Loan Agreement

(Third Industrial Credit Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

UDRUŽENA KOSOVSKA BANKA PRISTINA

Dated July 26, 1978
AGREEMENT, dated July 26, 1978, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and UDPUZENA KOSOVSKA BANKA PRIŠTINA, acting in its own behalf and on behalf of its founder banks (hereinafter called the Borrower and hereinafter sometimes also referred to as KEP), a Bank established and operating under the laws of the Socialist Federal Republic of Yugoslavia and pursuant to a Self-Management Agreement dated January 13, 1978 (hereinafter called the Self-Management Agreement) and operating within the Socialist Autonomous Province of Kosovo (hereinafter called Kosovo).

WHEREAS (A) the Borrower has requested the Bank to assist in the financing of the Project as hereinafter defined by making the Loan as hereinafter provided;

(B) the Socialist Federal Republic of Yugoslavia (hereinafter called the Guarantor), in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to guarantee the Loan as to payment of principal, interest and other charges;

(C) the Bank has entered into three loan agreements of even date herewith with Privredna Banka Sarajevo Udružena Banka (hereinafter sometimes called PBS), Stopanska Banka Skopje Združena Banka (hereinafter sometimes called SBS) and Investiciona Banka Titograd Udružena Banka (hereinafter sometimes called IBT) whereunder the Bank has agreed to make to PBS, SBS and IBT each a loan in an amount equivalent to $20,000,000 (such loans hereinafter collectively called the Other Loans and each of such loans being hereinafter sometimes referred to as an Individual Loan) in order to assist PBS, SBS and IBT in the financing of similar types of projects consisting of various Investment Projects (as defined in said agreements) in Bosnia and Herzegovina, Montenegro and Macedonia (as these terms are hereinafter defined), said loan agreements being sometimes called the Other Loan Agreements;

(D) the Borrower on the one hand and PBS, SBS and IBT on the other hand have agreed to cooperate with each other in the carrying out of their respective projects to be financed out of the proceeds of the Loan and of the Other Loans, through a Unit as further described in Schedule 4 to this Agreement and in Schedule 3 of each of the Other Loan Agreements; and
WHEREAS the Bank has agreed, on the basis inter alia of the foregoing, to make the Loan to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated March 15, 1974, with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 2 to this Agreement (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, 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) (i) "Bosnia and Herzegovina", (ii) "Montenegro" and (iii) "Macedonia" mean the respective Socialist Republic of such name.

(b) "Unit" means the unit established jointly by, and in agreement between the Borrower and PBS, SBS and IBT pursuant to Section 6.01 of the Second Loan Agreement and to be maintained in accordance with Section 3.01 (b) of this Agreement, all for the purpose of the cooperation among each other as described in Recital D of the Preamble to this Agreement.

(c) "Sub-unit" means the sub-unit established by the Borrower, pursuant to the provisions of Section 6.01 of the Second Loan Agreement and to be maintained in accordance with Section 3.01 (b) of this Agreement.

(d) "Sub-loan" means a loan or credit made or proposed to be made by the Borrower out of the proceeds of the Loan to an Investment Enterprise for an Investment Project and "free-limit sub-loan" means a sub-loan, as so defined, which qualifies as a
free-limit sub-loan pursuant to the provisions of Section 2.02 (b) of this Agreement.

(e) "Investment Enterprise" means an industrial enterprise to which the Borrower proposes to make or has made a sub-loan.

(f) "Investment Project" means a specific development project to be carried out by an Investment Enterprise utilizing the proceeds of a sub-loan, provided, however, that such a development project shall not include any project in the agricultural sector.

(g) "Labor Intensive Investment Project" means an Investment Project the value of whose fixed assets (including permanent working capital) shall, when divided by the number of jobs to be created or to be maintained as a result of the Investment Project, not exceed the equivalent of $23,000 in current prices.

(h) "Special Investment Projects" means collectively and individually the three Investment Projects consisting of one industrial battery plant in Pec, one non-metallic battery parts plant in Zrze, and one lead smelter and refining plant in Žvečan, respectively, to be approved by the Bank pursuant to the provisions of paragraph (a) of Section 2.02 of this Agreement, all of which provide for high total employment at a moderate cost per job, shall be expected to export a large part of their production, are expected to use local raw material, are located in underdeveloped communes in Kosovo and which are expected to help diversify the industrial sector of Kosovo.

(i) "Borrower's Statutes" means the Statutes of the Borrower dated May 28, 1973 as may be amended from time to time.

(j) "Statement of Operations and Policies for the Project" means the statement of lending and investment operations and policies for the Project set forth in Part C of Schedule 4 to this Agreement, as such statement may be amended from time to time with the prior approval of the Bank.

(k) "Social Accounting Service" means the Sluzba Drustvenog Knjigovodstva referred to in Article 77 and in paragraph (5) of Article 281 of the Constitution of the Guarantor.

(1) "Prior Loan Agreement" means Loan Agreement number 1012-YU between the Bank and SBS, Subsidiary Loan Agreement
entered into by SBS and KBP in accordance with Loan number
1012-YU, Loan Agreement number 1013-YU between the Bank and PBS
and Subsidiary Loan Agreement entered into by PBS and IBT in
accordance with Loan number 1013-YU and "Prior Loan" means any
loan provided for therein.

(m) "Second Loan Agreement" means loan agreement number
1277-YU between the Bank on the one hand and PBS, SBS, IBT and
the Borrower on the other hand and "Second Loan" means the loan
provided for therein.

(n) "Guidelines" means the "Guidelines for Procurement
under World Bank Loans and IDA Credits" published by the Bank in
March 1977.

(o) "Dinars" and "Din" mean Dinars in the currency of the
Guarantor.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower,
on the terms and conditions in the Loan Agreement set forth
or referred to, an amount in various currencies equivalent to
forty million dollars ($40,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn
from the Loan Account in accordance with the provisions of Sched-
ule 1 to this Agreement, as such Schedule may be amended from time
to time: (i) for amounts paid (or, if the Bank shall so agree, for
amounts to be paid) by the Borrower on account of withdrawals
made by an Investment Enterprise under a sub-loan (A) to meet the
reasonable cost of goods and services incurred in currencies other
than Dinars required for the Investment Project in respect of
which the withdrawal from the Loan Account is requested, or (B) to
meet the ex-factory cost of items manufactured in Yugoslavia which
shall have been procured in accordance with international competi-
tive bidding procedures consistent with those set forth in the
Guidelines; or (ii) on account of expenditures made (or, if the
Bank shall so agree, to be made) in the currency of any country
other than the Guarantor and for goods and services supplied from
the territory of any country other than the Guarantor in respect
of the reasonable cost of goods and services required on account
of technical assistance provided to the Borrower as set forth in paragraph (a) of Section 3.01 of this Agreement; provided, however, that, in the case of sub-loans, no withdrawal shall be made in respect of such sub-loan unless (i) the sub-loan shall have been approved by the Bank, or (ii) the sub-loan shall be a free-limit sub-loan for which the Bank shall have authorized withdrawals from the Loan Account.

(b) A free-limit sub-loan shall be a sub-loan for an Investment Project in an amount to be financed out of the proceeds of the Loan which shall not exceed the sum of (i) $1,000,000 equivalent, when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Loan or of the Prior Loan or of the Second Loan for such Investment Project or (ii) $12,000,000 equivalent, when added to all other free-limit sub-loans financed or proposed to be financed out of the proceeds of the Loan, the foregoing amounts being subject to change from time to time as determined by the Bank.

(c) Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made on account of (i) expenditures before the date of this Agreement or (ii) expenditures by an Investment Enterprise in respect of a sub-loan subject to the Bank's approval if such expenditures shall have been made more than ninety days prior to the date on which the Bank shall have received in respect of such sub-loan the application and information required by Section 2.03 (a) of this Agreement or, in respect of a free-limit sub-loan, more than ninety days prior to the date on which the Bank shall have received in respect of such free-limit sub-loan the request and information required by Section 2.03 (b) of this Agreement.

(d) Any of the three Special Investment Projects may be substituted by another Investment Project, subject to the Bank's approval of such Investment Project pursuant to the provisions of paragraph (a) of Section 2.02 of this Agreement, provided, however, that the value of fixed assets (including permanent working capital) of such Investment Project shall, when divided by the number of jobs to be created or to be maintained as a result of such Investment Project, not exceed the equivalent of $60,000 in current prices.

Section 2.03. (a) When presenting a sub-loan (other than a free-limit sub-loan) to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to
the Bank, together with (i) a description of the Investment Enterprise and an appraisal of the Investment Project, including the financing plan for the Investment Project and a description of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) a description of the procurement procedures followed or to be followed by the Investment Enterprise in carrying out the Investment Project; (iii) the recommendations of the Sub-Unit; (iv) the proposed terms and conditions of the sub-loan including the schedule of amortization of the sub-loan; and (v) such other information as the Bank shall reasonably request.

(b) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of a free-limit sub-loan shall contain (i) a summary description of the Investment Enterprise and the Investment Project, including the financing plan for the Investment Project and a description of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) the recommendations of the Sub-Unit; (iii) a description of the procurement procedures followed or to be followed by the Investment Enterprise in carrying out the Investment Project; and (iv) the terms and conditions of the sub-loan, including the schedule of amortization thereof.

(c) Except as the Bank and the Borrower shall otherwise agree, applications and requests made pursuant to the provisions of paragraphs (a) and (b) of this Section shall be presented to the Bank on or before June 30, 1981.

(d) Except as the Bank shall otherwise agree, the Borrower shall submit to the Bank for its approval or authorization, Labor Intensive Investment Projects for which the estimated reasonable foreign currency cost for goods and services to be financed out of the proceeds of the Loan shall be equivalent in the aggregate to at least $5,000,000.

Section 2.04. The Closing Date shall be December 31, 1982 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.
Section 2.06. The Borrower shall pay interest at the rate of seven and one-half per cent (7.50%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on June 15 and December 15 in each year.

Section 2.08. (a) The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement as such Schedule shall be amended from time to time by the Bank to the extent required to: (i) conform in relevant part substantially to the aggregate of the amortization schedules applicable to sub-loans which have been approved or authorized for withdrawals from the Loan Account under Section 2.02 of this Agreement and; (ii) take into account any cancellation pursuant to Article VI of the General Conditions and any repayments made by the Borrower under Section 2.09 of this Agreement; provided that repayments due hereunder shall be made on June 15 and December 15 in each year. Any portion of the principal amount of the Loan withdrawn from the Loan Account on account of expenditures made or to be made in respect of the reasonable cost of goods and services required on account of technical assistance provided to the Borrower shall, except as otherwise agreed between the Bank and the Borrower, be applied pro rata to the several maturities of the principal amount of the Loan and such amendments of said Schedule 2 shall provide therefor. Such amendments of said Schedule 2 shall further include amendments to the table of premiums on prepayment, if necessary.

(b) The amortization schedule applicable to each sub-loan shall provide for an appropriate period of grace, and, unless the Bank and the Borrower shall otherwise agree (i) shall not extend beyond fifteen years from the date of this Agreement, and (ii) shall provide for approximately equal semi-annual, or more frequent, aggregate payments of principal and interest or approximately equal semi-annual, or more frequent, payments of principal.

(c) The Borrower shall transmit to the Bank, for its prior approval, any substantial changes proposed to be made by the Borrower in respect of the repayment provisions of any sub-loan.

Section 2.09. Unless the Bank and the Borrower shall otherwise agree:

(a) If a sub-loan or any part thereof shall be repaid to the Borrower in advance of maturity or if a sub-loan or any part
thereof shall be sold, transferred, assigned or otherwise disposed of for value by the Borrower, the Borrower shall promptly notify the Bank and shall repay to the Bank on the next following interest payment date, together with the premiums specified in Schedule 1 to this Agreement or in any amendment thereof under Section 2.08 (a) of this Agreement, the amount withdrawn from the Loan Account in respect of such sub-loan or part thereof and not theretofore repaid to the Bank.

(b) Any amount so repaid by the Borrower shall be applied by the Bank, to the maturity or maturities of the Loan in amounts corresponding to the outstanding amounts of the maturity or maturities of the sub-loan so repaid or disposed of.

(c) Paragraph (b) of Section 3.05 of the General Conditions shall not apply to any repayment made under paragraph (a) of this Section.

ARTICLE III
The Project; Management and Operations of the Borrower

Section 3.01. (a) The purpose of the Project is to assist the Borrower in financing such productive facilities and resources in Kosovo as will contribute to the economic and social development of Kosovo. The Project consists of (i) the financing of specific development projects through loans to industrial enterprises in Kosovo as specified in the Statement of Operations and Policies for the Project, and (ii) the carrying out by the Borrower of a technical assistance program consisting of: (A) marketing advice covering individual sub-sectors focusing on the identification of new project areas, to be secured from consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank, (B) review of large projects prepared by large Investment Enterprises to be carried out with the assistance of consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank, (C) technical advice for projects already in production which are experiencing operational difficulties to be secured by the Borrower through consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank, and, (D) foreign training for the Borrower's staff or for the staff of a project already in production, the purpose of each such training assignment to be satisfactory to the Bank.
(b) The Borrower shall carry out the Project with due
diligence and efficiency and in accordance with the Statement
of Operations and Policies for the Project and, to that end, the
Borrower shall, under arrangements satisfactory to the Bank, maintain
in cooperation with PBS, SBS and IBT the Unit and the
Sub-Unit, with the composition and functions set forth in Sched-
dule 4 to this Agreement, and the Borrower shall have the Sub-
Unit review every one of its proposed Investment Projects and
sub-loans therefor and make appropriate recommendations thereon to
the Borrower before the Borrower shall make any application or
request to the Bank for approval or authorization of withdrawals
in respect of such sub-loans.

Section 3.02. (a) The Borrower undertakes that, unless the
Bank shall otherwise agree, any sub-loan will be made on terms
and conditions consistent with the Statement of Operations and
Policies for the Project and on additional terms and conditions
whereby the Borrower shall obtain, by written contract with the
Investment Enterprise or by other appropriate legal means, rights
adequate to protect the interests of the Bank and the Borrower,
including, in the case of any sub-loan, the right of the Borrower
to: (i) require the Investment Enterprise to carry out and operate
the Investment Project with due diligence and efficiency and in
accordance with sound technical, financial and managerial stan-
dards and to maintain adequate records; (ii) require that: (1) the
goods and services to be financed out of the proceeds of the Loan
shall be procured in accordance with the requirement set forth in
paragraphs 6 (g) and 6 (h) of Schedule 4 to this Agreement, and
(2) such goods and services shall be used exclusively in the
carrying out of the Investment Project; (iii) inspect, by itself
or jointly with representatives of the Bank if the Bank shall so
request, such goods and the sites, works, plants and construction
included in the Investment Project, the operation thereof, and any
relevant records and documents; (iv) require that: (1) the Invest-
ment Enterprise shall take out and maintain with responsible
insurers such insurance, against such risks and in such amounts,
as shall be consistent with sound business practice; and (2) with-
out any limitation upon the foregoing, such insurance shall cover
hazards incident to the acquisition, transportation and delivery
of goods financed out of the proceeds of the Loan to the place of
use or installation, any indemnity thereunder to be made payable
in a currency freely usable by the Investment Enterprise to
replace or repair such goods; (v) obtain all such information as
the Bank or the Borrower shall reasonably request relating to the
foregoing and to the administration, operations and financial
condition of the Investment Enterprise; and (vi) suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Loan upon failure by such Investment Enterprise to perform its obligations under its contract with the Borrower.

(b) The Borrower shall exercise its rights in relation to each Investment Project in such manner as to: (i) protect the interests of the Bank and the Borrower, (ii) comply with its obligations under this Agreement, and (iii) achieve the purposes of the Project.

Section 3.03. The Borrower shall maintain records adequate to record the progress of the Project and of each Investment Project (including the cost thereof, the amount of financing provided by the Borrower, disbursements, repayments, interest and other charges on such financing, including the sub-loan therefor) and furnish to the Bank such information concerning such records as the Bank shall from time to time reasonably request.

Section 3.04. (a) The Borrower shall furnish to the Bank at regular intervals all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the Unit and Sub-Unit, their procedures, operations and records, the Investment Enterprises, the Investment Projects, and the sub-loans and, where appropriate, the benefits to be derived from the Loan, the Project, the Investment Projects and the sub-loans.

(b) During the first calendar quarter of 1984, or such other period as the Bank may agree, the Borrower shall in cooperation with SBS, PBS and IBT, through the Unit, prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operations of the Investment Projects financed out of the proceeds of the Loan, their costs and the benefits derived and to be derived from them, the performance by the Borrower, SBS, PBS and IBT and the Bank of their respective obligations under the Loan Agreement and the Other Loan Agreements and the accomplishment of the purposes of the Loan and of the Other Loans.

Section 3.05. The Borrower shall at all times continue to conduct its operations and affairs, including the Project, in accordance with appropriate financial and investment standards and practices, with qualified and experienced management and staff, and in accordance with its Self-Management Agreement and its Statutes.
Section 3.06. The Borrower shall take or cause to be taken all necessary measures to ensure that all complementary financing shall be available to any Investment Enterprise in Kosovo as and when required to enable the Investment Enterprise to carry out its Investment Project in a timely manner.

Section 3.07. Unless the Bank shall otherwise agree, the Borrower undertakes to charge on its domestic resources made available to the Investment Projects, annual rates of interest differentiated according to the following distribution:

(i) Social Sector Investment Projects: not less than 6%; and

(ii) Private Sector Investment Projects: not less than 5%.

ARTICLE IV

Financial Covenants

Section 4.01. The Borrower shall maintain procedures and records adequate to monitor and record the progress of the Project and of each Investment Project (including its cost and the benefits to be derived from it) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower.

Section 4.02. The Borrower shall: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited in accordance with sound auditing principles consistently applied, by the Social Accounting Service or another competent and experienced independent auditing organization acceptable to the Bank; (ii) furnish to the Bank, as soon as available but in any case not later than six months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the accounts and financial statements of the Borrower and the audit thereof as the Bank shall from time to time reasonably request.
Section 4.03. (a) The Borrower represents that at the date of this Agreement no lien exists on any of its assets as security for any debt.

(b) The Borrower undertakes that, except as the Bank shall otherwise agree: (i) if any lien shall be created on any assets of the Borrower or any founder bank of the Borrower, as security for any debt, such lien will equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and that in the creation of any such lien express provision will be made to that effect at no cost to the Bank; and (ii) if any statutory lien shall be created on any assets of the Borrower or any founder bank of the Borrower, as security for any debt, the Borrower shall grant, at no cost to the Bank, an equivalent lien satisfactory to the Bank to secure the payment of the principal of, and interest and other charges on, the Loan; provided, however, that the foregoing provisions of this paragraph shall not apply to: (A) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (B) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after the date on which it is originally incurred.

Section 4.04. The Borrower shall not make any repayment in advance of maturity in respect of any outstanding debt of the Borrower which, in the judgment of the Bank, would materially affect the Borrower's ability to meet its financial obligations.

Section 4.05. The Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance of their respective obligations under this Agreement, the staff of the Borrower and procedures of the Unit and Sub-Unit, the administration, operations and financial condition of the Borrower, and to any other matters relating to the purposes of the Loan.

Section 4.06. The Borrower shall furnish to the Bank all such information as the Bank shall from time to time reasonably request concerning its administration, operations and financial condition, the progress of the Project and the general status of the Loan.

Section 4.07. The Borrower shall comply with any reasonable request of the Bank for the Bank's representatives to inspect the
records referred to in Section 3.03 or Section 4.01 of this Agreement and any relevant documents.

Section 4.08. The Borrower shall take all such steps satisfactory to the Bank as shall be necessary to protect itself against risk of loss resulting from changes in the rates of exchange between the currencies (including Dinars and including interest paid or to be paid or received or to be received on account of such currencies) used in its lending and borrowing operations.

ARTICLE V

Remedies of the Bank

Section 5.01. For the purposes of Section 6.02 of the General Conditions the following additional events are specified:

(a) any part of the principal amount of any loan to the Borrower having an original maturity of one year or more shall, in accordance with its terms, have become due and payable in advance of maturity as provided in the relative contractual instruments, or any security for any such loan shall have become enforceable;

(b) a change shall have been made in the Self-Management Agreement or in the Statutes of the Borrower which will materially and adversely affect the financial condition or operations of the Borrower or the carrying out of the Project; and

(c) the Guarantor or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Borrower or for the suspension of the operations of the Borrower.

Section 5.02. For the purposes of Section 7.01 of the General Conditions the following additional events are specified namely that the event specified in paragraph (a) or paragraph (b) or paragraph (c) of Section 5.01 shall occur.

ARTICLE VI

Miscellaneous

Section 6.01. The date of October 24, 1978, is hereby specified for the purposes of Section 12.04 of the General Conditions.
Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Bank:

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

Cable address: INTBAFRAD
Telex: 440098 (ITT), 248423 (RCA)

For the Borrower:

Udružena Kosovska Banka Priština
Ul. Goleška 3
Priština
Yugoslavia

Cable address: BANKKOS
Telex: 18-149

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Martijn J.W.M. Paijmans
Acting Regional Vice President
Europe, Middle East and North Africa

UDRUŽENA KOSOVSKA BANKA PRIŠTINA

By /s/ Josip Kulisic
Authorized Representative
SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan and the allocation of the amounts of the Loan to each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sub-loans for Labor Intensive Investment Projects</td>
<td>5,000,000</td>
</tr>
<tr>
<td>(2) Sub-loans for Special Investment Projects:</td>
<td></td>
</tr>
<tr>
<td>(a) Battery plant in Pec</td>
<td>5,500,000</td>
</tr>
<tr>
<td>(b) Non-metallic battery parts plant in Zrse</td>
<td>4,200,000</td>
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<tr>
<td>(c) Lead smelter and refining plant in Zvečan</td>
<td>10,300,000</td>
</tr>
<tr>
<td>(3) Sub-loans for other Investment Projects</td>
<td>14,700,000</td>
</tr>
<tr>
<td>(4) Technical Assistance</td>
<td>300,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>40,000,000</td>
</tr>
</tbody>
</table>

2. If the estimate of disbursements under any Category or any sub-Category shall change, the amount of the Loan then allocated to, and no longer required for, such Category or such sub-Category may be reallocated, at the request of the Borrower, to any other Category or sub-Category, subject to the approval of the Bank.
3. If the Bank shall have reasonably determined that the procurement of any item in any Category or sub-Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.
### SCHEDULE 2

#### Amortization Schedule*

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<thead>
<tr>
<th>Date Payment Due</th>
<th>Payment of Principal (expressed in dollars)**</th>
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<td>December 15, 1980</td>
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<td>June 15, 1981</td>
<td>400,000</td>
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<tr>
<td>December 15, 1988</td>
<td>1,600,000</td>
</tr>
<tr>
<td>June 15, 1989</td>
<td>1,200,000</td>
</tr>
<tr>
<td>December 15, 1989</td>
<td>800,000</td>
</tr>
<tr>
<td>June 15, 1990</td>
<td>600,000</td>
</tr>
<tr>
<td>December 15, 1990</td>
<td>400,000</td>
</tr>
<tr>
<td>June 15, 1991</td>
<td>400,000</td>
</tr>
<tr>
<td>December 15, 1991</td>
<td>200,000</td>
</tr>
<tr>
<td>June 15, 1992</td>
<td>200,000</td>
</tr>
<tr>
<td>December 15, 1992</td>
<td>200,000</td>
</tr>
<tr>
<td>June 15, 1993</td>
<td>200,000</td>
</tr>
</tbody>
</table>

* The Amortization Schedule is subject to amendment pursuant to the provisions of Section 2.08 of the Loan Agreement.

** To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.
Premiums on Prepayment

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or to Section 2.09 (a) of the Loan Agreement:

<table>
<thead>
<tr>
<th>Time of Prepayment</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not more than three years before maturity</td>
<td>1.50%</td>
</tr>
<tr>
<td>More than three years but not more than six years before maturity</td>
<td>3.00%</td>
</tr>
<tr>
<td>More than six years but not more than eleven years before maturity</td>
<td>5.50%</td>
</tr>
<tr>
<td>More than eleven years but not more than thirteen years before maturity</td>
<td>6.50%</td>
</tr>
<tr>
<td>More than thirteen years before maturity</td>
<td>7.50%</td>
</tr>
</tbody>
</table>
SCHEDULE 3

Modifications of the General Conditions

For the purposes of the Loan Agreement, the provisions of the General Conditions are modified as follows:

(1) The following subparagraph (d) is added to Section 3.05:

"(d) The Bank and the Borrower may from time to time agree upon arrangements for prepayment of the Loan and the application of such prepayment in addition to, or in substitution for, those set forth in paragraph (b) of Section 3.05."

(2) The words "Investment Projects" are substituted for the words "the Project" at the end of Section 5.03.

(3) Section 6.03 is deleted and replaced by the following new Section:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) by the date specified in paragraph (c) of Section 2.03 of the Loan Agreement no applications or requests permitted under paragraph (a) or paragraph (b) of such Section shall have been received by the Bank in respect of any portion of the Loan, or having been so received, shall have been denied, or (c) after the Closing Date an amount of the Loan shall remain unwithdrawn from the Loan Account, or (d) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may by notice to the Borrower terminate the right of the Borrower to submit such applications or requests or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice such amount or portion of the Loan shall be cancelled."
SCHEDULE 4

The Unit and Sub-Units;  
Statement of Operations  
and Policies for the Project

A. Composition

1. The Unit shall consist of four Sub-Units, one each from PBS, SBS, IBT and KBP. The Sub-Unit of KBP shall consist of three members appointed by KBP within its staff and acceptable to the Bank, one of these members being designated by KBP as head of the Sub-Unit. The head of such Sub-Unit shall in cooperation with the heads of the Sub-Units of PBS, SBS, and IBT select among the heads of said four Sub-Units one of them to serve as Chairman of the Unit for a minimum period of six months.

2. The Unit and Sub-Units shall meet as and when necessary.

3. The Borrower shall provide the required supporting staff for the Unit and the respective Sub-Unit in cooperation with PBS, SBS and IBT.

B. Functions

4. The Unit:
   
   (a) shall, on a uniform basis for PBS, SBS, IBT and KBP, coordinate the preparation of appropriate reports concerning information referred to in Section 3.04 and Section 4.06 of this Agreement and of each of the Other Loan Agreements, and forward to the Bank such reports, in such detail as the Bank shall request, and all such other information as the Bank shall from time to time reasonably request;
   
   (b) shall, in consultation with the Bank, propose to PBS, SBS, IBT and KBP through the Sub-Units appropriate time schedules and procedures for supervision and evaluation of Investment Projects and shall assist PBS, SBS, IBT and KBP through the Sub-Units in carrying out such supervision and evaluation;
   
   (c) shall maintain on behalf of PBS, SBS, IBT and KBP close relations with the Bank and assist the Bank's representatives in any inspection of Investment Projects financed out of the proceeds of the Loan and of each of the Other Loans and in exchange of
views with PBS, SBS, IBT and KRP on matters relating to the Loan, each of the Other Loans, the Project and the project financed out of the proceeds of each of the Other Loans; and

(d) shall prepare the report described in paragraph (b) of Section 3.04 of the Loan Agreement.

5. The Sub-Unit of the Borrower:

(a) shall review each proposed Investment Project and related application or request for a sub-loan on the basis of a detailed appraisal of the Investment Project prepared by the Borrower, in accordance with the Statement of Operations and Policies for the Project;

(b) shall, after its review, make recommendations to the Borrower on each Investment Project and related sub-loan as to its conformity to the Statement of Operations and Policies for the Project and suggest any modifications required to achieve such conformity;

(c) shall assist the Borrower in establishing and maintaining appropriate records as provided for in Section 3.03 of the Loan Agreement, in such detail as the Bank shall request;

(d) shall provide the Unit with such information concerning the Borrower referred to in Section 3.04 and Section 4.06 of the Loan Agreement; and

(e) shall, in coordination with the Unit, assist the Borrower in carrying out supervision and evaluation of Investment Projects.

C. Statement of Operations and Policies for the Project

6. Investment Projects, and sub-loans for Investment Projects, shall conform to the following:

(a) Investment Projects will be limited to development projects in manufacturing, processing and small basic industries (excluding agro-industrial projects), provided, however, that Labor Intensive Investment Projects may be submitted to the Bank for approval or authorization for any type of industrial development project, except agro-industrial projects.
(b) Except for Special Investment Projects, Investment Projects will be limited to small-sized and medium-sized projects, normally not exceeding the equivalent of $10,000,000 in total cost unless the sub-loan is to be made to an Investment Enterprise for an Investment Project the value of whose fixed assets (including permanent working capital) shall, when divided by the number of jobs to be created or to be maintained as a result of the Investment Project, not exceed the equivalent of $40,000 in current prices.

(c) Except for Labor Intensive Investment Projects and Special Investment Projects, the amount of a sub-loan to be financed out of the proceeds of the Loan shall, with respect to any Investment Project, normally not exceed the equivalent of $3,000,000.

(d) Investment Projects should provide satisfactory financial and economic rates of return, on the basis of detailed and realistic estimates of costs and benefits, in addition to meeting normal criteria of technical feasibility of the Investment Project, marketability of its production and creditworthiness and managerial competence of the Investment Enterprise. Normally, Investment Projects with an internal financial rate of return of less than 11% will be excluded. If the economic rate of return is calculated to be less than 11%, a particular justification will be required.

(e) The Investment Enterprise shall have a satisfactory financial structure. Normally, its long-term debt-to-equity ratio shall not exceed three to one unless, if higher, the appraisal of the Investment Project should indicate that such ratio shall be reduced below the above limit within a reasonable period of time.

(f) Sub-loans for Investment Projects will be made for a term consistent with the requirements of the Loan Agreement and related to the useful life of the assets financed by the sub-loan, or for a shorter term if consistent with the debt servicing capacity of the Investment Enterprise, will be repayable in the same currencies as the corresponding principal amount of the Loan used for the purpose and will carry interest, payable with respect to that portion of the rate of interest corresponding to the rate of interest thereon to be paid by the Borrower to the Bank on account of the Loan in the same currencies as the principal, at an annual rate of not less than 11% of the principal amount outstanding. For the purpose of Section 2.08 (b), a period of grace
of up to five years for Investment Projects appropriately co-financed with other foreign exchange resources and when suitably justified and up to three years for other Investment Projects may be deemed appropriate.

(g) Procurement of the goods and services (except consulting services):

(i) Contracts for goods and services to be financed in whole or in part out of the proceeds of the Loan, estimated to cost the equivalent of $2,000,000 or more, shall be awarded on the basis of international competitive bidding procedures in accordance with the Guidelines unless the Borrower shall have satisfied the Bank that such procedures are not appropriate for such award.

(ii) With respect to each contract for goods and services to be financed in whole or in part out of the proceeds of the Loan and not governed by the preceding subparagraph (i) the procurement of such goods and services shall be made in accordance with sound commercial practices at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and, in the case of services, of their quality and the competence of the parties rendering them, due consideration being given to the desirability to apply international competitive bidding procedures.

(h) With respect to (A) all contracts for goods and services to be financed in whole or in part out of the proceeds of the Loan estimated to cost the equivalent of $4,000,000 or more and which are to be procured in accordance with the Guidelines on the basis of international competitive bidding procedures, and (B) whenever the Bank shall so reasonably request, all such other contracts for goods and services to be financed in whole or in part out of the proceeds of the Loan and which are to be procured in accordance with the Guidelines on the basis of international competitive bidding:

(i) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the
invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(ii) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to which it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(iii) The terms and conditions of the contract shall not, without the Bank's concurrence, materially differ from those on which bids were asked or prequalification invited.

(iv) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

(i) Each Investment Project will be subject to close supervision by the Borrower in accordance with the procedures proposed by the Unit.