

CONFORMED COPY

LOAN NUMBER 3747 PH

Loan Agreement

(Leyte - Luzon Geothermal Project - PNOC)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

PHILIPPINE NATIONAL OIL COMPANY

Dated September 12, 1994

LOAN NUMBER 3747 PH

LOAN AGREEMENT

AGREEMENT, dated September 12, 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 wholly-owned subsidiary of the Borrower, with the Borrower's assistance and, as part of such assistance, the Borrower will make available to PNOC-EDC the proceeds of the Loan as provided in this Agreement;

WHEREAS: (D) The Borrower intends to obtain from the Export-Import Bank of Japan and the Global Environment Trust Fund (collectively, the Cofinanciers) loans or grants in an aggregate amount equivalent to one hundred twenty-nine million dollars (\$129,000,000) to assist in financing part of the Project on terms and conditions set forth in agreements (the

"Cofinancing Agreements") to be entered into between the Cofinanciers, the Guarantor and the Borrower, as the case may be;

WHEREAS: (E) The Bank has agreed to make a loan to the National Power Corporation ("NPC") to assist in the financing of activities related to the Project (the "NPC Project"), upon the terms and conditions set forth in a loan agreement of even date herewith (the "NPC Loan Agreement") between the Bank and NPC, and a Guarantee Agreement of even date herewith (the "NPC Guarantee Agreement") between the Guarantor and the Bank; and

WHEREAS: (F) 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.

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) "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.

(b) "PNOC Charter" means the Guarantor's Presidential Decree No. 334 dated November 9, 1973, pursuant to which the Borrower has been established as a state-owned national oil company and is operating, as said Decree may be amended from time to time.

(c) "PNOC-EDC Charter" 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 wholly-owned subsidiary of the Borrower, duly authorized and operating under the Guarantor's laws and regulations.

(d) "PNOC-EDC-NPC Agreement" means the agreement dated May 6, 1994, between PNOC-EDC and NPC pursuant to which PNOC-EDC has undertaken to provide geothermally produced power to NPC, and NPC has undertaken to purchase and transmit said power, all in a manner consistent with the objectives of the Project and the NPC Project, as said agreement may be amended from time to time.

(e) "Project Agreement" means the project 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.

(g) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and PNOC-EDC pursuant to Section 3.02 (a) 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 "Subsidiary Loan" means the loan provided for under the Subsidiary Loan 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 the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of one hundred fourteen million dollars (\$114,000,000), 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 the Bangko Sentral ng Pilipinas 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, 1999, 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 March 15 and September 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 the Loan Agreement, shall cause PNOC-EDC to perform in accordance with the provisions of the Project Agreement all the obligations of PNOC-EDC therein set forth, shall 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. The Borrower shall:

(a) 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 which shall include those set forth in Schedule 5 to this Agreement; and

(b) 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 3.03. 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 PNOC-EDC pursuant to Section 2.04 (a) 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 administrative, financial, engineering and energy 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 engineering, financial and energy 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. (a) 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 the operations of PNOC-EDC or the carrying out of the Project by PNOC-EDC.

(b) Notwithstanding the provisions of paragraph (a) of this Section, the Borrower shall not, without the Bank's prior consent, sell, transfer or otherwise divest itself of any of its proprietary interest in PNOC-EDC.

Section 4.05. The Borrower shall promptly take all measures necessary to acquire, maintain, renew and otherwise exercise all rights, powers, privileges and franchises required for the proper conduct of its operations and carrying out of its obligations under this Agreement.

#### ARTICLE V

##### Financial Covenants

Section 5.01. (a) The Borrower shall maintain records and separate 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) and the records and accounts 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, (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 separate 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 or payment out of the Special 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 PNOG Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of the Borrower or the ability of the Borrower to perform any of its obligations under this Agreement.

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

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

(d) 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 PNOC-EDC will be able to perform its obligations under the Project Agreement.

(e) The PNOC-EDC Charter or the PNOC-EDC-NPC Agreement shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of PNOC-EDC or the ability of PNOC-EDC to perform any of its obligations under the Project Agreement.

(f) The Guarantor or the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of PNOC-EDC or for the suspension of its operations.

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

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

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

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

(h) Either of the parties to the PNOC-EDC-NPC Agreement shall have failed to perform any of its respective obligations under the PNOC-NPC Agreement.

(i) The right of NPC to withdraw any part of the proceeds of the NPC Loan under the NPC Loan Agreement shall have been suspended by the Bank.

Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) Any event specified in paragraph (a) or paragraph (b) or paragraph (e) or paragraph (f) of Section 6.01 of this Agreement shall occur.

(b) The event specified in paragraph (g) (i) (B) of Section 6.01 of this Agreement shall occur, subject to the proviso of paragraph (g) (ii) of that Section.

(c) Any event specified in paragraph (c) or paragraph (h) or paragraph (i) of Section 6.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower.

## ARTICLE VII

Effective Date; Termination

Section 7.01. 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 PNOC-EDC.

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

(c) All conditions precedent to the effectiveness of the Cofinancing Agreements have been fulfilled, other than those related to the effectiveness of this Agreement.

(d) PNOC-EDC has entered into contracts, on terms and conditions satisfactory to the Bank, for the construction of facilities under Part B of the Project necessary to provide at least 300 megawatts of power.

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) The Project Agreement has been duly authorized or ratified by PNOC-EDC, and is legally binding upon PNOC-EDC in accordance with its terms.

(b) 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  
PA-Lepanto Building



Pameo de Roxas  
Makati, Metro-Manila  
1200 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/ Callisto Madavo  
Acting Regional Vice President  
East Asia and Pacific

PHILIPPINE NATIONAL OIL COMPANY

By /s/ Raul Ch. Rabe  
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) Goods for Parts A (1) and A (2) of the Project	71,100,000	50% of foreign expenditures, 50% of local ex- penditures (ex- factory cost) and 35% of local expen- ditures for other items procured locally
(2) Works for Parts A (1) and A (2) of the Project	40,800,000	40%
(3) Consultants' services for Part A of the Project	2,100,000	50%

TOTAL

114,000,000

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed twelve million dollars (\$12,000,000), may be made on account of payments made for expenditures before that date but after October 1, 1993.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for goods, works and services not exceeding two hundred thousand dollars (\$200,000) 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 (1) strengthen the efficiency of the energy sector, (2) assist in meeting the rapidly increasing demand for electrical power within the Guarantor's territory by expanding PNOC-EDC's geothermal power generation capacity, (3) strengthen PNOC-EDC's financial viability and (4) 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:

Carrying out of a program to develop a 440 megawatt geothermal energy field on Leyte Island, consisting of the:

- (1) drilling of about 65 producer and injector wells in the Malitbog, Mahanagdong and Alto-Peak sectors of the island, to develop geothermal resources;
- (2) construction of steam gathering systems and power transmission systems to expand the island's geothermal capacity by 440 megawatts; and
- (3) carrying out of a pilot program to recover and reinject carbon dioxide emitted from geothermal wells into geothermal reservoirs, consisting of drilling of injection wells and provision of surface processing and evacuation facilities and utilities.

##### Part B:

Construction of a 440 megawatt geothermal power plant.

\* \* \*

The Project is expected to be completed by June 30, 1998.

#### SCHEDULE 3

##### Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
September 15, 1999	2,160,000
March 15, 2000	2,240,000

September 15, 2000	2,320,000
March 15, 2001	2,405,000
September 15, 2001	2,490,000
March 15, 2002	2,580,000
September 15, 2002	2,675,000
March 15, 2003	2,775,000
September 15, 2003	2,875,000
March 15, 2004	2,980,000
September 15, 2004	3,085,000
March 15, 2005	3,200,000
September 15, 2005	3,315,000
March 15, 2006	3,435,000
September 15, 2006	3,560,000
March 15, 2007	3,690,000
September 15, 2007	3,825,000
March 15, 2008	3,965,000
September 15, 2008	4,105,000
March 15, 2009	4,255,000
September 15, 2009	4,410,000
March 15, 2010	4,570,000
September 15, 2010	4,735,000
March 15, 2011	4,910,000
September 15, 2011	5,090,000
March 15, 2012	5,275,000
September 15, 2012	5,465,000
march 15, 2013	5,665,000
September 15, 2013	5,870,000
March 15, 2014	6,075,000

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\* 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 16 years but not more than eighteen years 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 four million dollars (\$4,000,000) 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.

#### SCHEDULE 5

##### Subsidiary Loan Agreement Principal Terms

The principal terms set forth in this Schedule shall apply for the purposes of Section 3.02 (a) of this Agreement.

1. 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 the currency or currencies withdrawn from the Loan Account or paid out of the Special Account on account of the cost of goods and services required for the Project and to be financed out of the proceeds of the Loan.

2. The principal amount of the Subsidiary Loan shall be repaid over a period not exceeding 20 years, inclusive of a grace period not exceeding 5 years.

3. Interest shall be charged on the principal amount of the Subsidiary Loan withdrawn and outstanding from time to time at a rate equal at least to the rate applicable from time to time to the Loan pursuant to the provisions of Section 2.05 of this Agreement.

