

EXECUTION COPY
(Operation Number 51145)

LOAN AGREEMENT
(Green Investments in Buildings Project)

between

GEORGIA

and

**EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Dated 18 March 2022

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LOAN AGREEMENT

AGREEMENT dated 18 March 2022 between **GEORGIA** (the "Borrower") and **EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT** (the "Bank").

PREAMBLE

WHEREAS, the Bank has been established to provide financing for specific projects to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in certain countries committed to and applying the principles of multiparty democracy, pluralism and market economics;

WHEREAS, the Borrower intends to implement the Project which is designed to assist in financing the energy efficiency upgrade, new construction, reconstruction and holistic rehabilitation of public school buildings and related energy efficiency infrastructure to such buildings across Georgia as described in Schedule 1;

WHEREAS, The Project will be carried out by LEPL Municipal Development Fund of Georgia (the "Project Entity" as defined in the Standard Terms and Conditions) with financial assistance from the Borrower and in accordance with the Project Agreement to be entered into between the Bank and the Project Entity on the date hereof (the "Project Agreement" as defined in the Standard Terms and Conditions);

WHEREAS, the Borrower has requested assistance from the Bank in financing part of the Project;

WHEREAS, the Bank has agreed to make available funds on a grant basis in the amount of EUR 10,000,000 to assist the Borrower in implementing the Project, subject to the terms and conditions set forth in an agreement (the "Grant Agreement") between the Bank and the Borrower; and

WHEREAS, the Bank has agreed on the basis of, *inter alia*, the foregoing to make a loan to the Borrower in the amount of EUR 40,000,000, subject to the terms and conditions set forth or referred to in this Agreement and in the Project Agreement dated the date hereof between the Project Entity and the Bank.

NOW, THEREFORE, the parties hereby agree as follows:

ARTICLE I - STANDARD TERMS AND CONDITIONS; DEFINITIONS

Section 1.01. Incorporation of Standard Terms and Conditions

All of the provisions of the Bank's Standard Terms and Conditions dated 1 October 2018 are hereby incorporated into and made applicable to this Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Definitions

Wherever used in this Agreement (including the Preamble and Schedules), unless stated otherwise or the context otherwise requires, the terms defined in the Preamble have the respective meanings given to them therein, the terms defined in the Standard Terms and Conditions have the respective meanings given to them therein and the following terms have the following meanings:

- "Borrower's Authorised Representative" means the Ministry of Finance of the Borrower or such other person as the Minister of Finance may designate in writing.
- "Enforcement Policy and Procedures" means the Bank's Enforcement Policy and Procedures dated 4 October 2017.
- "Fiscal Year" means the Borrower's fiscal year commencing on 1 January and ending on 31 December of each year.
- "Loan Funds Transfer Agreement" means the agreement, in form and substance satisfactory to the Bank, to be entered into between the Borrower represented by the Ministry of Finance, the Ministry of Regional Development and Infrastructure of Georgia and the Project Entity pursuant to which the Borrower will transfer the proceeds of the Loan, on a non-refundable basis, to the Project Entity pursuant to the Loan Agreement and for the purpose of the implementation of the Project.
- "PIU" means the project implementation team referred to in Section 2.03 of the Project Agreement.
- "Special Account" means the special deposit account referred to in Section 2.03 and Schedule 3.
- "Tranche 1 Loan" means the maximum principal amount of the committed loan provided for in Section 2.01(b)(1) or, as the context may require, the principal amount thereof from time to time outstanding.
- "Tranche 2 Loan" means the maximum principal amount of the uncommitted loan provided for in Section 2.01(b)(2) or, as the context may require, the principal amount thereof from time to time outstanding.
- "Tranche 3 Loan" means the maximum principal amount of the uncommitted loan provided for in Section 2.01(b)(3) or, as the context may require, the principal amount thereof from time to time outstanding.

Section 1.03. Interpretation

In this Agreement, a reference to a specified Article, Section or Schedule shall, except where stated otherwise in this Agreement, be construed as a reference to that specified Article or Section of, or Schedule to, this Agreement.

ARTICLE II - PRINCIPAL TERMS OF THE LOAN

Section 2.01. Amount and Currency

- (a) The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of EUR 40,000,000.
- (b) The Loan shall consist of three tranches, as follows:
 - (1) Tranche 1 Loan in the amount of EUR 20,000,000;
 - (2) Tranche 2 Loan in the amount of EUR 10,000,000; and
 - (3) Tranche 3 Loan in the amount of EUR 10,000,000.
- (c) Notwithstanding anything to the contrary, expressed or implied, in this Agreement the Tranche 2 Loan and Tranche 3 Loan are uncommitted and accordingly EBRD shall have no obligation to make any Drawdowns under the Tranche 2 Loan and Tranche 3 Loan unless it shall have first determined in its absolute discretion that it is prepared to make the Tranche 2 Loan and Tranche 3 Loan available for disbursement and shall have notified the Borrower of such positive determination, if any. Without limiting the generality of the foregoing, the availability of the Tranche 2 Loan and Tranche 3 Loan shall also be subject to the satisfaction of conditions specified in Section 5.03.

Section 2.02. Other Financial Terms of the Loan

- (a) The Minimum Drawdown Amount shall be EUR 1,000,000.
- (b) The Minimum Prepayment Amount shall be EUR 2,000,000.
- (c) The Minimum Cancellation Amount shall be EUR 2,000,000.
- (d) The Interest Payment Dates shall be 15 April and 15 October of each year.
- (e)
 - (1) The Borrower shall repay the Loan in 20 equal (or as nearly equal as possible) semi-annual instalments on 15 April and 15 October of each year, with the first Loan Repayment Date being 15 October 2027 and the last Loan Repayment Date being 15 April 2037.
 - (2) Notwithstanding the foregoing, in the event that (i) the Borrower does not draw down the entire Loan amount prior to the first Loan Repayment Date specified in this Section 2.02.(e), and (ii) the Bank extends the Last Availability Date specified in Section 2.02.(f) below to a date which falls after such first Loan

Repayment Date, then the amount of each drawdown made on or after the first Loan Repayment Date shall be allocated for repayment in equal amounts to the several Loan Repayment Dates which fall after the date of such drawdown (with the Bank adjusting the amounts so allocated as necessary so as to achieve whole numbers in each case). The Bank shall, from time to time, notify the Borrower of such allocations.

(f) The Last Availability Date shall be the date falling on the fifth anniversary date of this Agreement, or such later date that the Bank may in its discretion establish and notify to the Borrower.

(g) The rate of the Commitment Charge shall be 0.5% per annum calculated on the Available Amount of the Tranche 1 Loan, the Available Amount of Tranche 2 Loan, and the Available Amount of Tranche 3 Loan. The Commitment Charge shall be payable on the Available Amount of the Tranche 1 Loan, the Available Amount of Tranche 2 Loan, and the Available Amount of Tranche 3 Loan, respectively on each Interest Payment Date (even though no interest may be payable on such date), commencing for the Tranche 1 Loan on the first Interest Payment Date following the Effectiveness, for Tranche 2 Loan on the first Interest Payment Date following the Tranche 2 Loan Availability Date, and for Tranche 3 Loan, on the first Interest Payment Date following the Tranche 3 Loan Availability Date.

(h) The Loan is subject to a Variable Interest Rate.

Section 2.03. Drawdowns and Special Account

(a) The Available Amount may be drawn down from time to time in accordance with the provisions of Schedule 2 to finance (1) expenditures made (or, if the Bank so agrees, to be made) in respect of the reasonable cost of goods, works and services required for the Project, and (2) the Front-end Commission. The Bank shall, on behalf of the Borrower, withdraw the Front-end Commission from the Available Amount of the Tranche 1 Loan on the Effective Date, or within seven (7) days thereafter and from the Available Amount of Tranche 2 Loan on the Tranche 2 Loan Availability Date, or within seven (7) days thereafter, and pay to itself the amount of such front-end commission.

(b) The Borrower shall, for purposes of the Project, open and maintain a special deposit account denominated in the Loan Currency at a treasury account of the Ministry of Finance at the National Bank of Georgia and maintained by the Project Entity on terms and conditions satisfactory to the Bank. If the Borrower wishes, and the Bank agrees, to make Drawdowns for deposit into, and direct payments out of, the Special Account (instead of Drawdowns pursuant to Section 2.03(a)), such Drawdowns shall be made in accordance with the provisions of Schedule 3.

ARTICLE III - EXECUTION OF THE PROJECT

Section 3.01. Other Affirmative Project Covenants

In addition to the general undertakings set forth in Articles IV and V of the Standard Terms and Conditions, the Borrower shall, unless the Bank otherwise agrees:

- (a) Make available to the Project Entity, pursuant to the Loan Funds Transfer Agreement, the proceeds of the Loan on terms and conditions acceptable to the Bank;
- (b) Exercise its rights under the Loan Funds Transfer Agreement and procure that the Project Entity exercises its rights under the Loan Funds Transfer Agreement in such manner as to protect the interests of the Borrower and the Bank, to comply with the provisions of this Agreement and to accomplish the purposes for which the Loan is made;
- (c) Not, except as the Bank otherwise agrees, assign, amend, abrogate or waive any provision of the Loan Funds Transfer Agreement;
- (d) Keep in force the Law on Energy Efficiency in Buildings adopted on 21 May 2020;
- (e) Cause the Project Entity to perform all of its obligations under the Project Agreement, including without limitation its obligations relating to:
 - (1) designation and operation of a project implementation unit as provided for in Section 2.03 of the Project Agreement;
 - (2) procurement of goods, works and services for the Project as provided for in Section 2.04 of the Project Agreement;
 - (3) environmental and social matters as provided for in Section 2.05 of the Project Agreement;
 - (4) employment and use of consultants to assist in the implementation of the Project as provided for in Section 2.06 of the Project Agreement;
 - (5) preparation and submission of reports on matters relating to the Project and to the Project Entity's operations as provided for in Section 2.07 of the Project Agreement;
 - (6) maintenance of procedures, records and accounts, preparation, auditing and submission to the Bank of financial statements and furnishing to the Bank any other relevant information relating to the Project or the Project Entity's operations as provided for in Section 3.01 of the Project Agreement;
 - (7) compliance with all covenants regarding financial and operational aspects of the Project and the Project Entity as provided for in Sections 3.02, 3.03 and 3.04 of the Project Agreement;

- (f) Take, or cause to be taken, all additional action necessary to provide adequate funds for the completion of the Project; and
- (g) Take all action to ensure that the proceeds of the Loan are applied exclusively to the implementation of the Project in accordance with Schedule 1.

ARTICLE IV - SUSPENSION; ACCELERATION; CANCELLATION

Section 4.01. Suspension

(a) The following are specified for purposes of Section 7.01(a)(xvii) of the Standard Terms and Conditions:

- (1) The legislative and regulatory framework applicable to the energy efficiency sector in the territory of the Borrower shall have been amended, suspended, abrogated, repealed or waived in a manner which materially and/or adversely affects the execution of the Project;
- (2) The Statutes, as defined in the Project Agreement, shall have been amended, suspended, abrogated, repealed or waived if such changes are inconsistent with any provision of this Agreement or could impair the ability of the Project Entity to comply with the terms of this Agreement;
- (3) Control of the Project Entity shall have been transferred to a party other than the Borrower;
- (4) The Project Entity shall have failed to perform any of its obligations under the Loan Funds Transfer Agreement; and
- (5) The Borrower shall have failed to perform any of its obligations under the Grant Agreement.

(b) The Bank may, by notice to the Borrower, cancel the Tranche 2 Loan and the Tranche 3 Loan at any time prior to the Bank notifying the Borrower that the Tranche 2 Loan and the Tranche 3 Loan are available for Drawdown in accordance with Section 2.01(c)

Section 4.02. Acceleration of Maturity

The following are specified for purposes of Section 7.06(f) of the Standard Terms and Conditions:

(a) Any event specified in Section 4.01 shall have occurred and continued without remedy for thirty (30) days after the notice thereof shall have been given by the Bank to the Borrower.

Section 4.03. Cancellation

If at any time the Bank determines that a payment from, or any use of, the Special Account has been made inconsistently with the requirements of Schedule 3 and establishes the amount of the Loan as to which such misuse applies, the Bank may, by notice to the Borrower, terminate the right of the Borrower to make Drawdowns with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled.

ARTICLE V - EFFECTIVENESS

Section 5.01. Conditions Precedent to Effectiveness

The following are specified for purposes of Section 9.02(c) of the Standard Terms and Conditions as additional conditions to the effectiveness of this Agreement and the Project Agreement:

- (a) The execution and delivery of the Grant Agreement on behalf of the Borrower has been duly authorised or ratified by all necessary governmental, corporate and administrative action and the Project Agreement on behalf of the Project Entity has been duly authorised by all necessary governmental, corporate and administrative action;
- (b) The Loan Funds Transfer Agreement and the Grant Funds Transfer Agreement, in form and substance satisfactory to the Bank, have been executed and delivered and all conditions precedent to their effectiveness or to the right of the Project Entity to make drawings thereunder, except only the effectiveness of this Agreement, have been fulfilled; and
- (c) The PIU, as defined in the Project Agreement, shall be designated with adequate resources and sustainable qualified personnel, under the terms of reference acceptable to the Bank.

Section 5.02. Conditions Precedent to First Drawdown

The following are specified as additional conditions to the first Drawdown under this Agreement:

- (a) The Project Implementation Support consultant as defined in Project Agreement shall be employed by the Project Entity and appropriate portion of funding of this technical cooperation shall be secured by the Project Entity.

Section 5.03. Conditions Precedent to the Commitment of the Tranche 2 Loan and the Tranche 3 Loan

The obligation of EBRD to make the first Drawdown, respectively of the Tranche 2 Loan and Tranche 3 Loan is subject to the notification by EBRD of the availability of the Tranche 2 Loan and the Tranche 3 Loan in accordance with Section 2.01(c) and to

the prior fulfilment, in form and substance satisfactory to the Bank, or at the sole discretion of Bank the waiver, whether in whole or part and whether subject to conditions or unconditional, of the following condition precedent:

(a) The final selection of public buildings (from a pre-selected list of public buildings proposed by the Ministry of Education and Science of Georgia) respectively for financing under Tranche 2 Loan and Tranche 3 Loan, in accordance with the eligibility criteria as defined in Schedule 1 to the Project Agreement has been made by the Project Entity and approved by the Bank on no objection basis.

Section 5.04. Legal Opinions

(a) For purposes of Section 9.03(a) of the Standard Terms and Conditions, the opinion or opinions of counsel shall be given on behalf of the Borrower by the Ministry of Justice; and

(b) An opinion of counsel on the Loan Funds Transfer Agreement shall be given (in form and substance satisfactory to the Bank) on behalf of the Borrower by the head of the legal department of the Ministry of Finance of Georgia and the following are specified as additional matters to be included in the opinion or opinions to be furnished to the Bank:

(1) the Loan Funds Transfer Agreement has been duly authorised by, and executed and delivered by the Ministry of Finance on behalf of, the Borrower and constitutes a valid and legally binding obligation of the Ministry of Finance of Borrower, enforceable in accordance with its terms; and

(c) For purposes of Section 9.03(c) of the Standard Terms and Conditions, the opinion or opinions of counsel shall be given on behalf of the Project Entity by the head of the legal unit and the following are specified as additional matters to be included in the opinion or opinions to be furnished to the Bank:

(1) the Loan Funds Transfer Agreement has been duly authorised by, and executed and delivered on behalf of, the Project Entity and constitutes a valid and legally binding obligation of the Project Entity, enforceable in accordance with its terms.

Section 5.05. Termination for Failure to Become Effective

The date 180 days after the date of this Agreement is specified for purposes of Section 9.04 of the Standard Terms and Conditions.

ARTICLE VI - MISCELLANEOUS

Section 6.01. Notices

The following addresses are specified for purposes of Section 10.01 of the Standard Terms and Conditions:

For the Borrower:

Ministry of Finance

16, Gorgasali Street
0114 Tbilisi
Georgia

Attention: Public Debt Management Department

E-mail: publicdebt@mof.ge

For the Bank:

European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN
United Kingdom

Attention: Operation Administration Department

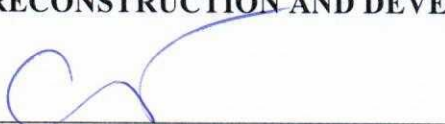
E-mail: OAD@ebrd.com

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorised representatives, have caused this Agreement to be signed in three copies and delivered at Tbilisi, Georgia as of the day and year first above written.

GEORGIA

By: 
Name: Ekaterina khutsishvili
Title: Minister of Finance

**EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

By: 
Name: Catarina Bjorlin Hansen
Title: Regional Director, Head of Caucasus

SCHEDULE 1 - DESCRIPTION OF THE PROJECT

1. The purpose of the Project is to finance the energy efficiency upgrade, new construction, reconstruction and holistic rehabilitation of public school buildings and related energy efficiency infrastructure to such buildings across Georgia.
2. The Project consists of the following subject to such modifications thereof as the Bank and the Borrower may agree upon from time to time:
 - (i) Upgrade, new construction, reconstruction and holistic rehabilitation of public school buildings as well as related energy efficiency infrastructure to such buildings, and
 - (ii) associated services.
3. The list of public buildings to be financed will be determined (pre-selected) by the Ministry of Education and Science of Georgia, or any successor thereof, in accordance with the indicative building selection criteria provided in Schedule 1 to the Project Agreement. The pre-selected list of public buildings should be provided to the Project Entity for its review and proposed final decision.
4. The Project is expected to be completed by 31 January 2027.

SCHEDULE 2 - CATEGORIES AND DRAWDOWNS

1. The table attached to this Schedule sets forth the Categories, the amount of the Loan allocated to each Category and the percentage of expenditures to be financed in each Category.
2. Notwithstanding the provisions of paragraph 1 above, no Drawdown shall be made in respect of:
 - (a) expenditures incurred prior to the date of the Loan Agreement; and
 - (b) in respect of expenditures under Category (1) until the Bank had received and approved the Environmental and Social Action Plan.
3. The expenditures under Category (1) shall be co-financed by the Grant Financing and the Loan Financing, as defined in Grant Agreement, in the amount and proportion to be determined in the Procurement Plan.

Attachment to Schedule 2

Category	Amount of the Loan Allocated in the Loan Currency	Percentage of Expenditures to be Financed
(1) Goods, Works and Services.		100% of contract value excluding any Taxes
- Tranche 1	- EUR 19,800,000.00	
- Tranche 2	- EUR 9,900,000.00	
- Tranche 3	- EUR 9,900,000.00	
(2) Front-end Commission		100%
- Tranche 1	- EUR 200,000.00	
- Tranche 2	- EUR 100,000.00	
- Tranche 3	- EUR 100,000.00	
Total	EUR 40,000,000	

SCHEDULE 3 - SPECIAL ACCOUNT

1. For purposes of this Schedule, the following terms shall have the following meanings:

- "Eligible Category" means Categories 1 and 2.
- "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods, works and services required for the Project which are to be financed out of the proceeds of the Loan and which are allocated from time to time to an Eligible Category in accordance with the provisions of Schedule 2.
- "Special Account Maximum Balance" means an amount equal to EUR 4,000,000.
- "Special Account Minimum Drawdown Amount" means an amount equal to EUR 2,000,000.

2. (a) Payments out of the Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.

(b) The Special Account is subject to independent audit at any time, as required by EBRD, but at least once a year following the date of the first Drawdown into the Special Account.

(c) Any independent audit of the Special Account shall be conducted by a firm of independent auditors acceptable to EBRD and on terms of reference acceptable to EBRD and will assess the compliance of payments made out of the Special Account with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened in accordance with terms and conditions acceptable to the Bank, including appropriate protection against set-off, seizure and attachment, the Borrower may draw down from the Available Amount and deposit into the Special Account an initial amount that shall not exceed the Special Account Maximum Balance and shall not be less than the Special Account Minimum Drawdown Amount.

4. Thereafter, the Borrower, or the Borrower through the Project Entity, may draw down additional amounts from the Available Amount and deposit such amounts into the Special Account, subject to the limitations specified in paragraph 6 below and satisfaction of the following conditions for each requested Drawdown:

(a) For each such replenishment the Borrower or the Borrower, through the Project Entity, shall have submitted to the Bank satisfactory documentation, including Special Account statements and a report, certified by the Project Entity's chief financial officer, to account for all payments made out of the Special Account by the Borrower (or by the Special Account bank on behalf of the Borrower) since the previous deposit was made and any other evidence requested by the Bank, to demonstrate that amounts disbursed from the Special Account have been properly applied in line with the provisions of the Loan Agreement.

(b) After giving effect to the requested Drawdown and deposit of the amount of such Drawdown into the Special Account, the balance of the Special Account shall not exceed the Special Account Maximum Balance.

(c) Except as the Bank may from time to time agree, the amount of the requested Drawdown for deposit into the Special Account shall not be less than the Special Account Minimum Drawdown Amount.

5. Without prejudice to the requirement of paragraph 4(a) above, the Borrower through the Project Entity shall furnish, at any time the Bank may reasonably request, a report on the balance and other details of the Special Account, including account statements and such other documents and evidence as the Bank may request to show that payments made from the Special Account have been made in accordance with the requirements set forth in this Schedule.

6. Notwithstanding the provisions of paragraph 4 of this Schedule, the Borrower shall not, unless the Bank otherwise agrees, draw down funds from the Available Amount for deposit into the Special Account:

(a) if, at any time, the Bank has determined that all further Drawdowns should be made in accordance with the provisions of Section 2.03(a); or

(b) once the Available Amount allocated to the Eligible Categories equals twice the amount of the Special Account Maximum Balance.

Thereafter, Drawdowns allocated to the Eligible Categories shall follow such procedures as the Bank may specify by notice to the Borrower. Such further Drawdowns shall be made only after and to the extent that the Bank has been satisfied that all amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

7. If the Bank determines at any time that any payment out of, or any use of, the Special Account:

(a) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or

(b) was not justified by the evidence furnished to the Bank;

then the Bank may require the Borrower to:

(1) provide such additional evidence as the Bank may request; and/or

(2) deposit into the Special Account (or, if the Bank so requests, repay to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified.

In the event the Bank makes such a determination under (a) or (b) above, no further Drawdowns shall, unless the Bank otherwise agrees, be made for deposit into the Special Account until such time as the Borrower has either (A) deposited into the Special Account or repaid to the Bank an amount equal to the amount of such payment (or portion thereof) determined not to be eligible or justified, or (B) provided additional

evidence satisfactory to the Bank that the amounts previously disbursed from the Special Account were applied properly.

8. If:

(a) the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover further payments for Eligible Expenditures; or

(b) the Bank directs the Borrower to repay to the Bank an amount pursuant to paragraph 7(2);

then the Borrower shall, promptly upon notice from the Bank, prepay to the Bank a portion of the Loan equal to such amount. For this purpose, the requirement that prepayments of the Loan must occur on Interest Payment Dates shall, subject to paragraph 10 below, be waived.

9. The Borrower may, upon prior notice to the Bank given in accordance with Section 3.07(a) of the Standard Terms and Conditions, prepay on any Interest Payment Date all or any portion of the funds deposited into the Special Account.

10. Any prepayment pursuant to paragraph 8 or 9 above shall be made in accordance with Section 3.07 of the Standard Terms and Conditions; provided, however, that (a) notwithstanding Section 3.07(c)(i)(A) of the Standard Terms and Conditions, such prepayment shall not be subject to the Minimum Prepayment Amount, and (b) any prepayment that is made on a date other than an Interest Payment Date shall be subject to payment of Unwinding Costs in accordance with Section 3.10 of the Standard Terms and Conditions. Any prepayment pursuant to paragraph 8 or 9 above shall be applied by the Bank in accordance with Section 3.07(c)(ii) of the Standard Terms and Conditions.