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LOAN NUMBER 7295 TU

# Loan Agreement

(Third Export Finance Intermediation Loan)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.

Dated November 9, 2005

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**LOAN NUMBER 7295 TU**

**LOAN AGREEMENT**

AGREEMENT, dated November 9, 2005, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and TÜRKİYE SINAİ KALKINMA BANKASI A.Ş. (the Borrower).

WHEREAS (A) the Republic of Turkey (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;

(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; 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;

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 Fixed-Spread Loans” of the Bank, dated September 1, 1999 (as amended through May 1, 2004) with the modification set forth below (the General Conditions) constitute an integral part of this Agreement:

Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

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:

“BIS” means the Bank for International Settlements;

“Beneficiary Enterprise” means an enterprise satisfying the appropriate criteria as set forth in paragraph 4 of the Attachment to the Annex to Schedule 4 to this

Agreement to which the Borrower proposes to make or has made a Sub-loan or a Lease Financing;

“Export Development Sub-Project” means a specific project, selected in accordance with paragraph 5 of the Attachment to the Annex to Schedule 4 to this Agreement, which is proposed to be carried out by a Beneficiary Enterprise, in whole or in part through the utilization of the proceeds of a Sub-loan or a Lease Financing;

“EUR Tranche” means the amount of the Loan denomination in Euro according to Section 2.01 of this Agreement;

Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

“free-limit Lease Financing” means a Lease Financing proposed to be provided in an amount less than the threshold specified for prior Bank review under paragraph 2 (b) of the Attachment to the Annex to Schedule 4 to this Agreement, for an Export Development Sub-project which qualifies to be approved by the Borrower in the absence of such prior review pursuant to the provisions of such paragraph;

“free-limit Sub-loan” means a Sub-loan proposed to be made in an amount less than the threshold specified for prior Bank review under paragraph 2 (b) of Attachment to the Annex to Schedule 4 to this Agreement, for an Export Development Sub-project which qualifies to be approved by the Borrower in the absence of such prior review pursuant to the provisions of such paragraph;

“International Financial Reporting Standards” or “IFRS” mean the accounting standards issued or endorsed by the International Accounting Standards Board;

“Lease Financing” means a financing provided or to be provided by a Leasing Company out of the proceeds of the Loan allocated from time to time to Category (2) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, for purposes of financing the lease of (with the option to purchase) vehicles, equipment and/or machinery for purposes of carrying out an Export Development Sub-Project, involving the periodical payment to such Leasing Company of a lease payment consisting in part of an amortization component as set forth in subparagraph 1 (b) of the Attachment to the Annex to Schedule 4 to this Agreement;

“Leasing Company” means a private leasing company registered according to the applicable laws and regulations of the Guarantor and selected by the Borrower pursuant to criteria set forth in paragraph A.1 (b) of the Annex to Schedule 4 to this Agreement;

“Loan Tranche” means any of the USD Tranche (hereafter defined) or the EUR Tranche of the Loan;

“Operations Manual” means the manual adopted by the Borrower on April 1, 2005, setting out the operational and administrative procedures for PFIs, in respect of the preparation, approval, processing, financing, implementation and supervision of Sub-loans and Lease Financings;

“PIU” means the project implementation unit of the Borrower established on July 25, 2003 or any successor to such unit;

“Participating Bank” means a private commercial bank registered according to the applicable laws and regulations of the Guarantor and selected by the Borrower pursuant to criteria set forth in paragraph A.1 (a) of the Annex to Schedule 4 to this Agreement;

“Participating Financial Institution” or “PFI” means any or each Participating Bank or Leasing Company;

“Special Accounts” means the accounts referred to in Section 2.02 (b) of this Agreement, and “USD Special Account” and “EUR Special Account” mean the Special Account in Dollars and Special Account in Euro, respectively, referred to in said Section;

“Statutes” means the statutes of the Borrower published in Trade Registry Gazette No. 7046 dated June 2, 1950 (Trade Registry No. 42527), and such other laws, decrees, licenses, charter or regulations governing the operations of the Borrower as may be adopted or enacted from time to time;

“Sub-loan” means a loan made or proposed to be made by a Participating Bank, out of the proceeds of the Loan allocated from time to time to Category (1) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, for purposes of financing all or a portion of the expenditures incurred by a Beneficiary Enterprise for goods and works under an Export Development Sub-Project;

“Subsidiary Loan” means any loan made pursuant to a Subsidiary Loan Agreement;

“Subsidiary Loan Agreement” means an agreement entered or to be entered into between the Borrower and a PFI pursuant to paragraph 3 (b) of Schedule 4 to this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Subsidiary Loan Agreement;

“TRY” or New Turkish Lira” means the lawful currency of the Guarantor; and

“USD Tranche” means the amount of the loan denominated in Dollars according to Section 2.01 of this 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 Agreement: (a) an amount equal to two hundred one million fifty thousand Dollars (\$201,050,000) (the USD Tranche); and (b) an amount equal to eighty million four hundred and ten thousand Euro (€80,410,000) (the EUR Tranche), as such amounts may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

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:

- (i) amounts paid (or, if the Bank shall so agree, to be paid) by a PFI on account of withdrawals made by a Beneficiary Enterprise under a Sub-loan or a Lease Financing to meet the reasonable cost of goods and works required for the Export Development Sub-project in respect of which the withdrawal from the Loan Account is requested; and
- (ii) the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

(b) The Borrower shall open and maintain in itself two special deposit accounts, one in Dollars (the USD Special Account) in respect of amounts withdrawn from the USD Tranche of the Loan, and one in Euro (the EUR Special Account) in respect of amounts withdrawn from the EUR Tranche of the Loan, 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 Accounts shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2010, 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 front-end fee in an amount equal to one (1%) of the amount of each Loan Tranche, subject to any waiver of a portion of such fees as may be determined by the Bank from time to time. On or promptly after

the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of each Loan Tranche not withdrawn from time to time, at a rate equal to: (i) eighty five one hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of each Loan Tranche withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided that upon a Conversion of all or any portion of the principal amount of a Loan Tranche, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on January 15<sup>th</sup> and July 15<sup>th</sup> in each year.

Section 2.08. The Borrower shall repay the principal amount of each Loan Tranche in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01 (7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar in respect of which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

### **ARTICLE III**

#### **Execution of the Project; Management and Operations of the Borrower**

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, shall carry out the Project with due diligence and efficiency and conduct its operations and affairs in accordance with sound financial standards and practices, with qualified management and personnel in adequate numbers, and in accordance with its Statutes.

Section 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Bank and the Borrower shall otherwise agree, the Borrower shall implement the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.03. Except as the Bank shall otherwise agree, the Borrower shall maintain, until the completion of the Project, the PIU, and ensure that the PIU functions at all times in a manner and with staffing and budgetary resources necessary and appropriate for Project implementation, and satisfactory to the Bank.

Section 3.04. Except as the Bank shall otherwise agree, procurement of the goods and works required for the carrying out of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 5 to this Agreement.

## ARTICLE IV

### Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) commencing with the fiscal year in which the Effective Date falls, to and including the fiscal year in which the last withdrawal from the Loan Account is made, have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year, or other period agreed to by the Bank, audited, in accordance with consistently applied auditing standards acceptable to the Bank, 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 (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) except as the Bank shall otherwise agree, an unqualified audit opinion on such statements by said auditors satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may 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) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Bank's representatives to examine such records; and



- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 2 (b) of Schedule 4 to this Agreement the Borrower shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan;
- (ii) describes progress in Project implementation, both cumulatively and for the period covered by said report; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Effective Date; Termination**

Section 5.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely that, at least two PFIs have been selected in accordance with criteria and in a manner satisfactory to the Bank, and Subsidiary Loan Agreements have been executed on behalf of the Borrower and the selected PFIs on terms and conditions satisfactory to the Bank.

Section 5.02. The following is specified as an additional matter, within the meaning of Section 12.02 (a) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely that, the Subsidiary Loan Agreements referred to in Section 5.01 have been duly authorized or ratified by and are legally binding upon the Borrower and the PFIs in accordance with its terms.

Section 5.03. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## ARTICLE VI

### Representative of the Borrower; Addresses

Section 6.01. The President and Chief Executive Officer of the Borrower is designated as the 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 Bank:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

For the Borrower:

Türkiye Sınai Kalkınma Bankası A.Ş.  
Meclis Mebusan Caddesi  
No. 161  
34427 Fındıklı  
İstanbul  
Republic of Turkey

Telex:	Facsimile:
24344.tskb.tr	(90-212) 243-2975

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Ankara, Turkey, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Andrew N. Vorkink

Director  
Turkey Country Unit  
Europe and Central Asia

TÜRKİYE SINAİ KALKINMA  
BANKASI A.Ş.

By /s/ Orhan Bekkık

Authorized Representative

By /s/ Çiğdem İnel

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:

<u>Category</u>	<u>Amount of the USD Tranche of the Loan Allocated (Expressed in USD)</u>	<u>Amount of the EUR Tranche of the Loan Allocated (Expressed in EUR)</u>	<u>% of Expenditures to be Financed</u>
(1) Sub-loans	165,000,000	65,000,000	100 % of amounts disbursed
(2) Lease Financing	35,000,000	15,000,000	100 % of amounts disbursed
(3) Front-end Fee	1,005,250	402,050	Amount due under Section 2.04 of this Agreement
(4) Premia for Interest Rate Caps and Interest Rate Collars	0	0	Amount due under Section 2.09 (c) of this Agreement
(5) Unallocated	<u>44,750</u>	<u>7,950</u>	
TOTAL	<u>201,050,000</u>	<u>80,410,000</u>	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made for expenditures: (a) prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$40,000,000, for the USD Tranche and €6,000,000 for the EUR Tranche, may be made in respect of Categories (1) or (2) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after August 31, 2004; and (b) under Categories (1) or (2) unless the

Sub-loan or the Lease Financing has been made in accordance with criteria and procedures set forth in the Operations Manual and on terms and conditions referred to in the Attachment to the Annex to Schedule 4 to this Agreement.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) contracts for goods costing less than \$5,000,000 equivalent each; and (b) contracts for works costing less than \$5,000,000 equivalent each 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: (a) provide medium and long term working capital and investment finance to private exporting enterprises to assist the Guarantor's exporting sector; and (b) further improve the ability of the financial sector to provide financial resources to the enterprise sector through development of intermediation by private financial institutions.

The Project consists of the following Part, subject to such modifications thereof as the Bank, the Guarantor and the Borrower may agree upon from time to time to achieve such objectives, namely:

#### Export Development Credit Facility

The establishment and operation of a credit facility for the financing, through the provision of Sub-loans and Lease Financing by PFIs to Beneficiary Enterprises, enabling such Beneficiary Enterprises to finance the costs related to the carrying out of Export Development Sub-projects.

\* \* \*

The Project is expected to be completed by December 31, 2009.

### SCHEDULE 3

#### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
On each January 15 <sup>th</sup> and July 15 <sup>th</sup> beginning July 15, 2011 through January 15, 2021	5%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. The provisions of this Schedule shall apply separately to each Loan Tranche so as to produce a separate amortization schedule for each such tranche.



## **SCHEDULE 4**

### **Implementation Program**

1. The Borrower shall maintain the Operations Manual in form and content satisfactory to the Bank, shall duly perform all its obligations under the Operations Manual and shall not assign, amend, abrogate or waive the Operations Manual without obtaining the prior approval of the Bank.

2. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators agreed upon between the Borrower and the Bank, the carrying out of the Project and the achievement of the objectives thereof.

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank on a quarterly basis, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank and the Guarantor by December 31, 2007, or such later date as the Bank shall request, the report referred to in subparagraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matters.

3. For the purposes of carrying out of the Project, the Borrower shall:

(a) select Participating Banks and Leasing Companies as PFIs pursuant to criteria set forth in paragraph A.1 of the Annex to this Schedule;

(b) relend to the PFIs the equivalent of the proceeds of the Loan allocated from time to time to Categories (1) and (2) of the table set forth in paragraph 1 of Schedule 1 to this Agreement under Subsidiary Loan Agreements to be entered into between the Borrower and each such PFI, under terms and conditions which shall have been approved by the Bank, and which shall include without limitation, those set forth in the Annex to this Schedule;

(c) ensure that, except as the Bank shall otherwise agree, the aggregate amount of all Sub-loans made or the aggregate amount of all Lease Financing provided to any one Beneficiary Enterprise, or group of connected Beneficiary Enterprises, from all PFIs shall not exceed the equivalent of \$10,000,000;

(d) monitor the overall execution of the Project and the carrying out by the PFIs of their obligations under their respective Subsidiary Loan Agreements in accordance with policies and procedures satisfactory to the Bank;

(e) take or cause to be taken all action necessary or appropriate on its part to enable the PFIs to perform in accordance with the provisions of their respective Subsidiary Loan Agreements all the obligations of the PFIs therein set forth, and not take or permit to be taken any action which would prevent or interfere with such performance; and

(f) exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Bank and the Guarantor and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, not assign, amend, abrogate or waive any such Agreement or any provision thereof.

**Annex to**  
**SCHEDULE 4**

**Principal Terms and Conditions of the  
Subsidiary Loan Agreements**

The principal terms and conditions set forth in this Schedule shall apply for the purposes of paragraph 3 (a) of Schedule 4 to this Agreement.

A. Eligibility Criteria

1. A Subsidiary Loan Agreement may be entered into with a Participating Bank or Leasing Company, duly established and operating in the territory of the Guarantor, in respect of which the Borrower shall have determined, and the Bank shall have agreed, that:

(a) the Participating Bank, during the duration of its Subsidiary Loan Agreement, and except as the Bank shall otherwise agree:

- (i) has total assets during each of the last two fiscal years exceeding \$500 million equivalent on average, and has export loans-to-total loans ratios during each of the last two fiscal years (for which data are available) exceeding a minimum of 10% on average;
- (ii) is in compliance with applicable banking regulations and prudential regulations of the Guarantor as duly certified by the Participating Bank's auditors every six months, including *inter alia*, minimum BIS risk-weighted capital adequacy ratios, maximum foreign currency exposure limits, maximum large exposure to single and connected clients and maximum insider lending limits;
- (iii) is operating pursuant to investment and lending policies and procedures acceptable to the Bank, the Borrower, and the Guarantor, and has undertaken to maintain said policies and procedures;
- (iv) has agreed to submit to the Borrower not later than six (6) months after the end of each fiscal year, beginning with fiscal year 2004, an audit report which: (i) covers two (2) full years of its operations; (ii) is prepared by an independent and internationally recognized audit firm in accordance with International Auditing Standards and International Financial

Reporting Standards; and (iii) contains an unqualified audit opinion;

(v) has adequate organization, management, staff and other resources necessary for its efficient operation; and

(vi) applies appropriate procedures for appraisal, supervision, and monitoring of Export Development Sub-projects, including for the efficient evaluation and supervision of the procurement and environmental elements of Export Development Sub-projects.

(b) the Leasing Company, during the duration of its Subsidiary Loan Agreement and except as the Bank shall otherwise agree:

(i) has total Lease Financing receivables, during the last two fiscal years, exceeding \$50 million equivalent on average, and has new Lease Financing volume during the last two fiscal years exceeding \$30 million equivalent on average;

(ii) is in compliance with applicable leasing regulations of the Guarantor as duly certified by the Lease Companies' auditors every six months;

(iii) is operating pursuant to investment and financial leasing policies and procedures acceptable to the Bank, the Borrower, and the Guarantor, and has undertaken to maintain said policies and procedures;

(iv) has agreed to submit to the Borrower not later than six (6) months after the end of each fiscal year, beginning with fiscal year 2004, an audit report which: (i) covers two (2) full years of its operations; (ii) is prepared by an independent and internationally recognized audit firm in accordance with International Auditing Standards and International Financial Reporting Standards; and (iii) contains an unqualified audit opinion;

(v) has been profitable for at least two out of the last three years of its operations;

(vi) has adequate organization, management, staff and other resources necessary for its efficient operation; and

(vii) applies appropriate procedures for appraisal, supervision, and monitoring of Export Development Sub-projects, including for

the efficient evaluation and supervision of the procurement and environmental elements of Export Development Sub-projects.

B. Terms

2. The principal amount to be relented out of the proceeds of the Loan to a PFI under its respective Subsidiary Loan Agreement shall: (a) be denominated in Dollars or Euro; and (b) in the case of:

- (i) Participating Banks be the equivalent of the aggregate amount of the principal of all Sub-loans to be made out of the proceeds of the Loan pursuant to the Subsidiary Loan Agreement providing for such Subsidiary Loan; and
- (ii) Leasing Companies be the equivalent of the aggregate amount of the principal of all Lease Financing to be made out of the proceeds of the Loan pursuant to the Subsidiary Loan Agreement providing for such Subsidiary Loan.

3. Each Subsidiary Loan shall: (a) be charged semi-annually, on the principal amount thereof withdrawn and outstanding from time to time, interest at a rate equal to the rate payable under Section 2.06 of this Agreement plus the administrative costs of the Borrower and a credit risk margin acceptable to the Bank; (b) be charged a front-end fee of one percent (1%) subject to any waiver of a portion of such fee as may be determined by the Borrower and the Bank, and such other fee that might be charged by the Guarantor to the Borrower; (c) be charged a commitment charge at a rate equal to the rate payable under Section 2.05 of this Agreement, on the principal amount of the Subsidiary Loan not withdrawn from time to time; and (d) be repaid in accordance with an amortization schedule calculated to have a maturity of not more than eight (8) years, including a grace period of not more than five (5) years.

4. The right of a PFI to use the proceeds of its respective Subsidiary Loan shall be: (a) suspended upon failure of such PFI to perform any of its obligations under its respective Subsidiary Loan Agreement or to continue to be in compliance with any of the eligibility criteria set forth in paragraph 1 of Section A of this Annex; and (b) terminated if such right shall have been suspended pursuant to subparagraph (a) hereof for a continuous period of sixty (60) days.

C. Conditions

5. Each respective Subsidiary Loan Agreement shall contain provisions pursuant to which each respective PFI shall undertake to:

- (a) carry out activities under the Project and conduct its operations and affairs in accordance with appropriate financial standards and practices, with qualified

management and staff in adequate numbers, and in conformity with the investment and lending or financial leasing policies and procedures referred to in the Operations Manual, and provide, promptly as needed, the funds, facilities, services and other resources required for the purpose;

- (b)
  - (i) make Sub-loans or provide Lease Financing to Beneficiary Enterprises on the terms and conditions set forth in the Operations Manual, including, without limitation, the terms and conditions set forth in the Attachment to this Annex;
  - (ii) ensure that, except as the Bank shall otherwise agree, the aggregate amount of all Sub-loans made or the aggregate amount of all Lease Financing provided to any one Beneficiary Enterprise, or group of connected Beneficiary Enterprises, shall not exceed the equivalent of \$10,000,000;
  - (iii) exercise its rights in relation to each such Sub-loan or Lease Financing in such manner as to protect its interests and the interests of the Borrower, the Guarantor and the Bank, comply with its obligations under its respective Subsidiary Loan Agreement and achieve the purposes of the Project;
  - (iv) not assign, amend, abrogate or waive any of its agreements providing for Sub-loans, or Lease Financing, or any provision thereof, without the prior approval of the Borrower;
  - (v) appraise Sub-projects and supervise, monitor and report on the carrying out by the Beneficiary Enterprises of Sub-projects, in accordance with the Operations Manual;
  - (vi) ensure that each Sub-project shall comply with environmental review procedures set forth in the Operations Manual. To that end, PFIs shall require each Beneficiary Enterprise applying for a Sub-loan or Lease Financing to furnish evidence satisfactory to the Bank showing that the Sub-project in respect of which the application has been prepared in accordance with such procedures;
  - (vii) ensure that for Export Development Sub-projects which require an environmental mitigation plan the Beneficiary Enterprise shall carry out such environmental mitigation plan in a timely manner, requiring such environmental mitigation plan to be in compliance with: (aa) environmental standards satisfactory to the Bank; and (bb) the applicable laws and regulations of the Guarantor relating to health, safety and environmental

protection, and shall include adequate information on the carrying out of such environmental management plans in the progress reports referred to in subparagraph (c) (ii) of this paragraph; and

(viii) ensure that: (aa) goods and works to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 5 to this Agreement; and (bb) such goods and works shall be used exclusively in the carrying out of the Export Development Sub-project;

(c) (i) exchange views with and furnish all such information to the Bank or the Borrower, as may be reasonably requested by the Bank and the Borrower, with regard to the progress of its activities under the Project, the performance of its obligations under its respective Subsidiary Loan Agreement, and other matters relating to the purposes of the Project;

(ii) prepare and submit to the Borrower quarterly reports on Sub-loan and Lease Financing disbursements and repayments, and annual reports on the progress made in achieving the objectives outlined in the business plans submitted with the Sub-loan and Lease Financing applications; and

(iii) promptly inform the Bank and the Borrower of any condition which interferes or threatens to interfere with the progress of its activities under its respective Subsidiary Loan Agreement;

(d) (i) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition; and

(ii) furnish to the Bank such information concerning said records and accounts as the Bank shall from time to time reasonably request;

(e) except as the Bank and the Borrower may otherwise agree: (i) open and thereafter maintain on its books, in accordance with its normal financial practices and on conditions satisfactory to the Bank, a separate account to which it shall credit, as the case may be, each payment of: (A) interest or other charges on, or repayment of principal payments under, any Sub-loan; and (B) lease payments under any Lease Financing, in all cases promptly upon receipt thereof; and (ii) utilize all amounts so credited to said separate account, to the extent they are not yet required to meet said PFI's payment or repayment obligations to the Borrower under its respective Subsidiary Loan Agreement,

exclusively to finance additional development projects to further the development of the Guarantor's export sector; and

(f) assume the credit risk of each Sub-loan or Lease Financing, as the case may be.



**ATTACHMENT TO**  
**THE ANNEX TO SCHEDULE 4**

**Terms and Conditions of Sub-loans and Lease Financing**

The provisions of this Attachment shall be for the purposes of paragraph 5 (b) (i) of Part C of the Annex to this Schedule 4.

1. (a) Each Sub-loan shall be made on terms and conditions, including those relating to the maturity, foreign currency denomination, interest rate and other charges determined in accordance with the Participating Bank's investment and lending policies and practices referred to in subparagraph 1 (a) (iii) of Part A of the Annex to Schedule 4 to this Agreement, provided, however, that the interest rate to be charged on the principal amount thereof withdrawn and outstanding from time to time, shall equal to at least to the rate of interest applicable from time to time to the Subsidiary Loan pursuant to the provisions of paragraph 3 of Section B of Annex to Schedule 4 to this Agreement plus the administrative costs and an appropriate credit risk margin.

(b) Each Lease Financing shall be made on terms and conditions, including those relating to the duration and schedule of lease payments and other charges determined in accordance with the Leasing Company's investment and financial leasing policies and practices referred to in subparagraph 1 (b) (iii) of Part A of the Annex to Schedule 4 to this Agreement, provided, however, that each lease payment in such schedule shall consist in part of an amortization component, which component shall be calculated as if: (A) the Lease Financing were a loan for the amount of the leased vehicles', equipment's and/or machinery's value; (B) each lease payment were a payment of interest and principal under such loan; and (C) each amortization component were the principal amount included in each such payment of interest and principal. The interest rate to be charged on the principal amount of the Lease Financing withdrawn and outstanding from time to time, shall equal at least to the rate of interest applicable from time to time to the Subsidiary Loan pursuant to the provisions of paragraph 3 of Section B of Annex to Schedule 4 to this Agreement plus the administrative costs and an appropriate credit risk margin.

2. No expenditures for an Export Development Sub-project by a PFI shall be eligible for financing out of the proceeds of the Loan unless:

(a) the first two Sub-loans or Lease Financing by the said PFI for such Export Development Sub-projects shall have been approved by the Bank and such expenditures shall have been made not earlier than one hundred eighty (180) days prior to the date on which the Borrower shall have received the application and information required under paragraph 3 (a) of this Section in respect of such Sub-loan or Lease Financing; or

(b) the Sub-loan or Lease Financing by the said PFI for such Export Development Sub-project shall have been, respectively, a free-limit Sub-loan or free-limit Lease Financing for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than one hundred eighty (180) days prior to the date on which the Borrower shall have received the request and information required under paragraph 3 (a) of this Section in respect of such free-limit Sub-loan or free limit Lease-Financing. For the purposes of this Agreement: (i) a “free-limit Sub-loan” shall be a Sub-loan, other than the first two Sub-loans by each PFI, and other than any Sub-loan to a Beneficiary Enterprise in an amount exceeding the sum of \$5,000,000 equivalent (when added to all other free-limit Sub-loans financed or proposed to be financed out of the proceeds of the Loan to the same Beneficiary Enterprise), the foregoing amount being subject to change from time to time as determined by the Bank; and (ii) a “free-limit Lease Financing” shall be a Lease Financing, other than the first two Lease Financing by each PFI, and other than any Lease Financing to a Beneficiary Enterprise in an amount exceeding the sum of \$5,000,000 equivalent (when added to all other free-limit Lease Financing financed or proposed to be financed out of the proceeds of the Loan to the same Beneficiary Enterprise), the foregoing amount being subject to change from time to time as determined by the Bank.

3. (a) When presenting a Sub-loan or Lease Financing (other than a free-limit Sub-loan or a free-limit Lease Financing) to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with:

- (i) a description of the Beneficiary Enterprise and an appraisal of the Export Development Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan;
- (ii) the proposed terms and conditions of the Sub-loan or Lease Financing, including the schedule of amortization of the Sub-loan or schedule of lease payments under the Lease Financing;
- (iii) evidence of compliance with the Operations Manual and specifically with the environmental review procedures set forth in the Operations Manual; and
- (iv) such other information as the Bank shall reasonably request.

(b) Each Sub-loan or Lease Financing shall be approved on the basis of evaluation guidelines adopted by the Borrower satisfactory to the Bank.

4. (a) Sub-loans or Lease Financing shall be made to the Beneficiary Enterprises which each shall have established and maintained during the duration of its respective Sub-loan or Lease Financing to the satisfaction of the Borrower that:

- (i) it is a Private Enterprise;
- (ii) it is an exporter;
- (iii) except as the Bank and the Borrower shall otherwise agree, it will have a ratio of debt to equity (after receipt of the Sub-loan or Lease Financing) no greater than 80:20;
- (iv) except as the Bank and the Borrower shall otherwise agree, it will not incur any debt unless a reasonable forecast of its revenues and expenditures shows that its estimated cash flow for each fiscal year during the term of the debt to be incurred shall be at least 1.2:1 times its estimated debt service requirements in such year on all its debt, including the debt to be incurred; and
- (v) it has a satisfactory financial structure and the organization, management, staff and financial and other resources required for the efficient carrying out of its operations, including the carrying out of the Export Development Sub-project.

(b) For purposes of this paragraph:

(i) an enterprise shall be considered to be a "Private Enterprise" when more than fifty percent (50%) of the shares or other equity interest thereof is held by persons or companies other than the Guarantor, any agency or subdivision thereof, or any local governmental authority, or entities controlled by the Guarantor or such agencies or subdivisions;

(ii) the term "debt" means any indebtedness of the Beneficiary Enterprise;

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

- (iv) the term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Beneficiary Enterprise not allocated to cover specific liabilities;
- (v) the term "debt service requirements" means the aggregate amount of repayments of, and interest and other charges on, debt;
- (vi) the term "reasonable forecast" means a forecast prepared by the Beneficiary Enterprise not earlier than twelve months prior to the incurrence of the debt in question, which both the Bank, the Borrower and the Beneficiary Enterprise accept as reasonable and as to which the Bank has notified the Borrower and Beneficiary Enterprise of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Beneficiary Enterprise; and
- (vii) whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

5. The Sub-loans or Lease Financings shall be made for Export Development Sub-projects which are each determined, on the basis of an appraisal carried out in accordance with procedures acceptable to the Bank set forth in the Operations Manual, to:

- (a) be technically feasible and economically, financially and commercially viable;
- (b) be targeted towards generation of exports consistent with the Beneficiary Enterprise's export growth projections; and
- (c) be in compliance with the requirements pertaining to environmental protection applicable under the laws and regulations of the Guarantor and the environmental review procedures set forth in the Operations Manual.

6. Sub-loans and Lease Financing shall be made on terms whereby the PFI shall obtain, by written contract with the Beneficiary Enterprise or by other appropriate legal means, rights adequate to protect its interests and those of the Bank, the Borrower, and the Guarantor, including the right to:

(a) require the Beneficiary Enterprise to carry out and operate the facilities financed under the Export Development Sub-project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records;

(b) without limitation to the generality of the provisions of the preceding paragraph (a), require the Beneficiary Enterprise to carry out and operate the Export Development Sub-project with due regard to applicable social impact, ecological, environmental and pollution control standards and in accordance with the provisions of the Operations Manual;

(c) for Export Development Sub-projects which need an environmental mitigation plan, require the Beneficiary Enterprise to carry out such environmental mitigation plan in a timely manner;

(d) require: (i) that the goods and works to be financed out of the proceeds of the Sub-loans and Lease Financing shall be procured in accordance with the provisions of Schedule 5 to this Agreement; and (ii) that such goods and works shall be used exclusively in the carrying out of the Export Development Sub-project;

(e) inspect, by itself or jointly with representatives of the Bank, if the Bank shall so request, such goods and the sites, works, plants and construction included in the Export Development Sub-project, the operation thereof, and any relevant records and documents;

(f) require that: (i) the Beneficiary Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Sub-loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Beneficiary Enterprise to replace or repair such goods;

(g) obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Beneficiary Enterprise and to the benefits to be derived from the Export Development Sub-project; and

(h) suspend or terminate the right of the Beneficiary Enterprise to the use of the proceeds of the Sub-loan or the Lease Financing upon failure by such Beneficiary Enterprise to perform its obligations under its contract with the PFI.

## **SCHEDULE 5**

### **Procurement**

#### Section I. General

A. All goods, works and services (other than consultants' services) for Export Development Sub-projects shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits", dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines.

#### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Guarantor.

#### B. Other Procurement Procedure

##### 1. Commercial Practices

Contracts for: (a) goods estimated to cost the equivalent of less than \$5,000,000 per contract; and (b) works estimated to cost the equivalent of less than \$5,000,000 per contract, may be awarded in accordance with the established commercial practices of the Beneficiary Enterprise, due account being taken also of other relevant factors such as time of delivery and efficiency and reliability thereof and availability of maintenance and spare parts.

#### Section III: Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank: (a) all contracts procured on the basis of International Competitive Bidding; and (ii) the first contract procured by each PFI on the basis of Commercial Practices. All other contracts shall be subject to post Review by the Bank.

## **SCHEDULE 6**

### **Special Accounts**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1) and (2) set forth in the table in paragraph 1 of Schedule 1 to the Loan Agreement;
  - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and works 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: (a) the amount of \$20,000,000 to be withdrawn from the USD Tranche in the Loan Account and deposited into the USD Special Account; and (b) the amount of  $\square$ 8,000,000 to be withdrawn from the EUR Tranche in the Loan Account and deposited into the EUR Special Account, pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of \$10,000,000 and the amount of  $\square$ 4,000,000 until the aggregate amount of withdrawals from the USD Tranche and the EUR Tranche respectively, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal or exceed the equivalent of \$40,000,000 with respect to the USD Tranche and  $\square$ 16,000,000 with respect to the EUR Tranche.
2. Payments out of the Special Accounts 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 Accounts has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Accounts 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 respective 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 respective Special Account such amount or amounts as the Borrower shall have requested.
  - (b)
    - (i) For replenishment of the Special Accounts, the Borrower shall furnish to the Bank requests for deposits into the respective 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 respective 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 respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the eligible Category, and in the 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 Accounts, 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 Accounts:

(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 Accounts;

(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 Category, 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 Category 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 Accounts 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 Accounts: (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 Accounts (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 Accounts 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 Accounts 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 Accounts.

(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.