

CONFORMED COPY

LOAN NUMBER 4566 CHA

Loan Agreement

(Second Beijing Environment Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated October 10, 2000

LOAN NUMBER 4566 CHA

LOAN AGREEMENT

AGREEMENT, dated October 10, 2000, between PEOPLE'S REPUBLIC OF CHINA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) the Project will be carried out by Beijing (as defined in Section 1.02(b)) with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to Beijing, as set forth in this Agreement;

(C) the Borrower has requested the assistance from the resources of the Global Environment Facility (GEF) Trust Fund in the financing of the Project, the Bank has determined that such assistance would be in accordance with Resolution No. 94-02 of the Executive Directors dated May 24, 1994, establishing the GEF Trust Fund, and by an agreement of even

date (the GEF Grant Agreement) herewith between the Borrower and the Bank, acting as an implementing agency of GEF, GEF is agreeing to provide such assistance in an aggregate principal amount equivalent to eighteen million nine hundred thousand Special Drawing Rights (SDR 18,900,000) (the GEF Trust Fund Grant); 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, acting on its own behalf and as an implementing agency of GEF, and Beijing (the Project 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 for Single Currency Loans" of the Bank, dated May 30, 1995, as amended through October 6, 1999, (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) "Affected Persons" means persons who on account of the execution of the Project had or would have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected, and "Affected Person" means any of the Affected Persons.

(b) "Beijing" means the Beijing Municipality, an administrative sub-division of the Borrower, and any successor thereto.

(c) "Beijing Drainage Company" and "BDC" mean a state-owned enterprise established and operating pursuant to its Charter of 1993 and to Business License No. 1101021302158(1-1), dated June 28, 1999, issued by Beijing Xicheng District Industrial and Commercial Administration Bureau, and any successor thereto.

(d) "BEPB" means the Beijing Environmental Protection Bureau which is responsible for, inter alia, environmental management in Beijing.

(e) "Boiler Conversion" means a proposal under Part A(1) of the Project by an Enduser to replace its coal-fired boiler or boilers with a gas-fired boiler or boilers.

(f) "Boiler Sale and Purchase Contract" means the agreement referred to in Section II, paragraph 7(a) of Schedule 3 to the Project Agreement, to be entered into between SJET and an Enduser, as said agreement may be amended from time to time.

(g) "Category" means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(h) "Company Law" means the Borrower's Company Law, promulgated on December 29, 1993 and made effective on July 1, 1994.

(i) "Enduser" means an entity or individual that owns one or more coal-fired boilers and applies to SJET for a Boiler Conversion.

(j) "Environmental Assessment" means the Second Beijing Environment Project Environmental Assessment dated April 2000, which includes an environmental assessment of the implementation of Parts A(1) and B of the Project, environmental mitigation measures and the administrative and monitoring arrangements to ensure the implementation of such measures.

(k) "Gas Boiler" means a gas-fired boiler and associated equipment essential for the operation and maintenance of such boiler.

(l) "Heating Energy Conservation Center" and "HECC" mean the Heating Energy Conservation Center established and maintained pursuant to paragraph 6 of Schedule 2 to the Project Agreement, and any successor thereto.

(m) "IDP" means the Institutional Development Plan of Beijing Drainage Company dated November 1999, which sets out a broad framework for improving the management of BDC and restructuring BDC as an autonomous enterprise.

(n) "Operations Manual" means a manual, satisfactory to the Bank, to be developed by SJET pursuant to Section II, paragraph 6(a) of Schedule 3 to the Project Agreement, as such manual may be revised from time to time with the prior approval of the Bank.

(o) "Project Agreement" means the agreement between the Bank, acting on its own behalf and as an implementing agency of GEF, and Beijing 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.

(p) "Renminbi" means the currency of the Borrower.

(q) "Respective Part of the Project" means:

(i) for SJET: Parts A(1) and A(2) of the Project; and

(ii) for BDC: Parts B, C and D of the Project.

(r) "Resettlement Action Plan" means the Resettlement Action Plan for Sewerage Component of Second Beijing Environment Project, dated March 29, 2000, which sets out the procedures governing land acquisition, resettlement and compensation for Affected Persons under Part B of the Project, as well as monitoring and reporting arrangements to ensure compliance with said plan, as such Resettlement Action Plan may be revised from time to time in agreement with the Bank.

(s) "SJET" means Shihuan Jietien Energy Technology Company, a limited liability company established and operating pursuant to its Charter of September 7, 1999, and to Business License No. 1101021094879 dated November 17, 1999, issued by Beijing Industrial and Commercial Administration Bureau, and any successor thereto.

(t) "Special Account" means the account referred to in Section

2.02(b) of this Agreement.

(u) "Subsidiary Grant Agreement" means the agreement to be entered into between Beijing and SJET pursuant to paragraph 4(b) of Schedule 2 to the Project Agreement, as the same may be amended from time to time, with the agreement of the Bank, and such term includes any schedules to said agreement.

(v) "Subsidiary Loan Agreements" means, collectively, the agreements to be entered into between Beijing and each of SJET and BDC pursuant to paragraph 4(a) of Schedule 2 to the Project Agreement, as the same may be amended from time to time, with the agreement of the Bank, and such term includes any schedules to said agreements; and "Subsidiary Loan Agreement" means either one of the Subsidiary Loan Agreements.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to three hundred forty-nine million Dollars (\$349,000,000).

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 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 on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2006, 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 fee in an amount equal to an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. 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 2.06. (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 LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including

an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.07 of this Agreement.

(iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollar for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) "LIBOR Total Spread" means, for each Interest Period:

(A) three-fourths of one percent (3/4 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on February 15 and August 15 in each year.

Section 2.08. 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 this Agreement, shall cause Beijing to carry out the Project and to perform in accordance with the provisions of the Project Agreement all the obligations of Beijing 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 Beijing 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 proceeds of the Loan available to Beijing on the following principal terms:

(i) the principal amount so made available shall be the equivalent in terms of _____ dollars (determined as of the date, or respective dates of withdrawal from the _____ Loan Account or payment out of the Special Account, as the case may be) of the value of the currency or currencies so withdrawn or paid out on account of the _____ cost of goods, works and services required for the Project and to be financed _____ out of the proceeds of the Loan, and shall be recovered by the Borrower in _____ Dollars;

(ii) the Borrower shall recover: (A) the principal amount so made available; and _____ (B) an amount equal to one percent (1%) of said principal amount, over a _____ period of twenty (20) years, inclusive of a grace period of five (5) years; and

(iii) the Borrower shall charge Beijing: (A) interest on the principal amount so _____ made available and withdrawn and remaining unpaid from time to time at a rate equal to the rate of interest applicable from time to time to the Loan _____ pursuant to Section 2.06 of this Agreement; and (B) a commitment charge on the _____ principal amount so made available and not withdrawn from time to time at a _____ rate equal to three-fourths of one percent (3/4 of 1%) per annum.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 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) in respect of the Project shall be carried out by Beijing pursuant to Section 2.03 of the Project Agreement.

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) retain, 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 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.

(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 months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Remedies of the Bank

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

(a) Beijing 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 Beijing will be able to perform its obligations under the Project Agreement.

(c) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the GEF Trust Fund Grant made to the Borrower for the financing of Parts A(2) and A(3) of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the GEF Grant Agreement.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank

that:

(A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under the GEF Grant Agreement; and (B) adequate funds for Parts A(2) and A(3) of the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(d) Beijing, SJET or BDC shall have failed to perform any of its obligations under its respective Subsidiary Loan Agreement.

(e) Beijing or SJET shall have failed to perform any of its obligations under the Subsidiary Grant Agreement.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional event is specified, namely, that any of the events specified in paragraph (a), (d) or (e) 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.

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) Subsidiary Loan Agreements have been executed on behalf of Beijing and each of SJET and BDC.

(b) GEF Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of the Loan Agreement, have been fulfilled.

(c) SJET shall have adopted and put into effect the Operations Manual in accordance with Section II, paragraph 6(a) of Schedule 3 to the Project Agreement.

Section 6.02. The following events 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 Beijing and is legally binding upon Beijing in accordance with its terms.

(b) Each of the Subsidiary Loan Agreement between Beijing and each of SJET and BDC has been duly authorized or ratified by Beijing and SJET or BDC, as the case may be, and is legally binding upon Beijing and SJET or BDC, as the case may be, 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 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:	Telex:	Facsimile:
86-10-68551125	FINANMIN	22486 MFPRC CN
	Beijing	

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
477-6391	INTBAFRAD	248423 (MCI) or (202)
	Washington, D.C.	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 Beijing, People's Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Zhu Guangyao

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Yukon Huang

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:

Expenditures Category Financed	Amount of the Loan Allocated (expressed in Dollars)	% of to be
(1) Works under Part B of the Project	90,000,000	40%
(2) Goods under:		
(a) Parts A(1) and foreign expenditures, A(4) of the Project expenditures cost) and 70% expenditures for procured locally	168,300,000	100% of 100% of local (ex-factory of local other items
(b) Parts B and C foreign expenditures, of the Project expenditures cost) and 70% expenditures for procured locally	83,110,000	100% of 100% of local (ex-factory of local other items
(3) Consultants' services and training'	4,100,000	100%
(4) Fee under Section Loan Agreement	3,490,000	Amount due 2.04 of the
TOTAL	349,000,000	

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; provided, however, that expenditures in the currency of the Hong Kong Special Administrative Region of the Borrower for goods or services supplied from said region and expenditures in the currency of the Macau Special Administrative Region of the Borrower for goods or services supplied from said region shall be deemed to be "foreign expenditures; and

(b) the term "local expenditures" means any expenditures that

are not foreign expenditures.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures under the Project prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$30,000,000 for expenditures by SJET under Part A(1) of the Project and by BDC under Part B of the Project may be made in respect of Categories (1), (2) and (3) on account of payments made for expenditures before that date but after December 31, 1999.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for:

(a) works under contracts costing less than \$10,000,000 equivalent each;

(b) goods under contracts costing less than \$250,000 equivalent each;

(c) consultants' services under contracts with firms or individuals, each costing less than \$100,000 equivalent or \$50,000 equivalent respectively; and

(d) training, regardless of the cost thereof,

all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist Beijing in alleviating air and water pollution through: (a) promotion of natural gas as an alternative to coal as a fuel source for boilers; (b) promotion of energy conservation in district heating systems; (c) building of sewage collection networks and treatment facilities in the Liangshu River and Qing River basins; and (d) strengthening of Beijing's environmental management policies and institutions.

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: Air Pollution Control

Improving air quality in selected areas in Beijing through:

(1) Boiler conversion

Conversion or replacement of medium-sized coal-fired boilers to or with gas-fired boilers.

(2) Technical capacity and market development

(a) Development of efficient models of gas-fired boiler equipment configurations, installation and maintenance; (b) development of industry capacity for provision of gas-fired boiler assembly, installation and maintenance services; and (c) development of markets for gas-fired

boilers, all through the provision of consultants' services, training and equipment.

(3) Heating energy conservation

(a) Establishment of best practice models and standards for energy efficient heat generation, for heat distribution and operation of associated heat supply systems and for promotion of energy conservation by end-users; (b) codification, dissemination and promotion of said models and standards; and (c) strengthening of institutional capacity to carry out foregoing activities, all through the provision of consultants' services, training and equipment.

(4) Air quality monitoring and management

(a) Enhancement of institutional capacity to monitor and evaluate air quality through upgrading and expansion of monitoring stations and analytical equipment; and (b) improvement of institutional capacity to manage air quality through provision of consultants' services, training and equipment.

Part B: Wastewater Management

Improving water quality through:

(1) Liangshui River Basin

Construction of three secondary wastewater treatment facilities and associated sewage collection networks, including about 48 kilometers of interceptor sewers in the Liangshui River Basin.

(2) Qing River Basin.

Construction of a sewage collection network, including about 26 kilometers of interceptor sewers and siphons, in the Qing River Basin.

Part C: Institutional Strengthening

Developing and strengthening institutional wastewater management capability and capacity to operate on an autonomous basis, through provision of consultants' services, training and equipment.

Part D: Resettlement

Resettlement and rehabilitation of Affected Persons in connection with the carrying out of Part B of the Project.

* * *

The Project is expected to be completed by June 30, 2006.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in Dollars)*
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February 15, 2006	6,950,000
August 15, 2006	7,185,000
February 15, 2007	7,425,000
August 15, 2007	7,670,000
February 15, 2008	7,925,000
August 15, 2008	8,190,000
February 15, 2009	8,460,000
August 15, 2009	8,745,000
February 15, 2010	9,035,000
August 15, 2010	9,335,000
February 15, 2011	9,645,000
August 15, 2011	9,970,000
February 15, 2012	10,300,000
August 15, 2012	10,645,000
February 15, 2013	10,995,000
August 15, 2013	11,365,000
February 15, 2014	11,740,000
August 15, 2014	12,135,000
February 15, 2015	12,535,000
August 15, 2015	12,955,000
February 15, 2016	13,385,000
August 15, 2016	13,830,000
February 15, 2017	14,290,000
August 15, 2017	14,770,000
February 15, 2018	15,260,000
August 15, 2018	15,770,000
February 15, 2019	16,295,000
August 15, 2019	16,835,000
February 15, 2020	17,395,000
August 15, 2020	17,965,000

* The figures in this column represent the amount in dollars to be repaid, except as provided in Section 4.04(d) of the General Conditions.

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 \$18,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$10,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$100,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to para-graph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

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

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01(b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to

the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, 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 respective 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.

