

CONFORMED COPY

CREDIT NUMBER 2152 BD

Development Credit Agreement  
(Financial Sector Adjustment Credit)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 18, 1990

CREDIT NUMBER 2152 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 18, 1990, between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated May 8, 1990 from the Borrower describing a program of actions, objectives and policies designed to strengthen the financial sector of the Borrower's economy (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in the financing of urgently needed imports required during such execution; and

(B) on the basis, inter alia, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Borrower by making the Credit in three tranches as hereinafter provided;

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 modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 9, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Credit pursuant to the provisions of Schedule 1 to the Development Credit Agreement.";

(b) Section 9.06 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date

as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the Program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."; and

(c) the last sentence of Section 3.02 is deleted.

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) "Bangladesh Bank" means the bank called the Bangladesh Bank established by the Borrower's Bangladesh Bank Order, 1972 (President's Order No. 127 of 1972) for the purpose of carrying out the business of central banking;

(b) "NCBs" means the Borrower's nationalized commercial banks as set out in Bangladesh Bank (Nationalization) Order, 1972 (President's Order No. 26 of 1972) and include for purposes of this Agreement Sonali Bank, Janata Bank, Agrani Bank, as well as Rupali Bank, although Rupali Bank is no longer a nationalized bank, since the majority of its shares are owned by the Government of Bangladesh;

(c) "Scheduled Bank" means any bank so defined in the Bangladesh Bank Order, 1972 (President's Order No. 127 of 1972);

(d) "SEM" means the Borrower's Secondary Exchange Market;

(e) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev. 3 (1986);

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

(g) "Taka" and "Tk" mean the currency of the Borrower.

## 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 this Agreement, an amount in various currencies equivalent to one hundred thirty two million seven hundred thousand Special Drawing Rights (SDR 132,700,000).

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.

(b) The Borrower shall, for the purposes of the Program, open and maintain in dollars a special deposit account in Bangladesh Bank on terms and conditions satisfactory to the Association. 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 September 30, 1992, 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 and 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 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 and service charges shall be payable semi-annually on April 15 and October 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 April 15 and October 15 commencing October 15, 2000 and ending April 15, 2030. Each installment to and including the installment payable on April 15, 2010, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (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

#### Particular Covenants

Section 3.01. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 3 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 2 to this Agreement.

Section 3.03. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Credit.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) 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 Association;

(ii) furnish to the Association as soon as available, but in any case not later than nine months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; 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.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, 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, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audits 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 IV

##### Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. The following event 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 has caused Bangladesh Bank to amend Bangladesh Bank Circular No. 33 of November 16, 1989, to permit Scheduled Banks, at their option, to change their lending and deposit interest rates once a month; and (b) the Project Agreement for Technical Assistance to Bangladesh Bank and the NCB's, between the Borrower and the United States Agency for International Development, has been signed.

Section 5.02. 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 VI

##### Representatives of the Borrower; Addresses

Section 6.01. The Secretary or the Additional Secretary or any Joint Secretary, Deputy Secretary or Assistant Secretary of the External Resources Division of the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

External Resources Division  
Ministry of Finance  
Government of the People's  
Republic of Bangladesh  
Dhaka, Bangladesh

Cable address:

BAHIRSAMPAD  
Dhaka

Telex:

642226 SETU BJ

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)  
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 BANGLADESH

By /s/ A. H. S. Ataul Karim

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Shinji Asanuma

Acting Regional Vice President  
Asia

#### SCHEDULE 1

##### Withdrawal of the Proceeds of the Credit

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Credit may be withdrawn from the Credit Account for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods required during the execution of the Program and to be financed out of such proceeds.

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) expenditures for goods included in the following SITC groups or sub-groups, or any successor groups or sub-groups under future revisions to the SITC, as designated by the Association by notice to the Borrower:

Group	Sub-group	Description of Items
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112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semi-precious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), non- irradiated for nuclear reactors
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

(b) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;

(c) payments made for expenditures prior to the date of this Agreement;

(d) expenditures for goods procured under contracts costing less than \$50, 000 equivalent;

(e) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Association shall have financed or agreed to finance;

(f) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

(g) expenditures for items in any single SITC Division in excess of 25% of the total amount of the Credit; and

(h) expenditures for goods for which payments shall not have been made through releases to, and consistent with the procedures governing the operation of, SEM, except as the Association shall otherwise agree.

3. Withdrawals for expenditures under contracts for the procurement of goods estimated to cost the equivalent of less than \$50, 000 may be permitted by the Association upon the basis of statements of expenditure under such terms and conditions as the Association shall specify.

4. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Credit after the aggregate of the proceeds of the Credit withdrawn from the Credit Account and the total amount of such commitments shall have reached: (a) the equivalent of SDR 56,900,000, unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association: (i) with the progress achieved by

the Borrower in the carrying out of the Program, and (ii) that the actions described in paragraphs 1 to 23 of Schedule 3 to this Agreement have been taken; and (b) thereafter, the equivalent of SDR 37,900,000, unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Association: (i) with the progress achieved by the Borrower in the carrying out of the Program, and (ii) that the actions described in paragraphs 1, 14, 15, 16 and 24 to 31 of Schedule 3 to this Agreement have been taken or are continuing, as the case may be.

5. If, after the exchange of views described in paragraph 4 above, the Association shall have given notice to the Borrower that the progress achieved and actions taken are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Association, then the Association may, by notice to the Borrower, cancel the unwithdrawn amount of the Credit or any part thereof.

## SCHEDULE 2

### Procurement

1. Contracts for the procurement of goods estimated to cost the equivalent of \$5,000,000 or more each shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

#### "2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for the procurement of goods estimated to cost the equivalent of less than \$5,000,000 shall be awarded:

(a) by purchasers required to follow the Borrower's public procurement procedures for the importation of goods, on the basis of such procedures, provided that such procedures shall have been found acceptable by the Association;

(b) by other purchasers, in accordance with established commercial practice, provided that such contracts shall be awarded on the basis of evaluation and comparison of quotations obtained from suppliers from at least two countries, except that direct contracting procedures acceptable to the Association may be used where considered appropriate under paragraph 3.5 of the Guidelines; provided, however, that contracts for the procurement of goods on the basis of paragraph 3.5 (b) and (c) of the Guidelines shall not exceed an aggregate amount equivalent to \$20,000,000; and

(c) by any purchasers, for the supply of commodities, on the basis of evaluation and comparison of quotations obtained from more than one supplier.

3. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Association shall reasonably request.

4. With respect to each contract referred to in paragraph 2 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect thereof, such documentation and information as the Association may reasonably request to support withdrawal applications in respect of such contract.

5. Notwithstanding the provisions of paragraphs 3 and 4 of this Schedule, where payments under a contract are to be made out of the proceeds of the Special Account, the copies of such contract or the documentation and the information to be furnished to the Association pursuant to the provisions of paragraph 3 or paragraph 4 of this Schedule, as the case may be, shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 4 to this Agreement.

### SCHEDULE 3

#### Actions Referred to in Paragraph 4 of Schedule 1 to this Agreement

1. The Borrower shall cause Bangladesh Bank to implement the new interest rate policy in accordance with Bangladesh Bank Circular No. 33 of November 16, 1989 and methodology agreed with the Association which includes semi-annual reviews of the interest rate and adjustments in interest rate structure as necessary to reflect changes in inflation rates and the cost of lending of Scheduled Banks.

2. The Borrower shall cause Bangladesh Bank to implement the procedures for monetary programming, policy formulation and regular review of interest rates.

3. The Borrower shall reimburse the Scheduled Banks for their cost of interest rate subsidies covering the period January 1 to June 30, 1990.

4. The Borrower shall cause Bangladesh Bank to establish and implement a system by which the Scheduled Banks are required to report regularly to Bangladesh Bank on loans and debt servicing status of their public sector borrowers.

5. The Borrower shall cause Bangladesh Bank to establish and staff a supervision unit for non-bank financial institutions.

6. The Borrower shall cause Bangladesh Bank to design and commence a training program for its supervision and inspection personnel, acceptable to the Association.

7. The Borrower shall cause the Accounting and Auditing Committee of Bangladesh Bank to establish criteria, acceptable to the Association, for selection of auditors, external audits, and review of audit reports for financial institutions for which Bangladesh Bank has supervisory responsibility.

8. The Borrower shall cause the NCBs to reclassify their December 1989 portfolio in accordance with the requirements set forth in Bangladesh Bank Circular No. 34 of November 16, 1989.

9. The Borrower shall cause the NCBs to make new provisions and deduct from income for possible bad debt and suspend interest in accordance with paragraph 8 above and the requirements set forth in Bangladesh Bank Circular No. 34 of November 16, 1989.

10. The Borrower shall cause the NCBs to reconcile all inter-branch accounts and write off or fully provide for uncollectible and unmatched uncollectible items in their 1989 accounts.

11. The Borrower shall cause the NCBs, in accordance with generally accepted accounting principles, not to have items in suspense accounts remain as such for a period of more than six months in their 1989 accounts.



12. The Borrower shall issue bonds to recapitalize each NCB to a level equal to five percent, or such higher percentage as the Borrower's law may require, of deposits after provisions and interest suspensions have been entered into the accounts in accordance with paragraphs 8 and 9 above.
13. The Borrower shall take all actions required for satisfactorily initiating implementation of the Project Agreement with the United States Agency for International Development (USAID) for technical assistance, including establishment of procedures by the Borrower and USAID for the review of the technical assistance in consultation with the Association.
14. The Borrower shall cause Bangladesh Bank and the NCBs to carry out the USAID financed technical assistance in a manner acceptable to the Association.
15. The Borrower shall cause the NCBs to take all steps necessary to achieve satisfactory collection performance in accordance with the targets agreed with the Association for the NCBs' one hundred largest defaulters.
16. The Borrower shall cause the NCBs to design and implement a monitoring system satisfactory to the Association for recording and comparing collections with new amounts of principal and interest falling due on new loans made by NCB principal offices after June 30, 1990. The Borrower shall cause the NCBs to take all steps necessary to achieve satisfactory collection performance in accordance with targets agreed with the Association with respect to these new loans.
17. The Borrower shall cause Bangladesh Shilpa Bank to raise its medium and large scale term industrial rates to at least the shadow market rate.
18. The Borrower shall delete from its Industrial Policy - 1986 all references as to terms, conditions and interest rates associated with industrial lending by banks.
19. The Borrower shall implement the program set out in the 1990/91-1992/93 Policy Framework Paper so that a sound macroeconomic framework is in place.
20. The Borrower shall enact a Banking Companies Law that will, inter alia, establish sound minimum capitalization requirements for all banks, prudent limitations on maximum bank loan sizes to individual borrowers, prudent maximum aggregate loans to directors, and significant further restrictions on loans to defaulters.
21. The Borrower shall cause Bangladesh Bank to set the following limits for the Scheduled Banks: (a) for loans to individual borrowers, a limit of 25% of the Scheduled Bank's capital; and (b) for loans to directors of Scheduled Banks, an aggregate limit of 10% of the Scheduled Bank's outstanding loans.
22. The Borrower shall cause Bangladesh Bank to issue debt instruments at market determined yields and establish a tendering mechanism for such issues.
23. The Borrower shall enable the NCBs to select legal counsel for debt recovery cases from the panel of legal counsels proposed by the NCBs and as approved by the Borrower.
24. The Borrower shall reimburse the Scheduled Banks for their cost of interest rate subsidies during each of the following six month period: July 1 to December 31, 1990; January 1 to June 30, 1991; and July 1, 1991 to December 31, 1991.
25. The Borrower shall cause Bangladesh Bank, with technical assistance from the International Monetary Fund (IMF), to design and thereafter introduce a system for continuous bank supervision.
26. The Borrower shall cause Bangladesh Bank, with technical assistance from IMF, to design and thereafter introduce a system to rationalize and streamline bank reporting requirements.
27. The Borrower shall cause Bangladesh Bank to make operational its Credit Information Unit so as to provide credit reports to banks.
28. The Borrower shall take all actions required to maintain the capital of the NCBs at five percent of deposits, or such higher percentage as the Borrower's law may require, as of December 31, 1991.
29. The Borrower shall cause the NCBs to identify large borrowers needing financial

or management restructuring or rehabilitation.

30. The Borrower shall cause Bangladesh Bank to require the Scheduled Banks not to lend to defaulters identified by its Credit Information Unit without prior receipt of a letter of no objection from the lender holding the defaulted loan.

31. The Borrower shall take all measures necessary to ensure satisfactory implementation of the Financial Loan Courts Act, 1990.

#### SCHEDULE 4

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods to be financed out of the proceeds of the Credit in accordance with the provisions of Schedule 1 to this Agreement; and

(b) the term "Authorized Allocation" means an amount equivalent to \$27,000,000 to be withdrawn from the Credit Account and deposited into 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 Association 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 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 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 Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(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 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 Association from the Credit Account 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 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 the 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 this Agreement; or

(b) once the total unwithdrawn amount of the Credit, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent

of \$54,000,000, twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit 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 the 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 the 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 the Special Account (or, if the Association shall so request, refund to the Association) 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 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 Association 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 Association, refund to the Association such outstanding amount.

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

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

