

PD-AGU-377 81
ISN= 47337

LOAN AGREEMENT

Between

MAH BOONKRONG-RFM COMPANY LIMITED

And the

UNITED STATES OF AMERICA.

Acting Through the

AGENCY FOR INTERNATIONAL DEVELOPMENT

Date: September 5, 1984

Project No. 940-0002-24
Loan No. 493-T-040

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ANNEXES

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LOAN AGREEMENT

This Loan Agreement is entered into this 5th day of September, 1984 by and between Mah Boonkrong-RFM Company Limited, a Thailand limited liability company ("Borrower") and the United States of America, acting through the Agency for International Development ("A.I.D."). Upon full capitalization, the Borrower's principal shareholders will be Mah Boonkrong Drying & Silo Company Limited, a Thai limited liability company ("MBK"), and RFM Development Limited, a Hong Kong limited liability company ("RFM").

WHEREAS, A.I.D. wishes to assist in the development of the Thai meat processing industry and expansion of the local and foreign markets for Thai processed meats which will benefit small and medium-sized Thai livestock producers and improve Thailand's balance of payments; and

WHEREAS, the Borrower wishes to establish a slaughterhouse and meat processing facility in Thailand and is in the process of obtaining the equity and debt capital necessary to carry out such a project; and

WHEREAS, A.I.D. is willing to lend certain monies to the Borrower to further A.I.D.'s developmental objectives and intends, shortly after the execution of this Agreement, to provide a Seventy Thousand United States Dollar (\$70,000) grant to the Borrower to finance technical assistance in designing and implementing the Borrower's technical assistance program for small and medium-sized livestock producers described below.

NOW, THEREFORE, A.I.D. and the Borrower ("Parties") agree as follows:

Article 1: The Agreement

The purpose of this Agreement is to set forth the obligations and understandings of the Parties with respect to the financing of the project described below ("Project") and the Borrower's execution of the Project.

Article 2: The Project

Section 2.1. Definition of Project. The Project, which is further described in Annex A, will consist of constructing, equipping and placing into operation a plant complex consisting of a slaughterhouse and meat processing, canning and cold storage facilities. The Project will assist small and medium-sized Thai livestock producers by providing additional marketing outlets and technical assistance to improve husbandry practices. The Project will also generate employment in Thailand and improve the Thai balance of payments. A.I.D. anticipates that its contribution to the Project will reach a level of Two Million Five Hundred Thousand United States ("U.S.") Dollars (\$2,500,000) in the form of a loan. The total cost of the Project is estimated at Seventeen Million Five Hundred Thousand U.S. Dollars (\$17,500,000).

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Section 2.2. Definition of Terms.

- (a) "Eligible Costs." As specified in Section 7.3, or except as A.I.D. may otherwise agree in writing, Eligible Costs include the cost of goods and services which have their source and origin or nationality in the United States, in Thailand or in any country listed in A.I.D. regulations as a Code 941 country. Local currency costs are the cost of goods and services indigenous to Thailand. The term "goods" does not include land. Indigenous goods are defined as those goods that have been mined, grown or produced in Thailand. If the locally produced goods contain imported components, to fit within this definition, a commercially recognized new commodity must result that is substantially different in basic characteristics or in purpose or utility from its components. Locally produced goods containing imported components from non-free world sources are excluded from this definition. Indigenous services are those performed by Thai citizens or firms with at least 50% Thai ownership.
- (b) "Motor Vehicles." Motor vehicles, for the purpose of section 7.15 are defined as self-propelled vehicles with passenger carriage capacity such as highway trucks, passenger cars and buses, motorcycles, scooters, motorized bicycles and utility vehicles. Excluded from this definition are industrial vehicles for materials handling and earth moving such as lift trucks, tractors, graders, scrapers, and off-the-highway-trucks.
- (c) "Short-Term Debt-to-Equity Ratio." The ratio of debt falling due in less than one (1) year to paid-up share capital plus subordinated debt plus retained earnings minus losses.
- (d) "Source and Origin or Nationality." Source means the country from which a good is shipped and origin is the country in which a good is produced. Nationality for an individual means the country of citizenship and country of principal place of business, and for a firm means country of incorporation or legal organization, country of principal place of business and country of citizenship of owners of more than 50% of each class of stock.
- (e) "Total Debt-to-Equity Ratio." The ratio of total debt less subordinated debt to paid-up share capital plus subordinated debt plus retained earnings minus losses.

Article 3: Resources for the Project

Section 3.1. The Loan. A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to lend to the Borrower under the terms of this Agreement an amount not to exceed Two Million Five Hundred Thousand U.S. Dollars (\$2,500,000) ("Loan"). The aggregate amount of

disbursements under the Loan is referred to as the "Principal". The Loan may be used only to finance the Project and is further subject to such other restrictions as are contained in this Agreement. Except as A.I.D. may otherwise agree in writing, disbursements under the Loan will be available for up to two (2) years from the date of this Agreement ("Disbursement Period").

Section 3.2. Borrower Resources for the Project.

(a) The Borrower agrees to provide all resources necessary to carry out the Project effectively, in a timely manner, and consistent with the terms of this Agreement.

(b) The Borrower unconditionally agrees to repay the Loan under the terms and conditions of this Agreement.

Article 4: Loan Terms.

Section 4.1. Interest. The Borrower will pay to A.I.D. interest which will accrue at the rate of eleven percent (11%) per annum on the outstanding balance of Principal. Interest on the outstanding balance of Principal will accrue from the date (as defined in Section 8.3) of each respective disbursement. The first payment of interest will be due and payable six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D. Thereafter, interest shall be calculated and paid on each successive semi-annual anniversary of the first disbursement ("Interest Due Date").

Section 4.2. Commitment Fee. Unless A.I.D. agrees otherwise in writing, the Borrower will pay to A.I.D. a fee ("Commitment Fee") of one half of one percent (1/2%) on the average daily amount not disbursed and not suspended or cancelled hereunder. This fee will begin to accrue six (6) months after the execution of this Agreement and will continue to accrue throughout the Disbursement Period as defined in Section 3.1. The Commitment Fee(s), if any, will be payable, unless otherwise agreed by A.I.D. in writing, on each six (6) month anniversary of the date of execution of this Agreement except for the first six (6) month anniversary to which the grace period applies, and shall be payable at the place of payment specified in Section 4.4.

Section 4.3 Repayment of Principal. The Borrower shall repay the Principal in seventeen (17) approximately equal installments. The first installment of Principal shall be due and owing on the first Interest Due Date (as defined in Section 4.1) to occur after expiration of the Disbursement Period. The remaining sixteen (16) installments of Principal shall payable on the sixteen (16) succeeding Interest Due Dates in amounts such that the Principal is paid in full eight (8) years after the first Principal installment is due. A.I.D will provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under this Agreement.

Section 4.4. Application, Currency, and Place of Payment. All payments of Principal, interest, Commitment Fees, and Cancellation Fees hereunder shall be made in U.S. Dollars and shall be applied first to Commitment Fees and Cancellation Fees as appropriate, then to the payment of interest due, and finally to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, payments shall be made to the Cashier, Office of Financial Management, Agency for International Development, Washington, D.C. 20523, U.S.A., and will be deemed made when received by the Office of Financial Management or by electronic fund transfer to the Federal Reserve Bank of New York by specifying a Credit to U.S. Treasury, New York City, A.I.D. Agency Location Code 72000001, A.I.D. Loan Number 493T040, in payment on the referenced Loan.

Section 4.5. Prepayment. At any time when the Borrower is current on all payments, the Borrower may prepay all or any part of the Principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of Principal in the inverse order of their maturity. The Borrower shall pay a prepayment penalty amounting to two percent (2%) of the amount prepaid unless such prepayment is made from cash flow generated by the Project in which case there shall be no prepayment penalty. In the event of any exercise by A.I.D. of its right to accelerate repayment pursuant to Section 9.3, the Borrower shall not be obligated to pay a prepayment penalty.

Section 4.6. Interest Rate After Default. If A.I.D. declares a Default in accordance with Section 9.2 below, and if after such declaration, the Borrower fails to make any payment hereunder when due or persists in its failure to make any payment previously due, whether such payment is due by virtue of acceleration or otherwise, then interest on the outstanding Principal shall immediately, without any notice to the Borrower, begin to accrue at the rate stated in Section 4.1 above plus two percent (2%) per annum and shall continue to accrue at that rate until all amounts owing under this Agreement have been paid.

Section 4.7. Termination on Full Payment. Upon payment in full of all amounts owing under this Agreement, the Agreement and all obligations of the Borrower and A.I.D. under it will cease.

Section 4.8. Termination by Borrower. At any time during twelve (12) months from the date hereof or until the initial disbursement is made pursuant to Section 5.1 and Section 8.1, whichever is earlier, and upon payment of any Commitment Fee owing under Section 4.2 and any Cancellation Fee owing under Section 9.1, Borrower may terminate this Agreement by written notice to A.I.D., and the Borrower shall have no further obligation.

Section 4.9. Security for A.I.D. Loan. The Borrower contemplates obtaining loans from certain financial institutions in addition to A.I.D. in financing the construction and initial operation of the Project. All entities, other than A.I.D., that provide financing for establishment of

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the Project, but not those that finance operation of the Project after completion of construction, are hereinafter termed the "Lenders". To secure its performance under this Agreement, the Borrower agrees to take the following actions:

(a) Mortgage on Land, Buildings and Fixtures. The Borrower agrees to create and register a mortgage or mortgages ("Real Property Mortgages") covering all land, buildings, construction and other works which are fixed or in the future will be fixed to the land upon which the Project will be conducted. The Real Property Mortgages shall be created and registered prior to any request for disbursement under this Agreement for any such property owned by the Borrower prior to the request. The Real Property Mortgages shall be created and registered as soon as possible under Thai law after purchase of the property if not owned prior to the first request for disbursement. The Real Property Mortgages shall be in a form acceptable to A.I.D.

(b) Mortgage on Machinery. The Borrower agrees to use its best efforts to obtain, as soon as possible, the registration, under the Registration of Machinery and Equipment Act, B.E.2514, of all machinery and mechanical installations acquired or used in connection with the Project and which may be registered under that Act. Immediately upon registration of each item of machinery and mechanical installation the Borrower agrees to create and register a mortgage thereon ("Equipment Mortgage") in favor of A.I.D. The Equipment Mortgage shall be in a form acceptable to A.I.D. The Equipment Mortgage shall be in an amount reasonably instructed by A.I.D. and the Lenders but shall, in any event, secure repayment to A.I.D. of all amounts owing under this Agreement. All machinery and mechanical installations which are not mortgaged under Section 4.9(a) and are capable of being registered under the Registration of Machinery and Equipment Act, B.E.2514 shall be registered and mortgaged as soon as possible, but not later than sixty (60) days after the issuance of a factory operation license to the Borrower.

(c) Other Property. The Borrower agrees to grant A.I.D. a security interest in any other property in which any other lender to the Project takes a security interest such that A.I.D.'s security interest is of at least equal priority to such other lender's security interest, provided, however, that such other property shall not include property pledged as collateral to secure only loans of working capital or other short term debt.

The property described in Sections 4.9(a) and (b), and in Section 4.9 (c) to the extent such a security interest is granted, is hereinafter collectively termed the "A.I.D. Collateral".

Section 4.10 Interim Security Interest. On the understanding that under present Thai law and practices, mortgages may not be registered on machinery and equipment under the Registration of Machinery and Equipment Act, B.E. 2514 until installation in the physical facility described in Annex A and issuance of a factory operation license to the Borrower, the

Borrower agrees to execute pledge agreements, trust receipts, assignments, title retention or transfer agreements or any other agreements other than a mortgage, in each case in a form satisfactory to A.I.D. creating security interests in each item referred to in Section 4.9 (b) pending the due registration thereunder of a mortgage with respect to such item. The Borrower further agrees to provide A.I.D. with any additional documentation and take any additional steps which A.I.D. reasonably deems necessary or appropriate in creating or perfecting its interest in the A.I.D. Collateral.

Article 5: Conditions Precedent to Disbursement

Section 5.1. Conditions Precedent to Initial Disbursement. Prior to requesting an initial disbursement under Section 8.1 of this Agreement, A.I.D. shall have received at the mailing address stated in Section 10.1 either from the Borrower or, in the case of Subsection 5.1 (o) and (p), from such other party as is appropriate, the following items in form and substance satisfactory to A.I.D.:

(a) either (1) evidence that the Borrower has received and has access to at least One Hundred Million (100,000,000) Thai Baht in paid-in capital and/or loans subordinated as to principal and interest to the payment of all sums payable to A.I.D. hereunder, contributed in cash, land or equipment (but not in services); or (2) both of the following agreements together with opinions of counsel stating that said agreements are enforceable according to their terms: (I) an agreement ("MBK Shareholder Agreement") executed by MBK in favor of A.I.D. and the Borrower obligating MBK to cause to be contributed to the Borrower, no later than two years after the execution of the Loan Agreement, capital and/or subordinated loans as described above in the amount of Fifty Million (50,000,000) Thai Baht less whatever amount MBK caused to be contributed prior to the execution of the MBK Shareholder Agreement, and acknowledging that A.I.D.'s damages, in the event of MBK's breach of the MBK Shareholder Agreement, shall be no less than all amounts which the Borrower owes A.I.D. under the Loan Agreement; and (II) an agreement ("RFM Shareholder Agreement") executed by RFM in favor of A.I.D. and the Borrower imposing obligations on RFM comparable to those imposed on MBK by the MBK Shareholder Agreement; such that upon performance of the MBK and RFM Shareholder Agreements, the Borrower will have received and have access to One Hundred Million (100,000,000) Thai Baht in paid-in capital and/or subordinated loans.

(b) a cost overrun agreement executed in favor of A.I.D. by MBK and RFM, pursuant to which they irrevocably, jointly and severally obligate themselves to commit such additional equity capital or subordinated loans as may be necessary to meet cost overruns in the construction of the Project and its operations through the first twelve (12) months after the Project Completion Date as defined in Section 7.2 below;

(c) evidence that the Borrower has or will obtain, upon disbursement under this Agreement, free and clear title to the real property upon which the Project will be conducted;

(d) whatever documentation in addition to this Agreement which A.I.D. has requested in accordance with Section 4.9(c) or 4.10 above evidencing the creation or perfection of A.I.D.'s interest in the A.I.D. Collateral;

(e) an opinion of counsel that the Borrower has completed its legal incorporation process and is now a duly existing and qualified limited liability company under the laws of Thailand; that the representatives of the Borrower who executed this Agreement was duly authorized to do so; that this Agreement constitutes a valid and legally binding obligation of the Borrower in accordance with all its terms; that the Borrower is registered or qualified to do business in the jurisdictions in which it operates and holds all licenses, permits or other governmental consents necessary to enable it to undertake the business of slaughtering, canning, processing, storing, selling domestically and exporting its products, including but not limited to a Certificate for the Project from the Board of Investment of Thailand and all necessary approvals from the Bank of Thailand; that with the Board of Investment Certificate obtained by the Borrower, the Borrower need not under current Thai law or practice, turn ownership of the Project over to the government; that the documents executed, registered or presented to A.I.D. as contemplated by Sections 4.9 and 4.10 above effectively grant A.I.D. an interest in the A.I.D. Collateral which secures the Borrower's repayment under this Agreement and which will remain valid and enforceable in a bankruptcy, receivership or insolvency proceeding of the Borrower or upon sale, lease or other disposition of the A.I.D. Collateral; that A.I.D.'s interest in the A.I.D. Collateral is at least pari passu with the interest held by the Lenders in the A.I.D. Collateral and is prior to all other interests in or claims to the A.I.D. Collateral; and that Thai law and practice impose no requirements for minimum or maximum export of the product produced by the Project other than those requirements stated in the Board of Investment Certificate;

(f) evidence that the Borrower has obtained a Certificate from the Board of Investment containing restrictions which, in A.I.D.'s judgment, are no more restrictive of the Borrower's activities than those contained in the Board of Investment approval letter, a copy of which the Borrower has already provided to A.I.D.;

(g) a current in-house financial statement of the Borrower accurate as of the close of Borrower's last fiscal year preceding the date of the request for initial disbursement under this Agreement, a monthly financial statement of the Borrower current as of the end of the calendar month preceding Borrower's request, and a budget of expenditures and income anticipated during the twelve (12) month period following the date of the Borrower's request;

(h) an insurance policy ("Insurance Policy") insuring the Borrower's assets, including but not limited to the A.I.D. Collateral, for theft, fire and such other hazards as A.I.D. may reasonably require in an amount equal to the full insurable value of such assets, naming A.I.D. as additional loss payee, and providing that the policy may not be terminated without thirty (30) days notice to A.I.D.;

(i) a management, marketing and operations plan describing those features of the Project with reasonable specificity;

(j) a plan describing in reasonable detail the technical assistance program which the Borrower has developed to assist the small and medium-sized livestock producers who will supply the Project which program must include the following features: (1) the Borrower's plan under which it will use its best efforts to procure at least fifty percent (50%) of its livestock requirements from small or medium-sized Thai producers, (2) a description of the Borrower's methods for assisting the participating producers to improve their husbandry practices and thus the quality of the livestock they produce, (3) a description of the methods to be used to up-grade breeding stock, (4) a description of any credit assistance or supervision which the program will provide to the producers and (5) a description of the management plan for the technical assistance program, including a list of the principal personnel responsible for the program's implementation:

(k) a statement of the name of the person holding or acting in the Office of the Borrower specified in Section 10.2, and of any additional representatives of Borrower, together with a specimen signature of each person specified in such statement;

(l) a representation by the Borrower that there has been no material adverse change in the financial condition of the Borrower since the date of this Agreement and since the date of the most recent financial statement presented to A.I.D., that the Borrower has no outstanding indebtedness other than that permitted by Section 7.9 below, and that the Borrower is not in default on any of its obligations to the Lenders or any other of its other creditors;

(m) a representation by the Borrower that, it will, barring the occurrence of some event which is not reasonably foreseeable at the time of the request, utilize an amount equal to the amount of the A.I.D. Loan requested for disbursement within 30 days to finance the Project as provided by Section 8.1(b) and as required by Section 7.3;

(n) a copy of a duly executed and enforceable licensing agreement with Swift & Company to market the product produced by the Project under the "Swift" brand name;

(o) an opinion of special counsel selected by A.I.D. stating that A.I.D.'s interest in the A.I.D. Collateral has the characteristics stated in Section 5.1(e) and covering such other matters as A.I.D. may reasonably request;

(p) an agreement among A.I.D. and the Lenders under which A.I.D.'s interest in the A.I.D. Collateral shall have the characteristics stated in Section 5.1(e) and providing for a collateral sharing and enforcement scheme acceptable to A.I.D.;

(q) evidence that the Borrower has obtained equity capital and loan commitments from the Lenders (including the A.I.D. Loan hereunder) in an amount sufficient to meet the anticipated project costs and in no event less than Ten Million U.S. Dollars (\$10,000,000);

(r) a guaranty in favor of A.I.D. executed by RFM's Philippine parent corporation, RFM Corporation, guarantying RFM's performance of all its obligations under the Loan Agreement including the RFM Shareholder Agreement and the RFM cost overrun agreement described in Subsections 5.1(a) and (b) respectively.

Section 5.2. Terminal Dates for Conditions Precedent for Initial Disbursement. If all of the conditions specified in Section 5.1 have not been met within one hundred eighty (180) days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Borrower.

Section 5.3. Conditions Precedent to Subsequent Disbursements. Prior to requesting any subsequent disbursements under the Loan, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. at the address stated in Section 10.1 in form and substance satisfactory to A.I.D.:

(a) a copy of a financial statement of the Borrower as of Borrower's latest fiscal year, audited by an independent accounting firm acceptable to A.I.D., if such audited financial statement has been prepared at the time of the request, together with a copy of Borrower's most recent, unaudited financial statement certified by the Borrower's chief financial officer;

(b) a representation by the Borrower that there has been no material adverse change in the financial condition of the Borrower since the date of the most recent disbursement under the Loan, and

(c) evidence of continuing implementation of the technical assistance program referred to in Subsection 5.1(j);

(d) evidence that A.I.D.'s interest in the A.I.D. Collateral continues to be valid, enforceable, and perfected as contemplated by Section 4.9 above and Subsection 5.1(e); and

(e) a representation by the Borrower that, barring the occurrence of some event which is not reasonably foreseeable at the time of the request, it will utilize an amount equal to the amount of the A.I.D. Loan requested for disbursement within thirty (30) days to finance the Project as provided by Section 8.1(b) and as required by Section 7.3.

Article 6: General Covenants

Section 6.1. Project Evaluation. The Parties agree to cooperate on an A.I.D.-conducted evaluation program as part of the Project. The program may include, during the implementation of the Project and at one or more points thereafter: (a) evaluation of progress toward attainment of the objectives of the Project; (b) identification and evaluation of problem areas or constraints which may inhibit such attainment; (c) assessment of how such information may be used to help overcome such problems; and (d) evaluation, to the degree feasible, of the overall development impact of the Project. A.I.D. shall bear its costs involved in such evaluation.

Section 6.2. Consultation. The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Project, the performance of obligations under this Agreement, and other matters relating to the Project.

Section 6.3. Execution of Project. The Borrower shall:

(a) carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices; and

(b) provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Project; and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

Section 6.4. Taxation. No funds made available under the A.I.D. Loan shall be used for the payment of any taxes, tariffs, duties or other levies imposed on the Borrower.

Section 6.5. Reports, Records, Inspections, Audit. The Borrower shall:

(a) furnish A.I.D. such of Borrower's information and reports relating to the Project and to this Agreement as A.I.D. may reasonably request;

(b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, Borrower's books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Loan. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained except as A.I.D. may otherwise agree in writing, until the Loan has been fully repaid by the Borrower. ("Generally accepted accounting principles and practices" referred to above shall be those generally employed in Thailand by the "Big Eight" accounting firms or their Thai affiliates);

(c) afford authorized representatives of A.I.D. the opportunity at all reasonable times to inspect Borrower's books, records, and other documents relating to the Project and the Loan to verify that Project funds are being used in accordance with the terms and conditions of this Agreement; and

(d) comply with the reporting requirements detailed in part III of Annex A.

Section 6.6. Completeness of Information. The Borrower confirms:

(a) that the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Loan, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement; and

(b) that it will inform A.I.D. in a timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Project or the discharge of responsibilities under this Agreement.

Section 6.7. Information and Marking. The Borrower will give appropriate publicity to the Loan and the Project as a program to which the United States has contributed and identify the Project as financed partially by A.I.D., as may be described in Project Implementation Letters, as described in Section 10.3 below.

Article 7: Special Covenants

Section 7.1. Covenant of Non-Subordination. The Borrower confirms that this A.I.D. Loan is not and shall not be subordinated to any other indebtedness of the Borrower now existing or hereinafter incurred, except as A.I.D. may otherwise agree in writing.

Section 7.2. Operational Date. The Borrower agrees that its business operations as described in Annex A hereto shall be operational twenty-four (24) months after execution of this Agreement, provided, however, that the Borrower shall not be in violation of this Section if the Borrower's failure to make the Project operational within twenty-four (24) months is due solely to the occurrence of events beyond the Borrower's control. Twenty-four (24) months after execution of this Agreement plus whatever excusable delay, if any, has occurred shall hereinafter be termed the "Project Completion Date."

Section 7.3. Eligible Costs. The Borrower covenants that within two (2) years of the execution of this Agreement, not less than the equivalent of Two Million Five Hundred Thousand U.S. Dollars (\$2,500,000), or the amount of the Loan actually drawn down, whichever is less (which A.I.D., for its internal purposes, will attribute to this Loan) will be used to finance Eligible Costs, as more fully defined in Section 2.2(a).

Section 7.4. Effective Date for Eligible Costs. The Borrower agrees that it will not use any funds drawn down under this Agreement to finance goods or services which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as A.I.D. may otherwise agree in writing.

Section 7.5. Competition. The Borrower covenants that it will not enter into any transaction with any person except in the ordinary course of business, on ordinary commercial terms and on the basis of arm's-length arrangements, or enter into any transaction whereby the Borrower might pay more than the ordinary commercial price for any purchase or might receive less than the full ex-works commercial price (subject to normal trade discounts) for its products.

Section 7.6. A.I.D. Collateral. The Borrower covenants that it will take all steps necessary to create, register or otherwise perfect A.I.D.'s interest in the A.I.D. Collateral as contemplated by Sections 4.9 and 4.10 and Subsection 5.1(e) above. The Borrower further covenants that A.I.D.'s interest in the A.I.D. Collateral shall at all times have the characteristics stated in Section 5.1(e). The Borrower covenants further that it will not sell, lease or encumber the A.I.D. Collateral and will not remove said collateral from the Project site without A.I.D.'s prior written consent. The Borrower agrees to maintain in effect at all times the Insurance Policy in the same form and substance as approved by A.I.D. under Section 5.1(h) above. The Borrower shall annually provide A.I.D. with a certificate of insurance showing that the Insurance Policy remains in force.

Section 7.7. Dividends Limitation. The Borrower covenants that it will not distribute any dividend to any shareholders or make any distribution on its share capital or purchase, redeem or otherwise acquire any shares of the Borrower or any option over such shares: (a) except out of profits earned after Project Completion Date and then only if, after giving effect to such action, the Total Debt-to-Equity Ratio would not exceed 2.5 to 1, or (b) if the Borrower is in default on any payment of Principal, interest or Commitment Fee payable on any outstanding loan or deficiency loan provided for cost overruns.

Section 7.8. Expenditures. The Borrower covenants that it will not incur expenditures or commitments for expenditures for fixed and other non-current assets, other than those required for carrying out the Project. The Borrower may incur expenditures or commitments for expenditures for expansion of the Project only with A.I.D.'s prior written approval which will not be unreasonably withheld. Such approval shall not be required, however, to the extent that monies otherwise available for the payment of dividends under Section 7.7 are utilized for such expenditures.

Section 7.9. Allowable Indebtedness. The Borrower covenants that it will not incur, assume or permit to exist any indebtedness except:

- (a) the A.I.D. Loan and loans from the Lender's necessary to establish the Project;
- (b) the letter of credit facilities (other than pursuant to (a) above and/or supplier credits for importation) needed for importation of raw materials not exceeding One Million U.S. Dollars (\$1,000,000) equivalent at any one time outstanding;
- (c) indebtedness incurred in the ordinary course of business other than for money borrowed;
- (d) loans subordinated as to principal and interest to the Loan hereunder, including subordinated loans expressly contemplated by this Agreement;
- (e) credit from suppliers of capital goods or goods and materials necessary to establish the Project provided that said goods and materials, to the extent permitted by Thai law, become A.I.D. Collateral, upon receipt by the Borrower, and any interest in said goods and materials taken or retained by said suppliers is subordinate to A.I.D.'s interest therein; and
- (f) loans and credit facilities necessary for the Borrower's working capital requirements after commencement of its business operations, provided that the Borrower obtains A.I.D.'s prior written consent which will not be

unreasonably withheld as long as such loans or credit facilities do not cause the Borrower's Total Debt-to-Equity Ratio to exceed 2.5 to 1.

For the purposes of this subsection, any credit from a supplier of capital goods (or under any installment purchase or other similar arrangement) shall be deemed to be indebtedness not incurred in the ordinary course of business.

Section 7.10. Debt-to-Equity Ratio. The Borrower covenants that its Total Debt-to-Equity Ratio shall not exceed 2.5 to 1 and that the Borrower's Short Term Debt-to-Equity Ratio shall not exceed one to one, provided that to the extent the Borrower's Total Debt-to-Equity Ratio or Short-Term Debt-to-Equity Ratio exceeds the levels permitted by this section due to temporary losses contemplated in the Borrower's financial projections furnished to A.I.D. prior to the date hereof then this covenant shall not be deemed to require the injection of additional equity capital into the Borrower or any reduction of existing debt of the Borrower. The Borrower agrees that it will adhere to all covenants in any agreement with any other Lender, whether now in existence or hereafter negotiated, relating to the relationship of the Borrower's debt to its equity, which additional covenants are hereby incorporated by reference.

Section 7.11. New Liens. The Borrower covenants that it will not create or permit to exist any lien on any property, revenues or other assets, present or future, of the Borrower, except those pro rata rights held by A.I.D. and the Lenders.

Section 7.12. Guaranties and Financial Obligations. The Borrower covenants that it will not enter into any agreement or arrangement to guaranty or, in any way or under any condition, to become obligated for all or any part of any financial or other obligation of another.

Section 7.13. Contractual Arrangements. The Borrower covenants that all contracts it enters related to the Project shall be in accordance with reasonable commercial practices, shall be the result of arms-length business negotiations, and shall not have a materially adverse effect on the Borrower's net profits. The Borrower also covenants that it will not enter into any management contract or similar arrangement whereby its business or operations are managed by any person other than RFM, save that this provision shall not prohibit the Borrower from entering into an agreement for the provision to it of technical assistance by RFM or the parent or a co-subsiary of RFM, and of a trademark license by Swift and Company.

Section 7.14. Loans, Advances or Deposits. The Borrower covenants that it will not form or have any Subsidiary, or make or permit to exist loans or advances to, or deposits with or investments in any other company or enterprise, except (a) to provide advances in respect of the purchase price for raw materials, (b) to invest in short-term marketable securities or make deposits with financial institutions solely to give

temporary employment to its idle resources, or (c) to finance an activity which represents an expansion of the Project into an activity which is closely related to and a natural extension of the Project.

Section 7.15. Corporate Documentation. The Borrower covenants that it will not change its Articles of Incorporation and By-laws in any manner which would be inconsistent with the provisions of this Agreement; change its Financial Year; change the nature of its contemplated business or operations or change the nature or scope of the Project; sell, transfer, lease or otherwise dispose of (whether in a single transaction or in a series of transactions, related or otherwise) all or a substantial part of its capital assets; or undertake or permit any merger, consolidation or reorganization. Provided, however, that the foregoing shall not restrict the Borrower's ability to make such corporate changes as are necessary to register with the Securities Exchange of Thailand.

Section 7.16. Specific Restrictions. The Borrower covenants that no portion of the A.I.D. Loan shall be used, unless A.I.D. agrees in writing, to finance enterprises involving the production, processing or marketing of sugar, palm oil, cotton, or citrus, in whole or in part, for export; or to finance motor vehicles, as defined in Section 2.2(d), not manufactured in the United States; or to finance the manufacture, importation, distribution, or application of pesticides; or to finance luxury goods or gambling equipment, police, other law enforcement, or military activities, materials for explosives, surveillance equipment, abortion equipment and services, or weather modification equipment.

Section 7.17. Environmental Impact Compliance. The Borrower covenants that it will incorporate into the Project design and will comply with during Project implementation and operation, in a manner acceptable to A.I.D., the recommendations of the A.I.D.-financed environmental evaluation of the Project. Notwithstanding the foregoing covenant, however, if implementation of the recommendations of the A.I.D.-financed environmental evaluation would cost the Borrower more than Two Hundred Thousand U.S. Dollars (\$200,000), and if the Parties, after good faith negotiations, are unable to agree on environmental safeguards whose cost of implementation is Two Hundred Thousand U.S. Dollars (\$200,000) or less, then the Borrower may, prior to obtaining any disbursements, terminate all its obligations under this Agreement by written notice to A.I.D. without incurring any liability for Cancellation or Commitment Fees. In addition to the foregoing covenant regarding compliance with the recommendations of the A.I.D.-financed environmental evaluation, the Borrower covenants that it will comply with all Thai environmental standards regardless of the cost of such compliance.

Section 7.18. Technical Assistance Program. The Borrower covenants that it will adhere to the technical assistance program provided to A.I.D. pursuant to Subsection 5.1(j), provided, however, that the Borrower's obligation under this Section shall be contingent upon the

execution of a grant agreement evidencing the Seventy Thousand U.S. Dollar (\$70,000) grant referred to in the Recitals to this Agreement, and Subsection 5.3(c) shall be construed accordingly.

Section 7.19. Shipping. In the event the Borrower chooses to import U.S. goods into Thailand for Project purposes and the Borrower has not yet satisfied the requirement stated in Section 7.3 above, the Borrower covenants to comply with the following provisions:

(a) Goods which are to be transported to Thailand may not be financed under the Loan if transported either:

(1) on an ocean vessel or aircraft under the flag of any of the following countries: USSR, Albania, Bulgaria, Czechoslovakia, German Democratic Republic, Estonia, Hungary, Latvia, Lithuania, Romania, Poland, Vietnam, North Korea, People's Republic of China, Mongolia, Laos, Cambodia and Cuba; or

(2) on an ocean vessel which A.I.D., by written notice to the Borrower, has designated as ineligible; or

(3) under an ocean or air charter which has not received prior A.I.D. approval.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Loan, if such goods or persons are carried:

(1) on an ocean vessel or aircraft which is not under the flag of the United States without prior written A.I.D. approval; or

(2) on an ocean vessel which A.I.D., by written notice to the Borrower, has designated as ineligible; or

(3) under an ocean vessel or air charter which has not received prior A.I.D. approval.

(c) Unless A.I.D. determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels,

(1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels, and

(2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the territory of the Borrower on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels.

Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to any cargo transported from U.S. ports, computed separately.

(d) In the event the Borrower wishes to use the Loan to purchase marine insurance, prior A.I.D. approval is required.

Section 7.20. Compliance with Project Description. The Borrower covenants that, in addition to complying strictly with those portions of Annex A specifically referenced in the body of this Agreement, the Borrower will carry out the Project substantially as described in Annex A and will deviate materially from that description only after obtaining A.I.D.'s written consent.

Article 8: Disbursements

Section 8.1. Disbursement Mechanism.

(a) After satisfaction of conditions precedent as set forth in Section 5.1, the Borrower may obtain disbursement of funds under the A.I.D. Loan by any of the following methods: (i) The Borrower may request A.I.D. to issue a Letter of Commitment or Letter of Credit to any U.S. bank ("Bank"), which has a branch in Thailand, committing A.I.D. to reimburse such Bank for payment made by it to the Borrower and, for each disbursement, by providing such Bank with a request and certificate ("Request and Certificate"), in the form set forth in Annex B, requesting a specific dollar amount for disbursement and certifying that it has complied with the Conditions Precedent to Initial Disbursement set forth in Section 5.1 and that it is in compliance with all the covenants and other terms and conditions of this Agreement and Annex A. In each such Request and Certificate submitted following the initial disbursement, Borrower shall request a specific dollar amount for disbursement and certify that it has complied with the Conditions Precedent to Subsequent Disbursements set forth in Section 5.3 and that it is in compliance with all the covenants and other terms and conditions of this Agreement and Annex A. The Borrower and the Bank or Banks may establish such further procedures for disbursement as they may mutually agree upon. (ii) The Borrower may submit to the controller of the USAID Mission at 37 Soi Somprason 3, Petchaburi Road, Bangkok 10400, together with necessary supporting documents as prescribed in Project Implementation Letters, a Request and Certificate in the form set forth in Annex B and satisfying all requirements stated above. The A.I.D. Office in Washington D.C. will, upon confirmation from the Mission of receipt of all documents

required, deposit the amount requested into a bank, designated by the Borrower, with branches in both the United States and Bangkok. (iii) The Borrower may submit a Request and Certificate satisfying the above requirements, together with any necessary supporting documents as prescribed in Project Implementation Letters, directly to The A.I.D. Washington D.C. Office. Such submission shall include an original SF-1034, addressed to The Office of Financial Management, A.I.D., M/PM/BFD, Room 634, SA-12, Washington D.C. 20523. A.I.D. will deposit the funds in a like manner as (ii) above;

(b) Unless A.I.D. agrees otherwise in writing, disbursements shall be requested by Borrower and made by A.I.D. in amounts not less than One Hundred Thousand U.S. Dollars (\$100,000).

(c) Banking charges incurred by Borrower in connection with the Letter of Credit or Letter of Commitment under this Agreement will be financed under the Loan unless the Borrower instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Loan.

Section 8.2. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as the Parties may agree to in writing.

Section 8.3. Date of Disbursement. Disbursements by A.I.D. will be deemed under any of the foregoing procedures to occur on the date on which A.I.D. makes a disbursement to Bank.

Article 9: Termination; Remedies

Section 9.1. Cancellation by Borrower. The Borrower may, by giving A.I.D. thirty (30) days written notice and upon payment of a cancellation fee ("Cancellation Fee") in the amount of Twenty Five Thousand U.S. Dollars (\$25,000) minus the amount of any Commitment Fee paid to A.I.D., cancel any part of the Loan which has not been disbursed. Any Commitment Fee applicable to the undisbursed amount pursuant to Section 4.2 shall be calculated to the date of cancellation, which is thirty (30) days after A.I.D. has received written notice of cancellation from the Borrower. Such Commitment Fee shall be due to A.I.D. on the date of cancellation in the manner provided in Section 4.4.

Section 9.2. Events of Default. In the event that the Borrower:

(a) fails to pay when due any interest, Commitment Fee, Cancellation Fee or installment of Principal required under this Agreement; or

(b) fails to comply with any other provision of this Agreement or the RFM or MBK Shareholder Agreements described in Subsection 5.1(a), or if A.I.D. determines that any opinion expressed by the Borrower's counsel pursuant to Subsection 5.1(e) above was when expressed or subsequently became incorrect; or

(c) fails to pay when due any interest or installment of Principal or other payment required under any other loan, guaranty or other agreement between the Borrower and A.I.D. or any of its predecessor agencies; or

(d) fails to meet any of its obligations under any agreements with any of its other creditors including, but not limited to, the other Lenders, provided that said failure either constitutes a default or entitles the creditor to declare a default; or

(e) requests disbursement of funds hereunder not required for immediate payment (no longer than thirty (30) days) for goods or services necessary to carry out the Project, unless the Borrower can demonstrate to A.I.D.'s reasonable satisfaction that the Borrower in good faith believed, at the time of the request for disbursement, that the funds were required for such immediate payment but that the funds were rendered unnecessary due to circumstances not reasonably foreseeable at the time of the request; and if upon receiving notice ("Notice") of A.I.D.'s intent to declare a default, the Borrower fails to remedy such event within the time periods designated below, then A.I.D. may declare a default ("Default") and take any or all of the actions described in Section 9.3 in addition to whatever other remedies it may have under the general law governing this Agreement. The Borrower has fifteen (15) days from receipt of Notice to remedy its noncompliance under Subsections 9.2(a) and (c) and thirty (30) days from receipt of Notice to remedy non-compliance under Subsection 9.2(b). With respect to the events described in Subsection 9.2(d), the Borrower has the shorter of the grace period remaining under the Agreement with which the Borrower has not complied or thirty (30) days from receipt of Notice. If, however, the grace period has already expired under the defaulted Agreement, or if some other creditor of the Borrower has already declared a default under any agreement, then A.I.D. may immediately declare a Default hereunder and take any actions permitted by this Agreement without giving the Borrower any prior notice of its intent to declare a Default. With respect to the events described in Subsection 9.2(e), the Borrower shall have fifteen (15) days from receipt of Notice to demonstrate to A.I.D.'s reasonable satisfaction that the Borrower in good faith believed, at the time of its request for disbursement, that funds requested were required to fund immediate payment for goods or services necessary for the Project and that the circumstances which rendered the funds unnecessary were not reasonably foreseeable at the time of the request.

Section 9.3. Suspension; Acceleration. If at any time:

(a) A Default has been declared; or

(b) An event occurs that A.I.D. determines to be an

extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligations under this Agreement; or

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

(d) The Borrower fails to draw down the entire amount of the Loan within the Disbursement Period;

then A.I.D. may, in addition to any other remedies provided by the governing law:

(e) suspend or cancel its obligation under this Agreement to make any further disbursements hereunder; and/or

(f) if an event specified in Section 9.3(a)-(b) has occurred, A.I.D. may, at its sole option, accelerate and declare immediately due, without any notice to the Borrower, at A.I.D.'s option, all or any part of the Principal of, and all or any part of accrued Commitment Fees, interest and late charges on the Loan, without any presentment, demand or protest of any kind, all of which are expressly waived by the Borrower.

Section 9.4. Cancellation by A.I.D. If, within sixty (60) days from the date of any suspension of the Loan pursuant to Section 9.3(d), the cause or causes for such suspension have not been corrected, A.I.D. may cancel any part of the Loan that is not then disbursed.

Section 9.5. Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursements, or acceleration of repayment, the provisions of this Agreement will continue in effect until the payment in full of all Principal and accrued Commitment Fee and interest hereunder.

Section 9.6. Refunds. In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, A.I.D., notwithstanding the availability or exercise of any other remedies provided for under this Agreement, may require the Borrower to refund the amount of such disbursement in United States Dollars to A.I.D. within sixty (60) days after receipt of a request therefore. The right to require such a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for the term of this Agreement. Any refund will be applied to the installments of Principal in the inverse order of their maturity.

Section 9.7. Nonwaiver of Remedies. No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

Article 10: Miscellaneous.

Section 10.1 Communications. Except as otherwise specifically provided above, any notice, request, document or other communication submitted by either Party to the other under this Agreement shall be in writing or by telegram, cable or telex, and shall be deemed duly given or sent when delivered to such party at the following address:

To Borrower:

Mail Address: 202-206 Mahaesak Road Bangruk
Bangkok 10500, Thailand
Attn: Ma Chan Lee
Alternate address for telex: 82914 Mahboon Th.

To A.I.D.:

Mail Address: Office of Investment
Bureau for Private Enterprise
Agency for International Development
Department of State
Washington, D.C. 20523
Alternate address for telex: 904065

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice. The Borrower, in addition, will provide the USAID Mission in Thailand with a copy of each communication sent to A.I.D.

Section 10.2. Representatives. For all purposes relevant to this Agreement, the Borrower will be represented by the individuals who are duly authorized representatives of the Borrower empowered to commit the Borrower, and A.I.D. will be represented by the individual holding or acting in the Office of Assistant Administrator, Bureau for Private Enterprise, each of whom, by written notice, may designate additional representatives for all purposes. The names of the representatives of the Borrower, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 10.3. Project Implementation Letters. To assist Borrower in the implementation of the Project, A.I.D., from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The Parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex A.

Section 10.4. Governing Law. This Loan Agreement shall be governed by the laws of the United States and the District of Columbia.

Section 10.5. Amendments. This Agreement may be amended only in writing signed by authorized representatives of both Parties. The body of the Agreement may be amended only by a document specifically designated as an amendment to this Agreement. Annex A may be amended either by such a formal amendment or by a Project Implementation Letter as described in Section 10.3.

Section 10.6. Jurisdiction. Borrower consents to jurisdiction in the United States Federal District Court for the District of Columbia and agrees that, unless waived by A.I.D., any action brought to resolve any breach, default, dispute or interpretation of this Loan Agreement shall be commenced in the United States District Court for the District of Columbia. Borrower agrees not to claim, in any such legal action, that the District of Columbia is an inconvenient place for trial.

Section 10.7. Savings Clause. Notwithstanding Section 10.6, nothing shall limit the right of A.I.D. to serve legal process in any manner permitted by law or affect the right of A.I.D. to bring any action or proceeding against the Borrower or its property in the courts of Thailand or in any other courts having jurisdiction.

Section 10.8. Collection Actions. With respect to any collection action brought by A.I.D. under of this Agreement, Borrower shall pay to A.I.D. all costs of collection, including reasonable attorneys fees, incurred in connection with any such action within thirty (30) days of submission by A.I.D. to the Borrower of the amount of such costs.

Section 10.9. Annexes to Agreement. An amplified description of the Project (Annex A) and a form of Request and Certificate (Annex B) are attached to and form part of this Agreement.

Section 10.10. Headings. The headings of the various provisions of this Agreement are for convenience of reference only, do not constitute a part hereof, and shall not affect the meaning or construction of any provision hereof.

Section 10.11. Assignment. Except as otherwise specifically provided in this Agreement, The Borrower may neither assign its rights nor delegate its duties hereunder without the prior written consent of A.I.D.

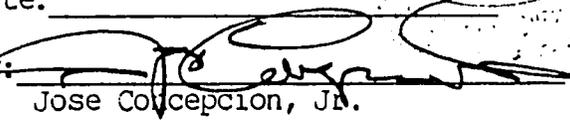
IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

MAH BOONKRONG-RFM COMPANY LIMITED

By: 
Sirichai Bulakul

Title: President

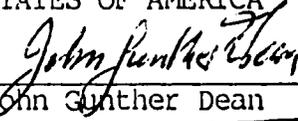
Date: _____

By: 
Jose Concepcion, Jr.

Title: _____
Chairman, Executive Committee

Date: _____

UNITED STATES OF AMERICA

By: 
John Gunther Dean

Title: Ambassador
Embassy of the United
States of America

Date: _____

Project Description 1/

1. Objectives

The Project consists of constructing, equipping and placing into operation a slaughterhouse and meat processing, chilling and canning facility. The physical facilities will be located slightly outside the Bangkok metropolitan area. The Project will be owned by a Thai limited liability company named Mah Boonkrong-RFM Company Limited ("Borrower") whose principal shareholders will, upon full capitalization of the Borrower, be Mah Boonkrong Drying & Silo Company Limited, a Thai limited liability company ("MBK"), and RFM Corporation, a Philippine corporation ("RFM").

The Project will assist small and medium-sized Thai livestock producers in at least two ways. First, the Project will provide the producers an additional marketing outlet. Second, the Project will furnish technical assistance to the producers in such areas as livestock husbandry, thus allowing them to produce a higher grade and commercially more valuable product. The Thai people will also benefit from the direct employment opportunities generated by the Project. The Project is expected eventually to export a substantial portion of its product which will improve the Thailand's balance of payments.

The Thai meat industry is dominated by government-owned slaughterhouses producing fresh and chilled meat. Thailand is self-sufficient in these products but production increases have not kept up with the estimated, six percent (6%) annual growth in demand. The resulting upward price pressure has motivated the Royal Government of Thailand to induce private investment in the industry to increase production. The project will produce chilled, processed and canned meats for sale to traditional and "up-scale" markets. The Project is based on the premise that cost and quality competitive advantages will permit it to capture sufficient market share to meet sale projections. This premise has been borne out by the commercial success of RFM's similar operation in the Philippines.

The Projects objectives include:

(1) Assistance to Small and Medium-Sized Livestock Producers.

The Borrower covenants in Section 7.18 of the Agreement to comply with the technical assistance plan which it must furnish A.I.D. pursuant to Subsection 5.1(j) as a condition precedent to the initial disbursement. Subsection 5.1(j) requires that the program include a provision that

1/ Dollar figures estimated at exchange rate of 23 Baht to one U.S. Dollar

the Borrower will exercise its best efforts to procure at least fifty percent (50%) of its livestock from small and medium-sized Thai producers. This requirement is intended to assure that the Project will increase these producers' marketing options. The program must describe how the producers will obtain short-term operating capital to finance their purchase and/or fattening of livestock.

Subsection 5.1(j) also requires that the program render technical assistance and instruction in basic animal husbandry practices and in upgrading breeding stock. Finally, A.I.D. retains the right to approve or disapprove the personnel primarily responsible the program.

(2) Foreign Exchange Impact. The Project is expected to generate gross foreign exchange earnings of approximately Five Million U.S. Dollars (\$5,000,000) per year from export of processed, canned or chilled meat.

(3) Privatization of Slaughterhouse Industry. Slaughterhouses have, until now, been owned almost exclusively by the Thai government. The Project represents the first modern privately owned slaughterhouse in Thailand.

(4) Employment Generation. The Project, when operating at 100% capacity, will employ approximately 175 persons including skilled and semi skilled workers as well as general laborers. These workers will be recruited primarily from neighboring towns. Skilled workers will undergo training prior to operation.

II. Financial and Project Implementation Details.

The proposed plant will be located on a 48,000 square meter lot (30 rai) in Prathum Thani, outside Bangkok. The land is currently owned by MBK and will be transferred to the Borrower either as a portion of MBK's capital contribution or by sale. The cost of land and improvements is approximately One Million U.S. Dollars (\$1,000,000). The site is accessible to both market and livestock supply. The estate is currently undergoing infrastructure development, i.e. concrete road networks, unlimited water supply, electricity, telephones, drainage system and other utilities.

The two principal buildings to be constructed as part of the Project are the main plant and the employee facilities such as canteen, recreation and locker rooms, service center etc. The floor areas of the plant and employee facilities will be approximately 9,000 square meters and 2,200 square meters respectively. The plant will be made of reinforced concrete with steel roof framing and will cost approximately 7,590 Baht per square meter. The employee's building will also be made of reinforced concrete and will cost approximately 5,000 Baht per square meter.

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The principal expenses of the Project, in addition to the land, improvements and buildings, will be the machinery and equipment which will cost approximately Ten Million Dollars U.S. (\$10,000,000). Office equipment is expected to cost One Hundred Eighteen Thousand U.S. Dollars (\$118,000). Initial working capital is projected at the equivalent of One Million Seven Hundred Fifty-Four Thousand U.S. Dollars (\$1,754,000).

The Borrower covenants in Section 7.3 of the Agreement that it will use at least Two Million Five Hundred Thousand U.S. Dollars (\$2,500,000) or the amount actually drawn down under the Agreement, whichever is less, to finance those Project costs which are defined in Subsection 2.2(a) as Eligible Costs. The Borrower contemplates meeting this requirement by the purchase of certain local Thai goods and services and certain U.S. goods and services including U.S. equipment.

The Borrower contemplates drawing down the A.I.D. Loan under the following schedule: (1) a cumulative total of One Million U.S. Dollars (\$1,000,000) within the first six months after the execution of the Agreement; (2) a cumulative total of One Million Five Hundred Thousand U.S. Dollars (\$1,500,000) within the first twelve months after the execution of the Agreement; and (3) a cumulative total of Two Million Five Hundred Thousand U.S. Dollars (\$2,500,000), the entire amount available, within the first eighteen months of the execution of the Agreement. The Borrower may draw down the entire amount of the A.I.D. Loan in a shorter time period and either reduce or eliminate Commitment Fees provided the Borrower complies with the requirement that drawn-down funds be used to pay Project costs within thirty days. The foregoing disbursement schedule is intended to serve as a guideline only. The Borrower's only contractual obligations regarding the timing of its requests for disbursement are those stated in the main body of the Loan Agreement.

III. Reporting Requirements.

The Borrower shall provide A.I.D. the following information and reports as specified:

- QUARTERLY:
- (1) Income (profit/loss), balance sheet and sources and applications of funds statements;
 - (2) Variance analysis of last quarter cash flow comparing actual against projected flows;
 - (3) A schedule setting forth, for the quarter and for the term of the A.I.D. Loan to date, the amount of the Loan disbursed, the amount of Fees, Principal, interest and pre-payment penalties paid; and
 - (4) Evidence of the amount the Borrower has spent on Eligible Costs as defined in Subsection 2.2 (a).

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- ANNUALLY:
- (1) Income (profit/loss), balance sheet and sources and applications of funds statements. These statements shall be examined and verified by a competent auditor and shall be accompanied by the auditor's written opinion and report as well as any management letters; and
 - (2) A twelve (12) month projected cash flow statement for the next year broken out by foreign exchange, local currency and consolidated currencies.

The quarterly and annual reports shall be accompanied by:

- (1) A transmittal letter stating whether or not the submissions are in compliance with the terms and conditions stated here;
- (2) A transmittal letter stating whether or not the Borrower is in compliance with the terms and conditions of all lenders; and
- (3) Such other financial statements and audit reports that it prepares for publication and for other lenders and/or investors.

In addition to the foregoing financial information, the Borrower will make annual reports to A.I.D. containing the following information about the progress of the technical assistance program:

- (1) the number of livestock producers supplying the Project during the preceding year, specifying the average number of each type of livestock (i.e. pigs, cattle, buffalo) supplied by each producer;
- (2) a description of the types of technical assistance (e.g. types of assistance listed in Subsection 5.1(j) of the Agreement) rendered to the livestock producers;
- (3) average prices paid to the producers for each type of livestock;
- (4) geographic distribution of participating producers;
- (5) methods by which participating producers were organized (e.g. co-operatives); and
- (6) an estimate of the numbers of livestock sold per year per producer prior to producer's participation in technical assistance program.

Finally, the Borrower will report annually on the effectiveness of the aspect of the Project design intended to mitigate the environmental impact of the Project.

ANNEX B

REQUEST AND CERTIFICATE

Under the terms of the Loan Agreement ("Agreement") between Mah Boonkrong-RFM Company Limited, a limited liability company organized and existing under the laws of Thailand ("Borrower"), and the United States of America acting through the Agency for International Development ("A.I.D."), dated _____, Borrower hereby requests a disbursement for _____ under Letter of Credit or Letter of Commitment No. _____.

Borrower certifies that the amount requested for disbursement shall be used immediately (within no longer than 30 days) to finance costs necessary to establish the Project. Borrower also certifies it has complied with all the Conditions Precedent to Initial Disbursement set forth in Subsection 5.1(a), and, with specific reference to Section 6.5(b), that it maintains books and records relating to the Project and the Agreement adequate to show, without limitation, the receipt and use of goods and services acquired under the Loan, and that Borrower will afford authorized representatives of A.I.D. the opportunity at all reasonable times to inspect such books and records, as provided by Section 6.5(c), and if the disbursement requested is other than the initial disbursement, the Borrower certifies it has complied with all the Conditions Precedent to Subsequent Disbursements stated in Subsection 5.1(c).

Borrower further certifies that it is in compliance with all the covenants and other terms and conditions of the above referenced Agreement and that there has been no material adverse change in the financial condition of the Borrower since the date of the Agreement.

MAH BOONKRONG-RFM COMPANY LIMITED

BY: _____

POSITION: _____

DATE: _____