

**CONFORMED COPY**

**LOAN NUMBER 7814-MX**

# **Loan Agreement**

**(Economic Policies in Response to the Global Crisis Development Policy Loan)**

**between**

**UNITED MEXICAN STATES**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated December 3, 2009**

**LOAN AGREEMENT**

Agreement dated December 3, 2009, entered into between UNITED MEXICAN STATES (“Borrower”) represented by its signatory on page 5 of this Agreement and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Borrower’s maintenance of an appropriate macro-economic policy framework.

Whereas the Borrower has informed the Bank that the proceeds of the Loan (as set forth in the table in Section II of Schedule 1 to this Agreement and for purposes of supporting the Program), shall be used in conformity with the requirements of the Borrower’s income, budgetary and public debt laws and the terms of this Agreement, the Borrower and the Bank hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one billion five hundred and three million seven hundred and fifty thousand Dollars (\$1,503,750,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”).
- 2.02. As a consequence of the Borrower’s maintenance of an adequate macroeconomic policy framework and its satisfactory implementation of the Program, the Borrower may withdraw the proceeds of the Loan in accordance with Section II of Schedule 1 to this Agreement. The Borrower’s representative for purposes of taking any action required or permitted to be taken pursuant to this Section are the *Director General* of BANSEFI, or the *Director General Adjunto de Banca Institucional* of BANSEFI or any person or persons whom such representatives shall jointly or severally designate in writing.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%).

- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are May 15 and November 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 2 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.
- 2.08. Without limitation upon the provisions of Section 5.08 of the General Conditions (renumbered as such pursuant to paragraph 4 of Section II of the Appendix to this Agreement and relating to *Cooperation and Consultation*), the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

### **ARTICLE III — PROGRAM**

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.08 of the General Conditions:

- (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program;
  - (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
  - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.
- 3.02. (a) The Borrower, through SHCP, shall enter into a contract (*Contrato de Mandato*) among SHCP and BANSEFI, satisfactory to the Bank, whereby:
- (i) BANSEFI agrees to act as financial agent of the Borrower with regard to the Loan, meaning that, *inter alia*, BANSEFI agrees to represent the Borrower vis-à-vis the Bank for purposes of submitting Loan withdrawal applications to the Bank in form and substance sufficient to justify disbursement by the Bank to the Borrower of Loan proceeds in compliance with the terms of this Agreement; and
  - (ii) the Borrower, through SHCP, shall cooperate fully with BANSEFI to ensure that BANSEFI is able to comply with all of BANSEFI's obligations referred to in paragraph (a) of this Section.
- (b) The Borrower, through SHCP, shall exercise its rights and carry out its obligations under the *Contrato de Mandato* in such a manner as to protect the interests of the Bank and to accomplish the purposes of the Loan. Except as the Bank may otherwise agree, the Borrower shall not amend or fail to enforce any provision of the *Contrato de Mandato*. In case of any conflict between the terms of the *Contrato de Mandato* and those of this Agreement, the terms of this Agreement shall prevail.

#### **ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Events of Suspension consist of the following:
- (a) A situation has arisen which, in the opinion of the Bank, shall make it improbable that the Program, or a significant part thereof, will be carried out.
  - (b) The Borrower's macroeconomic policy framework has, in the opinion of the Bank, become inconsistent with the objectives of the Program.

- (c) An action has been taken or a policy has been adopted to reverse any action or policy under the Program (including any action listed in Section I of Schedule 1 to this Agreement) in a manner that would, in the opinion of the Bank, adversely affect the achievement of the objectives of the Program.

#### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the *Contrato de Mandato* has been executed by the parties thereto.
- 5.02. The Additional Legal Matter consists of the following, namely that the Borrower (in its legal opinion) and BANSEFI (in a separate legal opinion satisfactory to the Bank, issued by BANSEFI counsel acceptable to the Bank), indicate that the *Contrato de Mandato* has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and BANSEFI and is legally binding upon the Borrower and BANSEFI in accordance with the *Contrato de Mandato*'s terms.
- 5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on May 24, 2011.

#### **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. Except as set forth in Section 2.02 of this Agreement, the Borrower's representative is the *Titular de la Unidad de Crédito Público* of SHCP.
- 6.02. The Borrower's Address for the purposes of Section 10.01 of the General Conditions is:

Secretaría de Hacienda y Crédito Público  
Unidad de Asuntos Internacionales de Hacienda  
Palacio Nacional  
Edificio 12, segundo piso  
Colonia Centro  
06000 México, D.F.

Facsímile: 011-52-55-3688-1216

- 6.03. The Bank's Address is:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD	248423(MCI) or	1-202-477-6391

Washington, D.C. 64145(MCI)

AGREED at Mexico City, Mexico, as of the day and year first above written.

**UNITED MEXICAN STATES**

**By /s/ Gerardo Rodríguez Regordosa**  
**Authorized Representative**

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

**By /s/ Gloria M. Grandolini**  
**Authorized Representative**

## SCHEDULE 1

### Program Actions; Availability of Loan Proceeds

#### Section I. Actions under the Program

The actions taken by the Borrower under the Program include the following:

1. The Borrower has implemented countercyclical fiscal stimulus measures during the first semester of 2009, as demonstrated by: (i) an increase, in real terms, of the Current Spending by 5.4 percent; and (ii) an increase, in real terms, of the Induced Physical Capital Investment Spending by 27.7 percent, both increases as determined by comparing the Current Spending and the Induced Physical Capital Investment Spending incurred between January 1, 2008 and June 30, 2008, and the Current Spending and the Induced Physical Capital Investment Spending incurred between January 1, 2009 and June 30, 2009.

2. The Borrower has submitted to Congress an economic program for fiscal year 2010 (*programa económico para el ejercicio fiscal 2010*) on September 8, 2009, consisting of the general criteria for economic policy, the proposed revenue law for fiscal year 2010, the proposed budget decree for fiscal year 2010, and various tax and fiscal proposals. Said economic program includes:

- (a) the creation of new taxes and modification of existing taxes (including an increase in tax rates); and
- (b) a temporary deficit and the use of non-recurrent revenues, including withdrawals from stabilization funds, in order to compensate the temporary shortfall in public sector revenue, all of this, in accordance with the Fiscal Responsibility and Budget Law.

3. The Borrower has issued the General Governmental Accounting Law to harmonize accounting standards among the federal, state and municipal levels of the executive branch of government.

4. The Borrower has enhanced consumer protection, access to finance and market transparency by:

- (a) amending the Law for the Protection and Defense of Users of Financial Services to expand the regulatory and supervisory capacities of CONDUSEF;
- (b) amending Article 46 Bis 1 of the Credit Institutions Law to facilitate the provision of banking services by third parties subcontracted by a banking institution authorized to do so by the CNBV (as said Article 46 Bis 1 was amended on June 25, 2009); and
- (c) amending fraction VI Bis of article 104 of the Securities Market Law requiring issuers to provide information to the CNBV and to relevant stock exchanges about the issuer derivative positions and possible contingencies that said derivative positions imply for the relevant issuer's financial situation.

5. The Borrower has amended its Credit Institutions Law on May 6, 2009 in order to enhance the transparency and impact of the Borrower's state-owned development financial institutions. Among other provisions, said amendment establishes that:

- (a) state-owned development financial institutions shall publish monitoring indicators that evaluate the services provided by the relevant institution (Art. 31 of the Credit Institutions Law, as said article was amended on May 6, 2009), and
- (b) SHCP shall annually carry out and publish two evaluations (in which at least two academic institutions need to participate) of said state-owned development financial institutions (Art. 55 Bis 2 of the Credit Institutions Law, as said article was amended on May 6, 2009).

6. The Borrower has strengthened and enhanced its active labor market policies by:

- (a) improving the institutional set-up of the Borrower's Temporary Employment Program (*Programa de Empleo Temporal*) by including the Borrower's Subsecretariat of Employment and Labor Productivity (*Subsecretaría de Empleo y Productividad Laboral*) in the technical committee that coordinates said Temporary Employment Program, and
- (b) allowing said Temporary Employment Program to be implemented in urban areas in addition to rural areas.

7. The Borrower has issued the Decree Amending the Tariff for General Taxes on Imports and Exports Law in order to enhance trade, competitiveness and simplification of the Borrower's external trade tariff structure, by reducing the most-favored-nation tariffs on manufacturing imports and increasing the number of duty-free tariff lines in a staged manner, over a five year period, starting January 1, 2009.

## **Section II. Availability of Loan Proceeds**

**A. General.** The Borrower may, or may cause BANSEFI to withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.

**B. Allocation of Loan Amounts.** The Loan (except for amounts required to repay the Front-end Fee and any Premia for Interest Rate Caps or Interest Rate Collars) is allocated in a single tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:



<u>Allocations</u>	<u>Amount of the Loan Allocated (expressed in Dollars)</u>	<b>C.</b>
Single Withdrawal Tranche	1,499,990,625	<b>Deposits of Loan Amounts.</b> Except as the Bank may otherwise
Front-end Fee	3,759,375	
Premia for Interest Rate Caps and Interest Rate Collars (amounts due under section 2.07 (c) of this Agreement)	0	
<b>TOTAL AMOUNT</b>	<b>1,503,750,000</b>	

se agree:

1. all withdrawals from the Loan Account shall be deposited by the Bank into an account designated by the Borrower and acceptable to the Bank; and
2. the Borrower shall ensure that upon each deposit of an amount of the Loan into this account, an equivalent amount is accounted for in the Borrower's budget management system, in a manner acceptable to the Bank.

**D. Excluded Expenditures.** The Borrower shall use the proceeds of the Loan in accordance with its laws and shall not use them to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded Expenditure, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

**E. Closing Date.** The Closing Date is December 31, 2010.

## **SCHEDULE 2**

The Borrower shall repay the principal amount of the Loan in full on November 15, 2021.

## APPENDIX

### Section I. Definitions

1. “BANSEFI” means *Banco del Ahorro Nacional y Servicios Financieros, S.N.C.*, a Mexican development bank serving as the Borrower’s financial agent for purposes of the Loan, or other successor thereto acceptable to the Bank.
2. “CNBV” means *Comisión Nacional Bancaria y de Valores*, the Borrower’s securities and banking supervising and regulatory authority, or any successor thereto acceptable to the Bank.
3. “CONDUSEF” means *Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros*, the Borrower’s National Commission for the Protection and Defense of Users of Financial Services, or any successor thereto acceptable to the Bank.
4. “Congress” means the Borrower’s legislative branch of government at the federal level.
5. “*Contrato de Mandato*” means the contract referred to in Section 3.02 of this Agreement.
6. “Credit Institutions Law” means the *Ley de Instituciones de Crédito*, the Borrower’s law for credit institutions, published in the Official Gazette on July 18, 1990 and amended through August 13, 2009.
7. “Current Spending” means the total net spending incurred by the Borrower’s federal level of government, as laid out in Annex 1 (Total Net Spending –*Gasto Neto Total*) of the Borrower’s Budget Spending Decree (*Presupuesto de Egresos de la Federación*), as said Budget Spending Decree was published in the Official Gazette on December 13, 2007 (in the case of fiscal year 2008) and on November 28, 2008 (in the case of fiscal year 2009).
8. “Decree Amending the Tariff for General Taxes on Imports and Exports Law” means the *Decreto por el que se modifica la Tarifa de la Ley de los Impuestos Generales de Importación y de Exportación*, the Borrower’s decree amending the tariff for general taxes on imports and exports law, published in the Official Gazette on December 24, 2008.
9. “Excluded Expenditure” means any expenditure:
  - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;
  - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC),

or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
  - (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;
  - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
  - (f) with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or other recipient of the Loan proceeds, without the Borrower (or other such recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.
10. "Fiscal Responsibility and Budget Law" means the *Ley Federal de Presupuesto y Responsabilidad Hacendaria*, the Borrower's fiscal responsibility and budget law,

- published in the Official Gazette on March 30, 2006 and amended through December 31, 2008.
11. “General Governmental Accounting Law” means the *Ley General de Contabilidad Gubernamental*, the Borrower’s general governmental accounting law, published in the Official Gazette on December 31, 2008.
  12. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
  13. “Induced Physical Capital Investment Spending” means the total induced spending in physical capital incurred by the Borrower’s federal level of government, as set forth in the table denominated Induced Investment by the Public Sector (*Inversión Impulsada del Sector Público*) under section 2.1.3.1.1 (“Economic Classification of Programmable Spending”, subsection “Financed Investment”, page 47), of the Borrower’s report to Congress on the economic situation, public finances and public debt for the second trimester of 2009.  
([http://www.shcp.gob.mx/FINANZASPUBLICAS/InformeTrimestral/2009/Segundo%20trimestre%20de%202009/Informe\\_Trime\\_209%20Total.pdf](http://www.shcp.gob.mx/FINANZASPUBLICAS/InformeTrimestral/2009/Segundo%20trimestre%20de%202009/Informe_Trime_209%20Total.pdf)).
  14. “Law for the Protection and Defense of Users of Financial Services” means the *Ley de Protección y Defensa al Usuario de Servicios Financieros*, the Borrower’s law for the protection and defense of users of financial services, published in the Official Gazette on January 18, 1999 and amended by Congress Decree on June 25, 2009.
  15. “Official Gazette” means the *Diario Oficial de la Federación*, the Borrower’s official gazette.
  16. “Program” means the program of actions, objectives and policies designed to mitigate the impact of the global crisis and strengthen the structural medium-term framework for sustainable economic recovery and growth set forth in the letter dated October 20, 2009 from the Borrower to the Bank, which includes measures implemented by the Borrower during 2009 and the Borrower’s economic program for fiscal year 2010 and the modification of several financial laws of the Borrower (as described in Schedule 1, Section 1 to this Loan Agreement) declaring the Borrower’s commitment thereto.
  17. “Securities Market Law” means the *Ley del Mercado de Valores*, the Borrower’s capital markets law, published in the Official Gazette on December 30, 2005 and amended through May 6, 2009.
  18. “SHCP” means *Secretaría de Hacienda y Crédito Público*, the Borrower’s Secretariat of Finance and Public Credit, or any successor thereto acceptable to the Bank.
  19. “Single Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

## Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Paragraph (a) of Section 2.05 (renumbered as such pursuant to paragraph 2 above) is modified to read as follows:

“Section 2.05. *Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest*

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

4. Sections 5.01 (*Project Execution Generally*), and 5.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article V are renumbered accordingly.
5. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 4 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
6. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 4 above) is modified to read as follows:

“Section 5.06. *Plans; Documents; Records*

... (c) The Borrower shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Loan until two years after the Closing Date. The Borrower shall enable the Bank’s representatives to examine such records.”

7. Paragraph (c) of Section 5.07 (renumbered as such pursuant to paragraph 4 above) is modified to read as follows:

Section 5.07. *Program Monitoring and Evaluation*

... (c) The Borrower shall prepare, or cause to be prepared, and furnish to the Bank not later than six months after the Closing Date, a report of such scope and in such detail as the Bank shall reasonably request, on the execution of

the Program, the performance by the Loan Parties and the Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan.

8. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”

(b) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Loan is put, other than to finance expenditures excluded pursuant to the Loan Agreement.”

(c) The term “Financial Statements” and its definition are deleted in their entirety.

(d) The term “Project” is modified to read “Program” and its definition is modified to read as follows (and all references to “Project” throughout these General Conditions are deemed to be references to “Program”):

“‘Program’ means the program referred to in the Loan Agreement in support of which the Loan is made.”

(e) The term “Program Preparation Advance” (renamed as such pursuant to subparagraph 8 (d) above) is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Loan Agreement and repayable in accordance with Section 2.05.”