

105TH CONGRESS
2D SESSION

S. 2121

To encourage the development of a more cost effective commercial space launch industry in the United States, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 22, 1998

Mr. BREAUX introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

A BILL

To encourage the development of a more cost effective commercial space launch industry in the United States, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Space Launch Cost Reduction Act of 1998”.

6 (b) TABLE OF CONTENTS.—The table of contents of
7 this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Findings.

Sec. 3. Purposes.

Sec. 4. Definitions.

TITLE I—INCREASING THE AVAILABILITY OF PRIVATE SECTOR
FINANCING FOR THE COMMERCIAL SPACE LAUNCH INDUSTRY

Sec. 101. Commercial Space Launch Industry Program.
Sec. 102. Functions of the National Aeronautics and Space Administration.
Sec. 103. Space Launch Vehicle Loan Guarantee Fund.
Sec. 104. Authorization of administrator to guarantee obligations.
Sec. 105. Eligibility for guarantee.
Sec. 106. Defaults.
Sec. 107. Escrow fund.

1 **SEC. 2. FINDINGS.**

2 Congress makes the following findings:

3 (1) The commercial space launch industry is an
4 essential part of the United States economy and op-
5 portunities for United States companies are growing
6 as international markets expand.

7 (2) United States trading partners have been
8 able to aggressively lower their commercial space
9 launch prices either through direct cash payments
10 for commercially targeted product development or
11 with indirect benefits derived from nonmarket econ-
12 omy status.

13 (3) Because United States incentives for launch
14 vehicle development have historically focused on civil
15 and military rather than commercial use, United
16 States launch costs have remained comparatively
17 high, and United States launch technology has not
18 been commercially focused.

19 (4) As a result, the United States share of the
20 world commercial market has decreased from nearly

1 100 percent twenty years ago to approximately 40
2 percent in 1998.

3 (5) In order to avoid reliance on foreign launch
4 services, the United States must strive to have suffi-
5 cient domestic launch capacity as well as the highest
6 quality and the lowest cost per launch.

7 (6) The key to regaining United States leader-
8 ship in the world market is not another massive gov-
9 ernment program, but rather provision of just
10 enough government support to enable the more cost
11 effective private sector to build lower-cost space
12 launch vehicles.

13 (7) Private sector companies across the United
14 States are already attempting to develop a variety of
15 lower-cost space launch vehicles, but lack of suffi-
16 cient private financing has proven to be a major ob-
17 stacle, an obstacle our trading partners have re-
18 moved by providing direct access to government
19 funding.

20 (8) Given the unique strength of private indus-
21 try in the United States, a more effective alternative
22 to the approach of our trading partners is for the
23 United States Government to provide limited finan-
24 cial incentives in the form of loan guarantees, which
25 would help qualifying private-sector companies se-

1 cure otherwise unattainable private financing, while
2 at the same time keeping government involvement at
3 an absolute minimum.

4 **SEC. 3. PURPOSES.**

5 Therefore the purposes of this Act are—

6 (1) to ensure availability of otherwise unattain-
7 able private sector financing for private sector devel-
8 opment of commercial space launch vehicles with
9 launch costs significantly below current levels;

10 (2) and, as a result—

11 (A) to avoid reliance on foreign launch
12 services;

13 (B) to increase the international competi-
14 tiveness of the United States space industry;

15 (C) to encourage the growth of space-relat-
16 ed commerce in the United States and
17 internationally;

18 (D) to increase the number of high-value
19 jobs in United States space-related industries;
20 and

21 (E) to reduce United States Government
22 space launch expenditures.

23 **SEC. 4. DEFINITIONS.**

24 In this Act:

1 (1) ACTUAL COST.—The term “actual cost” of
2 a space launch vehicle as of any specified date
3 means the aggregate, as determined by the Adminis-
4 trator, of—

5 (A) all amounts paid by or the account of
6 the obligor on or before that date; and

7 (B) all amounts which the obligor is then
8 obligated to pay from time to time thereafter,
9 for the construction, reconstruction, or recondi-
10 tioning of such space launch vehicle.

11 (2) ADMINISTRATOR.—The term “Adminis-
12 trator” means the Administrator of the National
13 Aeronautics and Space Administration with respect
14 to all space launch vehicles as provided by this Act.

15 (3) COMMERCIAL SPACE LAUNCH INDUSTRY.—
16 The term “commercial space launch industry”
17 means all companies developing, producing, or oper-
18 ating commercial space launch vehicles.

19 (4) CONSTRUCTION, RECONSTRUCTION, OR RE-
20 CONDITIONING.—The terms “construction”, “recon-
21 struction”, or “reconditioning” shall include, but
22 shall not be limited to, designing, inspecting, outfit-
23 ting, and equipping;

24 (5) DEPRECIATED ACTUAL COST.—The “depre-
25 ciated actual cost” of a space launch vehicle means

1 the actual cost of the space launch vehicle depre-
2 ciated on a straightline basis over the useful life of
3 the space launch vehicle as determined by the Ad-
4 ministrator, not to exceed twenty-five years from the
5 date the space launch vehicle was delivered by the
6 space launch vehicle builder, or, if the space launch
7 vehicle has been reconstructed or reconditioned, the
8 actual cost of the space launch vehicle depreciated
9 on a straightline basis from the date the space
10 launch vehicle was delivered by the space launch ve-
11 hicle builder to the date of such reconstruction or re-
12 conditioning on the basis of the original useful life
13 of the space launch vehicle and from the date of
14 such reconstruction or reconditioning on a
15 straightline basis and on the basis of a useful life of
16 the space launch vehicle determined by the Adminis-
17 trator, plus all amounts paid or obligated to be paid
18 for the reconstruction or reconditioning depreciated
19 on a straightline basis and on the basis of a useful
20 life of the space launch vehicle determined by the
21 Administrator.

22 (6) OBLIGEE.—The term “obligee” means the
23 holder of an obligation.

1 (7) OBLIGOR.—The term “obligor” means any
2 party primarily liable for payment of the principal of
3 or interest on any obligation.

4 (8) OBLIGATION.—The term “obligation”
5 means any note, bond, debenture, or other evidence
6 of indebtedness issued for one of the purposes speci-
7 fied in section 105(a) of this Act.

8 (9) SPACE LAUNCH SITE.—The term “space
9 launch site” means a location from which a launch
10 or landing takes place and includes all facilities lo-
11 cated on, or components of, a launch or landing site
12 which are necessary to conduct a launch, whether on
13 land, sea, in the Earth’s atmosphere, or beyond the
14 Earth’s atmosphere.

15 (10) SPACE LAUNCH VEHICLE.—The term
16 “space launch vehicle” includes all types, whether in
17 existence or under construction, of vehicles con-
18 strued for the purpose of operating in, or placing a
19 payload or passengers in, outer space, and which are
20 or will be documented under the laws of the United
21 States.

1 **TITLE I—INCREASING THE**
 2 **AVAILABILITY OF PRIVATE**
 3 **SECTOR FINANCING FOR THE**
 4 **COMMERCIAL SPACE LAUNCH**
 5 **INDUSTRY**

6 **SEC. 101. COMMERCIAL SPACE LAUNCH INDUSTRY LOAN**
 7 **GUARANTEE PROGRAM.**

8 (a) ESTABLISHMENT OF PROGRAM.—There shall be
 9 a Commercial Space Launch Industry Loan Guarantee
 10 program to provide loan guarantees to support the private
 11 development of qualified commercial space launch vehicle
 12 initiatives.

13 (b) ADMINISTRATION OF PROGRAM.—The program
 14 shall be carried out by the Administrator of the National
 15 Aeronautics and Space Administration.

16 (c) SCOPE OF PROGRAM.—

17 (1) EXCLUSION OF SPACE LAUNCH SITES.—The
 18 program does not provide for loan guarantees per-
 19 taining to the construction, reconstruction, or recon-
 20 ditioning of space launch sites.

21 (2) EXCLUSION OF EVOLVED EXPENDABLE
 22 LAUNCH VEHICLE PROGRAM.—The Commercial
 23 Space Launch Industry Loan Guarantee Program
 24 shall not remove, restrict, or replace funding pro-
 25 vided by the Department of Defense to companies

1 participating in the Evolved Expendable Launch Ve-
2 hicle (EEV) Program. Companies already receiving
3 Department of Defense funding for the development
4 of expendable launch vehicles under the Evolved Ex-
5 pandable Launch Vehicle Program shall not be eligi-
6 ble to apply for loan guarantees pertaining to these
7 same vehicles, under the Commercial Space Launch
8 Industry Loan Guarantee Program. Such companies
9 shall, however, be eligible to apply for loan guaran-
10 tees under the Commercial Space Launch Industry
11 Loan Guarantee Program pertaining to commercial
12 space launch vehicles not receiving funding from the
13 Department of Defense under the Evolved Expend-
14 able Launch Vehicle Program.

15 **SEC. 102. FUNCTIONS OF THE NATIONAL AERONAUTICS**
16 **AND SPACE ADMINISTRATION.**

17 The Administrator shall carry out the following func-
18 tions:

19 (a) CONSULTATION.—Consultation with appropriate
20 Federal agency and space launch industry representatives
21 concerning—

22 (1) assessments of international competition,
23 potential markets for space launch vehicles, and
24 availability of private investment capital; and

1 (2) recommendations of commercial entities,
2 partnerships, joint ventures, or consortia regarding
3 effective implementation of the loan guarantee pro-
4 gram.

5 (b) PROGRAM MANAGEMENT.—Management of the
6 loan guarantee program consistent with the purposes of
7 this Act.

8 **SEC. 103. SPACE LAUNCH VEHICLE LOAN GUARANTEE**
9 **FUND.**

10 There is hereby created a Space Launch Vehicle Loan
11 Guarantee Fund (hereinafter referred to as the Fund)
12 which shall be used by the Administrator as a revolving
13 fund for the purpose of carrying out the provisions of this
14 Act, and there shall be allocated to such Fund the sum
15 of \$400,000,000. Moneys in the Fund shall be deposited
16 in the Treasury of the United States to the credit of the
17 Fund or invested in bonds or other obligations of, or guar-
18 anteed as to principal and interest by, the United States.

19 **SEC. 104. AUTHORIZATION OF ADMINISTRATOR TO GUAR-**
20 **ANTEE OBLIGATIONS.**

21 (a) PRINCIPAL AND INTEREST.—The Administrator
22 is authorized to guarantee, and to enter into commitments
23 to guarantee, the payment of the interest on, and the un-
24 paid balance of the principal of, any obligation which is
25 eligible to be guaranteed under this Act. A guarantee, or

1 commitment to guarantee, made by the Administrator
2 under this Act shall cover 100 percent of the amount of
3 the principal and interest of the obligation.

4 (b) SECURITY INTEREST.—No obligation shall be
5 guaranteed under this Act unless the obligor conveys or
6 agrees to convey to the Administrator such security inter-
7 est, which may include a mortgage or mortgages on a
8 space launch vehicle or space launch vehicles, as the Ad-
9 ministrator may reasonably require to protect the interests
10 of the United States. If the Administrator determines that
11 the mortgage on the vehicle(s) is not sufficient to provide
12 adequate security, the Administrator, as a condition of
13 processing or approving the loan application, may require
14 additional collateral, such as a mortgage(s) on other vehi-
15 cle(s) or on other assets, special escrow funds, pledges of
16 stock, charters, contracts, notes, letters of credit, accounts
17 receivable assignments, and guarantees. If the Adminis-
18 trator determines that the assets of the obligor are insuffi-
19 cient to constitute adequate security, and a parent com-
20 pany of the obligor can be identified, the Administrator
21 may require an unconditional and irrevocable promise by
22 the parent company to pay the full cost of the obligation
23 in the event of default by the obligor on the obligation.
24 The parent company thus acting as guarantor of the obli-
25 gation must agree to waive any defenses, against the pay-

1 ment of the obligation, which it might otherwise claim
2 under equity or law.

3 (c) PRIVATE DEFAULT INSURANCE.—If the Adminis-
4 trator determines that other potential measures, as de-
5 scribed in this Act, are not sufficient to provide adequate
6 security, the Administrator, as a condition of processing
7 or approving the loan guarantee application, may require
8 that the obligor obtain private bond insurance with respect
9 to all or part of the government’s risk of default by the
10 obligor on the obligation. Such private bond insurance
11 may be funded from the proceeds of any obligation guar-
12 anteed under this Act. If the obligor fails to renew such
13 private bond insurance on a timely basis, the Adminis-
14 trator may take such action as deemed necessary, with re-
15 gard to seizure of security interest conveyed by the obligor
16 or the assessment of additional fees to the obligor, to en-
17 sure that the appropriate insurance renewal is obtained
18 without delay.

19 (d) PLEDGE OF UNITED STATES.—The full faith and
20 credit of the United States is pledged to the payment of
21 all guarantees made under this Act with respect to both
22 principal and interest, including interest, as may be pro-
23 vided for in the guarantee, accruing between the date of
24 default under a guaranteed obligation and the payment
25 in full of the guarantee.

1 (e) PROOF OF OBLIGATIONS.—Any guarantee, or
 2 commitment to guarantee, made by the Administrator
 3 under this Act shall be conclusive evidence of the eligibility
 4 of the obligations for such guarantee, and the validity of
 5 any guarantee, or commitment to guarantee, so made shall
 6 be incontestable. Notwithstanding an assumption of an ob-
 7 ligation by the Administrator under section 106 (a) or (b)
 8 of this Act, the validity of the guarantee of an obligation
 9 made by the Administrator under this Act is unaffected
 10 and the guarantee remains in full force and effect.

11 (f) DETERMINATION OF ESTIMATED COST TO GOV-
 12 ERNMENT FOR LOAN GUARANTEE PROGRAM.—

13 (1) The Administrator shall—

14 (A) establish in accordance with this sub-
 15 section a system of risk categories for obliga-
 16 tions guaranteed under this Act, that cat-
 17 egorizes the relative risk of guarantees made
 18 under this Act with respect to the risk factors
 19 set forth in paragraph (3); and

20 (B) determine for each of the risk cat-
 21 egories a subsidy rate equivalent to the cost of
 22 obligations in the category, expressed as a per-
 23 centage of the amount guaranteed under this
 24 Act for obligations in the category.

1 (2)(A) Before making a guarantee under this
2 section for an obligation, the Administrator shall
3 apply the risk factors set forth in paragraph (3) to
4 place the obligation in a risk category established
5 under paragraph (1)(A).

6 (B) The Administrator shall consider the aggregate
7 amount available to the Administrator for making
8 guarantees under this Act to be reduced by the
9 amount determined by multiplying—

10 (i) the amount guaranteed under this Act
11 for an obligation, by

12 (ii) the subsidy rate for the category in
13 which the obligation is placed under subparagraph
14 (A) of this paragraph.

15 (C) The estimated cost to the Government of a
16 guarantee made by the Administrator under this Act
17 for an obligation is deemed to be the amount determined
18 under subparagraph (B) for the obligation.

19 (D) The Administrator may not guarantee obligations
20 under this Act after the aggregate amount
21 available to the Administrator under appropriations
22 Acts for the cost of loan guarantees is required by
23 subparagraph (B) to be considered reduced to zero.

24 (3) The risk factors referred to in paragraphs
25 (1) and (2) are the following:

1 (A) The technological feasibility of the
2 project being proposed, including the probable
3 overall magnitude of space launch cost reduc-
4 tion to be achieved.

5 (B) The period for which an obligation is
6 guaranteed or to be guaranteed, such period not
7 exceeding 25 years.

8 (C) The amount of an obligation, which is
9 guaranteed or to be guaranteed, in relation to
10 the total cost of the project financed or to be
11 financed by the obligation.

12 (D) The financial condition of an obligor
13 or applicant for a guarantee.

14 (E) If applicable, any guarantee related to
15 the project, other than the guarantee under this
16 Act for which the risk factor is applied.

17 (F) If applicable, the projected employ-
18 ment of each space launch vehicle or equipment
19 to be financed with an obligation.

20 (G) If applicable, the projected market
21 that will be served by each space launch vehicle
22 or equipment to be financed with an obligation.

23 (H) The adequacy of collateral provided
24 for a guarantee for an obligation.

1 (I) The management and operating experi-
 2 ence of an obligor or applicant for a guarantee.

3 (J) Whether another guarantee under this
 4 Act is or will be in effect during the construc-
 5 tion period of the project.

6 (4) In lieu of or in combination with appropria-
 7 tions of budget authority to cover the costs of loan
 8 guarantees as required under section 504(b)(1) of
 9 the Federal Credit Reform Act of 1990, the Admin-
 10 istrator may accept on behalf of an applicant for as-
 11 sistance under this section a commitment from a
 12 non-Federal source to fund in whole or in part credit
 13 risk premiums with respect to the loan that is the
 14 subject of the application. In no event shall the ag-
 15 gregate of appropriations of budget authority and
 16 credit risk premiums described in this paragraph
 17 with respect to a loan guarantee be less than the
 18 cost of that loan guarantee.

19 (5) In this subsection, the term “cost” has the
 20 meaning given that term in section 661a of title 2.

21 **SEC. 105. ELIGIBILITY FOR GUARANTEE.**

22 (a) PURPOSE OF OBLIGATIONS.—Pursuant to the au-
 23 thority granted under section 104(a) of this Act, the Ad-
 24 ministrator, upon such terms as he shall prescribe, con-
 25 sistent with the provisions and purpose of the Act, may

1 guarantee or make a commitment to guarantee, payment
2 of the principal of and interest on an obligation for the
3 purpose of—

4 (1) financing, for construction, reconstruction,
5 or reconditioning of a space launch vehicle which is
6 designed for commercial use; or

7 (2) financing the purchase, reconstruction, or
8 reconditioning of space launch vehicles for which ob-
9 ligations were guaranteed under this Act that, under
10 the provisions of section 106 of this Act—

11 (A) are space launch vehicles for which ob-
12 ligations were accelerated and paid;

13 (B) were acquired by the Fund; or

14 (C) were sold at foreclosure instituted by
15 the Administrator.

16 (b) CONTENTS OF OBLIGATIONS.—Obligations guar-
17 anteed under this Act—

18 (1) shall have an obligor approved by the Ad-
19 ministrator, after consideration of ratings of credit-
20 worthiness reflecting prevailing financial industry
21 standards, as responsible and possessing the tech-
22 nical capability, experience, financial resources, and
23 other qualifications necessary to the adequate oper-
24 ation and maintenance of the space launch vehicle or

1 space launch vehicles which serve as security for the
2 guarantee of the Administrator;

3 (2) subject to the provisions of subsection (c)(1)
4 of this section and subsection (i) of this section,
5 shall be in an aggregate principal amount which
6 does not exceed 87.5 per centum of the actual cost
7 or depreciated actual cost, as determined by the Ad-
8 ministrator, of the space vehicle which is used as se-
9 curity for the guarantee of the Administrator;

10 (3) shall have maturity dates satisfactory to the
11 Administrator but, subject to the provisions of para-
12 graph (2) of subsection (c) of this section, not to ex-
13 ceed twenty-five years from the date of the delivery
14 of the space launch vehicle which serves as security
15 for the guarantee of the Administrator or, if the
16 space launch vehicle has been reconstructed or re-
17 conditioned, not to exceed the later of (i) twenty-five
18 years from the date of delivery of the space launch
19 vehicle and (ii) the remaining years of the useful life
20 of the space launch vehicle as determined by the Ad-
21 ministrator;

22 (4) shall provide for payments by the obligor
23 satisfactory to the Administrator;

24 (5) shall bear interest (exclusive of charges for
25 the guarantee and service charges, if any) at rates

1 not to exceed such per centum per annum on the un-
2 paid principal as the Administrator determines to be
3 reasonable, taking into account the range of interest
4 rates prevailing in the private market for similar
5 loans and the risks assumed by the Administrator;
6 and

7 (6) shall provide, or a related agreement shall
8 provide that the space launch vehicle shall meet such
9 safety, reliability, and performance standards as are
10 acceptable to the Administrator, after consultation
11 with relevant federal government licensing and regu-
12 latory authorities.

13 (c) SECURITY.—

14 (1) The security for the guarantee of an obliga-
15 tion by the Administrator under this Act may relate
16 to more than one space launch vehicle and may con-
17 sist of any combination of types of security. The ag-
18 gregate principal amount of obligations which have
19 more than one space launch vehicle as security for
20 the guarantee of the Administrator under this Act
21 may equal, but not exceed, the sum of the principal
22 amount of obligations permissible with respect to
23 each space launch vehicle.

24 (2) If the security for the guarantee of an obli-
25 gation by the Administrator under this Act relates

1 to more than one space launch vehicle, such obliga-
2 tion may have the latest maturity date permissible
3 under subsection (b) of this section with respect to
4 any of such space launch vehicles: Provided, that the
5 Administrator may require such payments of prin-
6 cipal, prior to maturity, with respect to all related
7 obligations as he deems necessary in order to main-
8 tain adequate security for the guarantee.

9 (d) RESTRICTIONS.—

10 (1) No commitment to guarantee, or guarantee
11 of, an obligation shall be made by the Administrator
12 unless the Administrator finds that the property or
13 project with respect to which the obligation will be
14 executed will be economically sound. In making that
15 determination, the Administrator shall consider—

16 (A) the need in the particular segment of
17 the space launch industry for new or additional
18 capacity, including any impact on existing
19 equipment for which a guarantee under this Act
20 is in effect;

21 (B) the market potential for the employ-
22 ment of the space launch vehicle over the life of
23 the guarantee;

1 (C) projected revenues and expenses asso-
2 ciated with employment of the space launch ve-
3 hicle;

4 (D) any charters, contracts of affreight-
5 ment, transportation agreements, or similar
6 agreements or undertakings relevant to the em-
7 ployment of the space launch vehicle; and

8 (E) other relevant criteria.

9 (2) No commitment to guarantee, or guarantee
10 of an obligation may be made by the Administrator
11 under this Act for the purchase of a used space
12 launch vehicle unless the space launch vehicle will be
13 reconstructed or reconditioned in the United States
14 and will contribute to the development of the United
15 States commercial space industry.

16 (e) GUARANTEE FEES.—

17 (1) The Administrator shall prescribe regula-
18 tions to assess a fee for the guarantee of an obliga-
19 tion under this Act, such as to cover costs of admin-
20 istration of the program.

21 (2) A fee under this subsection shall be as-
22 sessed and collected not later than the date on which
23 amounts are first paid under an obligation with re-
24 spect to which the fee is assessed.

1 (3) A fee paid under this subsection is not re-
2 fundable. However, an obligor shall receive credit for
3 the amount paid for the remaining term of the guar-
4 anteed obligation if the obligation is refinanced and
5 guaranteed under this Act after such refinancing.

6 (4) A fee paid under this subsection shall be in-
7 cluded in the amount of the actual cost of the obli-
8 gation guaranteed under this Act and is eligible to
9 be financed under this Act.

10 (f) INVESTIGATION OF APPLICATIONS.—The Admin-
11 istrator shall charge and collect from the obligor such
12 amounts as are necessary to cover administrative costs for
13 the investigation of applications for a guarantee, for the
14 appraisal of properties offered as security for a guarantee,
15 for the issuance of commitments, for services in connec-
16 tion with the escrow fund authorized by section 107 of
17 this Act and for the inspection of such properties during
18 construction, reconstruction, or reconditioning.

19 (g) ADDITIONAL REQUIREMENTS.—Obligations guar-
20 anteed under this Act and agreements relating thereto
21 shall contain such other provisions with respect to the pro-
22 tection of the financial security interests of the United
23 States (including acceleration, assumption, and subroga-
24 tion provisions and the issuance of notes by the obligor
25 to the Administrator), liens and releases of liens, pay-

1 ments of taxes, and such other matters as the Adminis-
 2 trator may, in his discretion, prescribe.

3 **SEC. 106. DEFAULTS.**

4 (a) RIGHTS OF OBLIGEE.—In the event of a default,
 5 which has continued for thirty days, in any payment by
 6 the obligor of principal or interest due under an obligation
 7 guaranteed under this Act, the obligee or his agent shall
 8 have the right to demand (unless the Administrator shall,
 9 upon such terms as may be provided in the obligation or
 10 related agreements, prior to that demand, have assumed
 11 the obligor's rights and duties under the obligation and
 12 agreements and shall have made any payments in default),
 13 at or before the expiration of such period as may be speci-
 14 fied in the guarantee or related agreements, but not later
 15 than ninety days from the date of such default, payment
 16 by the Administrator of the unpaid principal amount of
 17 said obligation and of the unpaid interest thereon to the
 18 date of payment. Within such period as may be specified
 19 in the guarantee or related agreements, but not later than
 20 thirty days from the date of such demand, the Adminis-
 21 trator shall promptly pay to the obligee or his agent the
 22 unpaid principal amount of said obligation and unpaid in-
 23 terest thereon to the date of payment: *Provided*, That the
 24 Administrator shall not be required to make such payment
 25 if prior to the expiration of said period he shall find that

1 there was no default by the obligor in the payment of prin-
2 cipal or interest or that such default has been remedied
3 prior to any such demand.

4 (b) NOTICE OF DEFAULT.—In the event of a default
5 under a mortgage, loan agreement, or other security
6 agreement between the obligor and the Administrator, the
7 Administrator may upon such terms as may be provided
8 in the obligation or related agreement, either—

9 (1) assume the obligor's rights and duties
10 under the agreement, make any payment in default,
11 and notify the obligee or the obligee's agent of the
12 default and the assumption by the Administrator; or

13 (2) notify the obligee or the obligee's agent of
14 the default, and the obligee or the obligee's agent
15 shall have the right to demand at or before the expi-
16 ration of such period as may be specified in the
17 guarantee or related agreements, but not later than
18 60 days from the date of such notice, payment by
19 the Administrator of the unpaid principal amount of
20 said obligation and of the unpaid interest thereon.

21 Within such period as may be specified in the guar-
22 antee or related agreements, but not later than 30
23 days from the date of such demand, the Adminis-
24 trator shall promptly pay to the obligee or the
25 obligee's agent the unpaid principal amount of said

1 obligation and unpaid interest thereon to the date of
2 payment.

3 (c) ADMINISTRATOR TO COMPLETE, SELL OR OPER-
4 ATE PROPERTY.—In the event of any payment or assump-
5 tion by the Administrator under subsection (a) or (b) of
6 this section, the Administrator shall have all rights in any
7 security held by him relating to his guarantee of such obli-
8 gations as are conferred upon him under any security
9 agreement with the obligor. Notwithstanding any other
10 provision of law relating to the acquisition, handling, or
11 disposal of property by the United States, the Adminis-
12 trator shall have the right, in his discretion, to complete,
13 recondition, reconstruct, renovate, repair, maintain, oper-
14 ate, charter, or sell any property acquired by him pursuant
15 to a security agreement with the obligor. The terms of the
16 sale shall be as approved by the Administrator.

17 (d) CASH PAYMENTS; ISSUANCE OF NOTES OR OBLI-
18 GATIONS.—Any amount required to be paid by the Admin-
19 istrator pursuant to subsection (a) or (b) of this section,
20 shall be paid in cash. If at any time the moneys in the
21 Fund authorized by section 103 of this Act are not suffi-
22 cient to pay any amount the Administrator is required to
23 pay by subsection (a) or (b) of this section, the Adminis-
24 trator is authorized to issue to the Secretary of the Treas-
25 ury notes or other obligations in such forms and denomi-

1 nations, bearing such maturities, and subject to such
2 terms and conditions as may be prescribed by the Admin-
3 istrator, with the approval of the Secretary of the Treas-
4 ury. Such notes or other obligations shall bear interest at
5 a rate determined by the Secretary of the Treasury, taking
6 into consideration the current average market yield on
7 outstanding marketable obligations of the United States
8 of comparable maturities during the month preceding the
9 issuance of such notes or other obligations. The Secretary
10 of the Treasury is authorized and directed to purchase any
11 notes and other obligations to be issued hereunder and for
12 such purpose he is authorized to use as a public debt
13 transaction the proceeds from the sale of any securities
14 issued under chapter 31 of title 31, and the purposes for
15 which securities may be issued under such chapter are ex-
16 tended to include any purchases of such notes and obliga-
17 tions. The Secretary of the Treasury may at any time sell
18 any of the notes or other obligations acquired by him
19 under this section. All redemptions, purchases, and sales
20 by the Secretary of the Treasury of such notes or other
21 obligations shall be treated as public debt transactions of
22 the United States. Funds borrowed under this section
23 shall be deposited in the Fund and redemptions of such
24 notes and obligations shall be made by the Administrator
25 from such Fund.

1 (e) ACTIONS AGAINST OBLIGOR.—In the event of a
2 default under any guaranteed obligation or any related
3 agreement, the Administrator shall take such action
4 against the obligor or any other parties liable thereunder
5 that, in his discretion, may be required to protect the in-
6 terests of the United States. Any suit may be brought in
7 the name of the United States or in the name of the obli-
8 gee and the obligee shall make available to the United
9 States all records and evidence necessary to prosecute any
10 such suit. The Administrator shall have the right, in his
11 discretion, to accept a conveyance of Act to and possession
12 of property from the obligor or other parties liable to the
13 Administrator, and may purchase the property for an
14 amount not greater than the unpaid principal amount of
15 such obligation and interest thereon. In the event that the
16 Administrator shall receive through the sale of property
17 an amount of cash in excess of the unpaid principal
18 amount of the obligation and unpaid interest on the obli-
19 gation and the expenses of collection of those amounts,
20 the Administrator shall pay the excess to the obligor.

21 **SEC. 107. ESCROW FUND.**

22 (a) CREATION.—If the proceeds of an obligation
23 guaranteed under this Act are to be used to finance the
24 construction, reconstruction, or reconditioning of a space
25 launch vehicle or space launch vehicles which will serve

1 as security for the guarantee of the Administrator, the Ad-
2 ministrator is authorized to accept and hold, in escrow
3 under an escrow agreement with the obligor, a portion of
4 the proceeds of all obligations guaranteed under this Act
5 whose proceeds are to be so used which is equal to: (i)
6 the excess of the principal amount of all obligations whose
7 proceeds are to be so used over 87.5 per centum of the
8 amount paid by or for the account of the obligor for the
9 construction, reconstruction, or reconditioning of the
10 space launch vehicle or space launch vehicles; (ii) with
11 such interest thereon, if any, as the Administrator may
12 require: *Provided*, That in the event the security for the
13 guarantee of an obligation by the Administrator relates
14 both to a space launch vehicle or space launch vehicles
15 to be constructed, reconstructed, or reconditioned and to
16 a delivered space launch vehicle or space launch vehicles,
17 the principal amount of such obligations shall be prorated
18 for purposes of this subsection (a) under regulations pre-
19 scribed by the Administrator.

20 (b) DISBURSEMENT PRIOR TO TERMINATION OF ES-
21 CROW AGREEMENT.—The Administrator shall, as speci-
22 fied in the escrow agreement, disburse the escrow fund
23 to pay amounts the obligor is obligated to pay as interest
24 on such obligations or for the construction, reconstruction,
25 or reconditioning of the space launch vehicle or space

1 launch vehicles used as security for the guarantee of the
2 Administrator under this Act, to redeem such obligations
3 in connection with refinancing or to pay to the obligor at
4 such times, as may be provided for in the escrow agree-
5 ment any excess interest deposits, except that if payments
6 become due under the guarantee prior to the termination
7 of the escrow agreement, all amounts in the escrow fund
8 at the time such payments become due (including realized
9 income which has not yet been paid to the obligor) shall
10 be paid into the fund and (i) be credited against any
11 amounts due or to become due to the Administrator from
12 the obligor with respect to the guaranteed obligations and
13 (ii) to the extent not so required, be paid to the obligor.

14 (c) DISBURSEMENT UPON TERMINATION OF ESCROW
15 AGREEMENT.—If payments under the guarantee have not
16 become due prior to the termination of the escrow agree-
17 ment, any balance of the escrow fund at the time of such
18 termination shall be disbursed to prepay the excess of the
19 principal of all obligations whose proceeds are to be used
20 to finance the construction, reconstruction, or recondition-
21 ing of the space launch vehicle or space launch vehicles
22 which serve or will serve as security for such guarantee
23 over an appropriate per centum of the actual cost of such
24 space launch vehicle or space launch vehicles to the extent
25 paid, and to pay interest on such prepaid amount of prin-

1 cipal, and the remainder of such balance of the escrow
2 fund shall be paid to the obligor.

3 (d) INVESTMENT OF FUND.—The Administrator may
4 invest and reinvest all or part of the escrow fund in obliga-
5 tions of the United States with such maturities that the
6 escrow fund will be available as required for purposes of
7 the escrow agreement.

8 (e) PAYMENT OF INCOME.—Any income realized on
9 the escrow fund shall, upon receipt, be paid to the obligor.

10 (f) TERMS OF ESCROW AGREEMENT.—The escrow
11 agreement shall contain such other terms as the Adminis-
12 trator may consider necessary to protect fully the interests
13 of the United States.

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