

CONFORMED COPY

LOAN NUMBER 7083 - BR

Loan Agreement

(Fortaleza Metropolitan Transport Project)

between

FEDERATIVE REPUBLIC OF BRAZIL

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated August 1, 2002

LOAN NUMBER 7083 - BR

LOAN AGREEMENT

AGREEMENT, dated August 1, 2002, between the FEDERATIVE REPUBLIC OF BRAZIL (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) in view of the provisions of the Borrower's Constitution governing public metropolitan urban transport and the Borrower's Laws No. 8693, dated August 3, 1993, and 10233, dated June 5, 2001, as amended, and in order to improve the operational efficiency

and financial performance of suburban railways services and facilitate their integration with other transport services in the FMR (as such term is defined in Section 1.02 (c) of this Agreement), the Borrower, *Companhia Brasileira de Trens Urbanos – CBTU* (CBTU) and the State of Ceará (the State) have agreed, pursuant to an agreement dated April 22, 1997, as amended on October 17, 2001 (the *Convênio Básico*), on the transfer of the ownership, management and operation of CBTU's assets in the FMR (the STU-FOR/METROFOR System) to the State, through *Companhia Cearense de Transportes Metropolitanos – METROFOR* (METROFOR);

(B) the STU-FOR/METROFOR System comprises the South Line and the West Line (as such terms are defined in Section 1.02 (i) and (k), respectively);

(C) to attain the objectives of such transfer of ownership, management and operation, the Borrower, CBTU, the State and METROFOR have agreed that it is necessary to carry out the rehabilitation and modernization of the South Line and the West Line;

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

(E) as provided in Article II of the agreement of even date herewith among the Bank, CBTU and METROFOR (the Project Agreement), the Project will be carried out by METROFOR and CBTU, with the Borrower's and State's assistance, and, as part of such assistance, the Borrower will make available to CBTU the proceeds of the loan provided for in Article II of this Agreement (the Loan), as set forth in this Loan 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, in the Project Agreement, and in the agreement of even date herewith between the Bank and the State (the State 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 (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein

set forth and the following additional terms have the following meanings:

(a) "Eligible Categories" means Categories (1) through (3) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(b) "Eligible Expenditures" means the expenditures for goods, works and consultants' services referred to in Section 2.02 of this Agreement;

(c) "FMR" means the metropolitan region of the city of Fortaleza, established by the State's *Lei Complementar* No. 18, of December 29, 1999, comprising the Municipality of Fortaleza and other twelve municipalities surrounding the city of Fortaleza;

(d) "Integrated Transport Agreement" means the agreement referred to in Section 2.02 (c) (i) of the State Agreement;

(e) "PCU" means the unit within METROFOR referred to in Section 2.05 (b) of the Project Agreement;

(f) "Project Management Report" means any of the reports prepared in accordance with Section 3.03 of the Project Agreement;

(g) "Resettlement Plan" means the plan, issued by the State on March 27, 2000, for the relocation (*desapropriação*) of the population affected by the carrying out of Part A.1 of the Project;

(h) "RTCC" means the regional transport coordination commission referred to in Section 2.02 (b) of the State Agreement;

(i) "South Line" means the railway portion of the STU-FOR/METROFOR System which links the center of the city of Fortaleza (João Felipe station) to the Municipality of Pacatuba (Vila das Flores station), with a length of about 24 kilometers;

(j) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement;

(k) "Transport Integration Study" means the study referred to in Part B.1 of the Project; and

(l) "West Line" means the railway portion of the STU-FOR/METROFOR System which links the center of the city of Fortaleza (João Felipe station) to the center of the city of Caucaia, with a length of about 19 kilometers.

Section 1.03. Each reference in the General Conditions to a Project implementation

entity shall be deemed as a reference to CBTU and METROFOR.

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 this Agreement, an amount equal to ninety-eight million six hundred thousand Euro (EUR98,600,000), as such amount 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. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan, and in respect of the front-end fee referred to in Section 2.04 of this Agreement.

Section 2.03. The Closing Date shall be March 31, 2006 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower, CBTU, METROFOR and the State of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (a) 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 (b) 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 the Loan 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 the Loan, 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 commitment charges shall be payable semiannually in arrears on January 15 and July 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in

accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

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.

Section 2.10. The Minister of Transportation of the Borrower and any person or persons whom he or she shall designate in writing are designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause CBTU to perform all its obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable CBTU to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project as provided in this Agreement and the Project Agreement.

(b) As and when required for the timely execution of the Project, the Borrower shall make available to CBTU, through annual budget allocations, the proceeds of the Loan and the counterpart funds required on the part of the Borrower for the Project.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods,

works and consultants' services required for the Project and to be financed out of the proceeds of the Loan, shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by METROFOR or CBTU, as the case may be, pursuant to Section 2.03 of the Project Agreement.

Section 3.04. The Borrower, through its Ministry of Transportation shall participate in the Project reviews referred to in Section 2.08 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of Project Management Reports or statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices records and separate accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and
- (iii) enable the Bank's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish or cause to be furnished to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the Project Management Reports or statements of expenditure, as the case may be, submitted during such fiscal year, together with the procedures and internal controls involved

in their preparation, can be relied upon to support the related withdrawals; and

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

ARTICLE V

Remedies of the Bank

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

(a) CBTU or METROFOR or the State shall have failed to perform any of their respective obligations under the Project Agreement or the State Agreement, as the case may be.

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that CBTU or METROFOR or the State will be able to perform any of their respective obligations under the Project Agreement or the State Agreement, as the case may be.

Section 5.02. Pursuant to Section 7.01 (k) of the General Conditions, the following additional event is specified, namely, that any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower, CBTU, METROFOR and the State.

ARTICLE VI

Effective Date; Termination

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

(a) The ownership, management, and operation of the STU-FOR/METROFOR System have been transferred from the Borrower, through CBTU, to the State, through METROFOR, as provided in the *Convênio Básico*.

(b) The Integrated Transport Agreement has been entered into between the respective parties thereto.

Section 6.02. The following are specified as additional matters, within the meaning of

Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

- (a) The Loan has been validly registered by the Central Bank of Brazil.
- (b) The Project Agreement has been duly authorized or ratified by CBTU and METROFOR, and is legally binding upon CBTU and METROFOR in accordance with its terms.
- (c) The State Agreement has been duly authorized or ratified by the State, and is legally binding upon the State in accordance with its terms.

Section 6.03. The date October 31, 2002 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

Procuradoria Geral da Fazenda Nacional
Esplanada dos Ministérios, Bloco "P" - 8º andar
70048-900 Brasília, D.F.
Brazil

Facsimile:

(55-61) 4121740

With copies to:

Ministério do Planejamento, Orçamento e Gestão
Secretaria de Assuntos Internacionais
Esplanada dos Ministérios, Bloco "K" - 5º andar
70040-906 Brasília, D.F.
Brazil

Facsimile:
(55-61) 2254022

Ministério dos Transportes
Subsecretaria de Planejamento e Orçamento
Esplanada dos Ministérios, Bloco "R" - 4 andar
70044-900 Brasília, D.F.
Brazil

Facsimile:
(55-61) 3117979

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

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

FEDERATIVE REPUBLIC OF BRAZIL

By /s/ Luiz Dias Martins Filho

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Jorge M. Rebelo

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

A. General

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 Loan Allocated (Expressed in Euro)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods under Part A.1 of the Project:		
(a) metrorail systems	15,764,000	50%
(b) rolling stock	26,274,000	50%
(2) Works under Part A.1 of the Project	41,540,000	65%
(3) Consultants' services	3,932,000	100% of foreign expenditures and 50% of local expenditures
(4) Front-end fee	986,000	Amount due under Section 2.04 of this Agreement
(5) Unallocated	10,104,000	
TOTAL	<u>98,600,000</u>	

2. For the purposes of this Schedule, the term:

(a) "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed the amount of EUR9,860,000, may be made on account of payments made for expenditures incurred within 12 months before the date of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for consulting firms' services that are not subject to the Bank's prior review as set forth in Part D.2 of Section II of Schedule 1 to the Project Agreement, under such terms and conditions as the Bank shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall open and maintain in Euro a special deposit account in a commercial bank, acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Bank shall have received: (i) the first Project Management Report; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Bank of a Project Management Report, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

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

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 3.03 of the Project Agreement;

(b) if the Bank determines at any time that all further withdrawals should be made by the Borrower directly from the Loan Account; or

(c) 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: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports or statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

(d) Refunds to the Bank made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

Annex A
to
SCHEDULE 1

**Operation of Special Account
When Withdrawals Are Not Made
On the Basis of Project Management Reports**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of EUR9,860,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

(b) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. 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 Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan 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 shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are Made**

On the Basis of Project Management Reports

1. Except as the Bank may otherwise specify by notice to the Borrower, all withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.
2. Each application for withdrawal from the Loan Account for deposit into the Special Account shall be supported by a Project Management Report.
3. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed EUR19,720,000.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to improve the quality of public urban transport in the FMR by developing a fully integrated urban transport system under the coordination of the RTCC; (b) to carry out the transfer of the ownership, management and operation of the STU-FOR/METROFOR System; and (c) to promote private sector participation in the operation and management of such system.

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

Part A: Infrastructure and Equipment Investment

1. Rehabilitation and modernization of the West Line, including: (a) the transfer stations between road and rail based systems, consisting of: (i) about 19 line-kilometers of infrastructure and superstructure works, rehabilitation of about 13 bridges and viaducts, rehabilitation works in the areas surrounding the stations and in the grade crossings, and road works in the area of influence of such line; (ii) installation of signalling, telecommunications and electrification facilities, escalators and elevators, a central control system, automatic train control equipment, air conditioning, ventilation, fans and ancillary equipment; and (iii) acquisition of rolling stock (eight train sets); and (b) carrying out of the Resettlement Plan.
2. Provision of technical assistance for: (a) the management and supervision of the carrying

2. Provision of technical assistance for: (a) the management and supervision of the carrying out of Part A.1 above; and (b) the strengthening of the capacity of the PCU to coordinate Project implementation.

Part B: Institutional and Policy Development

1. Carrying out of studies for the preparation of an integrated urban transport policy, land use and air quality management strategy for the FMR to meet appropriate transport and air quality targets and to introduce sound cost-recovery, tariff, regulatory and subsidy policies, including a study on the integration of the public transportation system in the FMR, covering the physical, operational, financial and institutional aspects of the integration of the transportation modalities in the FMR (the Transport Integration Study).

2. Provision of technical assistance: (a) for the strengthening of RTCC's capacity to carry out its functions; and (b) if necessary, in matters related to the transfer of ownership, management and operation of the STU-FOR/METROFOR System.

* * *

The Project is expected to be completed by September 30, 2005.

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>
July 15, 2007	20%
July 15, 2008	20%
July 15, 2009	20%
July 15, 2010	20%
July 15, 2011	20%

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

(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 subparagraph (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 subparagraph 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. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

