigas, a legal entity established and existing under the laws of the Borrower, and includes any successor or successors thereto acceptable to the Bank.

(j) "Privatization Implementation Plan" means the Borrower's plan for privatization of UMG, referred to in Section 3.05 of this Agreement, as said plan may be amended from time to time with the concurrence of the Bank.

(k) "Uzen Oil Field" means the Borrower's Uzen Oil Field delineated as such under the Borrower's License Number 254 dated September 5, 1995.

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 one hundred nine million Dollars (\$109,000,000), 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 commercial bank, acceptable to the 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.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 2000 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 (6) months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

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

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

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

Section 2.06. Interest and other charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause UMG to perform in accordance with the provisions of the Project Agreement all the obligations of UMG therein set forth, shall take or cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable UMG to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend the proceeds of the Loan to UMG under a subsidiary loan agreement to be entered into between the Borrower and UMG, under terms and conditions which shall have been approved by the Bank including the following:

(i) the term of the Subsidiary Loan shall be twelve (12) years, including a four (4) year grace period;

(ii) the Borrower shall charge a commitment fee at a rate equal to the rate of commitment charge payable under Section 2.04 of this Agreement;

(iii) the Borrower shall charge interest on the principal amount of the Subsidiary Loan withdrawn and outstanding from time to time at a rate 200 basis points (2%) above the rate payable by the Borrower under Section 2.05 of this Agreement; and

(iv) the principal amount of the Subsidiary Loan shall be the equivalent in Dollars (determined as of the date or respective dates of repayment) of the value of currency or currencies withdrawn from the Loan Account on account of expenditures for the Project.

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

or any provision thereof.

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

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

Section 3.04. The Borrower shall, jointly with UMG, implement the Short-term Working Capital Financing Plan, in a manner satisfactory to the Bank.

Section 3.05. Except as the Bank shall otherwise agree, the Borrower shall: (a) prepare a Privatization Implementation Plan based on terms of reference agreed with the Bank; and (b) implement the said plan in a manner satisfactory to the Bank.

Section 3.06. The Borrower shall take all reasonable steps to ensure that UMG crude oil is marketed in a commercially appropriate manner.

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 including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six (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.

Section 4.02. (a) Borrower shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) 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.

Section 4.03. (a) Except as the Bank shall otherwise agree, Borrower shall not incur any debt, unless the net revenues of Borrower for the audit fiscal year immediately preceding, the date of such incurrence or for a later twelve month period ended prior to the date of such incurrence, whichever is the greater, shall be at least 1.5 times the estimated maximum debt service requirements of Borrower for any succeeding fiscal year on all debt of Borrower, including the debt to be incurred.

(b) For the purposes of this Section:

(i) The term "debt" means any indebtedness the Borrower including its consolidated subsidiaries.

(ii) Debt shall be deemed to be incurred: (A) under a loan contract or other instrument providing for such debt or for the agreement or modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(iii) The term "net revenues" means the difference between:

(A) the sum of revenues from all sources related to operations adjusted to take account of the Borrower's including its consolidated subsidiaries rates in effect at the time of the incurrence of debt even though they were not in effect during the twelve-month period to which such revenues relate and net non-operating income; and

(B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non cash operating charges and interest and other charges on debt.

(iv) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(vi) Whenever for the purposes of this Section, it shall be necessary

to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

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) UMG 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 UMG will be able to perform its obligations under the Project Agreement.

(c) The Charter of UMG, dated November 25, 1994, or any other organizational document in its place, agreed to by the Bank, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of UMG 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 UMG or for the suspension of its operations.

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

(a) any 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) any event specified in paragraph (c) and (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and UMG;

(b) the Privatization Implementation Plan has been prepared pursuant to Section 3.05 of this Agreement; and

(c) consultants have been engaged by UMG, under terms and conditions satisfactory to the Bank, to provide technical and management support to UMG for the implementation of the Project and the management of operations in the Uzen Oil Field.

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 approved by UMG, and is legally binding upon UMG in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and UMG and is legally binding upon the Borrower and UMG in accordance

with its terms.

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

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The President 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:

60, Republic Avenue
Astana, 473000
Republic of Kazakstan

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 (MCI) or
64145 (MCI)

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.

CLOSED JOINT STOCK COMPANY
"NATIONAL OIL AND GAS COMPANY 'KAZAKHOIL'"

By /s/ Bolat Nurgaliyev

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Yukon Huang

Acting Regional Vice President
Europe and Central Asia

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:

Amount of the Loan Allocated	% of
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Category	(Expressed in Dollar Equivalent)	Expenditures to be Financed
(1) Goods	20,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(2) Works/surface facilities under Part A.2 of the Project	23,000,000	82%
(3) Technical Services	39,000,000	100% of foreign expenditures
(4) Technical and Management Know-How Services	17,500,000	100%
(5) Training	2,400,000	100%
(6) Refunding of Project Preparation Advance	1,500,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(7) Unallocated	5,600,000	
TOTAL	109,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; 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 (a) prior to the date of this Agreement; and (b) under Category 5, until the training strategy has been developed and adopted by UMG pursuant to paragraph 5 of Schedule 2 to the Project Agreement.

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 costing less than \$50,000 equivalent, and (b) services under contracts, in case of firms, costing less than \$100,000 equivalent and, in case of individuals, costing less than \$50,000 equivalent, 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:

(i) reduce the rate of decline in production of the Uzen Oil Field and generate resources for reinvestment therefor;

(ii) promote the reorganization of Uzenmunaigas into viable corporate units and its/their privatization;

(iii) assess the impact of past operating practices on the present condition of the reservoirs, wells and the environment of the field;

(iv) contribute to the remediation of past environmental damage to the field and strengthen environmental monitoring and management; and

(v) train Uzenmunaigas' staff in modern oil field operating practices and strengthen its capacity to manage the implementation of the rehabilitation program and oil field operations.

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: Physical Investments

1. Subsurface Rehabilitation

(a) Provision of equipment and spare parts for the workover of about 400 producer wells and about 100 injector wells.

(b) Provision of chemicals for workovers and oil production.

2. Surface Facilities Rehabilitation

(a) Replacement of about 340 flowlines of total estimated length of about 205 kilometers (km) (about 135 km of 3 inch diameter and about 70 km of 4 inch diameter) between production wells and gathering stations.

(b) Relocation of satellite and integration of the existing gathering stations into about 8 stations with test and group separators and associated flow measuring and control equipment.

(c) Replacement of oil/water transfer lines between gathering stations and the existing central processing plant and installation of new produced water transfer lines from the new gathering stations to the water injection station in Block 3A.

(d) Modification of the existing central oil processing plant to establish a dedicated process train for crude oil produced from Block 3A.

(e) Installation of a complete water treatment system at the water injection pump station in Block 3A.

(f) Replacement of the existing water injection pumps, high pressure water injection lines between the water pump station and injection wells with associated flow measurement and control equipment.

3. Environmental Protection and Remediation

Provision of environmental monitoring and laboratory testing equipment; clean-up and pilot re-vegetation of selected areas; and preparation of baseline data on the Uzen Oil Field's environmental condition.

Part B: Physical Investment Implementation Support

1. Provision of wells testing, logging, perforating and wells recompletion services.

2. Provision of rigs workover services to implement a workover program for about 400 wells.

3. Provision of Technical and Management Know-How Services for project planning and management, engineering design and construction and workover supervision; reservoir and production management; and training for Uzenmunaigas staff.

Part C: Organizational Development

1. Strengthening of Uzenmunaigas' management by improving its financial and operating information systems through provision of Technical and Management Know-How Services and equipment.

2. Improvement of Uzenmunaigas' financial management and accounting practices and systems through provision of Technical and Management Know-How Services and equipment.

* * *

The Project is expected to be completed by June 30, 2000.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in Dollars)*
November 15, 2001	4,540,000
May 15, 2002	4,540,000
November 15, 2002	4,540,000
May 15, 2003	4,540,000
November 15, 2003	4,540,000
May 15, 2004	4,540,000
November 15, 2004	4,540,000
May 15, 2005	4,540,000
November 15, 2005	4,540,000
May 15, 2006	4,540,000
November 15, 2006	4,540,000
May 15, 2007	4,540,000
November 15, 2007	4,540,000
May 15, 2008	4,540,000
November 15, 2008	4,540,000
May 15, 2009	4,540,000
November 15, 2009	4,540,000
May 15, 2010	4,540,000
November 15, 2010	4,540,000
May 15, 2011	4,540,000
November 15, 2011	4,540,000
May 15, 2012	4,540,000
November 15, 2012	4,540,000
May 15, 2013	4,580,000

* 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	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1), (2), (3), (4), and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; for the avoidance of doubt, it is clarified that the term "eligible" categories will be deemed to include the categories specified above only if and to the extent the conditions of disbursements, if any, in respect thereof provided in paragraph 3 of Schedule 1 to this Agreement has been fulfilled;

(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 \$600,000 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 \$100,000 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 \$3,000,000.

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 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 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; or

(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, 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.

