Financing Agreement

(Bihar Rural Roads Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated MAY 29, 2012
AGREEMENT dated May 29, 2019 entered into between INDIA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — CREDIT

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount of two hundred thirty five million United States Dollars (USD235,000,000) ("Credit"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Credit in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Credit Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Interest Charge payable by the Recipient for each Interest Period shall be at a rate equal to the Reference Rate for the Credit Currency plus the Fixed Spread; provided, however, that the Interest Charge payable shall in no event be less than zero percent (0%) per annum.

2.05. The Payment Dates are June 15 and December 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely, that BRRDA's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 30 days after notice of the event has been given by the Association to the Recipient and the Project Implementing Entity.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is any of the following officials, acting severally: the Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs of the Borrower’s Ministry of Finance.

6.02. The Recipient’s Address is:

Secretary
Department of Economic Affairs
Ministry of Finance
Government of India
North Block
New Delhi 110 001
India

Facsimile:

+91-11-23094075

6.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Facsimile:

1-202-477-6391
AGREED at NEW DELHI, India, as of the day and year first above written.

INDIA

By [Signature] 29/10/27 2017
Authorized Representative

Name: RAVI KUMAR
Title: JOINT SECRETARY

INTERNATIONAL DEVELOPMENT ASSOCIATION

By [Signature] 29/10/27 2017
Authorized Representative

Name: JUNAID KAMAL AHMED
Title: COUNTRY DIRECTOR, INDIA
SCHEDULE 1

Project Description

The objective of the Project is to improve Rural Roads connectivity in Project Districts, and enhance management of Rural Roads in Bihar.

The Project consists of the following parts:

Component 1: Rural Roads Improvement

1. **Civil Works for Rural Roads:** Constructing and/or improving/upgrading approximately 2,500 km of state Rural Roads core network and standalone bridges, in Project Districts under the MMGSY, including demonstration of new technologies to promote cost effective, modern, climate resilient, and environment friendly road construction.

2. **Design, implementation and Management Support:** (i) preparing cost-effective climate-resilient engineering designs and related surveys and investigations; (ii) carrying out engineering supervision of civil works; (iii) providing/hiring management services for the Project; (iv) implementing independent monitoring of quality of design and works, and contract compliance; and (v) carrying out independent monitoring/assessments of safeguards compliance and the achievement of Project outcomes.

3. **Pilots on Innovative Bridge Construction and Retrofitting Road Safety and Climate Resilient Measures:** (i) construction and improvement of bridges using innovative designs and climate resilient measures; and (ii) retrofitting road safety engineering measures and climate resilient measures on small parts of state Rural Roads core network.

Component 2: Asset Management & Institutional Effectiveness

Implementing a Road Sector Modernization Plan, through:

1. **Asset Management:** (a) Implementing RWD's Asset Management Plan by setting up a simple asset management system and preparing prioritized plans for capital works and maintenance, and revision of the state Rural Roads core network using remote sensing imageries; (b) supporting implementation of innovative maintenance contracts for at least twenty percent (20%) of the state core Rural Roads network to establish an effective road maintenance delivery system; and (c) establishing and implementing a climate resilience action plan for Rural Roads, including network level climate vulnerability assessment of roads and bridges and introduction of climate-resilient, cost-effective, and environmentally optimized road designs using local and waste materials.
2. **Institutional Effectiveness:** (a) Implementing RWD’s Human Resources Professional Development Strategy to acquaint RWD’s staff with the latest industry practices, providing training to contractors and their staff, and piloting projects for creating employment opportunities for the youth; (b) providing infrastructure and equipment support to RWD’s laboratories, offices and training facilities, survey and investigation teams; (c) carrying out studies to improve institutional effectiveness of RWD, as well as RWD’s contractors and consultants; (d) streamlining and computerizing RWD key business processes; (e) modernizing policies, engineering practices and business procedures within RWD through, inter alia, the development of a long-term Rural Roads vision and strategy, technical guidelines and manuals; and (f) carrying out studies for the improvement of rural transport services and designing incentives for private sector and women self-help groups’ involvement in such services.

3. **Road Safety Management:** Updating/improving Bihar’s Rural Road Safety Action Plan and support its implementation through the preparation of schemes for retrofitting road safety measures in the existing Rural Roads network, including capacity building of RWD staff and other related agencies, awareness programs for local governments, communities and work zone safety, and road safety audits of priority Rural Roads.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. On-lending Arrangements

1. To facilitate the Project Implementing Entity's carrying out of the Project, the Recipient shall make the proceeds of the Credit available to the Project Implementing Entity in accordance with the Borrower's standard arrangements for development assistance to the States of India.

2. Notwithstanding paragraph 1 above, in the event that any provision of this Agreement, including the instructions that the Association shall have specified by notice to the Recipient pursuant to Section IV.A.1 of this Schedule, were to be found inconsistent with the Recipient's standard arrangements for development assistance to the States of India, the provisions of this Agreement and related instructions shall prevail.

3. The Recipient shall at all times protect its own interests and the interests of the Association to accomplish the purposes of the Credit.

B. Anti-Corruption

The Recipient shall ensure, and cause the Project Implementing Entity to ensure, that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall, and shall cause the Project Implementing Entity to, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain, and cause to be maintained, a financial management system for the Project in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause the Project Implementing Entity to prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have, and cause the Project Implementing Entity to have, the Project's Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient and the Project Implementing Entity, commencing with the fiscal year in which the first withdrawal was made. The audited Financial Statements for each such period shall be furnished to the Association not later than nine (9) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-Consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and M of the Procurement Guidelines, or Sections I, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-Consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-Consulting Services. The following methods, other than International Competitive Bidding,
may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions set forth in the Procurement Plan; (c) Shopping; (d) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association; (e) Direct Contracting; (f) Force Account; (g) Procurement from UN Agencies; and (h) Procurement under Public Private Partnership Arrangements in accordance with procedures which have been found acceptable to the Association.

C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of UN Agency; (g) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (h) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (i) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Credit

A. General

1. The Recipient may withdraw the proceeds of the Credit in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Credit ("Category"), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants' services, Training and Workshops, and Operating Costs for the Project</td>
<td>235,000,000</td>
<td>70%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>235,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed USD 47,000,000 may be made for payments made prior to this date but on or after January 1, 2016, for any Eligible Expenditures.

2. The Closing Date is December 31, 2022.
SCHEDULE 3
Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage) *</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each June 15 and December 15</td>
<td>2.5%</td>
</tr>
<tr>
<td>Commencing on June 15, 2022 to and including December 15, 2041</td>
<td></td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid.
APPENDIX

Section I. Definitions


2. “Asset Management Plans” means the asset management plan to be prepared pursuant to Section I.C.2.(a) of the Schedule to the Project Agreement, as amended from time to time with the prior written concurrence of the Association.

3. “Bihar” means the Borrower’s State of Bihar (hereunder, also referred to as the Project Implementing Entity).

4. “BRRDA” means Bihar Rural Roads Development Agency, a society established and registered on December 12, 2003, under the Recipient’s Societies Registration Act. 1860, as amended to date, and operating according to its Memorandum of Association and Rules and Regulations, under the aegis of the RWD.

5. “BRRDA’s Legislation” means the Memorandum of Association and Rules and Regulations dated December 10, 2003, as amended to the date of this Agreement.

6. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


8. “Credit Currency” means the currency in which the Credit is denominated.

9. “Displaced Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impact on the livelihoods of such persons.

10. “ECoPs” means the Project Implementing Entity’s/BRRDA’s environmental code of practices for the MMGSY program, dated October 10, 2016, and disclosed at the Association’s Infoshop on October 24, 2016, for purposes of the Project; which sets forth the acceptable standards to be followed/adhered to by the Project Implementing Entity, BRRDA and BRRDA’s contractors for the handling of
environmental aspects during preparation, construction and post-construction phases of civil work; as such code may be revised, updated or supplemented from time to time with the prior written concurrence of the Association.

11. "EMF" means the Project Implementing Entity's/BRRDA's environmental management framework for the MMGSY program, dated October 10, 2016, setting forth the guiding principles, processes and procedures for: (a) the screening of Project activities and the identification of any adverse or positive environmental impacts caused, or expected to be caused, on account of their implementation; and (b) the preparation and implementation of prescribed environmental management documents pursuant to Section I.D.2 of the Project Agreement; as such framework may be revised, updated or supplemented from time to time with the prior written concurrence of the Association.


13. "Fixed Spread" means the Association's fixed spread for the Credit Currency in effect at 12:01 a.m. Washington, D.C. time, one calendar day prior to the date of this Agreement and expressed as a percentage per annum.

14. "FM Manual" means the manual dated October 18, 2016, and adopted by BRRDA for purposes of the Project; which manual provides for detailed guidance on segregation of financial management duties, internal control protocols, accounting and record keeping procedures, funds flow arrangements, withdrawal applications procedures, reporting and auditing arrangements applicable to the Project; as such manual may be revised, updated or supplemented, from time to time, with the prior written concurrence of the Association.

15. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

16. "GIS" means geographic information system.

17. "Human Resource Professional Development Strategy" means the Project Implementing Entity's human resources strategy to be prepared pursuant to Section I.C.2.(b) of the Schedule to the Project Agreement, as amended from time to time with the prior written concurrence of the Association.

18. "Interest Period" means the initial period from and including the date of this Agreement to but excluding the first Payment Date occurring thereafter, and after the initial period, each period from and including a Payment Date to but excluding the next following Payment Date.
19. "IT" means information technology.

20. "LIBOR" means for any Interest Period, the London interbank offered rate for deposits in the relevant Credit Currency for six months, expressed as a percentage per annum, that appears on the Relevant Rate Page as of 11:00 a.m. London time on the Reference Rate Reset Date for the Interest Period.


22. "Operating Costs" means the reasonable costs of incremental expenditures incurred by the Project Implementing Entity and/or BRRDA on account of Project implementation, management and monitoring, including, inter alia: (i) costs of incremental staff salaries (other than consultants); (ii) dissemination of Project related information; (iii) office rental and leasing operation and maintenance of equipment; (iv) office supplies and utilities; (v) travel and boarding/lodging allowances; (vi) leasing, operation and maintenance of vehicles; (vii) advertising and communication expenses; and (viii) bank charges.

23. "PIU(s)" means collectively the Project implementation units established by the RWD in all Project Districts for purposes of carrying out the MMGSY program, and referred to in Section I.A.2(c) of the Schedule to the Project Agreement.


25. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated October 20, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

26. "Project Districts" means, collectively, Bihar’s Districts of Araria, Banka, Buxar, Chapra, East Champaran, Gopalganj, Vaishali, Katihar, Patna and Purnea, and any other district agreed in writing from time to time between the Project Implementing Entity and the Association.

27. "Project Implementing Entity" means the Borrower’s State of Bihar (hereunder, also referred to as Bihar).

28. "Reference Rate" means, for any Interest Period:

   (a) LIBOR. If such rate does not appear on the Relevant Rate Page, the Association shall request the principal London office of each of four major banks to provide a quotation of the rate at which it offers six-month
deposits in Dollar to leading banks in the London interbank market at approximately 11:00 a.m. London time on the Reference Rate Reset Date for the Interest Period. If at least two such quotations are provided, the rate for the Interest Period shall be the arithmetic mean (as determined by the Association) of the quotations. If less than two quotations are provided as requested, the rate for the Interest Period shall be the arithmetic mean (as determined by the Association) of the rates quoted by four major banks selected by the Association in the relevant Financial Center, at approximately 11:00 a.m. in the Financial Center, on the Reference Rate Reset Date for the Interest Period for loans in Dollar to leading banks for six months. If less than two of the banks so selected are quoting such rates, the Reference Rate for Dollar for the Interest Period shall be equal to the Reference Rate in effect for the Interest Period immediately preceding it; and

(b) if the Association determines that LIBOR has permanently ceased to be quoted for the United States Dollar, such other comparable reference rate for the relevant currency as the Association shall reasonably determine.

29. “Reference Rate Reset Date” means the day two London Banking Days prior to the first day of the relevant Interest Period (or in the case of the initial Interest Period, the day two London Banking Days prior to the first or fifteenth day of the month in which this Agreement is signed, whichever day immediately precedes the date of this Agreement; provided that if the date of this Agreement falls on the first or fifteenth day of such month, the Reference Rate Reset Date shall be the day two London Banking Days prior to the date of this Agreement).

30. “Relevant Rate Page” means the display page designated by an established financial market data provider selected by the Association as the page for the purpose of displaying the Reference Rate for deposits in the Credit Currency.

31. “Rural Roads Safety Action Plan” means the Project Implementing Entity’s road safety plan to be prepared pursuant to Section I.C.2.(c) of the Schedule to the Project Agreement, as amended from time to time with the prior written concurrence of the Association.

32. “Rural Road Maintenance Policy” mean Project Implementing Entity’s policy for the maintenance of Rural Roads approved on February 25, 2014, pursuant to RWD’s Letter No. 533.

33. “Road Sector Modernization Plan” means the Project Implementing Entity’s road safety plan approved on October 25, 2016 pursuant to RWD’s Letter No. 4868.
34. "Rural Roads" means the Project Implementing Entity's village roads and other district roads as defined by the Indian Roads Congress (IRC), New Delhi, India, and included in the MMGSY program.

35. "RWD" means the Bihar's Rural Works Department, or any successor thereto. The term RWD shall be construed as including BRRDA.

36. "Safeguard Documents" means collectively, the EMF, the ECoP, the SMF and the VF, as well as the documents (to be) prepared pursuant to Section I.D.2 of the Schedule to the Project Agreement.


38. "SMF" means the Project Implementing Entity's/BRRDA's social management framework for the MMGSY program, dated October, 2016, and disclosed at the Association's Infoshop on October 24, 2016, setting forth the guiding principles and acceptable standards and procedures for: (a) the screening of Project activities and the identification, assessment and mitigation of any potential Project-related social impact, as well as the entitlement schedule for any Displaced Persons; (b) the guidelines for land donation processes, as well as the monitoring and reporting requirements in relation thereto; (c) the mechanism for processing of complaints and redressing grievances; and (d) the preparation and implementation of prescribed resettlement measures identified pursuant to Section I.D.2 of the Schedule to the Project Agreement; as such framework may be revised, updated or supplemented from time to time with the prior written concurrence of the Association.

39. "Training and Workshops" means the reasonable cost of trainings, seminars, workshops, conferences and study tours, conducted in the territory of the Recipient and/or overseas, including: (a) the fees of training institutions and courses; (b) domestic and international travel costs, lodging costs, and subsistence/per diem allowances both for trainers and trainees; (c) the rental of training facilities; and (d) preparation, purchase or reproduction of training materials.

40. "VF" means the Project Implementing Entity's/BRRDA's vulnerability framework for the MMGSY program, dated October, 2016, and disclosed at the Association's Infoshop on October 24, 2016, setting for the guiding principles, acceptable standards and procedures for: (a) consulting with Vulnerable Communities and ensuring that the development process generated by the Project addresses their needs and promotes distributional equity among Project affected populations, while reinforcing the capacities of Vulnerable Communities to preserve their historical
identity; and (b) designing and implementing any development plans that might be required pursuant to Section I.D.2 of the Schedule to the Project Agreement; as such framework may be revised, updated or supplemented from time to time with the prior written concurrence of the Association.

41. "Vulnerable Communities" means any distinct, vulnerable, social and cultural group within the territory of the Project Implementing Entity, that: (i) self-identifies as such and claims, and is recognized by others as, having a distinguishable cultural identity; (ii) has collective attachment to geographically distinct habitats or ancestral territories in the Project area, and to the natural resources in these habitats and territories; (iii) has customary cultural, economic, social and political institutions that are separate from those of the dominant society and culture; and (iv) has an indigenous language, often different from the official languages of the Recipient.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. The last sentence of Section 3.01 (b) is modified to read as follows:

   "The Commitment Charge shall be computed using a day-count convention reasonably determined by the Association".

2. Section 3.02 is modified to read as follows:

   "Section 3.02. Interest Charge

   The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest Charges shall be computed using a day-count convention reasonably determined by the Association."

3. Section 3.03 is modified by deleting paragraph (b) in its entirety and amending the remaining provision to read as follows:

   "Section 3.03. Repayment of the Credit

   The Recipient shall repay the Withdrawn Credit Balance to the Association in installments as provided in the Financing Agreement."

4. Section 3.04 is modified to read as follows:

   "Section 3.04. Prepayment"
(a) After giving not less than forty-five days' notice to the Association, the Recipient may repay the Association in advance of maturity, as of a date acceptable to the Association, all or any part of the principal amount of one or more maturities of the Credit specified by the Recipient, provided the Recipient has made payments due on the Credit as at such date, including any prepayment premium calculated pursuant to paragraph (b) of this Section.

(b) The prepayment premium payable under paragraph (a) of this Section shall be an amount reasonably determined by the Association to represent any gains or losses to the Association arising from the termination of any interest rate risk management transactions undertaken by the Association with respect to the Credit.

5. A new Section 3.11 is added to read as follows:

"Section 3.11. Cancellation Premia on Payment Failure, Cancellation, Suspension, Acceleration or Refund of the Credit

The Recipient shall pay to, or be entitled to receive from, the Association a cancellation premium that the Association shall reasonably determine represents any losses or gains to the Association arising from the termination of any interest rate risk management transactions undertaken by the Association with respect to the Credit as a result of: (i) the Recipient’s failure to make payment (notwithstanding the fact that such payment may have been made by a third party) of principal, interest, service charges or any other amount due to the Association under this Agreement; (ii) any cancellation, suspension or acceleration of the Credit under Article VI of these General Conditions; or (iii) any refund of the Credit. The Recipient shall pay any cancellation premium due to the Association not later than sixty days after notice shall have been given by the Association."

6. Paragraph 28 of the Appendix ("Financing Payment") is modified by substituting the words "the Service Charge" with the words "the Interest Charge".

7. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the subsequent paragraphs accordingly:

"32. "Interest Charge" means the charge specified in the Financing Agreement for the purpose of Section 3.02."

8. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by substituting the words "Service Charges" with the words "Interest Charges".

9. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is deleted in its entirety.