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A.I.D. Loan No. 489-H-065

L O A N A G R E E M E N T

(Korea: Chungju Ammonia/Urea Plant)

BETWEEN THE

REPUBLIC OF KOREA

CHUNGJU FERTILIZER CORPORATION

AND THE

UNITED STATES OF AMERICA

Date: SEP 25 1969

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LOAN AGREEMENT

AGREEMENT, dated the 25 of SEP, 1969, between the REPUBLIC OF KOREA ("Borrower"), the CHUNGJU FERTILIZER CORPORATION ("Beneficiary"), and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D."):

1. The Loan and the Project

SECTION 1.1. The Loan. A.I.D. hereby agrees to lend Borrower, for the use of and, under Section 7 hereunder, to be relent to Beneficiary, pursuant to the Foreign Assistance Act of 1961, as amended, up to Five Million Dollars (\$5,000,000) to assist in financing the reasonable United States dollar costs of certain goods and services required for the Project, as defined in Section 1.2 hereof. Goods and services financed hereunder are hereinafter referred to as "Eligible Items" and the aggregate amount disbursed hereunder is hereinafter referred to as "Principal."

SECTION 1.2. The Project. As used in this Agreement, "Project" shall mean the engineering and construction at Chungju, Korea of a modern total energy recovery, centrifugal compressor ammonia plant with design capacity of 907 metric tons per day; and a new urea plant with a production capacity of 700 metric tons per day. The Project is generally described in the feasibility study entitled, "Feasibility Study for Ammonia/Urea Plants, Chungju, Korea," prepared by John van der Valk & Associates, dated August, 1968; and in the Borrower's Loan Application, dated February 26, 1969.

2. Borrower Repayment Terms

SECTION 2.1. Interest. Borrower will pay semiannually to A.I.D., in dollars, interest on the unrepaid Principal and on unpaid interest due. Such interest shall accrue from the dates of the respective disbursements hereunder, the first such interest payment to be due and payable no later than six (6) months after the first such disbursement on a date to be specified by A.I.D. Interest will accrue at a rate of two percent (2%) per annum for ten (10) years after the first disbursement hereunder and at a rate of three percent (3%) per annum thereafter; all interest hereunder shall be computed on the basis of a three hundred sixty-five (365) day year. Disbursements hereunder will be deemed to occur on the date on which payment by A.I.D. is made either directly to Borrower or its designee or to a banking institution pursuant to a commitment document.

SECTION 2.2. Principal. Borrower shall repay the Principal in United States dollars within forty (40) years from the date of the first disbursement under the loan in level semiannual installments of principal and interest, including a grace period of ten (10) years. Upon completion of disbursement A.I.D. will furnish an Amortization Schedule.

SECTION 2.3. Application and Place of Payment. All payments will be applied first to the payment of any interest due and then to the repayment of Principal. All payments are to be made to the Controller, United States Agency for International Development, Seoul, Korea, or to such other payee or at such other address as A.I.D. may designate, and will be deemed to have been paid when there received.

SECTION 2.4. Prepayment. Borrower will have the right to prepay without penalty, on any date on which interest is due, all or any part of the Principal. Any prepayment will be applied first to the payment of any accrued interest and then to the remaining installments of Principal in the inverse order of their maturity.

3. Conditions Precedent

SECTION 3.1. Conditions Precedent to Initial Financing. Unless A.I.D. otherwise agrees in writing, prior to the issuance of the first letter of commitment, or prior to any other form of disbursement, there shall be furnished to A.I.D., in form and substance satisfactory to A.I.D.:

(a) Opinions of the Minister of Justice of the Borrower and of the principal legal officer of Beneficiary, or of other counsel satisfactory to A.I.D., that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, Borrower and Beneficiary and constitutes a valid and legally binding obligation of Borrower and Beneficiary in accordance with its terms. ✓

(b) The name of the person or persons who will act as the representative or representatives of Borrower and Beneficiary pursuant to Section 8.2 of this Agreement, together with evidence of his or their authority and a specimen signature of each such person, certified as to its authenticity by either the persons rendering the legal opinions pursuant to Section 3.1 (a) or the persons executing this Agreement (or the duly authorized successors of such persons). ✓

(c) Evidence of firm commitments from U.S. and foreign lending institutions and/or suppliers for all foreign exchange funds required for the Project, on reasonable terms, in addition to those to be provided under this Loan Agreement.

(d) An executed contract between the Beneficiary and a qualified U.S. engineering and construction firm for the design and construction and start up of the new ammonia and urea facilities.

(e) An executed contract between Beneficiary and a qualified U.S. engineering firm to advise the Beneficiary through all phases of project implementation, including design, procurement, construction and startup.

(f) Evidence that the Beneficiary has appointed a fulltime Project Manager for the Project with authority and responsibility for coordinating all phases of the Project.

(g) Evidence that adequate local currency will be available on a timely basis throughout the construction and start-up phases of the Project.

SECTION 3.2. Conditions Precedent with Respect to Financing Other Than Engineering Services. Unless A.I.D. otherwise agrees in writing, prior to the issuance of letters of commitment, or prior to any other form of disbursement, for any Eligible Items other than engineering services, there shall be furnished to A.I.D. in form and substance satisfactory to A.I.D.:

(a) A specific list of items or categories of items of machinery, equipment and materials to be financed with the proceeds of this Loan Agreement.

SECTION 3.3. Terminal Date for Fulfillment of Conditions Precedent.

Except as A.I.D. may otherwise agree in writing, if the conditions required by Section 3.1 have not all been satisfied within one hundred and eighty (180) days after the execution of this Agreement, or if the condition required by Section 3.2 has not been satisfied within two hundred and forty (240) days after the execution of this Agreement, or if the condition required by Section 3.1(c) has not been satisfied within sixty (60) days after the execution of this Agreement, A.I.D. may at any time thereafter terminate this Agreement by giving notice to Borrower and to Beneficiary. Upon any such termination, and notwithstanding any other provisions of this Agreement, Borrower will repay to A.I.D. the unpaid Principal, if any, and any accrued interest. Upon full payment in accordance with the foregoing, all other obligations of Borrower and A.I.D. under this Agreement will cease. Beneficiary, if it is responsible for the failure to perform, will pay Borrower in Korean currency the equivalent, as computed in accordance with applicable provisions of this Agreement, of the amount paid to A.I.D. under this Section.

4. Disbursements

SECTION 4.1. Requests for Letters of Commitment. To obtain disbursements, Beneficiary may from time to time request A.I.D. to issue, and subject to the provisions of this Agreement A.I.D. shall issue, letters of commitment to one or more banks in the United States designated by Beneficiary and satisfactory to A.I.D. committing A.I.D. to reimburse such bank or banks for payments made, through letters of credit or

otherwise, to Beneficiary or any designee of Beneficiary, pursuant to such documentation or requirements as A.I.D. may prescribe. Requests for letters of commitment shall be endorsed by Borrower and shall certify that to Beneficiary's and Borrower's knowledge no events of default exist under this or any other A.I.D. loan to which A.I.D., Borrower and Beneficiary are all parties. Banking charges incurred in connection with letters of commitment and disbursements will be for the account of Beneficiary and may be financed hereunder.

SECTION 4.2. Other Forms of Disbursement. Disbursements may also be made through such other means as Borrower, Beneficiary, and A.I.D. may agree to in writing.

SECTION 4.3. Terminal Date for Requests for Commitment Documents and for Disbursements. Except as A.I.D. may otherwise agree in writing, no letters of commitment will be issued in response to requests received by A.I.D. after eighteen (18) months from the date of execution of this Loan Agreement, and no disbursements will be made against documentation received after three (3) years from the date of execution of this Loan Agreement.

5. Records, Reports and Inspections

SECTION 5.1. Maintenance of Records. Borrower and Beneficiary will maintain, or cause to be maintained, books of account, in accordance with sound accounting principles, and records adequate to identify all Eligible Items and to disclose the use thereof in the Project. Such books and records will be maintained for such periods as A.I.D. may require and may be audited during such periods and in such manner as A.I.D. may require.

SECTION 5.2. Reports. Borrower and Beneficiary will furnish A.I.D. such information and reports related to the Project, Eligible Items, and this Loan as A.I.D. may reasonably request.

SECTION 5.3. Inspections. The authorized representatives of A.I.D. will have the right at all reasonable times, whether prior to completion of the Project or subsequent thereto, to inspect the Project, the utilization of all Eligible Items, the books and records referred to in Section 5.1, and any other documents, correspondence, memoranda, or records relating to this Loan or the Project. Borrower and Beneficiary will cooperate with A.I.D. to facilitate such inspection and will afford a reasonable opportunity for authorized representatives of A.I.D. to visit any part of the Republic of Korea for any purpose related to this loan.

6. Covenants and Warranties Concerning the Project

SECTION 6.1. Particular Covenants and Warranties. Until Beneficiary has discharged in full its payment obligations under this Agreement, and except as A.I.D. may otherwise agree in writing:

(a) The Borrower covenants that, if the Beneficiary for any reason is unable to provide all funding for the Project, necessary funds, whether foreign exchange or local currency, will be timely made available on terms acceptable to A.I.D.

(b) The Beneficiary covenants not to incur additional long-term debt (i.e., debt maturing in more than twelve months from the date of its incurrence) without first obtaining written approval of A.I.D.

(c) The Borrower covenants that railway rolling stock, pipelines or other means of transport for naphtha and ammonia will be made available, and will remain available, in adequate quantity and of adequate quality to permit the orderly accomplishment of the goals of the Project.

(d) The Borrower covenants not to approve, or undertake the construction of, additional production facilities or expansion of existing facilities for ammonia or urea production during a three year period following the date of this Agreement, until and unless such actions are justified and supported by economic, technical and financial studies acceptable to the Borrower and to A.I.D. The Borrower hereby warrants that no such approval or undertaking has been made subsequent to February 26, 1969, the date when application for the loan was submitted by the Borrower.

(e) The Borrower and the Beneficiary covenant to utilize, to the maximum extent consistent with the requirements of the Project, such excess United States Government-owned property of appropriate quality as A.I.D. may determine is available for the Project at reasonable cost and within a reasonable time.

(f) Section 201.65 of A.I.D. Regulation 1, as amended, will apply to payments of service fees, commissions and discounts relative to Eligible Items financed hereunder. The Borrower and Beneficiary will abide by such instructions as A.I.D. may issue with respect to implementing this policy.

(g) The Beneficiary covenants to keep its properties and business insured with financially sound and reputable insurance companies against loss or damage in such manner and to the same extent as shall be customary with regard to property and business of like character in comparable circumstances.

7. Beneficiary Repayment Terms

SECTION 7.1. Principal Repayments and Interest Payments by Beneficiary.

(a) Borrower will relend the proceeds of this Loan to Beneficiary. Beneficiary will repay to Borrower the proceeds of the Loan in Korean currency in accordance with Section 7.2 hereunder. Interest will accrue on the unrepaid Korean currency debt hereunder at the rate of eight and three quarters percent ($8\frac{3}{4}\%$) per annum, computed on the basis of a three hundred sixty-five (365) day year. Both principal and interest will be paid in Korean currency. Interest will accrue from the dates of the respective disbursements hereunder and will be payable semi-annually, the first such payment to be due and payable six (6) months after the first disbursement. Beneficiary will repay the principal and pay interest to the Borrower in level semiannual installments within eighteen (18) years from the date of first disbursement hereunder, the first installment to be due and payable three (3) years from the date of first disbursement hereunder. Principal and interest payments due but not paid on any semiannual payment date will accrue interest until fully paid.

(b) Beneficiary will have the right to prepay, without penalty, all or any part of the local currency debt due the Borrower on any date on which interest under subsection (a) above is due and payable. Any such payment will be applied first to payment of any accrued interest and then to the remaining installments of principal in the inverse order of maturity.

(c) Except as A.I.D. may otherwise agree, all such payments (principal and interest) will be deposited in an account established for this purpose only and such deposits will be used only for such purposes as are agreed upon by A.I.D. and Borrower.

SECTION 7.2. Rate of Exchange. With respect to principal repayments and interest payments made to the Borrower by Beneficiary pursuant to Section 7.1 of this Loan Agreement:

(a) The amount of Korean currency equivalent to United States dollar amount for which payment is due will be computed on the basis of the rate of exchange prescribed in subsection (c) below applicable to such payment, provided that in any case where payment is made after the due date for that payment, A.I.D. may require that it be computed on the basis of the prescribed rate of exchange existing on the date of payment.

(b) In the event there is no prescribed rate of exchange on the due date for a payment, the amount of Korean currency equivalent to the United States dollar amount of the obligation for which payment is due will be computed and paid on the basis of the prescribed rate of exchange existing on the date nearest preceding the due date for the payment on which such a rate can be ascertained. Within sixty (60) days after the first date after such due date on which a current prescribed rate of exchange can be ascertained, Beneficiary will, upon the request of A.I.D., make prompt payment to the Borrower or the Borrower, upon request by A.I.D., will make prompt reimbursement to Beneficiary of the amount of Korean currency required to make the total payment of

Korean currency equivalent in value to the United States dollar amount of the obligation against which the payment was made, computed on the basis of the prescribed rate of exchange existing on the first date following such due date on which such a rate can be ascertained.

(c) For purposes of this Section, the prescribed rate of exchange between Korean currency and United States dollars on any particular date will be the effective rate of exchange at which United States dollars are sold or offered for sale on that date in exchange for Korean currency to residents of the Republic of Korea, exclusive of Government entities, for effecting:

- i) The payment of interest and repayment of principal on loans;
- ii) The transfer of dividends and other forms of earnings on capital investments in the Republic of Korea; and
- iii) The transfer of investment capital;

provided, that there is only one such rate in the Republic of Korea for such transactions. If there is no such single rate of exchange applicable to all three categories of transactions referred to in the preceding sentence, the applicable rate of exchange on any particular date will be the highest (i.e., the largest number of units of Korean currency per United States dollar) effective rate of exchange at which United States dollars are sold or offered for sale on that date to residents of the Republic of Korea, exclusive of Government entities, to effect transactions within any of the three categories referred to in the preceding sentence.

8. Miscellaneous

SECTION 8.1. Eligibility Date. The Eligibility Date will be the date of execution of this Agreement.

SECTION 8.2. Designation of Representatives.

(a) All actions required or permitted to be performed or taken under this Agreement by Borrower, Beneficiary, or A.I.D. may be performed by their respective duly authorized representatives.

(b) Borrower hereby designates the Minister of the Economic Planning Board and the Beneficiary hereby designates its President as authorized representatives for all matters relating to the implementation of the project and for all dealings with A.I.D. Upon written notice to A.I.D. this authority may be delegated by Borrower and/or Beneficiary to other authorized representatives.

(c) The Borrower hereby designates the Minister of Economic Planning Board and the Beneficiary hereby designates its President as the officials who will have authority to agree on behalf of Borrower or Beneficiary to any modification of this Agreement.

(d) Until receipt by A.I.D. of written notice of revocation of the authority of any representative designated under this Section 8.2, A.I.D. may accept the signature of such representative on any instrument as conclusive evidence that any action effected by such instrument is authorized by the party of which he is such representative.

SECTION 8.3. Communications. Any communication or document given, made, or sent by Borrower, Beneficiary, or A.I.D. pursuant to this Agreement will be in writing and will be deemed to have been duly given,

made, or sent to the party to which it is addressed when it is delivered by hand or by mail, telegram, cable, or radiogram to such party at the following addresses:

To Borrower:

Mail Address:

Minister of Economic Planning Board
Republic of Korea Government
Seoul, Korea

Cable Address:

EPB, ROK
Seoul, Korea

To Beneficiary:

Mail Address:

Chungju Fertilizer Corporation
#68, Kyun Chi Dong, Chong Ro Ku
I.P.O. Box 1714
Seoul, Korea

Cable Address:

CHUNGJUUREA
Seoul, Korea

To A.I.D.:

Mail Address:

Director
Agency for International Development - Korea
c/o American Embassy
Seoul, Korea

Cable Address:

USAID
c/o American Embassy
Seoul, Korea

Other than cables, communications addressed to A.I.D. should be in triplicate.

All communications and documents submitted to A.I.D. hereunder will be in English, and all technical and engineering specifications therein will be in English. All technical and engineering specifications therein will be in terms of United States standards except as A.I.D. may otherwise agree in writing.

SECTION 8.4. Ocean Shipment. At least fifty percent (50%) of the gross tonnage of all Eligible Items (computed separately for dry bulk carriers, dry cargo liners, and tankers) which is transported on ocean vessels will be transported on privately owned United States flag commercial vessels. No goods may be financed hereunder which are transported on any ocean vessel:

- (a) which A.I.D. in a notice to Borrower has designated as ineligible to carry A.I.D.-financed commodities, or
- (b) which has been chartered for the carriage of A.I.D.-financed commodities unless such charter has been approved in advance by A.I.D.

SECTION 8.5. Ocean Freight Charges. A.I.D. will reimburse with respect to any shipment by U.S. liner vessel under berth terms only 90% of the total transportation charges prepaid or to be collected by the carrier in return for the issuance of a bill of lading covering the entire movement of goods to a named port of destination; with respect to any shipment by U.S. liner vessel under free-out terms or by vessel chartered by supplier or importer under free-out terms, A.I.D. will reimburse 98% of such charges. It will be the Borrower's and Beneficiary's responsibility to pay the difference in transportation charges.

SECTION 8.6. Insurance on Goods in Transit. Except as A.I.D. may otherwise agree in writing, Beneficiary shall insure, or cause to be insured, all goods financed under the Loan against risks incident to their transit to the point of their use in the Project. Such insurance shall be issued upon terms and conditions consistent with sound commercial practice, shall insure the full value of the goods, and shall be payable in United States dollars.

9. Annex

SECTION 9.1. Standard Provisions Annex. There is attached hereto and made a part hereof a Standard Provisions Annex. All terms used therein shall have the same meaning as such terms are given herein.

REPUBLIC OF KOREA

BY: Signed
Kim, Hak Yul
Deputy Premier and Minister
Economic Planning Board

CHUNGJU FERTILIZER CORPORATION

BY: Signed
Pak, Chin Suk, President

UNITED STATES OF AMERICA

BY: Signed
Henry J. Costanzo, Director
USAID/Korea

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PROJECT LOAN

STANDARD PROVISIONS ANNEX - KOREA

100. Covenants Concerning Procurement

SECTION 100.1. Source of Procurement. All Eligible Items, including transportation services and marine insurance, shall have both their source and origin in the United States. Transportation services procured from a United States flag carrier shall be deemed to have their source and origin in the United States. Marine insurance issued in the United States by a company authorized to do a marine insurance business in any state of the United States of America shall be deemed to have its source and origin in the United States. All other goods and services, except transportation services, obtained for the Project shall have their source and origin in the Borrowing Country, the United States, or countries included in Code 899 of the A.I.D. Geographic Code Book as in effect at the time such goods or services are procured, provided that all Eligible Items shall be transported to the Borrowing Country on carriers of the Borrowing Country or countries included in Code 899 of the A.I.D. Geographic Code Book as in effect at the time such transportation is procured. This Section 100.1 shall be construed in accordance with A.I.D. regulations, as amended from time to time.

SECTION 100.2. Method of Procurement. No more than reasonable prices shall be paid for any Eligible Item and all such items (except architectural, engineering, management and such other professional services as A.I.D. may specify) shall be procured on a fair competitive basis. Reasonable prices (except for the foregoing professional services) should normally approximate the lowest competitive price for the Eligible Item procured, operating costs, quality, time and cost of delivery, terms of payment, and other factors considered. Prices for Eligible Items which are procured in bulk within the United States shall not exceed the market price prevailing in the United States at the time of purchase, and prices for such items which are procured in bulk outside the United States, if such procurement is authorized by this Agreement, shall be lower than such United States market prices, such prices to be adjusted for differences in the cost of transportation to destination, quality, and terms of payment.

SECTION 100.3. Date of Procurement. No goods and services may be financed hereunder which arise out of orders or contracts firmly placed or entered into prior to the Eligibility Date.

SECTION 100.4. Small Business Notification. In order that American small business shall have the opportunity to participate in furnishing Eligible Items, Beneficiary or Borrower, as appropriate, shall, at such time prior to ordering or contracting for any Eligible Item estimated to cost more than the equivalent of Five Thousand United States dollars (\$5,000) as A.I.D. may specify, cause to be received by A.I.D. such information concerning Eligible Items as A.I.D. may require.

SECTION 100.5. Marine Insurance. If, in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, the Borrowing Country, by statute, decree, rule or regulation, favors any insurance company of any country over any marine insurance company authorized to do business in any state of the United States of America, goods financed hereunder shall during the continuance of such discrimination be so insured in the United States with a company or companies authorized to do a marine insurance business in any state of the United States of America.

SECTION 100.6. Construction Contracts - Third Country Personnel. Contracts for construction work financed by this loan and the employment of persons who are not nationals of the Republic of Korea or of the United States to perform such work will be subject to the conditions stated in A.I.D. Regulation No. 7, as amended.

SECTION 100.7. Construction Contractors - Investment Guaranties. Any construction work (including any major equipment installation) to be financed under this Agreement is hereby stated to be a project approved by the Government of the Republic of Korea pursuant to the Agreement between the Government of the Republic of Korea and the Government of the United States of America on the subject of investment guaranties effected by the exchange of notes dated February 19, 1960 and supplemented by the exchange of notes dated April 16, 1965, and no further approval by the Government of the Republic of Korea shall be required to permit the United States to issue investment guaranties under that agreement covering a contractor's investment in that project.

101. Covenants and Warranties Concerning the Project

SECTION 101.1. Execution, Completion and Operation of Project. Borrower and Beneficiary will:

(a) Carry out and complete the Project, with due diligence and efficiency, providing any additional resources which may be required. The Project shall be carried out in conformity with sound engineering, construction, and financial practices, and any contracts, engineering, construction or procurement arrangements, or plans and specifications approved by A.I.D. Borrower or Beneficiary, as appropriate, shall obtain A.I.D. concurrence prior to any material modification or cancellation of any such contracts, arrangements, plans, or specifications.

(b) Adequately maintain, repair, and operate, in accordance with sound practices, all Eligible Items and any construction or facility resulting from their use.

SECTION 101.2. Utilization of Eligible Items. All Eligible Items shall be used exclusively in carrying out the Project and operating the Project facilities. This restriction shall apply only until such time as such goods can no longer be usefully employed for the Project or Project facilities; provided, that no goods financed hereunder shall be exported from the Borrowing Country without the prior approval of A.I.D.; and provided further, that no Eligible Item shall at any time be used to promote or assist any project or activity associated with or financed by any country, other than the Borrowing Country, not included in Code 899 of the A.I.D. Geographic Code Book as in effect at the time of such projected use without the prior consent of A.I.D.

SECTION 101.3. Information and Marking. Borrower and Beneficiary shall cooperate with A.I.D. in making information concerning this loan public and shall make appropriate arrangements to carry out A.I.D.'s instructions with respect thereto.

SECTION 101.4. Notice of Material Developments. Borrower and Beneficiary represent and warrant that they have disclosed to A.I.D. all circumstances which may materially affect the Project or the discharge of their obligations under this Agreement and covenant that they will inform A.I.D. of any conditions which interfere, or which it is reasonable to believe will interfere, with the Project or the discharge of any of their obligations hereunder.

102. General Covenants

SECTION 102.1. Non-taxation. This Agreement and the amount agreed to be lent hereunder shall be free from, and the Principal and interest shall be paid without deduction for and free from, any taxation or fees imposed under any laws in effect within the Republic of Korea.

SECTION 102.2. Commissions, Fees, and Other Payments. Borrower and Beneficiary each warrants and covenants that in connection with obtaining this loan or taking any action under or with respect to this Agreement it has not paid and will not pay or agree to pay, nor to the best of its knowledge has there been paid or will there be paid or agreed to be paid by any other person or entity, commissions, fees, or other payments of any kind, except as regular compensation to Borrower's or Beneficiary's full-time officers and employees or as compensation for bona fide professional, technical, or other comparable services. Borrower and Beneficiary shall promptly report to A.I.D. any payment or agreement to pay for such bona fide professional, technical, or comparable services to which it is a party or made on a contingent basis, and if the amount of any such payment is deemed unreasonable by A.I.D., Borrower or

Beneficiary, as the case may be, shall cause a reduction satisfactory to A.I.D. to be made therein.

SECTION 102.3 Renegotiation of Terms. Borrower agrees that, at any time when it is requested to do so by A.I.D., but not sooner than six (6) months prior to the date when the first payment of Principal is due, it will negotiate with A.I.D. with respect to acceleration of the repayment of the Principal by the Borrower. It is agreed that Borrower and A.I.D. will mutually determine to what extent repayment should be accelerated on the basis of one or more of the following criteria:

- (a) Significant improvement in the internal economic and financial situation of the Republic of Korea;
- (b) Favorable trends in the balance of payments and foreign exchange holdings of the Republic of Korea;
- (c) Ability of the Republic of Korea to make future repayments of A.I.D. loans without interfering with the service of debts owing to any United States Government agency or any international organization of which the United States is a member.

103. Remedies of A.I.D.

SECTION 103.1. Events of Default; Acceleration. If any one or more of the following events ("Events of Default") shall occur:

- (a) Borrower or Beneficiary shall fail to pay in full any interest payment or installment of Principal when the same shall become payable by it;
- (b) Borrower or Beneficiary shall fail to comply with any other provision contained herein applicable to it;
- (c) Any representation or warranty made by or on behalf of Borrower or Beneficiary with respect to obtaining this loan or made or required to be made hereunder is incorrect in any material respect;
- (d) Any law or other authority necessary for the completion and operation of the Project or for the carrying out of the terms of this Agreement is revoked, cancelled, or denied in such manner as to make it improbable Borrower or Beneficiary will be able to perform its obligations under this Agreement or that the Loan will substantially fulfill the purpose for which it has been established;

(e) There is a substantial violation of any of the commitments undertaken in connection with the establishment of the Loan or in connection with the satisfaction of the conditions precedent to disbursements under this Agreement.

(f) A material default shall have occurred after the date hereof and not been remedied after notice under any other loan agreement between Borrower and A.I.D.;

then A.I.D., at its option, may declare all or any part of the unrepaid Principal under this Loan, or if Beneficiary is in default, any part of the unrepaid local currency Principal under the Loan from Borrower to Beneficiary pursuant to Section 7.1 hereunder, to be due and payable immediately, and upon any such declaration, unless the default may be cured and is cured within sixty (60) days thereafter, such Principal and all interest accrued thereon shall become immediately due and payable. The Borrower, if Beneficiary is in default, at its option, may declare all or any part of the unrepaid local currency principal under the Loan from Borrower to Beneficiary hereunder to be due and payable immediately, and, upon any such declaration, unless the default may be cured and is cured within sixty (60) days thereafter, such Principal and all interest accrued thereon shall become due and payable immediately. The Borrower shall not exercise the right set forth in the preceding sentence hereunder unless it has the prior written concurrence of A.I.D.

SECTION 103.2. Termination of Disbursements; Transfer of Goods to A.I.D. In the event that at any time:

(a) An Event of Default has occurred and has not been remedied as provided above, except that events of default under any other loan agreements between Borrower and A.I.D. described in Section 103.1(f) hereof shall not be events of default for purposes of this Section 103.2 unless such other loan agreement is between Borrower, Beneficiary and A.I.D.; or

(b) An event occurs which A.I.D. determines to be an extraordinary situation which makes it improbable that the purposes of this Loan will be attained or that Borrower or Beneficiary will be able to or will perform its obligations hereunder; or

(c) Any disbursement would be in violation of the legislation governing A.I.D.;

then A.I.D., at its option, after notice to Borrower and Beneficiary, may avail itself of any or all of the following remedies: (i) decline to issue further letters of commitment; (ii) suspend or cancel outstanding letters of commitment to the extent that they have not been

utilized through the issuance of irrevocable letters of credit or through bank payments made other than under irrevocable letters of credit, giving notice to Borrower and Beneficiary thereof; (iii) decline to make disbursements other than under letters of commitment; or (iv) at A.I.D.'s expense, acquire title to goods financed under disbursements hereunder at cost to Beneficiary, provided the goods are from a source outside the Borrowing Country, are in a deliverable state, and have not been off-loaded in ports of entry of the Borrowing Country. To the extent that any costs connected with the purchase and transportation of these goods have been financed hereunder, these amounts shall be deducted from Principal.

SECTION 103.3. Refunds. If A.I.D. determines that any disbursement is not supported by valid documentation in accordance with the terms of this Agreement, or is not made or used in accordance with the terms of this Agreement, or was at the time of disbursement in violation of the legislation governing A.I.D., A.I.D. at its option may, notwithstanding the availability of any other remedy provided for under this Agreement or the exercise of the remedy provided for in Section 103.2, require Borrower to pay to A.I.D. in United States dollars within thirty (30) days after receipt of a request therefor, an amount not to exceed the amount of such disbursement, and Beneficiary, if it is responsible for the improper documentation or use of the disbursement, shall pay Borrower in Korean currency the equivalent, as computed in accordance with applicable provisions of the Loan Agreement, of the amount to be paid to A.I.D. under this Section, provided that such request by A.I.D. shall be made not later than five (5) years after the date of the final disbursement hereunder. Any such refund received by A.I.D. shall be applied first to any accrued interest and then to installments of Principal in inverse order of their maturity.

SECTION 103.4. Waivers. No delay in exercising or omission to exercise any right, power, or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of any of these rights, powers, or remedies.

SECTION 103.5 Expenses of Collection. All reasonable costs incurred by A.I.D. (other than salaries of its staff) after an Event of Default has occurred in connection with the collection of amounts due under this Agreement may be charged to Borrower and reimbursed as A.I.D. shall specify.