

Contract Regulation

Department in charge: General Affairs Department 1143-4

Established on Jul. 1, 1997 Regulation No.11

Amended on Oct. 21, 2004 Regulation No.61

Amended on Jun. 27, 2007 Regulation No.97

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Chapter 1 General Provisions

Article 1 (Purpose)

This regulation seeks to prescribe matters related to the conclusion of various agreements involving the construction, manufacture, purchase, or lease of articles, repair, sale of properties, and service by Handong Global University (hereinafter referred to as "University").

Article 2 (Scope)

Unless specifically provided for otherwise in other laws, this regulation shall apply to matters related to contracts.

Article 3 (Department in Charge)

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Article 4 (Principle of Contracting)

Contracts shall be concluded based on an agreement between the parties concerned on equal footing. The parties concerned shall perform contracts based on the principles of trust and good faith.

Article 5 (Delegating Contractual Matters)

If deemed necessary to process contractual matters of the university, the president shall appoint a contracting officer from among the staff to handle matters related to contracting.

Article 6 (Contracting Method)

The contracting department shall enter into a contract on sale, lease, construction work, services, and/or others through competitive bidding. If deemed necessary considering the purpose and nature of the contract, however, the contracting department may restrict the qualifications of bidders, designate the bidders, or enter into a contract based on estimate-based bids or private contracts.

Chapter 2 Purchasing Procedure

Article 7 (Purchase Request)

1. If there are required articles, the head of the operating department shall submit to the contracting officer a request for purchase listing the names of products, specifications, quantity, required time, and reasons.
2. The head of the department in charge of articles shall request for purchase from the head of the contracting department based on annual supply plans covering the items commonly supported by the operating department.

Article 8 (Purchasing Method)

The purchasing department shall review the purchasing methods within the limits of the budgets and decide whether articles will be purchased through competitive contracts, private contracts, or unit price contracts. If the total purchase amount is KRW 5 million or less, however, the head of the relevant department may purchase items. The detailed procedure shall be decided separately by the president (amended on Jun. 27, 2007).

Article 9 (Advance Payment)

If business might be hindered when purchasing imported products in foreign currency owing to its nature unless money is paid in advance as in the case stipulated in the Enforcement Decree of the Budget and Accounts Act, advance payment (inclusive of miscellaneous expenses) may be made.

Chapter 3 Estimated Price

Article 10 (Preparation and Maintenance of the Estimated Price Table)

The contracting officer shall prepare an estimated price table using the specifications and design documents of the contract object prior to concluding a contract; if the contract is to be concluded through competitive bidding, related documents shall be sealed to prevent the disclosure of the estimated price. However, the preparation of the estimated price table may be omitted in the case of Clauses 2 and 5 of Article 30, and Article 35.

Article 11 (Deciding the Estimated Prices)

The estimated prices shall be decided covering the gross amount of the matters to be contracted. If the contract is related to manufacture, repair, processing, sale, supply, or use, which continues for a specified period, however, the estimated price may be decided covering the unit prices.

Article 12 (Criteria for Deciding the Estimated Prices)

1. The estimated prices shall be decided based on the following:
 - (1) Actual transaction prices in case the appropriate transaction has been decided or control price in case prices are controlled by related laws
 - (2) Prices derived by calculating the costs in case there are no actual transaction prices such as the prices of newly developed products and special-size products or when calculating the estimated prices based on the actual transaction prices is inappropriate
 - (3) Appraisal prices, similar actual transaction prices, or estimated prices in case the estimated prices cannot be determined based on Items (1) and (2)
2. Prior to determining the estimated prices based on provisions of each item in Clause 1, the contracted quantity, degree of difficulty, length of execution period, supply and demand situation, contractual conditions, and other circumstances shall be considered.

Article 13 (Actual Transaction and Appraised Prices)

The actual transaction and appraised prices specified in Clause 1, Article 12 shall be decided based on the followings:

1. Actual transaction price pertains to those confirmed after directly investigating the actual transaction prices of related articles from 2 or more contractors. Note, however, the actual transaction price of a single contractor in case the actual transactions with 2 or more contractors cannot be investigated.
2. Appraisal prices refer to the prices determined by an appraiser authorized by relevant laws.
3. Similar transaction prices pertain to the actual transaction prices of articles with carrying functions and uses.
4. Estimated prices refer to those obtained directly from the other party to the contract or a third party.

Article 14 (Estimated Prices Based on Cost Accounting)

1. In deciding the estimated prices based on cost accounting pursuant to Item (2), Clause 1, Article 12, the following items shall be specified in the statement of estimated prices:
 - (1) Material costs: Quantity of the specified materials needed to manufacture or construct the contracted objects and list of unit prices

- (2) Labor costs: Labor needed for each process required to manufacture or construct the contracted objects and statement of labor costs
 - (3) Expenses: Quantity by item needed to manufacture or construct the contracted objects and statement of unit prices
 - (4) General and administrative expenses: Amount derived by multiplying the total of the material costs, labor costs, and expenses by the general and administrative expense rate
 - (5) Profit: Amount derived by multiplying the total of the material costs, labor costs, and expenses by the profit rate
2. The provisions of Clause 1 shall also apply when the contracting officer commissions a third party to calculate the costs.
 3. If the estimated prices are determined based on the cost calculation method, the price by item and unit shall be the supply price excluding VAT; the estimated price shall be the amount derived by multiplying the total amount of each item by the VAT rate.

Article 15 (Rate for the General and Administrative Expenses, etc. Included in the Estimated Prices Calculated Based on Cost Accounting)

1. The rate for general and administrative expenses shall not exceed the followings:
 - (1) Facilities work: 6/100
 - (2) Manufacture and/or purchase of food and beverages: 14/100
 - (3) Manufacture and/or purchase of textile, clothing, and leather goods: 8/100
 - (4) Manufacture and/or purchase of wood and wood products: 9/100
 - (5) Manufacture and/or purchase of paper, paper products, and printed matter
 - (6) Manufacture of chemical, oil, coal, rubber, and plastic products: 8/100
 - (7) Manufacture and/or purchase of nonmetal mineral products: 12/100
 - (8) Manufacture and/or purchase of primary metal products: 6/100
 - (9) Manufacture and/or purchase of assembled metal products and machineries: 7/100
 - (10) Purchase of imported products: 8/100
 - (11) Manufacture and/or purchase of others: 11/100
 - (12) Service: 5/100
2. The profit rate shall not exceed the followings:
 - (1) Facilities work: 15/100
 - (2) Manufacture and purchase: 25/100
 - (3) Purchase of services and imported products: 10/100
3. When imported products are purchased, the rate of general and administrative expenses specified in Item (10), Clause 1 and the profit rate specified in Item (3), Clause 2 shall apply to the total amount of foreign currency denominated cost, custom duties, clearance charges, bonded warehouse charges, stevedoring expenses, local transport costs, and L/C opening fees (the profit

rate shall include general and administrative expenses and exclude the foreign currency denominated cost of the relevant products).

Chapter 4 Competitive Bidding

Article 16 (Holding Competitive Bidding)

1. Contracts shall be concluded through open bidding. If deemed necessary owing to the purpose of the contract, or considering the nature of related products, however, bidder qualifications may be restricted, or bidders may be designated.
2. Public bidding shall be considered to have taken place when there are 2 or more bidders.
3. Private competitive bidding shall be considered to have taken place when 3 or more bidders out of 5 or more private bidders accept the designation except when the number of bidders accepting the designation is less than 3 even if all bidders are designated owing to the limited number of private candidates.

Article 17 (Qualifications of Competitive Bidders)

Persons wishing to participate in competitive bidding shall satisfy the following requirements:

1. Bidders shall have owned or leased the facilities or shops needed to perform work related to the relevant bidding.
2. If permits, authorizations, and/or licenses are required pursuant to relevant laws, bidders shall have satisfied such requirements.

Article 18 (Restrictions on Bidder Qualifications and Standard for Designation)

1. Under any of the following cases, bidders' qualifications may be restricted, or bidders may be designated:
 - (1) Achieving the purpose of the contract is difficult owing to the nature or objectives of the contract unless the contractor has special equipment and skills, actual experience in product transactions, or specified levels of work.
 - (2) Construction work with an estimated price of not more than KRW 100,000,000 (or KRW 50,000,000 in the case of technical work as specified in the Framework Act on the Construction Industry) or manufacturing, purchase, or service contracts with an estimated price of not more than KRW 30,000,000 (amended on Jun. 27, 2007)
 - (3) Lease of property for which the total estimated lease amount is not more than KRW 30,000,000 (amended on Jun. 27, 2007)
 - (4) Sale of assets with estimated price of not more than KRW 30,000,000 (amended on Jun. 27, 2007)
 - (5) Contracts other than those for construction, manufacture, supply, and sale or assets or lease

of property for an estimated price of not more than KRW 30,000,000

(6) Manufacture or purchase of articles on which affixing the industrial standard marking is authorized pursuant to the Industrial Standardization Act or articles whose grades have been assigned by the Industrial Product Quality Control Act

2. Competitive bidding may apply even when private contracts can be concluded.
3. Prior to restricting the qualifications of bidders, the criteria for such restrictions shall be specified in the announcement for bidding or when bidders are designated.

Article 19 (Proving Qualifications)

Persons wishing to participate in competitive bidding shall prove the facts specified in Article 17 through documents issued by the related government authority or agency.

Article 20 (Excluding Application of Bidder Qualifications)

If matters forming the source of income are put to competitive bidding, the provisions of Article 17 shall not apply.

Article 21 (Bid Announcement)

1. Competitive bidding may be announced in the daily newspaper, notified to the designated contractors, posted on the designated bulletin board such as the website of the university, or announced in the computer network approved by the government at least 7 days prior to the bid deadline. In the case of bidding requiring a description ("Field Briefing" for construction work, "Description of Articles" for articles; referred to as "Description" hereinafter), however, the bidding shall be announced at least 7 days prior to the day preceding the briefing date specified in Clause 2, Article 24 (amended on Jun. 27, 2007).
2. In an urgent situation, the period specified in Clause 1 may be reduced to 5 days.
3. <Deleted>
4. If there are no bidders or no successful bidders, or if the successful bidder does not conclude a contract, the provision of Clause 2 may apply to announce re-bids.
5. The bid announcement shall specify the followings:
 - (1) Items, specifications, and quantity for bidding
 - (2) Matters related to bidders' qualifications
 - (3) Bid deadline and date/time and place of bid
 - (4) Date and place of briefing (limited to bidding requiring briefing)
 - (5) Date/Time and place of bid bond payment and matters related to the reversion of bid bond
 - (6) Bidding method
 - (7) Application documents for bidding and other required items
6. If no briefing is provided for the construction work bidding, the bidding shall be announced before

the periods specified below from the day before the submission deadline for bid documents (newly inserted on Jun. 27, 2007).

(1) If the estimated price is KRW 1 billion or less: 7 days

(2) If the estimated price is more than KRW 1 billion but not more than KRW 5 billion: 15 days

(3) If the estimated price is more than KRW 5 billion: 40 days

7. For negotiated contracts, the announcement shall be made 40 days in advance from the period before the proposal submission deadline, notwithstanding the provision of Clause 1. In an emergency or re-bidding, however, the announcement may be made 10 days in advance from the period before the proposal submission deadline (newly inserted on Jun. 27, 2007).

Article 22 (Application for Participation in Bids)

1. To participate in public bidding, bidders shall submit application documents by the application deadline. By doing so, bidders shall be considered to have accepted the general (special) contract terms and conditions and drawings prescribed by the university.
2. Once the bid application documents specified in Clause 1 are received, the bid participation certificate shall be issued.

Article 23 (Bidding Method)

1. Persons wishing to participate in competitive bidding shall submit the specified bid documents (1 copy per person) using any of the following methods prescribed in the notice of bidding (amended on Jun. 27, 2007):
 - (1) Submit directly to the owner.
 - (2) Submit via mail if deemed necessary.
 - (3) Submit through the designated information processor.
2. Any person wishing to participate in bids as a proxy shall submit a Power of Attorney as an appropriately appointed staff.
3. Upon receiving the bid documents, the owner shall stamp the confirmation seal and keep them closed until the date of bid opening.
4. If there are no successful bidders, the matter may be subject to rebidding at the same place. In such case, there shall no limit to the number of bidders (amended on Jun. 27, 2007).

Article 24 (Bidding Method for Facilities Work)

1. In inviting bids for facilities work and/or manufactured products, a briefing session shall be held in advance except in cases wherein briefing is unnecessary owing to the nature of work.
2. The briefing specified in Clause 1 shall be given prior to the following periods from the bid expiry date or bid opening date depending on the scale of work.
 - (1) KRW 1 billion or more: 5 days

(2) Less than KRW 1 billion: 3 days

Article 25 (Bid Opening)

1. Bids shall be opened at the time and place specified in the bid announcement in the presence of the bidders. Once bid documents are submitted, bidders shall not exchange, change, or cancel the bid documents (amended on Jun. 27, 2007).
2. If bid documents are submitted through the designated information processor, bids shall be opened based on the procedure and methods specified in the bid announcement, notwithstanding the provisions of Clause 1 (newly inserted on Jun. 27, 2007).

Article 26 (Reasons for Nullifying Bids)

1. Any of the following bids shall be nullified:
 - (1) Bids submitted by persons who do not meet the bidder qualifications
 - (2) Bids presented without paying the specified bid bond by the specified date
 - (3) Bids for which more than 2 copies of bid documents were submitted by the same person covering the same item
 - (4) Bids deemed not valid by the university
2. If a bid is nullified, the university shall explain the reason for such in the presence of the bidder participating in the bid opening.

Article 27 (Determining the Successful Bidder)

1. After bid documents are received by the designated time, the closing of receipt of bid documents shall be declared, and bid documents shall be opened in the presence of bidders.
2. The contracting officer shall check the opened bid documents, compare the bid amounts indicated in the valid bid documents with the estimated prices, and declare the successful bidders. In such case, the followings are the criteria for selecting the successful bidder:
 - (1) Bidders tendering the highest amount in excess of the estimated prices in the case of open bids forming the source of income
 - (2) Bidders tendering the lowest amount below the estimated prices in the case of open bids forming the source of expenditure; if required by laws, however, specifications/price-divided bids, 2nd-stage open bids, and negotiated bids shall be regarded as qualified bids (amended on Jun. 27, 2007)
 - (3) If there are 2 or more bidders tendering the same eligible prices, the successful bidder shall be selected immediately by drawing lots.

Article 28 (Criteria for Estimate-based Bids)

Estimate-based bids shall be executed for any of the following contractors:

1. Contractors who have shown excellent performance in contracts concluded with other related institutions
2. Contractors designated by the university

Article 29 (Method of Executing Estimate-based Bids)

1. If an estimate-based bid is to be used, the relevant contractor shall be notified of matters related to bids (including the date, time, and place) 5 days prior to the scheduled bid date.
2. In principle, estimates shall be signed/sealed by the CEOs of the bidders; if the related documents are received prior to the bid opening date, the relevant bidder shall be considered to have participated in the bids.
3. If 2 or more qualified estimates are received, bids shall be opened in the presence of the CEOs of bidders or their proxies; the contractor tendering the lowest price shall be selected as the successful bidder. However, this provision shall not apply in case the CEOs of bidders or their proxies have informed of their absence in advance.
4. If entering into a contract is impossible after the estimate-based bids, the provisions of Article 31 shall apply.

Chapter 5 Private Contract

Article 30 (Criteria for Execution)

A private contract may be concluded under any of the following cases:

1. Considering the nature or purpose of contracts, competition bidding is not possible due to skills, services, or facilities of specified persons or specified location, structure, or quality.
2. A private contract is more advantageous to the university than competitive bidding owing to natural disasters, recovery work following unexpected accidents, urgent purchase of educational and research articles, or urgent events.
3. Contracts covering construction work and whose estimated amount is not more than KRW 50,000,000 or those covering manufacture, purchase, services, or other work and whose estimated amount (based on the annual or total amount in the case of lease) is not more than KRW 30,000,000 (amended on Jun. 27, 2007)
4. <Deleted>
5. Sale of assets valued at not more than KRW 10,000,000 (amended on Jun. 27, 2007)
6. Purchasing educational and research practice materials or other teaching materials from a specified professional maker is significantly advantageous to the university because quality assurance cannot be expected if they are bought through open bidding.
7. Other than those enumerated in Clauses 1 ~ 6 above, achieving the purpose of any contract is impossible owing to the nature or purpose of the contract unless private contracts are used or because a private contract is more advantageous to the university.

Article 31 (Private Contract in the Absence of a Successful Bidder)

If there are no bidders or no successful bidders in the public bidding, a private contract may be concluded without changing the terms and conditions (excluding the bid deadline) specified in the invitation to bid. If unavoidable due to an urgent situation, etc., however, the estimated price may be adjusted within the range of the lowest bid price or estimated price.

Article 32 (Successful Bidder's Failure to Conclude a Contract, etc. and Private Contract)

If a successful bidder fails to conclude a contract, or it has terminated the contract without commencing the performance of such within a specified period, a private contract may be concluded with a person offering the most advantageous conditions without changing the terms and conditions (excluding the bid deadline) specified in the invitation to bid. However, a private contract valued at not more than the price offered by the successful bidder in the case of the purchase or manufacture of goods, or at an amount exceeding the price offered by the successful bidder in the case of sale of goods shall be concluded.

Article 33 (Determining the Price in a Private Contract and Submitting Estimates)

1. If it wishes to conclude a private contract, the university shall decide the estimated prices and have the contractor submit estimates.
2. If the university wishes to conclude a private contract, estimates shall be received from 2 or more persons. If the contract is to be concluded pursuant to Clause 1, Article 30 and Articles 31 and 32, or if the contract amount is KRW 10,000,000 or less, however, estimates may be received from only 1 person. In such case, the detailed procedure shall be separately decided by the president (amended on Jun. 27, 2007).

Chapter 6 Conclusion of Contract and Payment

Article 34 (Drawing up the Contract)

1. Upon determining the contractor, the contract shall be concluded immediately using the specified form.
2. The contract shall clearly specify the purpose of the contract, contract amount, performance period, deposits, risks involved, liquidated damage, and others. However, drawing up a contract may be omitted under any of the cases specified in Article 35.
3. The contract shall be drawn up according to Clause 2 and shall be considered concluded when the president and the contractor affix their names and signatures thereto.
4. When the contract is drawn up pursuant to Clause 1, special matters related to the contract may

be specified in addition to the general terms and conditions.

Article 35 (Omission of Contract)

Drawing up a contract may be omitted pursuant to the provision of Clause 2, Article 34 under any of the following cases (in such case, however, documents forming the basis of concluding a contract such as bills, memorandums, agreements, or consents shall be collected and maintained):

1. Concluding a contract valued at not more than KRW 30,000,000
2. Concluding a contract valued at not more than KRW 5,000,000 in a foreign country
3. Items are put up for auction.
4. A buyer pays the price immediately and takes over an item when selling items.
5. Concluding a contract wherein the drawing up of contract documents is not needed owing to the nature of the contract, e.g., electricity, gas, and water supply contracts.

Article 36 (Liquidated Damage)

1. To cover the compensation for the delays in performing the contract by the contractor, the amounts calculated by multiplying the following liquidated damage by the number of days of delay shall be prescribed in the contract and collected from the contractor:
 - (1) Facilities work: 1/1000 or more
 - (2) Manufacture and import of goods: 1.5/1000 or more
 - (3) Repair and processing of goods, servicing: 2.5/1000 or more
 - (4) Lending and others: 2.5/1000 or more
 - (5) Transport and storage: 5/1000 or more
2. In relation to Clause 1, if the university takes over the completed or delivered portion pursuant to Clause 2, Article 41, the amount covering such portion may be deducted.
3. If the performance of the contract is delayed for reasons other than those attributable to the contractor, the payment of liquidated damage covering the relevant number of days may be waived.
4. If reasons for collecting the liquidated damage specified in Clause 1 occur, and in case the amount of liquidated damage has reached a level equivalent to the contract deposit (including the waived contract deposit), the contract may be terminated or canceled except in case of special reasons.

Article 37 (Adjustment of Contract Amount Due to Design Changes)

The contract amount may be adjusted in case of increases or decreases in the workload owing to design changes in a construction contract.

Article 38 (Adjustment of Contract Amount Due to Price Changes)

1. If 120 days or more have lapsed after concluding a contract, the contract amount may be adjusted under any of the following cases (in such case, the amount shall not be readjusted within 120 days of the date the contract amount is adjusted):
 - (1) The total amount of fluctuation has reached 5/100 or more of the contract amount owing to the fluctuating prices of the items and articles making up the contract amount
 - (2) The index adjustment rate prescribed by the Prime Minister's Decree has increased by more than 5/100.
2. The provisions of Items (1) and (2), Clause 1 shall not be applied simultaneously for the same contract. The most suitable criteria shall be selected, and the reasons thereof, specified in the contract.
3. The contract amount adjustment to be effected pursuant to Clause 1 shall apply only to the portion of work that will be performed after the price change. However, this provision shall not apply in case of delays the reasons for which are attributable to the university or for other reasons due to force majeure, e.g., natural disasters.
4. In case of a need to increase the contract amount pursuant to Clause 1, and if there is no budget to increase the amount, the production quantity or construction workload may be adjusted to cover the increased portion.

Article 39 (Auction)

1. If selling movables deemed necessary, they may be put up for auction.
2. If an item is put up for auction pursuant to Clause 1, the estimated price shall be presented. After the verbal disclosure of the initial bid amount, the auction shall continue until the person offering the highest price is selected as the final successful bidder.
3. If there is a need to have bidders pay the bid bond pursuant to Clause 2, the deposit shall be equal to at least 5/100 of the estimated price.

Article 40 (Restricting the Bid Qualifications for Unfair Contractors)

1. Any of the following persons may be restricted from concluding contracts for at least 6 months from the date of involvement in any of the following acts:
 - (1) Persons who intentionally perform work or manufacture goods in an unsatisfactory manner or those who have been involved in unfair practices regarding the quality and quantity of goods
 - (2) Persons who have collaborated on the bid qualifications in open bidding through mutual discussions
 - (3) Persons who have interfered with the participation in open bidding or hindered the conclusion or the performance of contract by the successful bidder
 - (4) Persons who have interfered with the performance of the duties of supervisors or inspectors
 - (5) Successful bidders failing to conclude contracts without justifiable reasons
 - (6) Persons who have failed to implement the contract or persons who have delayed performance

in excess of the specified number of days without justifiable reasons

- (7) Persons who have altered or forged the documents related to the qualifications prescribed in Articles 17 and 19 and other documents related to the contract
 - (8) Persons who have used subcontractors without the approval of the president or changed the condition of the subcontractors approved by the president. In case of construction work, persons who have subcontracted work to a person who does not possess the related construction work or license in violation of the Act on Construction Business and other related laws or have subcontracted work to a person who possesses the related license but failed to report the fact immediately after doing so.
 - (9) Persons who have offered bribes to related staff in relation to the conclusion or performance of the contract
2. If any party whose bidding qualifications have been restricted pursuant to Clause 1 is a corporation or an organization, the provisions of Clause 1 shall also apply to the representatives of such corporation or organization.

Article 41 (Supervision and Inspection)

1. If deemed necessary after concluding contracts on construction work, manufacture, or other services to ensure the performance of the contract, the university shall supervise work based on contracts, design documents, and other related documents.
2. If the contractor completes the performance of the contract, the completed work shall be inspected based on contracts, design documents, and other related documents. The same procedure shall apply when the university wishes to pay all or part of the price prior to completion or delivery covering the completed portion or the delivered portion.
3. If a report on completion is received covering facilities works, final inspection shall be conducted within 10 days except in case of special reasons.
4. If the work prescribed in Clauses 1 and 2 cannot be supervised or inspected because such work requires professional knowledge or skills or for unavoidable reasons, a professional institution may be commissioned to supervise and/or inspect the work.
5. Persons who conduct supervision or inspection pursuant to Clauses 1 and 2 shall prepare reports on supervision and inspection.

Article 42 (Payment)

1. For contracts involving construction work, manufacture, purchase, and other item incurring expenditure, the price shall not be paid unless inspection has been carried out pursuant to Clause 2, Article 41. If inspection reports are prepared, the price shall be paid based on such reports.
2. For contracts involving the sale or lease of assets or provision of services or others forming the source of income, the contractor shall be instructed to pay the price to the university immediately after concluding contracts. If the contractor is a government agency or a government-invested

institution, or if a payment guarantee covering a fixed amount exceeding the amount of payment as issued by a financial institution prescribed by the Banking Act is submitted, however, advance payment may be waived.

Chapter 7 Payment and Reversion of Deposit

Article 43 (Payment of Deposit)

The contracting officer shall have the contractor pay the relevant bond, such as bid bond, contract bond, difference bond, and warranty bond, etc., per unit of purchase in cash (including cashier's checks issued by the post office or bank). However, the following guarantees or securities may be paid in lieu of cash, and payment of all or part of deposits may be waived in the case of Article 49:

1. Payment guarantees issued by banks
2. Performance bond with the university as beneficiary
3. Guarantees issued by the Construction Guarantee pursuant to the Construction Guarantee Act

Article 44 (Deposit Payment Procedure Based on the Guarantee Insurance Policy)

If payment guarantees issued by banks, performance bond, or guarantees issued by the construction guarantee (hereinafter referred to as "Guarantee Insurance Policies") are collected as deposits, the following shall be checked and verified:

1. The president shall be named beneficiary.
2. The guarantee amount shall be greater than the amount of deposit to be paid.
3. Bid bond (amended on Jun. 27, 2007)
 - (1) Initial date of the guarantee period: prior to the deadline for bid document submission
 - (2) Expiration date of the guarantee period: 30 days after the deadline for bid document submission
4. Contract bond and difference bond (amended on Jun. 27, 2007)
 - (1) Initial date of the guarantee period: starting date of the contract period
 - (2) Expiration date of the guarantee period: after the expiration date of the contract period
5. Warranty bond (amended on Jun. 27, 2007)
 - (1) Initial date of the guarantee period: date when the final inspection is completed
 - (2) Expiration date of the guarantee period: after the expiration date of the warranty bond period

Article 45 (Deposit Rate)

The deposit rate specified in Article 43 shall be as follows (amended on Jun. 27, 2007):

1. The bid bond rate shall be at least 5/100 of the bid amount. In the case of the unit price bid, however, the rate shall be derived by multiplying the total estimated unit price by the bond rate.
2. The contract bond rate shall be at least 10/100 of the contract amount (or 20/100 in the case of

construction work contract). In the case of the unit price-based contract, however, an amount equivalent to or higher than 10/100 of the amount derived by multiplying the largest estimated quantity for each contract term by the unit price may be paid as contract bond (amended on Jun. 27, 2007).

3. For the difference bond rate, if the successful bid amount is less than 70/100 of the estimated price, the estimated price and the difference between the estimated price and the knockdown amount shall be paid together (amended on Jun. 27, 2007).
4. The warranty bond rate shall be at least 2/100 but not more than 10/100 of the contract amount; if the construction contract is concluded, the warranty bond rate shall be decided as follows:
 - (1) Major structural works: 5/100 or more
 - (2) General construction work such as highway filling (including paving work), water supply system, river, telecommunications, and general architectural works: 3/100 or more
 - (3) Site preparation and other minor works: 2/100 or more

Article 46 (Time for Payment and Return of Deposits)

1. Deposits shall be paid in the following times:
 - (1) Bid bond: by the application submission deadline
 - (2) Contract bond: prior to concluding a contract
 - (3) Difference bond: prior to concluding a contract
 - (4) Warranty bond: by the time when final payment is made
2. The deposits specified in Clause 1 shall immediately be returned once the purpose of the deposits has been achieved.

Article 47 (Extending the Guarantee Period)

If the contractor wishes to extend the contract signing day, contract performance period, or warranty period, the contractor shall submit guarantee insurance policies covering the guarantee period derived by adding the extension period to the original guarantee period.

Article 48 (Paying Deposits When the Contract Amount is Changed)

If the contract amount is adjusted pursuant to Articles 37 and 38, the contracting officer shall have the contractor pay additional deposits covering the increased portion or return the corresponding amount upon the request of the contractor.

Article 49 (Waiver of the Payment of Deposits)

1. The payment of deposits may be waived pursuant to the provision of Article 43 under the following cases:
 - (1) Government offices, government-invested institutions, and corporations founded pursuant to the

Agricultural Cooperative Act, Livestock Cooperative Act, Fisheries Cooperative Act, and Forest Cooperative Act

(2) Persons who have previously concluded contracts with government offices, government-invested institutions, or university and never been restricted from participating in the bidding of the university or deemed an unfair contractor, or persons who have been operating business for a period of at least 3 years from the date such restrictions were imposed

(3) Contract worth less than KRW 10,000,000

2. If the payment of deposits is waived pursuant to Clause 1, and in case of reasons for the reversion of deposits by the university pursuant to Article 50, the contractor shall be instructed to submit a memorandum of payment of deposit to ensure that it pays the relevant deposits in cash.

Article 50 (Reversion of Deposits)

1. If the successful bidder fails to conclude or to implement the contract or to fulfill the warranty obligations, the deposits shall immediately be disposed of as follows:

(1) Cash deposit shall be collected as revenues.

(2) If the deposit is in the form of guarantee insurance policies, a request to fulfill the guaranteed obligations shall be submitted to the relevant guarantee institution, and the money shall be collected as revenues.

2. When the deposits are reverted to the university pursuant to Clause 1, the relevant contract shall be terminated or canceled unless specifically provided for otherwise in the contract, and the contractor shall be notified accordingly.

3. In case reasons for reverting the deposits to the university occur pursuant to Clause 1 after the payment of all or part of the deposits is waived pursuant to Article 49, the contractor shall be instructed to pay the deposit in cash based on the memorandum of payment of deposit as specified in Clause 2, Article 49, and the deposits shall be reverted to the university.

Article 51 (Direct Use of the Warranty Bond)

1. If defects covered by the warranty bond occur, and in case there is insufficient or no budget for repair, the warranty bond may be directly used to repair the defects.

2. In the case of Clause 1, the warranty bond shall be deemed to be reverted to the university.

Chapter 8 Exceptions

Article 52 (Contracts Concluded Prior to the Beginning of the Fiscal Year)

1. For matters that should be executed continuously owing to their nature, e.g., lease, transport, or storage, a contract may be concluded in advance within the finalized budgets for the year before the relevant fiscal year begins.

2. The contract specified in Clause 1 shall take effect after the relevant fiscal year begins.

Article 53 (Unit Price Contract)

1. If concluding contracts for manufacture, repair, process, trading, supply, and use — which are to continue for a specified period — is necessary, contracts may be concluded based on unit prices within the range of the budgets for the year.
2. If contracts are to be concluded based on the unit price pursuant to Clause 1, the estimated prices shall be decided for each unit price.
3. If a contract is to be performed in several units in a unit price contract, contract deposits shall be paid the amount equal to at least 10/100 of that derived by multiplying the biggest estimated workload by the unit price.

Article 54 (Rough Estimate Contract)

1. If the estimated price cannot be decided in advance for contracts related to the manufacture, tests and experiments of the developed prototypes and research services, rough estimate contracts may be concluded.
2. Rough estimate prices shall be decided in advance to conclude rough estimate contracts pursuant to Clause 1.
3. If a contract is to be implemented based on rough estimate prices pursuant to Clause 2, contract deposits in the amount of at least 10/100 of that derived by multiplying the biggest estimated workload by the unit price shall be made.

Article 55 (Contract on International Business)

Matters related to contracts on international business shall be prescribed separately.

Article 56 (Exclusion of Contracts)

For the electricity, gas, or water charges controlled or announced by the government and other similar matters, billings may be used in lieu of concluding contracts.

Chapter 9 Supplementary Rules

Article 57 (Application of Government Laws Related to Contracts)

Matters other than those stipulated in this regulation may be governed by government laws, rules, interpretation, etc. of contracts.

ADDENDUM

This regulation shall enter into force as of July 1, 1997.

ADDENDUM

This amended regulation shall enter into force as of October 21, 2004.

ADDENDUM

This amended regulation shall enter into force as of June 27, 2007.