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A.I.D. LOAN No. 525-L-037

LOAN AGREEMENT

Between the

FEDERATION OF CREDIT UNIONS OF PANAMA

and the

UNITED STATES OF AMERICA

Dated: JUN 26 1971

LOAN AGREEMENT dated JULY 1, 1971 between
THE FEDERATION OF CREDIT UNIONS OF PANAMA ("Borrower") and THE
UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNA-
TIONAL DEVELOPMENT ("A.I.D.").

ARTICLE I

The Loan

SECTION 1.01. The Loan. A.I.D. agrees to lend to the Borrower
in furtherance of the Alliance for Progress and pursuant to the
Foreign Assistance Act of 1961, as amended, an amount not to exceed
One Million Nine Hundred Thousand United States Dollars (\$1,900,000)
("Loan") to assist the Borrower in carrying out the Project referred
to in Section 1.02 ("Project").

SECTION 1.02. The Project. The project shall consist of expand-
ing the operations of the Borrower. The Borrower will act as an
intermediate credit institution, and will use the loan for sub-lending
to affiliated Credit Unions, except that up to \$200,000 of the Loan
may be used to finance operating expenses or technical assistance
expenses incurred by the Borrower during the initial years of the project.
The project is more fully described in Annex I, attached hereto, which
annex may be modified, consistent with the foregoing, by agreement of the
representatives of Borrower and A.I.D. designated under Section 9.02
of the Agreement.

ARTICLE II

Loan Terms

SECTION 2.01. Interest. The Borrower shall pay to A.I.D. interest which shall accrue at the rate of two percent (2%) per annum for seven 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. The Borrower shall repay to A.I.D. the Principal within twenty-five (25) years from the date of the first disbursement hereunder in thirty-seven (37) approximately equal semiannual installments of Principal and interest. The first installment of Principal shall be payable six and one-half (6-1/2) years after the date on which the first interest payment is due in accordance with Section 2.01. A.I.D. shall provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 2.03. Special Payment Procedure.

(a) If prior to the date when the first interest payment is due, A.I.D. shall notify Borrower in writing that the Government of the Republic of Panama ("Government") has so elected, Borrower, until A.I.D. gives notice otherwise, shall discharge its obligations to make payments pursuant to this Article and, if A.I.D. so directs by notice, by making all such payments in accordance with the terms of this Agreement to Government in Balboas (rather than to A.I.D. in dollars), the applicable exchange rate to be the lowest rate at which Borrower, on the date of payment in balboas to Government, could have lawfully purchased dollars to meet its obligation to pay interest and principal to A.I.D. in dollars had it been discharging its obligation by direct payments to A.I.D.

(b) Receipt by Borrower of notice of election pursuant to Section 2.03 (a) shall not terminate those payment obligations of Borrower to A.I.D. under this Agreement which have not been discharged in accordance with the terms of this Section or the rights of A.I.D. with respect thereto or any other rights of A.I.D. under this Agreement.

SECTION 2.04. Application, Currency, and Place of Payment. All payments of interest and Principal hereunder shall be applied first to the Payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, all such payments

shall be made to the Controller, USAID Mission to Panama, and shall be deemed made when received by the Office of the Controller.

SECTION 2.05. Prepayment. Upon payment of all interest and refunds then due, the 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.

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 Letter of Commitment under the Loan, the Borrower shall, except as Borrower and A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to Borrower and A.I.D.:

- (a) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;
- (b) A statement of the names of the persons holding or acting in the office of the Borrower specified in Section 9.02, and a specimen signature of each person specified in such statement ;
- (c) Financial statements for the year ending December 31, 1970 audited by an independent firm acceptable to A.I.D. ;
- (d) An implementation and evaluation plan satisfactory to A.I.D. This plan shall include but not be limited to, the Borrower's lending policies and regulations, its regulations concerning capitalization of the Borrower, and its procedures for making credit available to member credit unions ;

The plan shall be submitted with evidence satisfactory to A.I.D. that the plan has been approved by the Board of Directors (Consejo de Administración) of the Borrower;

- (e) Security for the Loan will be provided as agreed upon in Sections 4 and 5 of the Loan Agreement.

SECTION 3.02. Terminal Dates for Meeting Conditions Precedent to Disbursement. If all of the conditions specified in Section 3.01 shall not have been met by July 31, 1971 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 the 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 in writing upon determination by A.I.D. that the conditions precedent to disbursement specified in Section 3.01 have been met.

ARTICLE IV

General Covenants and Warranties

SECTION 4.01. Execution of the Project.

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

(b) The Borrower shall cause the Project to be carried out in conformity with all of the plans, specifications, contracts, schedules, and other arrangements, and with all modifications therein approved by Borrower and A.I.D. pursuant to this Agreement.

SECTION 4.02. Funds and Other Resources to be Provided by Borrower. The Borrower shall provide promptly as needed all funds, in addition to the Loan, and all other resources required for the punctual and effective carrying out, maintenance, and operation of the Project.

SECTION 4.03. Continuing Consultation. The Borrower and A.I.D. shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, the Borrower and A.I.D. shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance of the consultants, contractors, and suppliers engaged on the Project, and other matters relating to the Project.

SECTION 4.04. Management. The Borrower shall provide qualified and experienced management for the Project and it shall train such staff as may be appropriate for the maintenance and operation of the Project.

SECTION 4.05. Continuity. The Borrower shall sustain expanded operations accomplished under the Project in conformity with sound cooperative, financial, administrative, and managerial practices and in such manner as to insure the continuing and successful achievement of the purposes of the Project.

SECTION 4.06. 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 the country of the Borrower. To the extent that (a) any contractor, including any consulting firm, any personnel 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 Panama, the Borrower shall, as and to the extent prescribed in and pursuant to Implementation Letters, pay or reimburse the same under Section 4.02 of this Agreement with funds other than those provided under the Loan.

SECTION 4.07. Utilization of Funds, Goods and Services.

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

(b) Except as Borrower and A.I.D. 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 4.08. Disclosure of Material Facts and Circumstances.

The 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 are accurate and complete, and that it has disclosed to A.I.D. accurately and completely, all facts and circumstances that might materially affect the Project and the discharge of its obligation under this Agreement. The Borrower shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise that might materially affect the Project or the discharge of the Borrower's obligation under this Agreement.

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 the Borrower's full time officers and employees or as compensation for bona fide professional, technical, or comparable services. The 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 reasonable by A.I.D. the same shall be adjusted in a manner satisfactory to A.I.D.

(b) The Borrower warrants and covenants that no payments have been or will be received by the Borrower, or any official of the Borrower, in connection with the procurement of goods and services financed hereunder, except fees, taxes, or similar payments legally established in the country of the Borrower.

SECTION 4.10. Maintenance and Audit of Records. The Borrower shall maintain, or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Project and to this Agreement. Such books and records shall, without limitation, be adequate to show:

- (a) the receipt and use made of goods and services acquired with funds disbursed pursuant to this Agreement;
- (b) the nature and extent of solicitation of prospective suppliers of goods and services acquired;

- (c) the basis of the award 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. may require, and shall be maintained for five years after the date of the last disbursement by A.I.D. or until all sums due A.I.D. under this Agreement have been paid, whichever date shall first occur.

SECTION 4.11 Reports. The Borrower shall furnish to A.I.D. such information and reports relating to the Loan and to the Project as A.I.D. may reasonably request.

SECTION 4.12. Inspections. The authorized representatives of A.I.D. shall have the right at all reasonable times to inspect the Project, the utilization of all goods and services financed under the Loan, and the Borrower's books, records, and other documents relating to the Project and the Loan. The Borrower shall cooperate with A.I.D. to facilitate such inspections and shall permit representatives of A.I.D. to visit any part of the country for any purpose relating to the Loan.

ARTICLE V

Special Covenants and Warranties

SECTION 5.01. Additional Medium or Long Term Debt. Borrower agrees to incur no additional medium or long-term indebtedness without prior A.I.D. approval in writing.

SECTION 5.02. Administration of Loan.

(a) Except as A.I.D. may otherwise agree in writing, earnings of the interest spread between the interest rate charged on the Loan and that charged on sub-loans of Borrower as well as repayments of sub-loans financed by the Loan shall remain in the Credit Union program of Borrower.

(b) Except as A.I.D. may otherwise agree in writing, all sub-loans to Sub-Borrowers from the Borrower shall be made for varying periods but in no case for less than three (3) months or for more than ten (10) years, including any grace periods.

(c) Except as A.I.D. may otherwise agree in writing, Borrower shall require any sub-borrower of more than \$25,000 to have full-time management, satisfactory to Borrower.

(d) Except as A.I.D. may otherwise agree in writing, the total of interest payments and other distributions paid to affiliated credit unions by the Federation during any year shall not exceed 10% of the Borrower's paid in capital, unless those payments and distributions in excess of 10% are matched by an equal prepayment of the loan.

(e) Except as A.I.D. may otherwise agree in writing, during the first ten years of the life of the Loan, the Borrower will require affiliated credit unions to maintain 5% of their share capital and deposits invested in share capital of the Borrower.

(f) Except as A.I.D. may otherwise agree in writing, during the first three (3) years after the first disbursement, outstanding sub-loans to provide affiliated credit unions with Supplementary Working Capital from loan funds shall not exceed \$1,050,000.

(g) Except as A.I.D. may otherwise agree in writing, during the life of the Loan, the Borrower shall maintain, as a reserve for bad debts, an amount equal to 3% of the average quarterly outstanding balance of its loan portfolio, or \$100,000, whichever is less.

ARTICLE VI

Procurement

SECTION 6.01. Procurement from Lower Income Countries.

Except as Borrower and A.I.D. may otherwise agree in writing, and except as provided in subsection 6.08 (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 as in effect at the time orders are placed or contracts are entered into for such goods and services, ("Qualified Worldwide Procurement".) All ocean shipping financed under the loan shall have both its sources and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

SECTION 6.02. Procurement from Panama. 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 Panama.

SECTION 6.03. Eligibility Data. Except as Borrower and A.I.D. 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 6.04. Goods and Services Not Financed Under Loan.

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 6.05. Implementation of Procurement Requirements.

The definitions applicable to the eligibility requirements of Sections 6.01, 6.02, and 6.04 will be set forth in detail in Implementation Letters.

SECTION 6.06. Plans, Specifications, and Contracts.

(a) Except as A.I.D. may otherwise agree in writing, the Borrower shall furnish to A.I.D. promptly upon preparation, all plans, specifications, bid documents, and contracts 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 Borrower and A.I.D. may otherwise agree in writing, all of the plans and specifications furnished pursuant to subsection (a) above shall be approved by Borrower and 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 Borrower and A.I.D. in writing prior to

their issuance. All plans, specifications, and other documents relating to goods and services financed under the Loan shall be in terms of United States standards and measurements previously converted from the standards and measurements used in Panama, except as Borrower and A.I.D. may otherwise agree in writing.

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

- (i) contracts for 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 any of the above contracts for services, Borrower and 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 shall also be approved by Borrower and A.I.D. in writing prior to their becoming effective.

(e) Consulting firms used by the Borrower for the Program but not financed under the Loan, the scope of their services and such of their personnel assigned to the Program as A.I.D. may specify shall be acceptable to Borrower and A.I.D.

SECTION 6.07. Reasonable Prices. 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. The submission of a bid directly by a prospective supplier rather than through an agent or other representative of the supplier in Panama shall not be cause for rejection of the bid.

SECTION 6.08. Shipping and Insurance.

(a) Qualified Worldwide Procurement goods financed under the Loan shall be transported to Panama 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 Qualified Worldwide Procurement 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 flag commercial vessels. No goods processed from outside Panama and financed under

the Loan may be transported on any ocean vessel or aircraft (i) which A.I.D., in a notice to the Borrower, 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 Qualified Worldwide Procurement goods may be financed under the Loan with disbursements made pursuant to Section 7.01, provided (i) such insurance is placed at the lowest available competitive rate in Panama 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 freely convertible currency. If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, Panama, 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, Qualified Worldwide Procurement 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) The Borrower shall insure, or cause to be insured all goods procured from outside Panama and 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 free convertible currency. Any indemnification received by the Borrower 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 the Borrower for the replacement or repair of such goods. Any such replacements shall have their source and origin 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. Although it is not anticipated that there will be procurement of goods financed under this Loan, if in the event there should be, an Implementation Letter will be sent to the Borrower setting forth in more detail the procedures to be followed.

SECTION 6.09. Notification to Potential Suppliers. In order that all United States firms shall have the opportunity to participate in furnishing goods and services to be financed under the Loan, the Borrower shall furnish to A.I.D. such information with regard thereto, and at such times as A.I.D. may establish in Implementation Letters.

SECTION 6.10. United States Government-owned Excess Property.

The Borrower shall utilize, with respect to goods financed under the Loan to which the Borrower takes title at the time of procurement, such reconditioned United States Government-owned Excess Property as may be consistent with the requirements of the Program and as may be available within a reasonable period of time. The Borrower shall seek assistance from A.I.D. and A.I.D. will assist the Borrower in ascertaining the availability of and in obtaining such Excess Property. A.I.D. will make arrangements for any necessary inspection of such property by the Borrower or its representative. The costs of inspection and of acquisition, and all charges incident to the transfer to the Borrower of such Excess Property, may be financed under the Loan. Prior to the procurement of any goods, other than Excess Property, financed under the Loan and after having sought such A.I.D. assistance, the Borrower shall indicate to A.I.D. in writing, on the basis of information then available to it, either that such goods cannot be made available from reconditioned United States Government-owned Excess Property on a timely basis or that the goods that can be made available are not technically suitable for use in the Program.

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

ARTICLE VII

Disbursements

SECTION 7.01. Disbursements for United States Dollar Costs - Letters of Commitment to United States Banks. Upon satisfaction of conditions precedent, the 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., 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 Program in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or supplier will be made by the bank 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 Balboa Costs. Upon satisfaction of conditions precedent, the Borrower may, from time to time, request disbursement by A.I.D. of Panama Balboas for Balboa costs of goods and services procured for the Project 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 Balboas owned by the United States Government and obtained by A.I.D. with United States dollars. The United States dollar equivalent of the balboas made available hereunder will be the amount of United States dollars required by A.I.D. to obtain the balboas.

SECTION 7.03. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as the 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 the Borrower, to its designee, or to a banking institution pursuant to a Letter of Commitment and (b) in the case of disbursements pursuant to Sections 7.02 and 7.03 on the date on which A.I.D. disburses the balboas to the Borrower or its designee.

SECTION 7.05. Terminal Date for Disbursement. Except as A.I.D. may otherwise agree in writing, no Letter of Commitment, or other commitment documents which may be called for by another forms of disbursement under Section 7.03, or amendment thereto shall be issued in response to requests received by A.I.D. after

June 30, 1974 and no disbursement shall be made against documentation received by A.I.D. or any bank described in Section 7.01 after September 30, 1974. A. I.D. at its option, may at any time or times after September 30, 1974, 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. The Borrower may, with the prior written consent of A.I.D. 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 then 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) The Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;
- (b) The 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) The 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 A.I.D., then A.I.D. may at

its option, give to the 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) unrepaid Principal and any accrued interest hereunder shall be due and payable immediately; and
- (ii) the amount of any further disbursements made under the 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 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.;

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 the 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 the country of the Borrower, are in a deliverable state and have not been offloaded in ports of entry of the country of the Borrower. 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 in accordance with the terms of this Agreement, or of any disbursement not made or 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 the Borrower to refund such amount in United States dollars to A.I.D. within thirty days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Project hereunder to the extent justified;

the remainder if any, shall be applied 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 in 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.

- (b) In the event that A.I.D. receives a refund from any contractor, supplier, or banking institution, or from any other third 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 to specifications, or to services that were inadequate, A.I.D. shall first make such refund available for the cost of goods and services procured for the Project hereunder, to the extent justified, the remainder to be applied 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 reasonable 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 or remedies.

ARTICLE IX

Miscellaneous

SECTION 9.01. Communications. Any notice, request, document or other communication given, made or sent by the Borrower 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, telegrams, cable or radiogram at the following addresses. Communications by telegram, cable or radiogram will normally be confirmed by mail.

TO BORROWER:

Mail Address: Gerente, Federación de Cooperativas de Crédito de Panamá, S. L.
Aptdo. 6664
Panamá 5, Panama

Cable Address: FEDPA
Panamá

TO A. I. D.:

Mail Address: Director, United States
Agency for International
Development
P.O. Box "J"
Balboa, C. Z.

Cable Address: USAID
American Embassy
Panama

All notices, requests, communications, and documents submitted to A.I.D. hereunder shall be in English or in Spanish with a courtesy translation into English, except as A.I.D. may otherwise agree in writing.

SECTION 9.02. Representatives. For all purposes relative to this Agreement, the Borrower will be represented by the individual holding or acting in the office of President and/or General Manager of the Federation and A.I.D. will be represented by the individual holding or acting in the office of the Director, United States Agency for International Development Mission to Panama or such other persons as A.I.D. may designate. 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 hereunder, Borrower shall submit 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 the Borrower designated pursuant to this Section, it may accept the signature of any such representative or representatives on any instrument as conclusive evidence that any action affected by such instrument is duly authorized.

SECTION 9.03. Implementation Letters. A.I.D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement. Nothing in such letters shall alter the terms of this Agreement except as permitted by the Agreement.

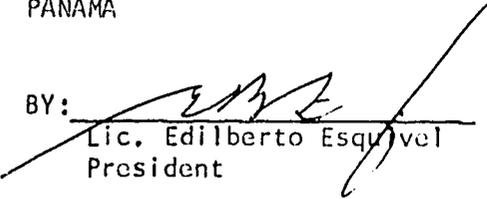
SECTION 9.04. Promissory Notes. At such time or times as A.I.D. may request, the Borrower shall issue promissory notes or such other evidence of indebtedness with respect to the Loan, in such form, containing such terms and supported by such legal opinions as A.I.D. may reasonably request.

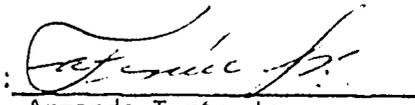
SECTION 9.05. Termination Upon Full Payment. Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under this Loan Agreement shall terminate.

IN WITNESS WHEREOF, Borrower and the United States of America, each acting through its respective duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year first above written in the English and Spanish languages in which the Spanish text is to be recognized as a translation from the English.

FEDERATION OF CREDIT UNIONS OF PANAMA

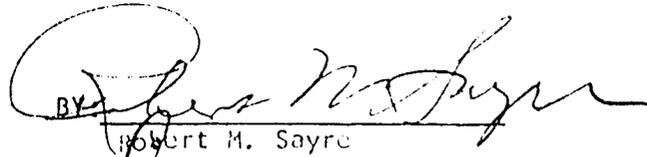
BY:

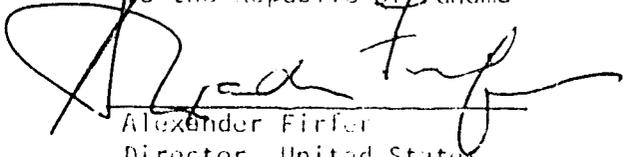

Lic. Edilberto Esquivel
President


Armando Torán Jr.
Manager

UNITED STATES OF AMERICA

BY:


Robert M. Sayre
United States Ambassador
to the Republic of Panama


Alexander Firfer
Director, United States
Agency for International
Development
Mission to Panama

ANNEX I TO THE LOAN AGREEMENT

PROJECT DESCRIPTION

The Project consists of expanding the operations of the Federation. The principal activity to be financed by the Loan is the Federation program of sub-lending to affiliated credit unions.

Federation sub-loans will be distributed among the following categories:

- (a) Agricultural sub-loans which will be relent by the member credit unions to satisfy the fixed and working capital needs of small farmers engaged in agriculture and live-stock production. These loans will be the foundation for a Directed Agricultural Production Credit (DAPC) program. Such loans will be supervised by agricultural technicians from the Federation.
- (b) Small business sub-loans which will be relent by the member credit unions to satisfy the fixed and working capital needs of persons participating in small industries or commercial enterprises.
- (c) Supplementary working capital sub-loans which may be used for sub-sub-loans to finance educational, medical, housing or personal expenditures, as well as to consolidate previous debts or make investments in agriculture or small businesses.

The following table provides an approximate description of how the Federation plans to expand its lending operations, and how the expanded lending operations will be financed.

ANTICIPATED FEDERATION ADDITIONAL LOAN FUNDS REQUIRED, BY TYPE OF SUB-LOAN:	<u>FY-1972</u>	<u>FY-1973</u>	<u>FY-1974</u>
1) Agriculture & Livestock Production	91,900	297,875	515,275
2) Small Industry & Commercial Working Capital	91,668	170,833	254,613
3) Credit Union Supplementary Working Capital	595,623	804,021	1,045,549
Anticipated amount of funds invested in loans outstanding at year-end	<u>779,191</u>	<u>1,272,729</u>	<u>1,815,437</u>
Anticipated additional loan funds required over previous year's requirements	779,191	493,538	542,708
<u>SOURCE OF LOAN FUNDS TO MEET REQUIREMENTS</u>			
1) Federation			
Deposits	-0-	-0-	-0-
Share Capital	-0-	-0-	15,437
2) A.I.D. Loan	<u>779,191</u>	<u>1,272,729</u>	<u>1,800,000</u>
Total Funds from All Sources	<u>779,191</u>	<u>1,272,729</u>	<u>1,815,437</u>

Except as A.I.D. may otherwise agree in writing, during the disbursement period of the Loan the interest rate on sub-loans will not be more than 10% per annum on all Agricultural, Small Business and

Supplementary Working Capital sub-loans. In the amount that the Federation sub-loan portfolio exceeds disbursements of the Loan, the Federation may make sub-loans to credit unions for such purposes and at such interest rates as it sees fit.

To the extent that the Federation's income is insufficient to meet operating expenses during the initial years of the project, up to \$100,000 of the Loan may be used to pay such expenses. Any further deficits will be financed with share capital invested in the Federation. Upon approval by A.I.D. in writing, the Federation may also use up to \$100,000 of the Loan to finance external technical assistance if required by the Federation or any of its members.

During the first three years of the project, the Federation is expected to increase its share capital by about \$370,000. By continuing to expand its share capital base in successive years, the Federation will increase its sub-loan portfolio beyond the amount of the Loan as the number, size and volume of business of its affiliates grow.