

CONFORMED COPY

CREDIT NUMBER 2201 CHA

(Medium-sized Cities Development Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 30, 1991

CREDIT NUMBER 2201 CHA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 30, 1991, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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 Association to assist in the financing of the Project;

(B) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and the Bank (the Loan Agreement), the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to seventy-nine million four hundred thousand dollars (\$79,400,000) (the Loan);

(C) the Borrower and the Association intend, to the extent practicable, that the proceeds of the Credit provided for in this Agreement be disbursed on account of expenditures in respect of the Project before disbursements of the proceeds of the Loan are made;

(D) the Project will be carried out by Changzhou Municipality, Luoyang Municipality and Shashi Municipality (the Project Cities) with the Borrower's

assistance and, as part of such assistance, the Borrower will make available to the Project Cities the proceeds of the Credit as provided in this Agreement and the proceeds of the Loan as provided in the Loan Agreement; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this 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) "Changzhou Special Account," "Luoyang Special Account" and "Shashi Special Account" mean the accounts referred to in Section 2.02 (b) of this Agreement;

(b) "CIB" means China Investment Bank, a state enterprise established and operating pursuant to its Charter, approved by the Borrower's State Council on December 4, 1981;

(c) "foreign currency" means any currency other than the currency of the Borrower;

(d) "free-limit Sub-loan" means a Sub-loan which qualifies as a free-limit Sub-loan pursuant to the provisions of paragraph D.4(b) of Schedule 2 to the Project Agreement;

(e) "Investment Enterprise" means an enterprise to which a Project City proposes to make or has made a Sub-loan under Part B.6 or B.7 of the Project;

(f) "Investment Project" means a specific development project to be carried out by an Investment Enterprise utilizing the proceeds of a Sub-loan;

(g) "Loan Agreement" means the agreement of even date herewith between the Borrower and the Bank for the Project, as such agreement may be amended from time to time; and such term includes the "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement;

(h) "Project Agreement" means the agreement among the Association, the Bank and Changzhou Municipality, Luoyang Municipality and Shashi Municipality 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) "Project Cities" means Changzhou Municipality, Luoyang Municipality and Shashi Municipality, collectively, and Project City means any of the Project Cities;

(j) "Renminbi" means the currency of the Borrower;

(k) "Special Accounts" means the Changzhou Special Account, the Luoyang Special Account and the Shashi Special Account, collectively, and "Special Account" means any one of the Special Accounts; and

(l) "Sub-loan" means a loan made or proposed to be made by a Project City to an Investment Enterprise for an Investment Project out of the equivalent of the

proceeds of the Credit and of the Loan made available to the Project City by the Borrower, and "Industrial Sub-loan" and "Pollution Control Sub-loan" mean loans made or proposed to be made under Parts B.6 and B.7 (a) of the Project, respectively.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to sixty-two million two hundred thousand Special Drawing Rights (SDR 62,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) amounts paid (or if the Association shall so agree, amounts to be paid) by the Project Cities on account of withdrawals made by an Investment Enterprise under a Sub-loan to meet the reasonable cost of goods and services required for the Investment Project in respect of which the withdrawal from the Credit Account is requested; and (ii) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts A and B.1, B.2, B.3, B.4 and B.5 of the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars three separate special accounts in banks and on terms and conditions satisfactory to the Association, to be known as the Changzhou Special Account, the Luoyang Special Account and the Shashi Special Account, respectively. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1997, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 15 and December 15 commencing June 15, 2001 and ending December 15, 2025. Each installment to and including the installment payable on December 15, 2010, shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 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 Development Credit Agreement, shall cause the Project Cities to perform in accordance with the provisions of the Project Agreement all the obligations of the Project Cities therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Project Cities 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 make the following approximate equivalent amounts out of the proceeds of the Credit and the proceeds of the Loan available to the Project Cities on terms and conditions satisfactory to the Association and the Bank: (i) to Changzhou Municipality, \$65,000,000; (ii) to Luoyang Municipality, \$50,000,000; and (iii) to Shashi Municipality, \$45,200,000.

Section 3.02. Except as the Association 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 Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the respective portions of the Project shall be carried out by the Project Cities pursuant to Section 2.04 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditures, 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 Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and

(iii) enable the Association'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 Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association 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 Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

ARTICLE V

Remedies of the Association

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

(a) Any of the Project Cities 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 Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that any of the Project Cities will be able to perform its obligations under the Project Agreement.

(c) Any party to the agreements entered into pursuant to paragraphs C.1 and D.1 (a) and (b) of Schedule 2 to the Project Agreement shall have failed to perform its obligations thereunder.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that any event specified in paragraph (a) or (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

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

(a) the Borrower's State Council has approved the Development Credit Agreement and the Project Agreement;

(b) consultants for project implementation have been appointed, in accordance with Section II of Schedule 1 to the Project Agreement;

(c) the Project Cities have entered into an agreement with CIB in accordance with paragraph D.1 of Schedule 2 to the Project Agreement; and

(d) all conditions precedent to the effectiveness of the Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Project Agreement has been duly authorized or ratified by the Project Cities, and is legally binding upon the Project Cities 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.

Section 6.04. The provisions of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date 20 years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
Sanlihe
Beijing 100820
People's Republic of China

Cable address:

FINANMIN
Beijing

Telex:

22486 MFPRC CN

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
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/ Zhao Xixin

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Shinji Asanuma

Acting Regional Vice President
Asia

SCHEDULE 1

Withdrawal of the Proceeds
of the Credit and of the Loan

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
Changzhou Municipality			
(1) Goods:			
(a) for Parts A.2, B.1, B.2, B.5 and B.7 (b) of the Project	1,160,000	1,480,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures
(b) for Parts B.3 and B.4 of the Project	4,320,000	5,520,000	for other items procured locally
(2) Works:			
(a) for Parts A.2, B.1, B.2 and B.5 of the Project	8,400,000	10,740,000	65%
(b) for Parts B.3 and B.4 of the Project	1,710,000	2,180,000	65%
(3) Consultants' services			

and training:

(a) for Parts A.2, B.1, B.2 and B.5 of the Project	820,000	1,030,000	100%
(b) for Parts B.3 and B.4 of the Project	390,000	500,000	100%
(4) Industrial Sub-loans	7,270,000	9,280,000	100% of amounts disbursed
(5) Pollution Control Sub-loans	1,170,000	1,490,000	100% of amounts disbursed

Luoyang Municipality

(6) Goods:			
(a) for Parts A.2, B.1, B.2 and B.5 of the Project	2,330,000	2,970,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(b) for Parts B.3 and B.4 of the Project	1,360,000	1,740,000	
(7) Works:			
(a) for Parts A.2, B.1 B.2 and B.5 of the Project	6,100,000	7,790,000	70%
(b) for Parts B.3 and B.4 of the Project	2,820,000	3,600,000	70%
(8) Consultants' services and training:			
(a) for Parts A.2, B.1 B.2 and B.5 of the Project	680,000	880,000	100%
(b) for Parts B.3 and B.4 of the Project	270,000	340,000	100%
(9) Industrial Sub-loans	5,850,000	7,460,000	100% of amounts disbursed

Shashi Municipality

(10) Goods:

(a) for Parts A.2, B.1, B.2, B.5, and B.7 (b) of the Project	1,480,000	1,880,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures
(b) for Parts B.3 and B.4 of the Project	2,160,000	2,760,000	for other items procured locally

(11) Works:

(a) for Parts A.2, B.1, B.2 and B.5 of the Project	4,150,000	5,300,000	75%
(b) for Parts B.3 and B.4 of the Project	2,560,000	3,280,000	75%

(12) Consultants'
services
and training:

(a) for Parts A.2, B.1, B.2 and B.5 of the Project	590,000	750,000	100%
(b) for Parts B.3 and B.4 of the Project	220,000	280,000	100%

(13) Industrial Sub-loans 5,220,000 6,660,000 100% of amounts
disbursed

(14) Pollution Control Sub-loans 1,170,000 1,490,000 100% of amounts
disbursed

TOTAL	62,200,000	79,400,000	
-------	------------	------------	--

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:

(a) payments made for expenditures prior to the date of this Agreement,

except that withdrawals, in an aggregate amount not exceeding \$16,000,000 equivalent may be made on account of payments made for expenditures before that date but after May 1, 1989;

(b) a Sub-loan unless the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth in paragraph D of Schedule 2 to the Project Agreement;

(c) sub-categories 1 (b), 2 (b), 3 (b), 6 (b), 7 (b), 8 (b), 10 (b), 11 (b) and 12 (b) unless the respective Project City shall have entered into contracts with its respective utility company or companies in accordance with paragraph C.1 of Schedule 2 to the Project Agreement; and

(d) Categories (5) and (14) unless the respective Project City shall have entered into a contract in accordance with paragraph D.1(b) of Schedule 2 to the Project Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (1) to assist Project Cities to improve overall and sector planning and management; and (2) to assist the Project Cities in improving use of existing facilities, designing more appropriate financing mechanisms for urban development and promoting better environmental management at the industrial enterprise level, through the introduction of planning and management reforms and the implementation of specific infrastructural investments consistent with such reforms.

The Project consist of the following Parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Urban Planning and Management Reforms

1. Implementing a reform program in each Project City, designed to promote better use of existing facilities, better overall planning, better sectoral planning, greater resource mobilization and better environmental resource management, in the sectors of education, health, urban transport, water and waste treatment, housing, industry and environmental protection.

2. Supporting the implementation of such reform programs through: (a) the establishment in each Project City of an urban planning and management information center; a geographical information system; and information systems within selected municipal agencies; and (b) the provision of related equipment, consultants' services and training and office rehabilitation.

Part B: Sector-Specific Investments

Promoting improved living conditions and local economic development in the Project Cities, in line with the reform programs under Part A.1 of the Project, through investments in:

1. Education: Expanding access to basic education, strengthening teacher training, increasing skilled manpower and improving educational quality, through construction and equipping of schools, libraries and other educational facilities and provision of specialist services, study tours and overseas and in-country training.

2. Health: Improving the quality and availability of municipal health services, through construction, rehabilitation and equipping of health facilities and health training facilities, and provision of consultants' services and training.

3. Transport: Construction of two roads in Luoyang and two roads in Shashi and widening of one road in Changzhou; expansion of the trolley bus system in Luoyang; provision of buses and construction of bus facilities in both Luoyang and Shashi; construction and provision of equipment to strengthen traffic management in all three Project Cities; undertaking a land use-transport study in each Project City and provision of consultants' services and training.

4. Water Supply and Sewerage Treatment: Construction and equipping of facilities designed to: increase water supply capacity and dispose of sewerage in Shashi; complete water supply improvements in Luoyang; and expand water supply capacity in Changzhou; and provision of consultants' services and training.

5. Housing: Construction and equipping of about 6,900 apartment units and related facilities in the three Project Cities, and selling such units to individuals.

6. Industry: Financing of specific technological restructuring projects of municipal industrial enterprises.

7. Environmental Protection: (a) Financing of pollution control projects of municipal industrial enterprises in Changzhou and Shashi; and (b) provision of pollution control equipment for municipal environmental agencies.

* * *

The Project is expected to be completed by December 31, 1996.

SCHEDULE 3

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: (i) for the Changzhou Special Account, Categories (1), (2), (3), (4) and (5); (ii) for the Luoyang Special Account, Categories (6), (7), (8) and (9); and (iii) for the Shashi Special Account, Categories (10), (11), (12), (13) and (14), all set forth in the table in paragraph 1 of Schedule 1 to the Development Credit 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 Credit or the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to the Development Credit Agreement;

(c) the term "Authorized Allocation" means an amount equivalent to: (i) for the Changzhou Special Account, \$3,600,000; (ii) for the Luoyang Special Account, \$2,700,000; and (iii) for the Shashi Special Account, \$2,500,000, all to be withdrawn from the Credit Account or the Loan Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule; and

(d) notwithstanding the provisions of paragraph D.4(b) of Schedule 2 to the Project Agreement, payments for expenditures to be financed out of the proceeds of free-limit Sub-loans may be made out of a Special Account before the Association or the Bank shall have authorized withdrawals from the Credit Account or the Loan Account in respect thereof. Such expenditures, however, shall qualify as eligible expenditures only if the Association or the Bank shall subsequently authorize such withdrawals.

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 Association has received evidence satisfactory to it that a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish such Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit Account or the Loan Account and deposit into such Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of such Special Account, the Borrower shall furnish to the Association requests for deposits into such

Special Account at such intervals as
specify.

the Association shall

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit Account or the Loan Account and deposit into such 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 made out of such Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account or 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 any Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into any Special Account:

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

(b) once the total unwithdrawn amount of the Credit and the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association or the Bank pursuant to Section 5.02 of the respective General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Association shall have determined at any time that any payment out of any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into such Special Account (or, if the Association shall so request, refund to the Association or the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into such 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 Association shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association or the Bank, refund to the Association such outstanding amount.

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

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

