

No. 16573

**UNITED STATES OF AMERICA
and
EGYPT**

**Loan Agreement relating to modernization and improvement of the Mehalla El Kubra facilities (with annex).
Signed at Cairo on 4 September 1976**

Authentic text: English.

Registered by the United States of America on 27 April 1978.

**ÉTATS-UNIS D'AMÉRIQUE
et
ÉGYPTE**

Accord de prêt pour la modernisation et l'amélioration des installations de Mehalla El Kubra (avec annexe). Signé au Caire le 4 septembre 1976

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 27 avril 1978.

LOAN AGREEMENT¹ AMONG THE UNITED STATES OF AMERICA,
THE ARAB REPUBLIC OF EGYPT AND MISR SPINNING AND
WEAVING [COMPANY] (MEHALLA EL KUBRA) FOR MODERN-
IZATION AND IMPROVEMENT OF THE MEHALLA EL KUBRA
FACILITIES

Dated: Sept. 4, 1976

A.I.D. Loan 263-K-03-033

LOAN AGREEMENT dated the 4th day of September 1976 among the ARAB REPUBLIC OF EGYPT ("Borrower"), the MISR SPINNING AND WEAVING COMPANY ("Company") 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 the Borrower pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed ninety-six million United States dollars (\$96,000,000) ("Loan") to assist the Borrower and the Company in financing the foreign exchange costs of goods and services required to carry out the Project referred to in section 1.02 ("Project"). Goods and services authorized to be financed hereunder are hereinafter referred to as "Eligible Items". The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal".

Section 1.02. THE PROJECT. The Project shall consist of the purchase of equipment, materials and services necessary for the modernization and improvement of the Misr Spinning and Weaving Company facilities in Mehalla El Kubra, Egypt. The Project is more fully described in annex 1, attached hereto, which annex may be modified in writing by the Parties designated in section 8.02 hereof. The goods and services to be financed under the Loan shall be listed in the implementation letters referred to in section 8.03 ("Implementation Letters").

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 ten 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 6.03), 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 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 (9½) years after the date on which the first interest payment is due in accordance with section 2.01.

¹ Came into force on 4 September 1976 by signature.

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. 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 specify in writing, all such payments shall be made to the Controller, Agency for International Development, Washington, D.C., U.S.A., and shall be deemed made when received by the Office of the Controller.

Section 2.04. 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.

Section 2.05. RENEGOTIATION OF THE TERMS OF THE LOAN. The Borrower agrees to negotiate with A.I.D., at such time or times as A.I.D. may request, 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 country of the Borrower.

Section 2.06. RELOAN BY BORROWER TO COMPANY. In order to assist the Company in carrying out the Project, the Borrower shall relend to the Company the proceeds of the Loan under a reloan agreement ("Reloan Agreement") to be entered into between the Borrower and the Company under terms and conditions satisfactory to A.I.D. Such terms and conditions shall include, but not be limited to, repayment by the Company within fifteen (15) years, including a five-year grace period, and an interest rate of ten percent (10 %) per annum. Repayment shall be in Egyptian pounds or such other currency as may be at the time of repayment lawful tender in the country of the Borrower.

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 A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) an opinion of the Minister of Justice or of other counsel mutually agreed upon by both Parties, that this Agreement and the corresponding Reloan Agreement have been duly authorized and/or ratified by, and executed on behalf of, the Borrower, and that they constitute valid and legally binding obligations of the Borrower in accordance with all of their terms;
- (b) an opinion of the Manager of the Legal Administration of the Company, or of other counsel acceptable to A.I.D., that this Agreement and the corresponding Reloan Agreement have been duly authorized and/or ratified by, and executed on behalf of, the Company, and that they constitute valid and legally binding obligations of the Company in accordance with their terms;
- (c) a statement of the names of the persons authorized to represent the Borrower and the Company as specified in section 8.02, and a specimen signature of each person;
- (d) evidence that the Loan proceeds will be made available to the Company pursuant to section 2.06;
- (e) an executed contract for the services of a U.S. consulting firm for the preparation of a master plan for project execution;

(f) such other documentation as A.I.D. may require within the period specified in section 3.04.

Section 3.02. CONDITION PRECEDENT TO DISBURSEMENT FOR SPECIFIC GOODS OR SERVICES. Prior to any disbursement or to the issuance of any Letter of Commitment under the Loan for any specific goods or services, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D. an executed contract for such goods or services acceptable to A.I.D. with a firm acceptable to A.I.D.

Section 3.03. CONDITION PRECEDENT TO DISBURSEMENT FOR MATERIALS HANDLING EQUIPMENT. Prior to any disbursement or to the issuance of any Letter of Commitment under the Loan for materials handling equipment, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D. evidence that a Materials Handling Study has been completed by an independent consultant and the results of the Study, as approved by the Company, and that the Company intends to implement such results.

Section 3.04. TERMINAL DATES FOR MEETING CONDITIONS PRECEDENT TO DISBURSEMENT. If all of the conditions specified in section 3.01 shall not have been met within 90 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 giving written notice to the Borrower. Upon the giving of such notice, this Agreement and all obligations of the Parties hereunder shall terminate.

Section 3.05. NOTIFICATION OF MEETING OF CONDITIONS PRECEDENT TO DISBURSEMENT. A.I.D. shall notify the Borrower upon determination by A.I.D. that the conditions precedent to disbursement specified in sections 3.01, 3.02 and 3.03 have been met. A.I.D. will make its best efforts to so notify the Borrower as promptly as possible.

Article IV. GENERAL COVENANTS AND WARRANTIES

Section 4.01. EXECUTION OF THE PROJECT. (a) The Borrower and the Company shall carry out the Project with due diligence and efficiency, and in conformity with sound engineering, financial, and administrative practices.

(b) The Borrower and the Company 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 A.I.D. pursuant to this Agreement.

Section 4.02. FUNDS AND OTHER RESOURCES TO BE PROVIDED BY BORROWER AND COMPANY. The Borrower and the Company 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, repair, and operation of the Project.

Section 4.03. CONTINUING CONSULTATION. The Borrower, the Company and A.I.D. shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, they shall from time to time, at the request of any Party, exchange views through their representatives with regard to the progress of the Project, the performance by the Company of its obligations under this Agreement, the performance of the consultants, contractors, and suppliers engaged on the Project, and other matters relating to the Project.

Section 4.04. FINANCIAL MANAGEMENT. The Borrower and the Company agree:

(i) Not to declare any dividend or make any other distribution with respect to the Company's paid-in capital or reserves (the sum of which capital and reserves is

denominated "Shareholder's Rights") if such distribution would reduce the Shareholder's Rights below the sum of Egyptian pounds forty million.

(ii) To maintain a ratio of current assets to current liabilities of at least 1.5:1 (60:40). For the purposes of this covenant, the following definitions shall apply:

"Current assets" shall mean the sum of unrestricted cash available for use in current operations, marketable securities (excluding securities, whether marketable or not, made for purposes of control, affiliation, or other continuing business advantage), receivables collectible in the normal course of business within one year, and inventories (excluding spare parts) valued at the lower of cost or market.

"Current liabilities" shall mean all obligations of the Company due on demand or within one year or whose liquidation is reasonably expected to require the use of existing sources classified as current assets. Obligations shall include but not be limited to accrued taxes on or measured by income and current maturities of long-term debt.

(iii) Not to incur or to have outstanding any long-term debt if the aggregate principal amount of the Company's outstanding long-term debt exceeds 150 percent of its net worth. For the purposes of this covenant, the following definitions shall apply:

"Long-term debt" shall mean any and all loan contracts and agreements, bonds, debentures, notes or other debt, whether secured or unsecured, which shall be payable after twelve (12) months from the balance sheet date on which the determination is made, as shown by the Company's financial statements, all determined and prepared in accordance with generally accepted accounting principles. Debt shall be deemed to be incurred (a) under a loan contract or agreement, on the date and to the extent that it is drawn down pursuant to such loan contract or agreement, and (b) under a guarantee, on the date the guarantee is entered into but only to the extent of the amount of the guaranteed debt outstanding.

"Net worth" shall mean the aggregate amount of the Company's unimpaired capital, surplus (including appropriate revaluations acceptable to A.I.D.) and reserves out of surplus determined in accordance with generally accepted accounting principles.

(iv) Not to make expenditures, or commitments for expenditures, for capital additions in any one year which exceed Egyptian pounds three million (L.E. 3,000,000), except those expenditures and commitments required for carrying out the Project.

Section 4.05. BORROWER'S TEXTILE PRICING POLICY. The Borrower agrees to prepare, within one year from the date of this Agreement, a study of the Borrower's pricing policy for textiles, taking into account A.I.D.'s observations on the subject as part of a continuous dialogue on the development of the textile sector.

Section 4.06. AUDITED STATEMENTS. The Company shall (i) have its accounts and financial statement (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by auditors acceptable to A.I.D.; (ii) furnish to A.I.D. as soon as available, but in any case not later than six months after the end of each such year (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as A.I.D. shall have reasonably requested; and (iii) furnish to A.I.D. such other information concerning the accounts and financial statements of the Bank and the audit thereof as A.I.D. shall from time to time reasonably request.

Section 4.07. MANAGEMENT. The Borrower and the Company must 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 4.08. OPERATION AND MAINTENANCE. The Borrower and the Company shall operate, maintain, and repair the Project in conformity with sound engineering, financial, and administrative practices, and in such manner as to insure the continuing and successful achievement of the purposes of the Project.

Section 4.09. 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 the country of the Borrower, the Borrower shall pay or reimburse the same under section 4.02 of this Agreement with funds other than those provided under the Loan.

Section 4.10. UTILIZATION OF GOODS AND SERVICES. (a) Goods and services financed under the Loan shall be used exclusively for the Project, except as A.I.D. may otherwise agree in writing. Upon completion of the Project, or at such other time as goods financed under the Loan can no longer usefully be employed for the Project, the Borrower may use or dispose of such goods in such manner as A.I.D. may agree to in writing prior to such use or disposition.

(b) Except as 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 4.11. 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 obligations under this Agreement. The Borrower shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, the Project or the discharge of the Borrower's obligations under this Agreement.

Section 4.12. TECHNICAL ASSISTANCE. The Borrower and the Company agree to implement and acquire (1) technical assistance proposed for the Company pursuant to the Master Plan to be agreed upon by the Company and A.I.D. and within that contained in part two, section VII, M, and part three, section I, of the Feasibility Study of the Rehabilitation and Expansion of the MISR Spinning and Weaving Company by Kurt Salmon Associates; and (2) such other technical assistance as may be agreed upon by the Company and A.I.D.

Section 4.13. 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 unreasonable 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 4.14. MAINTENANCE AND AUDIT OF RECORDS. The Borrower and the Company 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 solicitations 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 4.15. REPORTS. The Borrower and the Company shall furnish to A.I.D. such information and reports relating to the Loan and to the Project as A.I.D. may request.

Section 4.16. 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 and the Company's books, records, and other documents relating to the Project and the Loan. The Borrower and the Company 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 of the Borrower for any purpose relating to the Loan.

Section 4.17. INVESTMENT GUARANTY PROJECT APPROVAL BY BORROWER. The construction work to be financed under this Agreement is hereby stated to be a project approved by the Government of Egypt pursuant to the agreement between the Government of Egypt and the Government of the United States of America on the subject of investment guaranties, and no further approval by the Government of Egypt shall be required to permit the United States to issue investment guaranties under that agreement covering a contractor's investment in that project.

Article V. PROCUREMENT

Section 5.01. PROCUREMENT FROM SELECTED FREE WORLD COUNTRIES. Except as A.I.D. may otherwise agree in writing, disbursements made pursuant to 6.01 shall be used exclusively to finance the procurement for the Project of Eligible Items in-

cluding ocean shipping and marine insurance having both their source and origin in the United States of America.

Section 5.02. ELIGIBILITY DATE. Except as 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 5.03. 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 5.04. IMPLEMENTATION OF PROCUREMENT REQUIREMENTS. The definitions applicable to the eligibility requirements of sections 5.01 and 5.03 will be set forth in detail in Implementation Letters.

Section 5.05. PLANS, SPECIFICATIONS, AND CONTRACTS. (a) Except as A.I.D. may otherwise agree in writing, the Borrower or the Company shall furnish to A.I.D. promptly upon preparation, all plans, specifications, schedules, 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 A.I.D. may otherwise agree in writing, all of the plans, specifications, and schedules furnished pursuant to subsection (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. 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, except as A.I.D. may otherwise agree in writing.

(d) All contracts financed under the Loan shall be approved by A.I.D. in writing prior to their execution. A.I.D. shall also approve in writing the selection of 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 A.I.D. in writing prior to their becoming effective.

Section 5.06. 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 5.07. SHIPPING AND INSURANCE. (a) Goods financed under the Loan shall be transported to the country of the Borrower only on flag carriers of a country included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

(b) Unless A.I.D. shall determine that privately owned United States-flag commercial vessels are not available at [a] fair and reasonable rate for such vessels (i) at least fifty percent (50 %) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed under the Loan which may be transported on ocean vessels shall be transported on privately owned United States-flag commercial vessels, and (ii) at least fifty percent (50 %) of the gross freight revenue generated by all shipments financed under the Loan and transported to Egypt 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 (i) and

(ii) above must be achieved with respect to both cargo transported from U. S. ports and cargo transported from non-U.S. ports, computed separately.

(c) Marine insurance on United States goods may be financed under the Loan with disbursements made pursuant to section 6.01, provided (i) such insurance is placed at the lowest available competitive rate, and (ii) claims thereunder are payable in the currency in which such goods were financed or in any freely convertible currency. If the Government of the Borrower, by statute, decree, rule, regulation, or practice discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any state of the United States, then all goods shipped to the cooperating country financed under the Loan shall be insured against marine risks and such insurance shall be placed in the United States with a company or companies authorized to do a marine insurance business in a state of the United States.

(d) The Borrower or the Company shall insure, or cause to be insured, all selected free world 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 and shall insure the full value of the goods. Any indemnification received by the Borrower or the Company 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 Company for the replacement or repair of such goods. Any such replacements shall have their source and origin in the United States of America and shall be otherwise subject to the provisions of this Agreement.

Section 5.08. 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 Company shall furnish to A.I.D. such information with regard thereto and at such times as A.I.D. may request in Implementation Letters.

Section 5.09. 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 Project 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 Project.

Section 5.10. INFORMATION AND MARKING. Borrower and the Company shall give publicity to the Loan and the Project as a program of United States aid, identify the Project site, and mark goods financed under the Loan, as prescribed in Implementation Letters.

Article VI. DISBURSEMENTS

Section 6.01. DISBURSEMENT FOR UNITED STATES DOLLAR COSTS — LETTERS OF COMMITMENT TO UNITED STATES BANKS. Upon satisfaction of conditions precedent, the Borrower or the Company 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 Project 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 the Borrower or the Company and may be financed under the Loan.

Section 6.02. 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 6.03. DATE OF DISBURSEMENT. Disbursements by A.I.D. shall be deemed to occur (a) in the case of disbursements pursuant to section 6.01, on the date on which A.I.D. makes a disbursement to the Company, the Borrower, to their designee, or to a banking institution pursuant to a Letter of Commitment. In the event of a disbursement under section 6.02 hereof, the date of disbursement shall be designated in the documentation by which the Parties agree to such disbursement, provided, in the absence of such designation, the date of disbursement shall be the date upon which A.I.D. makes payment with respect to goods or services or delivers property into the control of the Company, the Borrower, or their designee.

Section 6.04. 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 form of disbursement under section 6.02, or amendment thereto shall be issued in response to requests received by A.I.D. after June 30, 1979, and no disbursement shall be made against documentation received by A.I.D. or any bank described in section 6.01 after June 30, 1980.

Article VII. CANCELLATION AND SUSPENSION

Section 7.01. 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 7.02. 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 or the Company shall have failed to comply with any other provision of this Agreement, including, but without limitation [to], 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., or any of its predecessor agencies,

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) 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 7.03. 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 or the Company 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) 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 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 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 7.04. CANCELLATION BY A.I.D. Following any suspension of disbursements pursuant to section 7.03, 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 7.05. 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 7.06. 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 7.07. 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 7.02 may be charged to the Borrower and reimbursed to A.I.D. in such manner as A.I.D. may specify.

Section 7.08. 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 VIII. MISCELLANEOUS

Section 8.01. COMMUNICATIONS. Any notice, request, document, or other communication given, made, or sent by the Company, 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, telegram, cable, or radiogram at the following addresses:

To Company:

Mail address:

MISR Spinning and Weaving Company
Mehalla El Kubra, Egypt

Cable address:

Ghazl Mehalla El Kubra

Telex address:

2040 Ghazl UN

To Borrower:

Mail address:

Ministry of Economy and Economic Cooperation
8 Adly Street
Cairo, Egypt

Cable address:
8 Adly Street
Cairo, Egypt

To A.I.D.:

Mail address:
Director/USAID
c/o U.S. Embassy
Cairo, Egypt

Cable address:
U.S. Embassy
Cairo, Egypt

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

Section 8.02. REPRESENTATIVES. For all purposes relative to this Agreement, the Borrower will be represented by the individual holding or acting in the office of Minister of Economy and Economic Cooperation, the Company will be represented by the individual holding or acting in the office of the Chairman and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID, Cairo, Egypt. 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, the Borrower and the Company 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 or the Company 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 effected by such instrument is duly authorized.

Section 8.03. 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.

Section 8.04. PROMISSORY NOTES. At such time or times as A.I.D. may request, the 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 8.05. TERMINATION UPON FULL PAYMENT. Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of the Borrower, the Company, and A.I.D. under this Loan Agreement shall terminate.

IN WITNESS WHEREOF, Borrower, the Company 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.

Arab Republic of Egypt:

By: [Signed]

Name: Dr. MOHAMED ZAKI SHAFEI
Title: Minister of Economy and Economic Cooperation

United States of America:

By: [Signed]

Name: HERMANN Fr. EILTS
Title: Ambassador

Company:

By: [Signed]

Name: Dr. MOHAMED EL SAYED EL-GHOROURY
Title: Chairman

ANNEX 1

DESCRIPTION OF PROJECT

The Project shall consist of the purchase of equipment, materials and services necessary to rehabilitate and expand the Misr Spinning and Weaving Company located at Mehalla El Kubra, Egypt (Mehalla). Rehabilitation of the plant is designed to improve the quality, quantity and efficiency of output. To accomplish the above, A.I.D. will provide foreign exchange to be used for the procurement of textile machinery and parts, power station machinery and parts, workshop machinery, miscellaneous equipment, training and technical assistance and consulting services of a U.S. firm. This modernization and expansion will: (a) increase machine efficiencies; (b) improve product quality; (c) increase Mehalla's capability to produce blended yarns and fabrics, ready-made garments and wider fabrics; and (d) ensure sustained and continuous low-cost power.

Specifically, the proposed investments are focused on 12 categories:

- (a) New cotton yarn spinning mill. *Objective:* To create additional capacity for producing medium-count yarns and to spin cotton/polyester cotton blends.
- (b) New looms, warpers and slashers and auxiliary equipment for cotton weaving. *Objective:* To expand cotton weaving capacity.
- (c) Rehabilitation of existing equipment. *Objective:* To overhaul dated equipment to improve productivity and quality.
- (d) New twisting and sewing thread equipment. *Objective:* To expand capacity and permit sewing thread manufacture for possible external sales.
- (e) New cotton dyeing, printing and finishing equipment. *Objective:* To increase capacity, to permit dyeing and finishing of a higher volume of cotton/polyester fabrics, permit expanded mercerizing, allow for wider sheet printing and improve overall quality levels.
- (f) New wool mill spinning equipment. *Objective:* To expand capacity, replace obsolete equipment, improve quality and permit special finishes for fabrics.
- (g) New apparel unit plus auxiliary equipment. *Objective:* To increase labor productivity, improve quality and expand capacity.

- (h) An addition to Mehalla's existing power plant consisting of a 20-megawatt turbine generator, a 150-ton per hour boiler plus auxiliary equipment. *Objective:* To provide additional power and steam capacity and update existing equipment.
 - (i) New foundry, heat treatment shop and related equipment. *Objective:* To improve quality of cast iron for making replacement parts.
 - (j) Overall materials handling system. *Objective:* To reduce labor requirements and costs, improve materials flow, and to reduce bottlenecks and downtime.
 - (k) New firetrucks and related fire detection equipment. *Objective:* To improve fire detection and fire-fighting capability.
 - (l) Technical assistance. *Objective:* To provide Mehalla staff with training and assistance in modern textile management techniques and related topics.
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