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LOAN NUMBER 527 ME

# Loan Agreement

(Rio Colorado Irrigation Project)

BETWEEN

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

AND

NACIONAL FINANCIERA, S.A.

DATED JANUARY 26, 1968

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## **Loan Agreement**

**AGREEMENT**, dated January 26, 1968, 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 Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961 as amended February 9, 1967, with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations):

Paragraph 11 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 Schedule 1 to the Guarantee Agreement and as the description thereof shall be amended from time to time by agreement between the Guarantor and the Bank.”

### **ARTICLE II**

#### **The Loan**

SECTION 2.01. The Bank agrees to lend to the Borrower an amount in various currencies equivalent to twenty-five million dollars (\$25,000,000).

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 The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations.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 shall otherwise agree, the Borrower shall be entitled, subject to the provisions of the Loan Agreement, to withdraw from the Loan Account the equivalent of such percentage or percentages as may be established from time to time by agreement between the Guarantor, the Bank and the Borrower of such amounts as shall have been paid, or, if the Bank shall so agree, such amounts as shall be required to meet payments to be made, for the reasonable cost of goods for the Project. For the purposes of this Section, clause (b) of Section 4.01 of the Loan Regulations shall not apply.

SECTION 2.04. Pursuant to Section 3.02 of the Loan Regulations, withdrawals under Section 2.03 of this Agreement shall be made in dollars or such currency or currencies as the Bank shall from time to time reasonably select.

SECTION 2.05. 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 from the Loan Account.

SECTION 2.06. The Borrower shall pay interest at the rate of six and one-fourth per cent ( $6\frac{1}{4}\%$ ) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

SECTION 2.07. 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 Regula-

tions 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 2.08. Interest and other charges shall be payable semi-annually on February 1 and August 1 in each year.

SECTION 2.09. 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. The Borrower shall cause the proceeds of the Loan to be applied exclusively to expenditures on the Project. The specific allocation of the proceeds of the Loan, and the methods and procedures for procurement of the goods to be financed out of such proceeds, 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. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of 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(a) 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, the Bank and the Borrower shall from time to time, at the request of either of them, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement and other matters relating to the purposes of the Loan and the maintenance of the service thereof.

(b) 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

(c) The Borrower shall: (i) 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 with respect to the Loan; (ii) enable the Bank's representatives to inspect any relevant records and documents; and (iii) furnish or cause to be furnished to the Bank all such relevant information as the Bank shall request concerning the expenditure of the proceeds of the Loan and the operations and financial condition of the Borrower with respect to the Loan.

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, 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 the Loan 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, 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 the Loan 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 (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 a default shall occur in the payment of principal or interest or any other payment required under any other loan agreement between the Bank and the Borrower or under any bond delivered pursuant thereto and such default shall continue for a period of thirty days, or (iii) if a default shall occur in the payment of principal or interest or any other payment required under any loan agreement or under any guarantee agreement between the Guarantor and the Bank or under any bond delivered pursuant to any such agreement under circumstances which would make it unlikely that the Guarantor would meet its obligations under the Guarantee Agreement and such default shall continue for a period of thirty days, or (iv) 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.

SECTION 6.02. The Bank and the Borrower hereby agree that for the purposes of the Loan Agreements between the Bank and the Borrower dated January 16, 1961, April 29, 1963, and May 25, 1966 and this Loan Agreement, respectively, an event referred to in paragraph (c) of Section 5.02 of the Loan Regulations No. 4 of the Bank applicable to any such Agreement shall be deemed to be an event under paragraph (c) of Section 5.02 of the Loan Regulations No. 4 of the Bank applicable to any other such Agreement.



**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(d) of the Loan Regulations:

- (a) The arrangements referred to in Section 5.01 of this Agreement, in terms satisfactory to the Bank, have been made; and
- (b) the Guarantor has taken such legislative or other action as is required initially to satisfy the provisions of paragraphs (a) and (b) of Section 3.11 of the Guarantee Agreement.

SECTION 7.02. The following are specified as additional matters, within the meaning of Section 9.02 (c) 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 action referred to in Section 7.01(b) is valid and is binding on the water users.

SECTION 7.03. If this Agreement shall not have come into force and effect by August 1, 1968, this Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

**ARTICLE VIII**

**Miscellaneous**

SECTION 8.01. The Closing Date shall be June 30, 1975, or such later date or dates as may be agreed by the Bank and the Borrower as the Closing Date.

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.  
Isabel la Catolica 51  
Mexico 1, D.F., Mexico

Alternative address for cables:

Nafin  
Mexico City

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433

Alternative address for cables:

Intbafrad  
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be 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 GEORGE D. WOODS

*President*

NACIONAL FINANCIERA, S.A.

By ALFREDO NAVARRETE

*Authorized Representative*

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

Date Payment Due	Payment of Principal (expressed in dollars) *
August 1, 1975	635,000
February 1, 1976	655,000
August 1, 1976	680,000
February 1, 1977	700,000
August 1, 1977	720,000
February 1, 1978	745,000
August 1, 1978	765,000
February 1, 1979	790,000
August 1, 1979	815,000
February 1, 1980	840,000
August 1, 1980	865,000
February 1, 1981	895,000
August 1, 1981	920,000
February 1, 1982	950,000
August 1, 1982	980,000
February 1, 1983	1,010,000
August 1, 1983	1,045,000
February 1, 1984	1,075,000
August 1, 1984	1,110,000
February 1, 1985	1,145,000
August 1, 1985	1,180,000
February 1, 1986	1,215,000
August 1, 1986	1,255,000
February 1, 1987	1,295,000
August 1, 1987	1,335,000
February 1, 1988	1,380,000

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), 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 three years before maturity .....	$\frac{1}{2}$ of 1%
More than three years but not more than six years before maturity .....	1 $\frac{1}{2}$ %
More than six years but not more than eleven years before maturity .....	2 $\frac{1}{2}$ %
More than eleven years but not more than sixteen years before maturity .....	3 $\frac{3}{4}$ %
More than sixteen years but not more than eighteen years before maturity .....	5%
More than eighteen years before maturity	6 $\frac{1}{4}$ %