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A.I.D. Loan No. 522-L-020

PD-AAB-054-A1

LOAN AGREEMENT

Between

THE GOVERNMENT OF THE REPUBLIC OF HONDURAS

and the

UNITED STATES OF AMERICA

for

EDUCREDITO - STUDENT LOAN FUND

Dated: November 4, 1971

RECORD COPY

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LOAN AGREEMENT, in furtherance of the Alliance for Progress, dated the 4th day of November, 1971, between the Government of the Republic of Honduras ("Borrower") and the United States of America, acting through the Agency for International Development ("A.I.D.").

ARTICLE I

The Loan

SECTION 1.01. The Loan. A.I.D. agrees to lend to Borrower in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed two million United States dollars (\$2,000,000) ("Loan") to assist the Borrower in carrying out the Project described in Section 1.02 ("Project"). The Borrower shall relend the entire amount of the Loan to EDUCREDITO. The Loan shall be used exclusively to finance the United States dollar costs ("Dollar Costs") and Honduran Lempira costs ("Lempira Costs") of goods and services required for the Project. The aggregate amount of disbursements under the Loan is hereinafter referred to as the "Principal".

SECTION 1.02. The Project. The Project shall consist of an expansion of EDUCREDITO, a private, independent, non-profit Honduran organization operating a student loan program to help finance vocational and university-level studies both in Honduras and abroad. The Project will provide financial assistance to expand EDUCREDITO's fund for student loans as well as to finance a portion of EDUCREDITO's administrative expenses for a limited time and necessary technical assistance to develop EDUCREDITO into a viable, self-sufficient institution.

Up to the equivalent of one hundred twenty-five thousand United States dollars (\$125,000) shall be available under the Loan to EDUCREDITO to finance its administrative expenses, including related commodity procurement, and except as A.I.D. may otherwise agree in writing, not more than twenty-five thousand United States dollars (\$25,000) may be used for these purposes during any one-year period. Up to the equivalent of fifty thousand United States dollars (\$50,000) shall be available under the Loan to EDUCREDITO for technical assistance, training of personnel and related commodity procurement. The remainder of the Loan, including any unused balances

of the \$125,000 and \$50,000 sums referred to above, shall be available to EDUCREDITO for its student loan fund. Disbursements under the Loan shall at no time exceed the United States dollar equivalent of ten (10) times the total cash receipts of local donations received by EDUCREDITO subsequent to March 9, 1971.

ARTICLE II

Loan Terms

SECTION 2.01. Interest. Borrower shall pay to A.I.D. interest which shall accrue at the rate of two percent (2%) per annum for ten (10) years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement as such date is defined in Section 7.04 and shall be computed on the basis of a 365-day year. Interest shall be payable semiannually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

SECTION 2.02. Repayment. Borrower shall repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement hereunder in sixty-one (61) approximately equal semiannual installments of Principal and interest. The first installment of Principal shall be payable nine and one half (9 1/2) years after the date on which the first interest payment is due in accordance with Section 2.01. A.I.D. shall provide Borrower and EDUCREDITO with an amortization schedule for the Loan after the final disbursement under the Loan has been made.

SECTION 2.03. Application, Currency, and Place of Payment. All payments of interest and Principal hereunder shall be made in United States dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise notify Borrower in writing, all such payments shall be made to the Controller, USAID Mission to Honduras, and shall be deemed made when received by A.I.D. at the address set forth in Section 9.01 of this Agreement.

SECTION 2.04. Prepayment. Upon payment of all

interest and refunds then due, Borrower may prepay, without penalty, all or any part of the Principal. Any such prepayment shall be applied to the installments of Principal in the inverse order of their maturity, unless otherwise agreed by Borrower and A.I.D.

SECTION 2.05. Renegotiation of the Terms of the Loan. In light of the undertakings of the United States of America and the other signatories of the Act of Bogota and the Charter of Punta del Este to forge an Alliance for Progress, Borrower and A.I.D. agree to negotiate at such time or times as may be agreed, an acceleration of the repayment of the Loan in the event that there is any significant improvement in the internal and external economic and financial position and prospects of the Republic of Honduras, taking into consideration the relative capital requirements of the Republic of Honduras and of the other signatories of the Act of Bogota and the Charter of Punta del Este.

ARTICLE III

Conditions Precedent to Disbursement

SECTION 3.01. Conditions Precedent to Initial Disbursement. Prior to the first disbursement or to

the issuance of the first Commitment Document under the Loan, Borrower shall, except as A.I.D. shall otherwise agree in writing, furnish or cause to be furnished to A.I.D. in form and substance satisfactory to A.I.D.:

(a) an opinion of the Procurador General of the Republic of Honduras or of other legal counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of Borrower, and that it constitutes a valid and legally binding obligation of Borrower in accordance with all of its terms;

(b) a statement of the names of the persons holding or acting in the office of Borrower and of EDUCREDITO specified in Section 9.02 hereof and a specimen signature of each person specified in such statement;

(c) a duly executed loan agreement between Borrower and EDUCREDITO, making the entire amount of this loan available to EDUCREDITO on terms no less favorable than those of this A.I.D. loan to Borrower;

(d) an opinion of legal counsel for EDUCREDITO, satisfactory to A.I.D., stating that EDUCREDITO

is a juridical entity which has taken all necessary action required to maintain its good standing under the laws of the Republic of Honduras and which has full powers essential to the effective implementation of its role in the Project; and that the loan agreement between Borrower and EDUCREDITO has been duly authorized and/or ratified by, and executed on behalf of EDUCREDITO and that it constitutes a valid and legally binding obligation of EDUCREDITO in accordance with all of its terms;

(e) an operational plan prepared by EDUCREDITO, and approved by Borrower, which shall include a cash budget for the management and use during the year succeeding the date of this Agreement of the revolving fund created from the proceeds of repayments of sub-loans previously made by EDUCREDITO.

SECTION 3.02. Terminal Date for Meeting Conditions Precedent to Initial Disbursement. If all of the conditions specified in Section 3.01 have not been met within ninety (90) days from the effective 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 giving written notice to Borrower.

Upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall terminate.

SECTION 3.03. Notification of Meeting of Conditions Precedent to Disbursement. A.I.D. shall notify the Borrower and EDUCREDITO when A.I.D. has determined that the Conditions Precedent specified in Section 3.01 have been met.

ARTICLE IV

General Covenants and Warranties

SECTION 4.01. Execution of the Project

(a) Borrower shall carry out and cause EDUCREDITO to carry out the Project with due diligence and efficiency, and in conformity with sound financial, administrative and management practices.

(b) Borrower shall cause the Project to be carried out in conformity with all of the plans, contracts, schedules and other arrangements, and with all modifications therein, agreed upon by Borrower and A.I.D.

SECTION 4.02. Funds and Other Resources to be Provided by EDUCREDITO. Borrower shall cause EDUCREDITO to provide promptly as needed all other resources required for the punctual and effective execution of the Project.

SECTION 4.03. Continuing Consultation. Borrower, EDUCREDITO and A.I.D. shall cooperate fully to assure that the purposes of the Loan will be accomplished. To this end, representatives of Borrower, EDUCREDITO and A.I.D. shall meet semiannually during the first year of the Project, annually thereafter during the A.I.D. Loan disbursement period, and at such other times as Borrower, EDUCREDITO or A.I.D. may request to exchange views with regard to the progress of the Project, the performance by Borrower, EDUCREDITO, and A.I.D. of their obligations under this Agreement, and other matters related to the Project.

SECTION 4.04. Management. Borrower and EDUCREDITO shall provide qualified and experienced management for the Project and shall train such staff as may be appropriate for the execution of the Project.

SECTION 4.05. Taxation. This Agreement, the Loan and any evidence of indebtedness issued in connection herewith shall be free from, and the Principal and interest shall be paid without deduction for and free from, any taxation or fees imposed under the laws in effect within Honduras. To the extent that (a) any contractor, including any consulting firm, any personnel (excluding citizens and permanent residents of Honduras) of such contractor financed hereunder, and any property or transactions relating to such contracts and (b)

any commodity procurement transaction financed hereunder are not exempt from identifiable taxes, tariffs, duties, and other levies imposed under laws in effect in Honduras, Borrower shall, as and to the extent prescribed in Implementation Letters, pay or reimburse the same with funds other than those provided under this Loan.

SECTION 4.06. Utilization of Goods and Services.

(a) Except as A.I.D. and Borrower may otherwise agree in writing, goods and services financed under the Loan shall be used exclusively for the Project.

(b) Except as A.I.D. and Borrower may otherwise agree in writing, no goods or services financed under the Loan shall be used to promote or assist any foreign aid project or activity associated with or financed by any country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

SECTION 4.07. Disclosure of Material Facts and Circumstances. Borrower represents and warrants that all facts and circumstances that it has disclosed or caused to be disclosed to A.I.D. in the course of obtaining the Loan or that might materially affect the Project and the discharge of obligations under this Agreement are accurate and complete. Borrower shall

promptly inform A.I.D. or cause A.I.D. to be informed of any facts and circumstances that may hereafter arise that might materially affect the Project or the discharge of Borrower's or EDUCREDITO's obligations under or related to this Agreement.

SECTION 4.08. Maintenance and Audit of Records

Borrower shall maintain and cause EDUCREDITO to maintain in accordance with sound consistent accounting principles and practices books and records relating both to the Project and to this Agreement. Such books and records shall be adequate to show:

- (a) the receipt and use made of goods and services acquired and sub-loans made with funds disbursed under this Loan;
- (b) the nature and extent of solicitations of prospective suppliers of goods and services acquired;
- (c) the bases of the awards of contracts and orders to successful bidders; and
- (d) the progress of the Project.

Such books and records shall be regularly audited in accordance with sound auditing standards for such period and at such intervals as A.I.D. or the Borrower may require, and shall be maintained at least for five years after

the date of the last disbursement by A.I.D. under the Loan.

SECTION 4.09. Commissions, Fees, and Other Payments

(a) Borrower warrants and covenants that in connection with obtaining the 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 nor 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 full-time officers and employees or as compensation for bona fide professional, technical, or comparable services. Borrower 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 of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by A.I.D., the same shall be adjusted in a manner satisfactory to A.I.D.

(b) Borrower warrants and covenants that no payments have been or will be received by Borrower,

or any official of Borrower, in connection with the procurement of goods and services financed hereunder, except fees, taxes, or similar payments legally established in Honduras.

SECTION 4.10. Reports. Borrower shall furnish and cause EDUCREDITO to furnish to A.I.D. and the Borrower such information and reports relating to the Loan and to the Project as A.I.D. or Borrower may request.

SECTION 4.11. Inspections. The authorized representatives of A.I.D. and Borrower shall have the right at all reasonable times to inspect the Project, the utilization of all goods and services financed under the Loan, and Borrower's and EDUCREDITO's books, records and other documents or matters relating to the Project and the Loan. Borrower and EDUCREDITO shall cooperate with A.I.D. to facilitate such inspections.

ARTICLE V

Special Covenants

SECTION 5.01. Terms of Loan Agreement with
EDUCREDITO. Borrower covenants that the terms of the

Loan Agreement executed between Borrower and EDUCREDITO pursuant to Section 3.01 of this Loan Agreement shall only be modified as agreed in writing by the Borrower and EDUCREDITO and approved by A.I.D.

SECTION 5.02. Financial Statements of EDUCREDITO
Borrower covenants to furnish or cause EDUCREDITO to furnish to A.I.D. and the Borrower annually, or at such other times as A.I.D. or Borrower may request such financial statements of EDUCREDITO as may be requested by either party.

SECTION 5.03. Modification of EDUCREDITO Selection and Operating Policies. The Borrower covenants that during the A.I.D. loan disbursement period, EDUCREDITO shall effect only those major changes in its current established operating procedures which have the prior approval of Borrower and A.I.D. Such operating procedures shall include, but not be limited to, EDUCREDITO's selection criteria, standard sub-loan terms, lending policies, or personnel policies such as staffing and salary levels.

SECTION 5.04. Annual Operating Plan of EDUCREDITO.
Borrower covenants to submit or cause EDUCREDITO to submit annually, during the loan disbursement period, to A.I.D.

for discussion and approval, an operational plan approved by the Borrower including a cash budget for the following year which contains information consistent with that presented pursuant to Section 3.01 (e) of this Agreement.

ARTICLE VI

Procurement

SECTION 6.01. Eligible Procurement. Except as Borrower and A.I.D. may otherwise agree in writing, and except as provided in Section 6.09 (c) with respect to marine insurance, disbursements made pursuant to Section 7.01 shall be used exclusively to finance the procurement for the Project of goods and services having their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book or for EDUCREDITO loans to be used in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts are entered into for such goods and services, except for Central American countries, ("Eligible Goods and Services"). Ocean shipping financed under the Loan shall have both its source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time of shipment, except for Central American countries.

SECTION 6.02. Procurement from Central America.

Except as A.I.D. and the Borrower may otherwise agree in writing, disbursements made pursuant to Section 7.02 shall be used exclusively to finance the procurement for the Project of goods and services having both their source and origin in Central American countries or for EDUCREDITO loans to be used in Central American countries.

SECTION 6.03. Student Loan Fund. Borrower may obtain disbursements of dollars and Lempiras to the EDUCREDITO Student Loan Fund to the extent required to carry out the Project. Funds disbursed shall be used by EDUCREDITO for loans which conform to the source and origin requirements of the loan for dollar disbursements and for Lempira disbursements, as the case may be.

SECTION 6.04. Eligibility Date. Except as A.I.D. and the Borrower may otherwise agree in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement.

SECTION 6.05. Goods and Services Not Financed Under the Loan. Except as A.I.D. and the Borrower may otherwise agree in writing, all goods and services procured for the Project, but not financed under the Loan, shall have their source and origin in countries included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed for such goods and services.

SECTION 6.06. Implementation of Procurement Requirements. The definitions applicable to the eligibility requirements of Sections 6.01, 6.02, 6.03 and 6.05 will be set forth in detail in Implementation Letters.

SECTION 6.07. Plans, Specifications and Contracts.

(a) Except as A.I.D. may otherwise agree in writing, Borrower shall furnish or cause to be furnished to A.I.D. promptly upon preparation, all plans, bid documents and contracts or other arrangements relating to the Project, and any modifications therein, whether or not the goods and services to which they relate are financed under the Loan.

(b) Except as A.I.D. may otherwise agree in

writing, all of the plans, bid documents, contracts and other arrangements furnished pursuant to sub-section (a) above shall be approved by A.I.D. in writing.

(c) All bid documents and documents related to the solicitation of proposals relating to goods and services financed under the Loan shall be approved by A.I.D. in writing prior to their issuance.

(d) The following contracts financed under the Loan shall be approved by A.I.D. in writing prior to their execution:

- (i) contracts for consultant and other professional services;
- (ii) contracts for such other services as A.I.D. may specify; and
- (iii) contracts for such equipment and materials as A.I.D. may specify.

In the case of the above contracts for services, A.I.D. shall also approve in writing the contractor and such contractor personnel as A.I.D. may specify. Material modifications in any of such contracts and changes in any of such personnel financed under the Loan shall also be approved by A.I.D. in writing prior to their becoming effective.

(e) Consulting firms used for the Project, but not financed under the Loan, the scope of their services and such of their personnel assigned to the Project

as A.I.D. may specify, shall be acceptable to A.I.D.

SECTION 6.08. Reasonable Price. No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan, as more fully described in Implementation Letters. Such items shall be procured on a fair and, (except for professional services), on a competitive basis in accordance with procedures therefor prescribed in Implementation Letters.

SECTION 6.09. Shipping and Insurance

(a) Eligible goods financed under the Loan shall be transported to Honduras on flag carriers of any country included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

(b) At least fifty percent (50%) of the gross tonnage of all Eligible Goods financed under the Loan (computed separately for dry bulk carriers, dry cargo liners, and tankers) which shall be transported on ocean vessels shall be transported on privately-owned United States flag commercial vessels unless A.I.D. shall determine that such vessels are not available at fair and reasonable rates for United States commercial vessels. No such goods may be transported on any ocean vessel or aircraft (i) which A.I.D. in a notice to

Borrower and EDUCREDITO has designated as ineligible to carry A.I.D.-financed goods or (ii) which has been chartered for the carriage of A.I.D.-financed goods unless such charter has been approved by A.I.D.

(c) Marine Insurance on Eligible Goods may be financed under the Loan with disbursements made pursuant to Sections 7.01 or 7.02 provided that (i) such insurance is placed at the lowest available competitive rate in Honduras or in a country included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time of placement, and (ii) claims thereunder are payable in a freely convertible currency. If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, Honduras, by statute, decree, rule or regulation, favors any marine insurance company of any country over any marine insurance company authorized to do business in any state of the United States of America, Eligible Goods financed under the Loan shall during the continuance of such discrimination be insured against marine risk in the United States of America with a company or companies authorized to do a marine insurance business in any state of the United States of America.

(d) Borrower shall insure or cause to be insured all Eligible 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 the currency in which such goods were financed or in any freely convertible currency. Any indemnification received by Borrower and EDUCREDITO under such insurance shall be used to replace or repair any material damage or any loss of the goods insured or shall be used to reimburse Borrower or EDUCREDITO for the replacement or repair of such goods. Any such replacements shall have their source and origin in Honduras or in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts are entered into for such replacements, and shall be otherwise subject to the provisions of this Agreement.

SECTION 6.10. Notification to Potential Suppliers

In order that United States firms shall have the opportunity to participate in furnishing goods and services to be financed under the Loan, Borrower

shall furnish or cause to be furnished to A.I.D. such information with regard thereto, and at such times, as A.I.D. may request.

SECTION 6.11. Information and Marking. Borrower shall give and cause to be given publicity to the Loan and the Project as a program of United States aid in furtherance of the Alliance for Progress, and mark goods financed under the Loan as prescribed in Implementation Letters.

ARTICLE VII

Disbursements

SECTION 7.01. Disbursement for United States Dollar Costs - Letters of Commitment to United States Banks. Upon satisfaction of conditions precedent, Borrower may, from time to time, request A.I.D. to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to A.I.D. and Borrower committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, through the use of Letters of Credit or otherwise, for Dollar Costs of goods and services procured for the Project or EDUCREDITO loans in accordance with the terms and conditions of this Agreement.

Payment by a bank will be made upon presentation of such supporting documentation as A.I.D. may prescribe in Letters of Commitment and Implementation Letters. Banking charges incurred in connection with Letters of Commitment and Letters of Credit shall be for the account of Borrower and may be financed under the Loan.

SECTION 7.02. Disbursement for Lempira Costs.

Upon satisfaction of conditions precedent, Borrower may, from time to time, request disbursement by A.I.D. of Lempiras for Lempira Costs of goods and services procured for the Project or EDUCREDITO loans in accordance with the terms and conditions of this Agreement by submitting to A.I.D. such supporting documentation as A.I.D. may prescribe in Implementation Letters. A.I.D. shall make such disbursements from Lempiras owned by the United States Government and obtained by A.I.D. with United States dollars. The United States dollar equivalent of the Lempiras made available hereunder will be the amount of U.S. dollars required by A.I.D. to obtain the Lempiras. Except as A.I.D. may otherwise agree, disbursements under this section shall not exceed the equivalent of six

hundred thousand United States dollars (\$600,000).

SECTION 7.03. Other Forms of Disbursement.

Disbursements of the Loan may also be made through such other means as Borrower and A.I.D. may agree to in writing.

SECTION 7.04. Date of Disbursement. Disbursements by A.I.D. shall be deemed to occur, (a) in the case of disbursements pursuant to Section 7.01, on the date on which A.I.D. makes a disbursement to Borrower, its designee, or a banking institution pursuant to a Letter of Commitment and (b) in the case of disbursements pursuant to Section 7.02, on the date on which A.I.D. disburses the Lempiras to the Borrower, EDUCREDITO, or their designees.

SECTION 7.05. Terminal Date for Disbursement. Except as A.I.D. may otherwise agree in writing, no Letter of Commitment or other commitment document which may be called for by another form of disbursement under Section 7.03 or amendment thereto shall be issued in response to requests received by A.I.D. after March 31, 1976, and no disbursement shall be made against documentation received by A.I.D. or any bank described in Section 7.01 after September 30, 1976. A.I.D. at its option may at any time or times after September

30, 1976 reduce the Loan by all or any part thereof for which documentation was not received by such date.

ARTICLE VIII

Cancellation and Suspension

SECTION 8.01. Cancellation by the Borrower.

Borrower may, by written notice to A.I.D., cancel any part of the Loan (i) which, prior to the giving of such notice, A.I.D. has not disbursed or committed itself to disburse, or (ii) which has not been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit.

SECTION 8.02. Events of Default; Acceleration.

If any one or more of the following events ("Events of Default") shall occur:

- (a) Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;
- (b) Borrower shall have failed to comply with any other provision of this Agreement, including, but without limitation, the obligation to carry out the Project with due diligence and efficiency;

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

then A.I.D. may, at its option, give to Borrower notice that all or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter, and, unless the Event of Default is cured within such sixty (60) days:

(i) such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately; and

(ii) the amount of any further disbursements made under then outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

SECTION 8.03. Suspension of Disbursement. In the event that at any time:

- (a) an Event of Default has occurred;
- (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 Borrower will be able to perform its obligations under this Agreement;

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

(d) Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between the Borrower or any of its agencies and the Government of the United States or any of its agencies;

then A.I.D. may, at its option:

(i) suspend or cancel outstanding commitment documents 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, in which event A.I.D. shall give notice to Borrower promptly thereafter;

(ii) decline to make disbursements other than under outstanding commitment documents;

(iii) decline to issue additional commitment documents;

(iv) at A.I.D.'s expense, direct that title to goods financed under the Loan shall be transferred to A.I.D. if the goods are from a source outside Honduras, are in a deliverable state and have not been offloaded in ports of entry of Honduras. Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

SECTION 8.04. Cancellation by A.I.D. Following any suspension of disbursements pursuant to Section 8.03, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

SECTION 8.05. Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursement or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

SECTION 8.06. Refunds. (a) In the case of any disbursement not supported by valid documentation or not used in accordance with the terms of this Agreement, A.I.D., notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require Borrower to refund such amount in United States dollars to A.I.D. within thirty (30) days after receipt of a request therefor. Such amount shall be made available first for EDUCREDITO loans or for the cost of goods and services procured for the Project hereunder, to the extent justified; the remainder, if any, shall be applied first to any accrued interest and then to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder. Notwithstanding any other provision of this Agreement, A.I.D.'s right to require a refund with respect to any disbursement under the loan shall continue for five years following the date of such disbursement. A.I.D. shall assist Borrower or EDUCREDITO in obtaining any refund due Borrower or EDUCREDITO under the provisions of any Loan-financed agreement from any contractor, supplier, banking institution or any third party connected with the Loan.

(b) In the event that A.I.D. receives a refund from any contractor, supplier, or banking institution, or from any other party connected with the Loan, with respect to goods or services financed under the Loan, and such refund relates to an unreasonable price for goods or services, or to goods that did not conform with specifications, or to services that were inadequate, A.I.D. shall first make such refund available for EDUCREDITO loans or for the cost of goods and services procured for the Project, to the extent justified, the remainder to be applied first to any accrued interest and then to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder.

SECTION 8.07. Expenses of Collection. All reasonable costs incurred by A.I.D., other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A.I.D. by reason of the occurrence of any of the events specified in Section 8.02 may be charged to the Borrower and reimbursed to A.I.D. in such manner as A.I.D. may specify.

SECTION 8.08. Nonwaiver of Remedies. 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 such rights, powers, or remedies.

ARTICLE IX

Miscellaneous

SECTION 9.01. Communications. Any notice, request, document, or other communication given, made or sent by Borrower, EDUCREDITO or A.I.D. pursuant to this Agreement shall be in writing or by telegram, cable, or radiogram and shall be deemed to have been duly given, made or sent to the party to which it is addressed when it shall be delivered to such party by hand or by mail, telegram, cable, or radiogram at the following addresses:

TO BORROWER:

Mail Address:	Ministerio de Hacienda y Crédito Público
	Tegucigalpa, D.C.
	Honduras, C.A.
Cable Address:	Hacienda
	Tegucigalpa, Honduras

TO EDUCREDITO:

Mail Address: EDUCREDITO
Apartado Postal 1145
Tegucigalpa, D.C.
Honduras, C.A.

Cable Address: EDUCREDITO
Tegucigalpa, Honduras

TO A.I.D.:

Mail Address: United States AID Mission
to Honduras
c/o American Embassy
Tegucigalpa, D.C.
Honduras, C.A.

Cable Address: USAID
AM Embassy, Tegucigalpa,
Honduras

Other addresses may be substituted for the above upon the giving of notice. Except as A.I.D. and Borrower may otherwise agree in writing, all notices, requests, communications, documents and reports submitted to A.I.D. hereunder shall be in English.

SECTION 9.02. Representatives. For all purposes relative to this Agreement, Borrower will be re-

presented by the individual holding, or acting in, the office of the Minister of Finance and Public Credit. EDUCREDITO will be represented by the individual holding, or acting in, the office of Director, and A.I.D. will be represented by the individual holding, or acting in, the office of Director, USAID/Honduras. Such individuals shall have the authority to designate additional representatives by written notice. In the event of any replacement or other designation of a representative of Borrower or EDUCREDITO hereunder, Borrower or EDUCREDITO, as the case may be, shall submit to A.I.D. a statement of the representative's name and specimen signature in form and substance satisfactory to A.I.D. Until receipt by A.I.D. of written notice of revocation of the authority of any of the duly authorized representatives of Borrower or EDUCREDITO designated pursuant to this Section, A.I.D. may accept the signature of any such representative or representatives on any instrument as conclusive evidence that any action effected by such instrument is duly authorized.

SECTION 9.03. Implementation Letters. A.I.D. shall from time to time issue Implementation Letters

which shall prescribe the procedures applicable here-
under in connection with the implementation of this
Project.

SECTION 9.04. Promissory Notes. At such time or
times as A.I.D. may request, Borrower shall issue
promissory notes or such other evidences of indebtedness
with respect to the Loan, in such form, containing such
terms and supported by such legal opinions as A.I.D.
may reasonably request.

SECTION 9.05. Termination Upon Full Payment.
Upon payment in full of the Principal and of any accrued
interest, this Agreement and all obligations of Borrower
and A.I.D. under this Loan Agreement shall terminate.

SECTION 9.06. Language. This Agreement is executed
in two official versions in both the English and the
Spanish languages. In case of ambiguity or discrepancy
between the English and Spanish versions, the English
version shall prevail.

IN WITNESS WHEREOF, Borrower and the United States
of America, each acting through its respective duly
authorized representative, have caused this Agreement

to be signed in their names and delivered as of the
day and year first above written.

REPUBLIC OF HONDURAS

UNITED STATES OF AMERICA

By: (signed)
Lic. Elio Ynestroza M.

By: (signed)
Edward Marasciulo

Title: Minister of Finance
and Public Credit

Title: Director USAID/Hondur.