

Section 1.05

Honduras shall have the right to prepay the principal in whole or in part on any date without notice to Canada. The amount of any prepayment shall be applied on the instalments of the principal then remaining payable, in the reverse order of their maturity.

Section 1.06

All payments and repayments as set forth herein shall be made by Honduras in Canadian dollars to the Receiver General for Canada and shall be deemed to have been paid when received by the Receiver General for Canada.

Section 1.07

The principal of the loan shall be paid to Canada without any deduction whatsoever and more particularly shall be free from any taxes, charges or other fiscal restrictions imposed under the laws of Honduras and those in effect in its territory or administrative, political or judicial divisions or subdivisions.

Section 1.08

Honduras agrees that it will negotiate, at the request of Canada, concerning acceleration of payments to the Receiver General for Canada to be made under this Agreement at any time within six (6) months before the first payment of principal becomes due and payable; Honduras and Canada shall mutually determine whether such acceleration should take place on the basis of the capacity of Honduras to service a more rapid liquidation of its obligations in the light of its internal and external financial and economic position.

ARTICLE II*Use of the Loan***Section 2.01**

Except as may otherwise be specifically agreed to by Canada, the proceeds of the loan shall be used by Honduras exclusively for the purchase of materials, equipment, industrial machinery, spare parts or services from Canadian suppliers and may be used to meet the costs for insurance, ocean shipping, and in exceptional circumstances for air freight. Eligible purchases shall be described in Annex A, and procedures for administration, purchasing and payment shall be those set forth in Annex B. Annex C provides for the establishment of a counterpart fund by Honduras and sets forth the procedures for administration of such fund.

Section 2.02

Except as may otherwise be specifically agreed to by Canada, the goods and services to be financed from the proceeds of the loan shall be procured in Canada and the total of all transactions thus financed, excluding freight and insurance costs, shall have a Canadian content of not less than sixty-six and two-thirds per cent ($66\frac{2}{3}\%$).