

PDGAB 460

AID Project Number

263-0101

RELOAN AGREEMENT

Between

THE GENERAL ORGANIZATION FOR INDUSTRIALIZATION

(G.O.F.I.)

And

THE TRANSPORT ENGINEERING COMPANY

(TRESCO)

For

MODERNIZATION OF THE TIRE AND TUBE PRODUCTION

Dated July 28, 1981

In implementing Project Loan Agreement No. 263-K-048 signed on August 31, 1978, among the Arab Republic of Egypt, the United States of America and the Ministry of Industry for Industrial Production, the following Reloan Agreement hereinafter referred to as "Agreement" has been signed for this purpose in Cairo on July 28, 1981,

By and Between:

THE GENERAL ORGANIZATION FOR INDUSTRIALIZATION (G.O.F.I.)  
6 Khalil Agha Street  
Garden City, Cairo

hereinafter referred to as GOFI, on behalf of the GOVERNMENT OF EGYPT (GOE),

Represented by its Deputy Chairman, On the First Part

and The Transport and Engineering Company (TRENCO)  
Smouha - Alexandria  
A.R.E.

hereinafter referred to as the "Company",

Represented by its Chairman of the Board of Directors  
on the Other Part

Section 1.01. Reloan: GOFI hereby agrees to lend to the Company an amount ("Reloan") not to exceed Six Million Three Hundred Thousand United States Dollars (\$6,300,000) from the proceeds of the Loan obtained from the Agency for International Development of the United States ( A.I.D.) pursuant to AID Loan Agreement 263-K-048 dated August 31, 1978, as amended from time to time. The Company shall use the funds exclusively to finance the eligible United States Dollar costs (Foreign Exchange Costs) for carrying out the Agreement Activity as set forth in Annex No.1 hereto.

Section 2.01. Agreement Activity: The "Agreement Activity" shall be that portion of the Project activities authorized under AID Project Number 263-0101 which shall be financed under the Agreement and shall be defined in Annex No.1 hereto. The Agreement Activity shall be changed only with the prior approval of GOFI and AID.

Section 3.01 Repayment: The Company shall repay the Reloan to GOFI or such other entity of the GOE as GOFI shall direct within fifteen (15) years from the date of the first disbursement, in twenty (20) approximately equal semi-annual installments of Principal and Interest. The date of a disbursement shall be the date on which AID makes a disbursement of funds from the proceeds of this Reloan to GOFI, the Company or its designee, or to a banking institution pursuant to a Letter of Commitment. The first installment of Principal shall be payable four and one-half (4 1/2) years after the date when the first interest payment is due in accordance with the following Section.

Section 3.02 Interest: The Company shall pay to GOFI or such other entity of the GOE as GOFI may direct, interest of .....13%..... per annum on the outstanding balance of the Reloan and on any due and unpaid interest. Interest shall accrue from the date of each respective disbursement under the Reloan, shall be computed on the basis of a 365 day year, and shall be payable semi-annually with the first payment due and payable not later than six months after the first disbursement under this Agreement.

Section 3.03 Currency for Repayment: GOFI shall furnish to the Company a schedule of repayments, including interest both denominated in U.S. dollars. All repayments of the Reloan made by the Company to the GOFI shall be made in Egyptian Pounds, or such other currency as may be at the time lawful tender in the Arab Republic of Egypt ("Local Currency"). The Local Currency amount of each repayment shall be calculated at the highest rate prevailing and declared for foreign currency by the competent Government authorities in effect on the date of each repayment under this Agreement.

Section 3.04 Prepayment: Upon payment of all interest then due, the Company may repay, without penalty, all or any part of the principal. Any such prepayment shall not affect the duration of the grace period as specified in section 3.01.

Section 4.01 Conditions Precedent to Disbursement: Prior to any disbursement under this Agreement, or to the issuance of documentation pursuant to which disbursement will be made, the Company will, except as GOFI may otherwise agree in writing, furnish to GOFI in form and substance satisfactory to GOFI:

(a) A statement of the names of the persons holding or acting for the purpose relevant to this Agreement in the offices of the Company and of any additional representatives, together with a specimen signature of each person specified in such statement;

(b) an executed Contract/Agreement acceptable to GOFI for specified management assistance services including the coordination of the entire Agreement Activity.

Section 5.01 Other obligations of the Company: The Company under-takes to comply promptly and completely with all of the obligations assumed by it under this Agreement.

Section 5.02. Additional Resources

(a) The Company agrees to provide or cause to be provided for the Agreement Activity, all funds, in addition to the Reloan and all other resources required to carry out the Agreement Activity effectively and in a timely manner.

(b) The resources provided by the Company for the Project will be not less than L.E. 1,475,000 including costs borne on an "in-kind" basis.

Section 5.03 Covenants and General Warranties

(a) Within 12 months subsequent to the effective date of this Agreement, unless GOFI otherwise agrees in writing to a longer period, the Company shall submit to G.O.F.I. a program of preventative maintenance for project equipment and facilities which is acceptable to G.O.F.I.

(b) The Company shall be responsible for the finance and construction of all civil works which shall be necessary for the timely implementation of the Agreement Activity.

Section 6.01 Standard Terms and Conditions: The Company shall adhere to the Project Loan Standard Provisions Annex, Annex No.2 attached hereto, which is part of AID Loan Agreement Number 263-K-048.

Section 7.01 Agreement Activity Completion date:

(a) The Agreement Activity completion date shall be July 1, 1983 or such other date as GOFI and the Company estimate that all services financed under the Agreement will have been performed and all goods financed under the Agreement will have been furnished for the Activity as contemplated in this Agreement;

(b) Except as GOFI may otherwise agree to in writing, GOFI will not issue or approve documentation which would authorize disbursement under this Agreement for services performed subsequent to the referenced completion date or for goods furnished for the Activity as contemplated in this Agreement, subsequent to the referenced completion date;

(c) Requests from the Company for disbursement of Reloan funds, accompanied by necessary supporting documentation prescribed by GOFI, are to be received by GOFI no later than nine (9) months following the referenced completion date or such other period as GOFI agrees to in writing.

Section 8.01 Procurement Source: Foreign Exchange Costs

Disbursements pursuant to Section 9.01 of this Agreement will be used exclusively to finance the costs of goods and services required for the Agreement Activity having their source and origin in the United States (Code 000 of the AID Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) ("Foreign Exchange Costs"), except as AID and GOFI may otherwise agree in writing, and except as provided in the Project Loan Standard Provisions Annex, Section C. 1 (b) with respect to marine insurance. (See Section 6.01.)

Section 9.01 Disbursement for Foreign Exchange Costs:

After satisfaction of conditions precedent, if any, the Company may obtain

disbursements of funds under the Agreement for the Foreign Exchange Costs of goods or services required for the Agreement Activity in accordance with the terms of this Agreement, by such methods as are acceptable to both GOFI and AID.

Section 10.01 Communications: Any notice, request, document, or other communication submitted by GOFI or the Company to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

To GOFI:

Deputy Chairman  
General Organization  
for Industrialization  
6 Khalil Agha Street  
Garden City - Cairo

To the Company:

Chairman

Transport and Engineering Company

(TRENCO)

Post Office Box 668

Smouha - Alexandria

A.R.E.



ANNEX NO. 1

AGREEMENT ACTIVITY

## MODERNIZATION OF THE TIRE AND TUBE PRODUCTION.

### DESCRIPTION OF THE PROJECT

The project consists of the modernization of tire and tube production for the Transport and Engineering Company at their plant site in the Smouha section of Alexandria. The A.I.D. project funds will be used to finance: (1) replacement of specific pieces of tire and tube manufacturing machinery, (2) additional equipment for manufacturing radial tires, (3) an increase in the number of tire production units, (4) an expansion of the in-plant electric power capacity and, (5) an expansion of the balance production lines. Most of the new equipment will be installed in an existing building (approximately 8,000 square meters) which will be refurbished by the Company. This building will be augmented by a new building (approximately 2,700 square meters) which will be erected at the present plant site.

The Company also has received a loan under the A.I.D. Commodity Import Program (CIP), in order to finance: the procurement of other types of tire building equipment, tire curing presses, a textile bias cutter and an extruder. These A.I.D. financed commodities will enhance the Company's capacity to increase the production of tires from the present level of approximately 600,000 units per annum to approximately 915,000 units by 1985.

The total capital requirements of this project are estimated to be U.S. \$ 9.852 million, and will be financed as follows:

(U.S.\$000's)

A.I.D. Re-Loan	6,300
A.I.D. Re-Grant	1,445
Local Financing (Egyptian Pounds)	2,107 Equivalent
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Total	9,852

The proceeds of the A.I.D. Re-Loan (U.S. \$ 6.3 million) will be used to finance the cost of procurement of plant equipment, spare parts, and supervision of the erection of the equipment. The proceeds of A.I.D. Re-Grant (U.S.\$ 1.445 million) will be used to finance:

(1) The cost (U.S. \$ 0.945 million) of international freight (transported on U.S. Flag carriers) for the transport of commodities financed with A.I.D. funds under this Agreement, and

(2) The cost (U.S. \$ 0.5 million) of management support systems. As these needs are further refined, a scope of work will be prepared and transmitted to G.O.F.I. and A.I.D. for review and approval.

The Company will be responsible for providing the land (site) for the project and the local cost financing which has been estimated to be a total of L.E. 1.475 million (equivalent to U.S. \$ 2,107 million), which includes L.E. 700<sup>000'</sup> for building and L.E. 755<sup>000'</sup> for customs duties and start-up requirements.

ANNEX NO.2

PROJECT LOAN STANDARD PROVISIONS

ANNEX

AID LOAN AGREEMENT NO. 263-K-048