

No. 8627

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**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
MEXICO**

**Guarantee Agreement—*Third Irrigation Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Nacional Financiera, S.A.). Signed at Washington, on 25 May 1966**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 9 May 1967.*

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**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
MEXIQUE**

**Contrat de garantie — *Troisième programme d'irrigation* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la Nacional Financiera, S.A.). Signé à Washington, le 25 mai 1966**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 9 mai 1967.*

No. 8627. GUARANTEE AGREEMENT<sup>1</sup> (*THIRD IRRIGATION PROJECT*) BETWEEN THE UNITED MEXICAN STATES AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 25 MAY 1966

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AGREEMENT, dated May 25, 1966 between UNITED MEXICAN STATES (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Nacional Financiera, S.A. (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,<sup>2</sup> the Bank has agreed to make to the Borrower a loan in various currencies equivalent to nineteen million dollars (\$19,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to enter into this Agreement; and

WHEREAS the Guarantor in consideration of the Bank's entering into the Loan Agreement has agreed to enter into this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows :

*Article I*

*Section 1.01.* The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961<sup>2</sup>, subject, however, to the modifications thereof set forth in Section 1.01 of the Loan 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.

*Section 1.02.* Wherever used in this Guarantee Agreement, unless the context otherwise requires, the several terms defined in Section 1.02 of the Loan Agreement shall have the respective meanings therein set forth.

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<sup>1</sup> Came into force on 30 December 1966, upon notification by the Bank to the Government of Mexico.

<sup>2</sup> See p. 18 of this volume.

## Article II

*Section 2.01.* Without limitation or restriction upon any of the other covenants on its part in this Guarantee Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as set forth in the Loan Agreement and in the Bonds.

## Article III

*Section 3.01.* (a) The Guarantor shall carry out and operate the Project described in Schedule 1 to this Guarantee Agreement with due diligence and efficiency and in conformity with sound engineering, agricultural and financial standards and practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) Except as the Bank shall otherwise agree, the Guarantor shall cause the public works included in the Project to be constructed or rehabilitated and improved by contractors satisfactory to the Guarantor and the Bank employed under contracts providing therefor.

(c) The Guarantor shall furnish or cause to be furnished to the Bank, promptly upon their preparation, the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request.

*Section 3.02.* Except as the Guarantor and the Bank shall otherwise agree, the Guarantor shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Guarantor exclusively in the carrying out of the Project.

*Section 3.03.* (a) The Guarantor shall exercise every right and recourse available to it to cause to be taken all such action as shall be required to assure that no use, other than for domestic uses, will reduce the amounts of water available for irrigation purposes on the Project below the amounts needed therefor.

(b) The Guarantor shall continue to take all such action as shall be required to assure that the land included in the Project and the water made available therefor are to the maximum extent possible fully, effectively and promptly utilized for agricultural purposes.

(c) The Guarantor shall cause all works and facilities included in the Project to be adequately maintained and repaired in accordance with sound engineering and agricultural practices and standards and shall cause all dams, canals, structures and other works and facilities not included in the Project but necessary

to the proper and efficient operation thereof to be operated and adequately maintained and repaired in accordance with such practices and standards.

*Section 3.04.* The Guarantor shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof), to show the results achieved by irrigation of the land included in the Project and to reflect in accordance with consistently maintained sound accounting practices the administration, operations and financial condition with respect to the Project of the agency or agencies of the Guarantor responsible for the carrying out or operation of the Project or any part thereof; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish or cause to be furnished to the Bank all such pertinent information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods financed out of such proceeds, the results achieved by irrigation of the land included in the Project, and the administration, operations and financial condition with respect to the Project of the agency or agencies of the Guarantor responsible for the carrying out or operation of the Project or any part thereof.

*Section 3.05.* (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Guarantor and the Bank shall from time to time, at the request of either of them, exchange views through their representatives with regard to the performance by the Guarantor of its obligations under this Guarantee Agreement, the administration, operations and financial condition with respect to the Project of the agency or agencies of the Guarantor responsible for the carrying out or operation of the Project or any part thereof, and other matters relating to the purposes of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

(c) The Guarantor 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 or the performance by the Guarantor of its obligations under this Guarantee Agreement, or which materially affects the carrying out or operation of the Project.

*Section 3.06.* It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as

the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor 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 or (iii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods.

As used in this Section (a) the term “assets of the Guarantor” includes assets of the Guarantor or of any of its political subdivisions or of any Agency and (b) the term “Agency” means any agency or instrumentality of the Guarantor or of any political subdivision of the Guarantor and shall include any institution or organization which is owned or controlled directly or indirectly by the Guarantor or by any political subdivision of the Guarantor or the operations of which are conducted primarily in the interest of or for account of the Guarantor or any political subdivision of the Guarantor.

*Section 3.07.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of 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 3.08.* This Guarantee Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

*Section 3.09.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

*Section 3.10.* The Guarantor shall satisfy the Bank that adequate arrangements have been made to insure the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Guarantor and delivery to the sites of the Project.

*Section 3.11.* (a) The Guarantor shall cause the water charges levied for operation and maintenance of the Project to be set and maintained at levels necessary to provide : (i) revenues sufficient to cover all operating and maintenance costs, and (ii) reasonable sums of money for repair of damage to the Project caused by floods or other hazards.

(b) The Guarantor shall make and at all times maintain suitable provision, satisfactory in form and substance to the Guarantor and the Bank, for the recovery, on reasonable terms and conditions, from the users of irrigation waters within the areas of the Project and other beneficiaries, if any, of the Project facilities, of as much as practicable of the monies invested by the Guarantor in the Project together with reasonable interest thereon.

(c) The Guarantor shall cause the agency or agencies responsible for the assessment and collection of all charges, fees and taxes levied for the use of irrigation water or for other benefits accruing within the areas of the Project from time to time to : (i) review such charges, fees and taxes in order to verify that they are adequate to provide the Guarantor with such revenues as are required to satisfy the provisions of paragraphs (a) and (b) of this Section; and (ii) take all necessary steps promptly to collect such charges, fees and taxes.

*Section 3.12.* The Guarantor shall make available or cause to be made available, promptly as needed, medium and short-term agricultural credit on reasonable terms to farmers in the areas of the Project in order to enable such farmers, among other things, to carry out the necessary onfarm works and make full, prompt and productive use of their land and the Project facilities.

*Section 3.13.* The Guarantor shall cause the agricultural extension services (including demonstration programs) to farmers in the Project areas to be improved and expanded with a view to providing such farmers with effective guidance in the productive utilization of their land and the Project facilities.

*Section 3.14.* The Guarantor shall take or cause to be taken all action (including, if necessary, the issuance and application of suitable regulations) which shall be necessary on its part to ensure effective control of : (a) underground waters in the Región Lagunera Irrigation District of the Project; and (b) the annual cropping patterns in the Región Lagunera Irrigation District of the Project in order, among other things, for crops grown in such District to conform to the amount of water available to the Project area.

*Article IV*

*Section 4.01.* The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. Nacional Financiera, S.A. and such person or persons as it shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

*Article V*

*Section 5.01.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Secretario de Recursos Hidráulicos  
Paseo de la Reforma 69  
Mexico, D.F., Mexico

Alternative address for cablegrams and radiograms :

Secretaría Recursos Hidráulicos  
Mexico, D.F.

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D.C.

*Section 5.02.* The *Secretario de Recursos Hidráulicos* of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

*Section 5.03.* If the Loan Agreement terminates pursuant to Section 7.03 thereof, this Guarantee Agreement and all obligations of the parties hereunder shall terminate.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee 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.

United Mexican States :  
By Nacional Financiera, S.A. :  
By FCO. RUIZ DE LA PEÑA  
Authorized Representative

International Bank for Reconstruction and Development :  
By J. Burke KNAPP  
Vice President

## SCHEDULE 1

### DESCRIPTION OF THE PROJECT

1. The Project consists of the rehabilitation and improvement of the public irrigation and drainage works serving about 85,000 hectares of land situated within the Región Lagunera Irrigation District and about 10,000 hectares of land situated within the San Juan del Río Irrigation District in order to : (i) ensure a dependable supply of water to such land, and (ii) reduce flood damage.

2. The main works included in the Project are :

#### I. *Región Lagunera Irrigation District*

- (a) Construction at Las Tórtolas of a rolled, earthfill dam about 34 meters high and about 500 meters long, and related structures;
- (b) Construction of new canals and distribution facilities, consisting of about 1,000 kilometers of concrete-lined canals and about 1,300 water control structures;
- (c) Land leveling on up to about 85,000 hectares; and
- (d) Construction or rehabilitation of about 500 kilometers of roads and construction of houses for ditch-riders.

#### II. *San Juan del Río Irrigation District*

- (a) Construction of the Miguel Hidalgo Dam which is to be a rolled, earth-fill dam about 2,200 meters long and about 26 meters above the streambed, and related structures;
- (b) Construction of a feeder canal about 15 kilometers long;
- (c) Remodeling of the existing distribution system through construction of about 110 kilometers of new concrete-lined canals and reconditioning of about 40 kilometers of existing canals, and erection of about 300 canal structures, all laterals to be concrete lined and sub-laterals to remain unlined;
- (d) Construction of about 16 kilometers of surface drains;
- (e) Land leveling on up to about 10,000 hectares; and
- (f) Construction or improvement of about 120 kilometers of roads and construction of houses for ditch-riders.



3. The Project also includes : (a) the establishment and operation of a program of salinity control in the Región Lagunera Irrigation District whereby annual testing of salinity is to be conducted at several levels of the soil profile in test holes located in representative areas of the District; and (b) the completion of detailed soil surveys in the San Juan del Río Irrigation District for use in the planning of farm units.

\* \* \*

The works included in part I of the Project are expected to be completed in about 5 years and those included in part II thereof in about 4 years. The studies provided for in paragraph 3 (b) above will be completed within one year after the Effective Date.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212.*]

LOAN AGREEMENT

(THIRD IRRIGATION PROJECT)

AGREEMENT, dated May 25, 1966 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and NACIONAL FINANCIERA, S.A. (hereinafter called the Borrower).

WHEREAS International Bank for Reconstruction and Development has previously made loans to assist in financing the foreign exchange costs of two irrigation projects, the first in the Irrigation Districts of Río Culiacán, Río Mayo, Río Yaqui and Río Fuerte of the Guarantor and the second in the Irrigation Districts of Bajo Río Bravo, Bajo Río San Juan and Ciudad Delicias of the Guarantor, and has entered into a loan agreement with the Borrower and a guarantee agreement with the Guarantor, dated January 16, 1961<sup>1</sup> providing for the first project and into a loan agreement with the Borrower and a guarantee agreement with the Guarantor, dated April 29, 1963<sup>2</sup> providing for the second project;

WHEREAS the Borrower and Guarantor have requested the Bank to assist in financing a third irrigation project in the Irrigation Districts of Región Lagunera and San Juan del Río of the Guarantor;

<sup>1</sup> United Nations, *Treaty Series*, Vol. 422, p. 203.

<sup>2</sup> United Nations, *Treaty Series*, Vol. 489, p. 151.

WHEREAS the Bank is at this time willing to make a loan to the Borrower for such third irrigation project on the terms and conditions hereinafter and in the Guarantee Agreement of even date herewith<sup>1</sup> provided;

NOW THEREFORE the parties hereto hereby agree as follows :

### *Article I*

#### LOAN REGULATIONS; DEFINITIONS

*Section 1.01.* The parties to the Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,<sup>2</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations) :

(a) The second sentence of Section 3.02 of the Loan Regulations shall apply only to withdrawals pursuant to subsection (a) of Section 2.03 of the Loan Agreement.

(b) Section 4.01 of the Loan Regulations is deleted.

(c) 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 the Guarantee Agreement and as the description thereof shall be amended from time to time by agreement between the Guarantor and the Bank. ”

(d) Section 9.04 is deleted.

*Section 1.02.* Wherever used in the Loan Agreement, unless the context otherwise requires, the following terms shall have the following meanings :

(a) The term “ First Loan Agreement ” means the Loan Agreement dated January 16, 1961, between the Bank and the Borrower.

(b) The term “ First Guarantee Agreement ” means the Guarantee Agreement dated January 16, 1961, between the Guarantor and the Bank.

(c) The term “ Second Loan Agreement ” means the Loan Agreement dated April 29, 1963, between the Bank and the Borrower.

(d) The term “ Second Guarantee Agreement ” means the Guarantee Agreement dated April 29, 1963, between the Guarantor and the Bank.

### *Article II*

#### THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to nineteen million dollars (\$19,000,000).

<sup>1</sup> See p. 4 of this volume.

<sup>2</sup> See p. 18 of this volume.

*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, the Loan Agreement.

*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 :

- (a) such amounts as shall have been expended for the reasonable cost of goods to be financed under the Loan Agreement and, if the Bank shall so agree, such amounts as shall be required by the Borrower to meet payments for such goods; and
- (b) the equivalent of a percentage or percentages to be established from time to time by agreement between the Guarantor, the Bank and the Borrower of such amounts as shall have been paid for the reasonable cost of goods required for carrying out the civil works included in the Project described in Schedule 1 to the Guarantee Agreement and not included in (a) above;

provided, however, that no withdrawals shall be made on account of : (i) expenditures prior to September 1, 1965; or (ii) expenditures made 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.

*Section 2.04.* Withdrawals from the Loan Account pursuant to subsection (b) of Section 2.03 of this Agreement shall be in dollars or such other 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-eighths of one per cent ( $\frac{3}{8}$  of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

*Section 2.06.* The Borrower shall pay interest at the rate of six per cent (6%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.07.* Except as the Borrower and the Bank 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 2.08.* Interest and other charges shall be payable semi-annually on March 1 and September 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.

*Section 2.10.* Notwithstanding the provisions of Sections 3.03 and 3.04 of the Loan Regulations the Bank and the Borrower may from time to time agree that any portion of the Loan payable in one currency may be made payable in one or more other currencies

and from the date specified in such agreement such portion of the Loan and the principal of any Bond representing such portion of the Loan and any premiums and interest payable on or with respect thereto shall be payable in such other currency or currencies.

### *Article III*

#### USE OF PROCEEDS OF THE LOAN

*Section 3.01.* Subject to the provisions of the Loan 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, 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 matters relating to the purposes of the Loan and the maintenance of service thereof.

(b) The Borrower shall furnish all such pertinent information as the Bank shall reasonably request with regard to the general status of the Loan and 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 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 pertinent 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, 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 (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 or in Section 6.02 of this Agreement for the purposes of paragraph (j) 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 the Loan Agreement or in the Bonds to the contrary notwithstanding.

*Section 6.02.* The following event is specified for the purposes of paragraph (j) of Section 5.02 of the Loan Regulations : a default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the First Loan Agreement, the First Guarantee Agreement, the Second Loan Agreement, the Second Guarantee Agreement, or the Bonds provided for therein.

#### *Article VII*

##### EFFECTIVE DATE; TERMINATION

*Section 7.01.* The following events are specified as additional conditions to the effectiveness of the Loan Agreement and the Guarantee Agreement within the meaning of Section 9.01 (c) 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 actions 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 the Loan Agreement shall not have come into force and effect by September 15, 1966, the Loan 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 the purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such date.

#### *Article VIII*

##### MISCELLANEOUS

*Section 8.01.* The Closing Date shall be March 1, 1972 or such other date or dates as shall 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.  
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, D.C. 20433  
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 J. Burke KNAPP  
Vice President

Nacional Financiera, S.A. :

By Fco. RUIZ DE LA PEÑA  
Authorized Representative

## SCHEDULE 1

### AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
March 1, 1972 . . . . .	\$420,000	September 1, 1979 . . . . .	\$655,000
September 1, 1972 . . . . .	435,000	March 1, 1980 . . . . .	675,000
March 1, 1973 . . . . .	445,000	September 1, 1980 . . . . .	695,000
September 1, 1973 . . . . .	460,000	March 1, 1981 . . . . .	715,000
March 1, 1974 . . . . .	475,000	September 1, 1981 . . . . .	735,000
September 1, 1974 . . . . .	485,000	March 1, 1982 . . . . .	760,000
March 1, 1975 . . . . .	500,000	September 1, 1982 . . . . .	780,000
September 1, 1975 . . . . .	515,000	March 1, 1983 . . . . .	805,000
March 1, 1976 . . . . .	530,000	September 1, 1983 . . . . .	830,000
September 1, 1976 . . . . .	550,000	March 1, 1984 . . . . .	855,000
March 1, 1977 . . . . .	565,000	September 1, 1984 . . . . .	880,000
September 1, 1977 . . . . .	580,000	March 1, 1985 . . . . .	905,000
March 1, 1978 . . . . .	600,000	September 1, 1985 . . . . .	935,000
September 1, 1978 . . . . .	615,000	March 1, 1986 . . . . .	965,000
March 1, 1979 . . . . .	635,000		

\* 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 dollars 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 . . . . .	½ of 1%
More than three years but not more than six years before maturity . . . . .	1 ½%
More than six years but not more than eleven years before maturity . . . . .	2 ½%
More than eleven years but not more than sixteen years before maturity . . . . .	3 ½%
More than sixteen years but not more than eighteen years before maturity . . . . .	5%
More than eighteen years before maturity . . . . .	6%

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