

---

---

LOAN NUMBER 275 ME

# Loan Agreement

(Irrigation Program)

BETWEEN

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

AND

NACIONAL FINANCIERA, S. A.

DATED JANUARY 16, 1961

---

---

---

---

LOAN NUMBER 275 ME

# Loan Agreement

(Irrigation Program)

BETWEEN

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

AND

NACIONAL FINANCIERA, S. A.

DATED JANUARY 16, 1961

---

---

# Loan Agreement

**AGREEMENT**, dated January 16, 1961 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and NACIONAL FINANCIERA, S. A. (hereinafter called the Borrower).

## ARTICLE I

### Loan Regulations

SECTION 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956, subject, however, to the modifications thereof set forth in Schedule 2 to this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

## ARTICLE II

### The Loan

SECTION 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to fifteen million dollars (\$15,000,000).

SECTION 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations.

SECTION 2.03. Except as the Bank and the Borrower shall otherwise agree:

(a) The Borrower shall be entitled, subject to the provisions of this Agreement, to withdraw from the Loan Account (i) the equivalent of a percentage to be established

from time to time by agreement between the Guarantor, the Bank and the Borrower of the cost of work done for carrying out part 1(a) of Schedule 1 to the Guarantee Agreement, such percentage to represent the foreign exchange component of such cost; (ii) such amounts as shall have been otherwise expended (other than for local currency expenditures) for the reasonable cost of goods required for carrying out part 1(c) of the Project and not included in the foregoing; and (iii) if the Bank shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of such goods.

(b) Withdrawals under (i) of clause (a) of this Section shall be in dollars or such other currencies as the Bank may reasonably determine.

(c) Notwithstanding the foregoing provisions of this Section, no withdrawals shall be made on account of expenditures prior to January 1, 1961, or expenditures in the territories of any country (except Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories.

(d) As used in this Section, the term "local currency expenditures" means expenditures in the currency of the Guarantor or for goods produced in (including services supplied from) the territories of the Guarantor.

**SECTION 2.04.** The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time. Such commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

**SECTION 2.05.** The Borrower shall pay interest at the rate of five and three-fourths per cent ( $5\frac{3}{4}\%$ ) per annum

on the principal amount of the Loan so withdrawn and outstanding from time to time.

SECTION 2.06. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

SECTION 2.07. Interest and other charges shall be payable semi-annually on January 1 and July 1 in each year.

SECTION 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

SECTION 3.01. Subject to the provisions of this Agreement, the Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 1 to the Guarantee Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Guarantor, the Bank and the Borrower, subject to modification by further agreement between them.

### **ARTICLE IV**

#### **Bonds**

SECTION 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

SECTION 4.02. The *Director General* of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

## ARTICLE V

### Particular Covenants

SECTION 5.01. The Borrower shall make with the Guarantor arrangements satisfactory to the Bank providing for the transfer of the proceeds of the Loan from the Borrower to the Guarantor.

SECTION 5.02. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

(b) The Bank and the Borrower shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower; shall enable the Bank's representatives to inspect any relevant records and documents; and shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan and the operations and financial condition of the Borrower.

SECTION 5.03. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

SECTION 5.04. The Borrower shall pay or cause to be paid all taxes or fees, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

SECTION 5.05. The Borrower shall pay or cause to be paid all taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

**ARTICLE VI****Remedies of the Bank**

SECTION 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

**ARTICLE VII****Effective Date; Termination**

SECTION 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01(a)(ii) and Section 9.01(b)(ii) of the Loan Regulations:

(a) the arrangements referred to in Section 5.01 of this Agreement, in terms satisfactory to the Bank, shall have been made; and

(b) substantial progress, in the judgment of the Bank, shall have been made towards completion of the arrangements required under Section 3.09 of the Guarantee Agreement.



SECTION 7.02. The following are specified as additional matters, within the meaning of Section 9.02(e) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the arrangements referred to in Section 5.01 of this Agreement are valid and are binding on the Guarantor and the Borrower; and

(b) that the arrangements referred to in Section 7.01(b) are valid and are binding on the Guarantor and the water users.

SECTION 7.03. A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

## **ARTICLE VIII**

### **Miscellaneous**

SECTION 8.01. The Closing Date shall be December 31, 1963.

SECTION 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Borrower:

Nacional Financiera, S. A.  
Avenida Venustiano Carranza 25  
Mexico 1, D. F., Mexico

Alternative address for cablegrams and radiograms:

Nafin  
Mexico City

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N. W.  
Washington 25, D. C.  
United States of America

Alternative address for cablegrams and radiograms:

Intbafrad  
Washington, D. C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ EUGENE R. BLACK  
*President*

NACIONAL FINANCIERA, S. A.

By /s/ MANUEL S. VALLADARES  
*Authorized Representative*

**SCHEDULE 1****Amortization Schedule**

Date Payment Due	Payment of Principal (expressed in dollars)*
July 1, 1964	\$266,000
January 1, 1965	274,000
July 1, 1965	281,000
January 1, 1966	290,000
July 1, 1966	298,000
January 1, 1967	306,000
July 1, 1967	315,000
January 1, 1968	324,000
July 1, 1968	334,000
January 1, 1969	343,000
July 1, 1969	353,000
January 1, 1970	363,000
July 1, 1970	374,000
January 1, 1971	384,000
July 1, 1971	396,000
January 1, 1972	407,000
July 1, 1972	419,000
January 1, 1973	431,000
July 1, 1973	443,000
January 1, 1974	456,000
July 1, 1974	469,000
January 1, 1975	482,000
July 1, 1975	496,000
January 1, 1976	510,000
July 1, 1976	525,000
January 1, 1977	540,000
July 1, 1977	556,000
January 1, 1978	572,000
July 1, 1978	588,000
January 1, 1979	605,000
July 1, 1979	623,000
January 1, 1980	640,000
July 1, 1980	659,000
January 1, 1981	678,000

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

### Premiums on Prepayment and Redemption

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05(b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 3 years before maturity	$\frac{1}{2}$ of 1%
More than 3 years but not more than 6 years before maturity .....	1 $\frac{1}{2}$ %
More than 6 years but not more than 11 years before maturity .....	2 $\frac{1}{2}$ %
More than 11 years but not more than 16 years before maturity .....	3 $\frac{1}{2}$ %
More than 16 years but not more than 18 years before maturity .....	4 $\frac{3}{4}$ %
More than 18 years before maturity ...	5 $\frac{3}{4}$ %

**SCHEDULE 2****Modifications of Loan Regulations No. 4**

For the purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated June 15, 1956, shall be deemed to be modified as follows:

- (a) Section 2.02 shall be deleted.
- (b) The second sentence of Section 3.01 shall read as follows:

“Subject to the provisions of Section 2.03 of the Loan Agreement, the proceeds of the Loan shall, to the extent that the Bank shall so elect, be withdrawn from the Loan Account in the several currencies in which goods are paid for.”
- (c) Section 3.05 shall read as follows:

“Section 3.05. *Valuation of Currencies.* Whenever it shall be necessary for the purposes of this Agreement to value one currency in terms of another currency, such value shall be as reasonably determined by the Bank.”
- (d) Section 4.01 is deleted.
- (e) The first five lines of Section 5.02 shall read as follows:

“Section 5.02. *Suspension by the Bank.* If any of the following events shall have happened and be continuing, the Bank may at any time or from time to time by notice to the Borrower suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account:”
- (f) The last paragraph of Section 5.02 shall read as follows:

“The right of the Borrower to make withdrawals from the Loan Account shall continue to be suspended in whole or in part, as the case may be, until

the event or events which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier; provided, however, that in the case of any such notice of restoration, the right to make withdrawals shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Bank in respect of any other or subsequent event described in this Section.”

(g) Section 9.03 shall read as follows:

“Section 9.03. *Effective Date.* Notwithstanding the provisions of Section 8.01, except as shall be otherwise agreed by the Borrower and the Bank, the Loan Agreement and the Guarantee Agreement shall come into force and effect on the date upon which the Bank dispatches to the Borrower and the Guarantor notice of its acceptance of the evidence required by Section 9.01.”

(h) Paragraph 12 of Section 10.01 shall read as follows:

“The term ‘Project’ means the project or projects or program or programs for which the Loan is granted, as described in the Guarantee Agreement and as the description thereof shall be amended from time to time by agreement between the Guarantor and the Bank.”

(i) Paragraph 14 of Section 10.01 shall read as follows:

“14. The term ‘external debt’ means any debt payable in any medium other than currency of the Guarantor, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium.”