

No. 10874

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

**Guarantee Agreement—*Fourth Road Project* (with annexed
General Conditions Applicable to Loan and Guarantee
Agreements and Loan Agreement between the Bank and
the Nacional Financiera, S.A.). Signed at Washington
on 26 June 1970**

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development on
2 December 1970.*

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

**Contrat de garantie — *Quatrième projet routier* (avec, en
annexe, les Conditions générales applicables aux con-
trats d'emprunt et de garantie et le Contrat d'emprunt
entre la Banque et la Nacional Financiera, S.A.). Signé à
Washington le 26 juin 1970**

Texte authentique : anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développe-
ment le 2 décembre 1970.*

GUARANTEE AGREEMENT¹

AGREEMENT, dated June 26, 1970, between UNITED MEXICAN STATES (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by the Loan Agreement of even date herewith² between the Bank and Nacional Financiera, S.A. (hereinafter called the Borrower) the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty-one million eight hundred thousand dollars (\$21,800,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to enter into this Guarantee Agreement; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to enter into this Guarantee 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 the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,³ with the same force and effect as if they were fully set forth herein, subject, however, to the modification thereof set forth in Section 1.01 of the Loan Agreement (said General Conditions Applicable to Loan and Guarantee Agreements, as so modified, being hereinafter called the General Conditions).

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

Article II

Section 2.01. Without limitation or restriction upon any of its other obligations under this Guarantee Agreement, the Guarantor hereby uncon-

¹ Came into force on 1 October 1970, upon notification by the Bank to the Government of Mexico.

² See p. 364 of this volume.

³ *Ibid.*

ditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan and the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds prior to their maturity, all as set forth in the Loan Agreement and in the Bonds.

Article III

Section 3.01. (a) The Guarantor shall carry out, or cause to be carried out, the Project described in Schedule 1 to this Guarantee Agreement with due diligence and efficiency and in conformity with sound engineering, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose of carrying out the Project in such manner.

(b) Except as the Guarantor and the Bank shall otherwise agree, the surfacing and the general design standards to be used for the roads included in the Project shall be as set forth in Schedule 2 to this Agreement.

(c) Upon request from time to time by the Bank, the Guarantor shall promptly furnish or cause to be furnished to the Bank 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.

(d) Except as the Bank shall otherwise agree, the Guarantor shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in carrying out the Project.

Section 3.02. Except as the Bank shall otherwise agree:

- (a) The Guarantor shall cause the roads included in the Project to be constructed or improved by contractors satisfactory to the Guarantor and the Bank under contracts satisfactory to the Guarantor and the Bank; and
- (b) Except as otherwise provided in paragraph 9 of Schedule 3 to this Agreement, the Guarantor shall cause the goods and services (except supervisory services) to be financed out of the proceeds of the Loan to be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 3 to this Agreement or as shall be agreed between the Bank and the Guarantor.

Section 3.03. The Guarantor shall cause priority to be given, in its road construction program, to the construction and improvement of the roads included in the Project, and, to that end, shall, if necessary to accomplish the prompt and diligent construction and improvement of such roads, cause such revisions in the construction schedules for other parts of that program to be made as may be required. As between the Project and the projects described in Schedule 1 of each of the guarantee agreements relating to road projects between the Guarantor and the Bank dated September 20, 1963¹ and January 26, 1968,² respectively, the Guarantor shall cause each to be given equal priority.

Section 3.04. (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 party, exchange views through their representatives with regard to the performance by the Guarantor of its obligations under the 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 of the Project or any part thereof, and other matters relating to the purposes of the Loan.

(b) The Guarantor shall furnish or cause to be furnished to the Bank all such relevant information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the goods and services financed out of such proceeds, the Project, the administration, operations and financial condition with respect to the Project of the agency or agencies of the Guarantor responsible for the carrying out of the Project or any part thereof, and the general status of the Loan. 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.

(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, the maintenance of the service thereof or the performance by the Guarantor of its obligations under this Guarantee Agreement.

(d) 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.

Section 3.05. The Guarantor shall maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the

¹ United Nations, *Treaty Series*, vol. 491, p. 317.

² *Ibid.*, vol. 640, p. 3.

progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition with respect to the Project of the agency or agencies of the Guarantor responsible for the carrying out of the Project or any part thereof, and shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, the works, equipment, properties and facilities used in the road construction and maintenance operations of the Guarantor and any relevant records and documents.

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.

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 the 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, and free from all restrictions, 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, 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 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 Guarantor shall continue to (i) cause all the roads and bridges of the Federal Highway System of the Guarantor to be adequately maintained and all necessary repairs thereof promptly to be made, all in accordance with sound engineering practices, and (ii) take all reasonable steps (including appropriate application of regulations on axle loading and vehicle size) necessary to ensure the proper use of such roads and bridges.

Section 3.10. Except as the Guarantor and the Bank shall otherwise agree, the Guarantor shall continue to maintain in its *Secretaría de Obras Públicas* a control office with the function, among others, to ensure that the Project is carried out in accordance with the detailed engineering and cost estimates approved by such *Secretaría*.

Section 3.11. The Guarantor shall undertake and complete, before December 31, 1971 and in conjunction with its agency, Caminos y Puentes Federales de Ingresos y Servicios Conexos, a study of the appropriate toll rate structure for the toll facilities owned and operated by such agency. Such study shall include experiments as to the effects on traffic of toll rate variations. The Guarantor shall inform the Bank of the conclusions of such study and afford the Bank reasonable opportunity to comment thereon and on the plans for their implementation.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the General Conditions, 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 appoint in writing are designated as authorized representatives of the Guarantor for the purposes of Section 8.10 of the General Conditions.

Article V

Section 5.01. Nacional Financiera, S.A. is designated as representative of the Guarantor for the purposes of Section 10.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions.

For the Guarantor:

United Mexican States
c/o Nacional Financiera, S.A.
Isabel la Católica 51
México 1, D.F., México

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
United States of America

Alternative address for cables:

Intbafrad
Washington, D.C.

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 FRANCISCO RUIZ DE LA PEÑA
Authorized Representative

International Bank for Reconstruction and Development:

By J. BURKE KNAPP
Vice President

SCHEDULE 1

DESCRIPTION OF THE PROJECT

The Project is:

- A. The improvement (including paving) of the following roads, totalling about 580 km:
- (1) Chilpancingo-Tlapa (Chilpancingo-Chilapa Section);
 - (2) Puerto Vallarta-Barra de Navidad;

- (3) Apatzingan-Tepalcatepec;
 (4) Zapotlanejo-Lagos; and
 (5) Santa Rosa-La Barca.
- B. The construction (including paving) of the following roads, totalling about 462 km:
- (1) Compostela-Chapalilla;
 (2) Tuxtepec-Matias Romero (Donaji);
 (3) Ciudad Victoria-Tampico (Llera-Estación González Section);
 (4) Ciudad Alemán-Sayula; and
 (5) Cardel-Veracruz.
- C. The construction of approximately 100 km of agricultural feeder roads for the Tuxtepec-Matias Romero (Donaji) road.

The acquisition of the necessary right-of-way for the Project and the construction of the agricultural feeder roads included in Part C of the Project are included in the Project but will not be financed out of the proceeds of the Loan.

The Project will be carried out under the responsibility, supervision and control of the *Secretaría de Obras Públicas* of the Guarantor and is expected to be completed by December 31, 1974.

SCHEDULE 2

SURFACING AND GENERAL DESIGN STANDARDS

| | <i>Type (see below)</i> | <i>Surfacing</i> |
|--|-----------------------------|--------------------------|
| A. Highways to be Improved | | |
| 1. Chilpancingo-Tlapa (Chilpancingo-Chilapa Section) | C | Single Surface Treatment |
| 2. Puerto Vallarta-Barra de Navidad | B | Double Surface Treatment |
| 3. Apatzingan-Tepalca- tepec | C | Double Surface Treatment |
| 4. Zapotlanejo-Lagos | A-M | Asphaltic Concrete |
| 5. Santa Rosa-La Barca ... | A-M | Asphaltic Concrete |
| B. Highways to be Constructed | | |
| 6. Compostela-Chapalilla .. | B | Double Surface Treatment |
| 7. Tuxtepec-Matias Rome- ro (Donaji) | C | Double Surface Treatment |

| | <i>Type</i> (see below) | <i>Surfacing</i> |
|---|----------------------------|--------------------------|
| 8. Ciudad Victoria-Tampico (Llera-Estación González Section) | C | Single Surface Treatment |
| 9. Ciudad Alemán-Sayula | B | Single Surface Treatment |
| 10. Cardel-Veracruz | A-M | Asphaltic Concrete |

| <i>Geometric Design</i> | <i>Unit</i> | <i>Flat and Rolling Country</i> | <i>Hilly Country</i> | <i>Medium Mountainous</i> | <i>Heavy Mountainous</i> |
|-----------------------------|---------------|---------------------------------|----------------------|---------------------------|--------------------------|
| <i>Type A-M (Primary)</i> | | | | | |
| Design speed | Km/h | 100 | 90 | 70 | 60 |
| Width of roadway | Meter | 9 to 11 | 9 to 11 | 9 to 11 | 9 to 11 |
| Width of surfacing | Meter | 7.2 | 7.2 | 7.2 | 7.2 |
| Minimum radius of curvature | Meter | 316 | 251 | 145 | 105 |
| Maximum grade | % | 4.0 | 5.0 | 5.5 | 6.0 |
| <i>Type B (Secondary)</i> | | | | | |
| Design speed | Km/h | 90 | 80 | 60 | 50 |
| Width of roadway | Meter | 8 | 8 | 7.5 | 7.5 |
| Width of surfacing | Meter | 8 | 8 | 7.5 | 7.5 |
| Minimum radius of curvature | Meter | 251 | 194 | 105 | 71 |
| Maximum grade | % | 4.5 | 5.5 | 6 | 6.5 |
| <i>Type C (Tertiary)</i> | | | | | |
| Design speed | Km/h | 80 | 70 | 50 | 30 |
| Width of roadway | Meter | 7.0 | 7.0 | 7.0 | 6.5 |
| Width of surfacing | Meter | 7.0 | 7.0 | 7.0 | 6.5 |
| Minimum radius of curvature | Meter | 194 | 145 | 71 | 25 |
| Maximum grade | % | 5 | 6 | 6.5 | 7 |
| Load design for bridges: | HS-15 (AASHO) | | | | |

SCHEDULE 3

PROCUREMENT

Except as the Guarantor and the Bank shall otherwise agree, the following procedures supplemental to those provided for in the Guidelines referred to in Section 3.02 of the Loan Agreement and Section 3.02 (b) of this Agreement shall apply to the procurement of goods and services (other than supervisory services) to be financed out of the proceeds of the Loan.

1. Prequalification of contractors as described in paragraph 1.3 of the Guidelines referred to in Section 3.02 of this Agreement will be carried out annually until such time as all contracts required for the construction of the Project have been awarded. A period of 45 days will be allowed for the submission of prequalification documents, such period to begin on the day of delivery of the invitations to the local representatives of member countries of the Bank and Switzerland or on the date of publication of prequalification notices, whichever is later. Copies of such invitations and such notices will be sent to the Bank at the time of their distribution or placement.

2. A prequalified foreign firm will not be required to register in Mexico prior to its being notified of the intention to award it a contract. Upon such notification its registration will be facilitated. Importation of necessary equipment and machinery by foreign firms awarded contracts will be permitted free of customs duties, provided that such equipment and machinery are re-exported after completion of the works and provided that such importation and such re-exportation are done in compliance with the legislation and administrative procedures of the Guarantor.

3. To the extent practicable, for the purposes of bidding on the Project, roads will be divided into a number of bidding sections. Contractors may bid for one or more of such sections, and contracts will be awarded on the basis of the lower of (i) the lowest evaluated bid for the entire road or (ii) the lowest evaluated combination of bids for its sections. The bidding sections will be as follows:

| | <i>Approximate Length (km)</i> | <i>Number of Bidding Sections</i> |
|--|------------------------------------|---|
| <i>Roads to be Improved</i> | | |
| 1. Chilpancingo-Tlapa (Chilpancingo-Chilapa Section) | 56 | 1 |
| 2. Puerto Vallarta-Barra de Navidad | 221 | 2 |
| 3. Apatzingan-Tepalcatepec | 67 | 1 |
| 4. Zapotlanejo-Lagos | 158 | 3 |
| 5. Santa Rosa-La Barca | 78 | 2 |
| <i>Roads to be Constructed</i> | | |
| 6. Compostela-Chapalilla | 37 | 1 |
| 7. Tuxtepec-Matias Romero | 169 | 3 |
| 8. Ciudad Victoria-Tampico (Llera-Estación González Section) | 90 | 2 |
| 9. Ciudad Alemán-Sayula | 135 | 3 |
| 10. Cardel-Veracruz | 31 | 1 |

4. Except as the Bank shall otherwise agree, each invitation to bid will be sent to at least 8 prequalified local firms and at least 8 prequalified foreign firms (provided that there is a sufficient number of prequalified foreign firms). Prequalified foreign firms, if there are more than 8, may be invited on a rotational basis. A period of at least 45 days will be allowed for the submission of bids.

5. When inviting bids for any contract, the tender documents, list of firms being invited and draft contracts will be sent to the Bank and the Bank will be afforded a reasonable opportunity for commenting thereon.

6. Contracts will be awarded for the full amount of the bid proposal; provided, however, that the execution of works in any fiscal year may be limited to the budgetary appropriation in respect of such fiscal year.

7. As soon as an award has been made and a contract signed with a contractor, a certified copy of such contract and the analysis of bids thereof will be sent to the Bank. No change in any contract which together with other such changes shall increase the amount of such contract by 10% or more shall be made unless such change is satisfactory to the *Secretaría de Obras Públicas* of the Guarantor and the Bank.

8. Each contract shall:

- (a) include a provision obligating the contractor to provide a performance guarantee by an acceptable financial institution in the amount of at least 10% of the price of the contract; and
- (b) include a provision for retention money in the amount of at least 5% of the contractor's monthly statements; provided, however, that amounts retained during a prior fiscal year may be paid to the contractor when the works constructed by the contractor during such prior fiscal year have been accepted by the *Secretaría de Obras Públicas*.

9. Contracts for traffic signs and signals, for bridge works over 15 meter span and for certain other minor or specialized works, not exceeding in the aggregate 73 million Mexican pesos, may be awarded to local contractors on a competitive basis. Invitations to bid and contract awards for bridge works on the Tuxtepec-Matias Romero and Ciudad Alemán-Sayula roads will be made on the basis described in paragraph 3 above with three bidding sections for the bridge works on each road.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[Not published herein. See *United Nations, Treaty Series, vol. 691, p. 300.*]

LOAN AGREEMENT

AGREEMENT, dated June 26, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and NACIONAL FINANCIERA, S.A. (hereinafter called the Borrower).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,¹ with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions):

Paragraph 12 of Section 2.01 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.”

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

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to twenty-one million eight hundred thousand dollars (\$21,800,000).

Section 2.02. (a) 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.

(b) 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 Loan Agreement and in accordance with the allocation of the proceeds of the Loan set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Bank and the Borrower.

Section 2.03. (a) The Borrower shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods or services required for the Project and to be financed under this Loan Agreement the equivalent of thirty-three per cent (33%) of such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) for goods or services included in Categories I and II of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement, which percentage represents the estimated

¹ See p. 364 of this volume.

foreign exchange component of the cost of such goods or services; provided, however, that if there shall be an increase in the estimate of such payments for goods or services included in any of the Categories I and II the Bank may by notice to the Borrower adjust the stated percentage applicable to such Category as required in order that withdrawals of the amount of the Loan then allocated to such Category and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in such Category.

(b) The Borrower shall also be entitled to withdraw from the Loan Account such amounts as shall be required to meet payments to be made during construction for interest and other charges on the Loan accrued on or before December 31, 1974, or such other date as may be agreed between the Bank and the Borrower.

Section 2.04. It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Loan Account under Categories I and II of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement may be made on account of payments in the currency of the Guarantor, or for goods produced in, or services supplied from, the territories of the Guarantor.

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 withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of seven per cent (7%) per annum on the principal amount of the Loan withdrawn and 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 2 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 in accordance with the provisions of this Loan Agreement to expenditures on the Project, described in Schedule 1 to the Guarantee Agreement.¹

Section 3.02. Except as the Bank shall otherwise agree or as otherwise provided in paragraph 9 of Schedule 3 to the Guarantee Agreement, the goods and services (except supervisory services) to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with such other

¹ See p. 346 of this volume.

procedures supplementary thereto as are set forth in Schedule 3 to the Guarantee Agreement or as shall be agreed between the Bank and the Guarantor.

Section 3.03. Except as the Bank may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in carrying out the Project.

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 VIII of the General Conditions.

Section 4.02. The Director General of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

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 party, 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.

(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 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 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. If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower and the Guarantor declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in this Loan Agreement or in the Bonds notwithstanding.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of this Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions:

The repayment of the indebtedness of Caminos y Puentes Federales de Ingresos y Servicios Conexos to Banco Nacional de Obras y Servicios

Públicos shall have been rescheduled on terms and conditions not less favorable to Caminos than those set forth in the letter (Letter No. 305-II-13667: 530/111934) from the Secretaría de Hacienda y Crédito Público to Caminos of April 9, 1970.

Section 7.02. The date of October 1, 1970 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1975 or such other date or dates as shall be agreed between the Bank and the Borrower.

Section 8.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

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 cables:

Intbafrad
Washington, D.C.

For the Borrower:

Nacional Financiera, S.A.
Isabel la Católica 51
México 1, D.F., México

Alternative address for cables:

Nafin
Mexico City

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 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 J. BURKE KNAPP
Vice President

Nacional Financiera, S.A.:

By FRANCISCO RUIZ DE LA PEÑA
Authorized Representative

SCHEDULE I

ALLOCATION OF PROCEEDS OF LOAN

| <i>Category</i> | <i>Amounts Expressed in Dollar Equivalent</i> |
|---|---|
| I. Improvement, including 6% for supervision, of the roads referred to in Part A of the Project | 6,700,000 |
| II. Construction, including 6% for supervision, of the roads referred to in Part B of the Project | 9,100,000 |
| III. Unallocated | 3,000,000 |
| IV. Interest and other charges during construction | <u>3,000,000</u> |
| TOTAL | 21,800,000 |

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories I and II shall decrease, the amount of the Loan then allocated to, and no longer required for, such Category will be reallocated by the Bank to Category III.

2. If the estimate of the cost of the items included in any of the Categories I and II shall increase, an amount equal to 33% of such increase will be allocated by the Bank, at the request of the Borrower, to such Category from Category III; provided and to the extent that the Bank and the Borrower agree that such amounts are not required for contingencies in respect of the cost of the items in the other Categories.

SCHEDULE 2

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> |
|---------------------------|---|---------------------------|---|
| July 1, 1975 | 260,000 | January 1, 1983 | 430,000 |
| January 1, 1976 | 265,000 | July 1, 1983 | 445,000 |
| July 1, 1976 | 275,000 | January 1, 1984 | 465,000 |
| January 1, 1977 | 285,000 | July 1, 1984 | 480,000 |
| July 1, 1977 | 295,000 | January 1, 1985 | 495,000 |
| January 1, 1978 | 305,000 | July 1, 1985 | 515,000 |
| July 1, 1978 | 315,000 | January 1, 1986 | 530,000 |
| January 1, 1979 | 330,000 | July 1, 1986 | 550,000 |
| July 1, 1979 | 340,000 | January 1, 1987 | 570,000 |
| January 1, 1980 | 350,000 | July 1, 1987 | 590,000 |
| July 1, 1980 | 365,000 | January 1, 1988 | 610,000 |
| January 1, 1981 | 375,000 | July 1, 1988 | 630,000 |
| July 1, 1981 | 390,000 | January 1, 1989 | 655,000 |
| January 1, 1982 | 405,000 | July 1, 1989 | 675,000 |
| July 1, 1982 | 415,000 | January 1, 1990 | 700,000 |

| <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> |
|-------------------------|---|-------------------------|--|
| July 1, 1990 | 725,000 | January 1, 1993 | 860,000 |
| January 1, 1991 | 750,000 | July 1, 1993 | 890,000 |
| July 1, 1991 | 775,000 | January 1, 1994 | 920,000 |
| January 1, 1992 | 800,000 | July 1, 1994 | 955,000 |
| July 1, 1992 | 830,000 | January 1, 1995 | 985,000 |

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

| <i>Time of Prepayment or Redemption</i> | <i>Premium</i> |
|---|---------------------------------|
| Not more than three years before maturity | 3 ¹ / ₄ % |
| More than three years but not more than six years before maturity | 2% |
| More than six years but not more than eleven years before maturity | 2 ³ / ₄ % |
| More than eleven years but not more than sixteen years before maturity | 4 ¹ / ₄ % |
| More than sixteen years but not more than twenty-one years before maturity | 5 ¹ / ₂ % |
| More than twenty-one years but not more than twenty-three years before maturity | 6 ¹ / ₂ % |
| More than twenty-three years before maturity | 7% |