

No. 2028

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

Guarantee Agreement—*Mexlight Project*—(with annexed Loan Regulations No. 1, Loan Agreement—*Mexlight Project*—between the Bank and Nacional Financiera, S. A., and Comisión Federal de Electricidad and Loan Regulations No. 2). Signed at Washington, on 6 January 1949

Official text: English.

Registered by the International Bank for Reconstruction and Development on 13 January 1953.

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

Contrat de garantie — *Projet Mexlight* — (avec, en annexe, le Règlement n° 1 sur les emprunts, le Contrat d'emprunt — *Projet Mexlight* — entre la Banque, la Nacional Financiera S. A. et la Comisión Federal de Electricidad, et le Règlement n° 2 sur les emprunts). Signé à Washington, le 6 janvier 1949

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 13 janvier 1953.

No. 2028. GUARANTEE AGREEMENT¹ (*MEXLIGHT PROJECT*) BETWEEN THE UNITED MEXICAN STATES AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 6 JANUARY 1949

AGREEMENT, dated January 6, 1949, 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., and Comisión Federal de Electricidad (hereinafter called the Borrowers), which agreement and the Schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrowers a loan in the aggregate principal amount of ten million dollars (\$10,000,000), or the equivalent in other currencies, on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agrees to guarantee such loan and the obligations of the Borrowers in respect thereof; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrowers, has agreed to guarantee such loan and the obligations of the Borrowers in respect thereof;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Wherever used in this Guarantee Agreement, unless the context shall otherwise require, the several terms which are defined in Article I of the Loan Agreement shall have the respective meanings therein set forth.

Article II

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 commitment charge on, the Loan, and the punctual performance of all the covenants and agreements of the Borrowers, and each of them, all as set forth in the Loan Agreement.

¹ Came into force on 15 March 1949, upon notification by the Bank.

² See p. 94 of this volume.

It is further agreed by the Guarantor that its obligations under any covenants and agreements on its part in this Guarantee Agreement are not subject to any prior notice to, demand upon or action against the Borrowers or either of them or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrowers or either of them in respect of any of their obligations set forth in the Loan Agreement. No extension of time or forbearance given to the Borrowers or either of them in respect of the performance of any of their obligations under the Loan Agreement, and no failure of the Bank strictly to assert any right or pursue any remedy against the Borrowers or either of them in respect of the Loan Agreement, and no action undertaken to enforce any security available to the Bank under the Loan Agreement and no agreement by the Bank and the Borrowers or either of them to any modification of the Project or of the provisions of the Loan Agreement and no failure of the Borrowers, or either of them, to comply with any requirement of any law, regulation or order of the Guarantor or any of its political subdivisions or agencies, shall in any way terminate, diminish or limit the unconditional guarantee of the Guarantor hereunder, it being the intent of the parties hereto that the obligations of the Guarantor shall not be discharged except by performance and then only to the extent of such performance. No delay by the Bank in exercising or omission of the Bank to exercise any right under this Guarantee Agreement shall impair any such right or be construed to be a waiver thereof or a waiver of or acquiescence in any default by the Guarantor under this Guarantee Agreement; nor shall any action by the Bank in respect of any such default or in respect of the waiver of any such default affect or impair any such right in respect of any other or subsequent default on the part of the Guarantor.

Article III

Section 1. The Guarantor covenants that, unless the Bank shall otherwise agree in writing, any privilege or priority (including any mortgage, pledge or charge) on any property, assets, revenues or receipts of the Guarantor or any of its political subdivisions or any agency of any of them which the Guarantor or any such political subdivision or agency shall create or permit to be created as security for the payment of any external debt shall by the creation thereof equally and ratably secure the payment of the principal of, and the interest and commitment charge on, the Loan and, in the creation of any such privilege or priority, express provision shall be made to that effect; provided, however, that this Section shall not apply (a) to any mortgage, pledge or other charge or priority created on any property purchased (other than any of the goods)

at the time of purchase solely as security for the payment of the purchase price of such property; or (b) to any pledge of commercial goods given to secure debt maturing not more than one year after its date and to be paid out of the proceeds of sale of such commercial goods.

Section 2. The Guarantor covenants that, so long as any part of the Loan shall be outstanding and unpaid, if the Guarantor, or any of its political subdivisions, or any of its agencies, or any agency of any of its political subdivisions, shall propose to incur, assume or guarantee any external debt or substantially to modify the terms of payment of any then existing external debt incurred, assumed or guaranteed by any of them, the Guarantor will notify the Bank promptly of the particular proposal and prior to taking the proposed action will afford to the Bank all opportunity which is reasonably practicable under the circumstances to exchange views with the Guarantor with regard to such proposal; provided, however, that the foregoing provisions shall not apply to either of the following: (a) the incurring of additional external debt through utilization, in accordance with the terms of any credit established prior to the date of this Agreement, of any unused amounts available under such credit; or (b) the entering into international payments or similar agreements the term of which is not more than one year and under which the transactions on each side are expected to balance over the period of the agreement.

Section 3. In order that the Bank and the Guarantor may cooperate to the fullest extent in assuring that the purposes of the Loan shall be accomplished, so long as any part of the Loan shall be outstanding and unpaid, the Guarantor covenants that it will afford to the Bank, from time to time as the Bank shall reasonably request:

(a) All reasonable opportunity for exchanges of views between accredited representatives of the Bank and officials empowered to represent the Guarantor in such exchanges of views with regard to matters relating to the purposes of the Loan and the maintenance of the service of the Loan and other matters of mutual interest, it being understood that both the Bank and the Guarantor will receive from one another suggestions and observations in regard to all such matters in a spirit of mutual cooperation; and

(b) All reasonable opportunity for accredited representatives of the Bank to visit freely any part of the territories of the Guarantor for the purpose of performing the functions set forth in Section 8 of Article V of the Loan Agreement and for the purpose of studying the financial and economic conditions of the Guarantor and all other matters relating to the purposes of the Loan.

Section 4. The Guarantor covenants that, if at any time so long as any part of the Loan shall be outstanding and unpaid any condition shall arise which

shall prevent, obstruct or interfere with, or threaten to prevent, obstruct or interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service of the Loan, the Guarantor will promptly inform the Bank of such condition and will afford to the Bank a reasonable opportunity to exchange views with the Guarantor with regard thereto.

Section 5. The Guarantor covenants that so long as any part of the Loan shall be outstanding and unpaid, the Guarantor will furnish to the Bank all such information, at such times and in such detail as the Bank shall reasonably request, relating to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

Section 6. The Guarantor covenants that the principal of the Loan, and the interest and the commitment charge specified in the Loan Agreement, shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature now or at any time hereafter imposed by the Guarantor or by any taxing authority thereof or therein and shall be paid free from all restrictions of the Guarantor, its political subdivisions or its agencies.

Section 7. The Guarantor covenants that this Guarantee Agreement and the Loan Agreement shall be free of any issue, stamp or other tax imposed by the Guarantor or any taxing authority thereof or therein.

Section 8. The Guarantor covenants that so long as any part of the Loan shall be outstanding and unpaid, the Guarantor will not take or permit any of its political subdivisions or agencies to take any action which would prevent or interfere with the performance by the Borrowers of any of the covenants, agreements and obligations of the Borrowers, or either of them, in the Loan Agreement contained, and will take or cause to be taken all reasonable action which shall be necessary in order to enable the Borrowers to perform such covenants, agreements and obligations.

Article IV

Section 1. The respective rights and obligations of the parties hereto under this Guarantee Agreement shall be valid and enforceable in accordance with their terms, anything in any statute, law or regulation of any nation or state or political subdivision thereof to the contrary notwithstanding. Neither of such parties shall be entitled in any proceeding under this Article to assert any claim that any provision of this Guarantee Agreement or of the Loan Agreement is invalid or unenforceable because of any provision of the Articles of Agreement of the Bank¹ or for any other reason.

¹ United Nations, *Treaty Series*, Vol. 2, p. 134; Vol. 19, p. 300, and Vol. 141, p. 356.

Section 2. The provisions of this Guarantee Agreement shall be interpreted in accordance with the law of the State of New York, United States, as at the time in effect.

Section 3. Any controversy between the parties to this Guarantee Agreement and any claim by either party to this Guarantee Agreement against the other party thereto arising under this Guarantee Agreement which shall not be determined by agreement of such parties shall be submitted to and determined by arbitration by an Arbitral Tribunal in accordance with the provisions of Loan Regulations No. 1¹ of the Bank, dated May 9, 1947, a copy of which has been furnished to the Guarantor. The parties to this Guarantee Agreement accept and agree to the provisions of said Loan Regulations No. 1 with the same force and effect as if fully set forth herein; provided, however, (a) that the term "Borrower" as used in said Loan Regulations No. 1 shall mean the Borrowers; and (b) that the Bank shall not be entitled to enter any judgment against the Guarantor in any court for the enforcement of any award rendered pursuant to said Loan Regulations No. 1, or to enforce by execution against the Guarantor any judgment entered upon any such award or any judicial mandate or order made in any proceeding to enforce any such award, except as any such remedy may be available to the Bank against the Guarantor otherwise than by reason of the provisions of said Loan Regulations No. 1.

Article V

Section 1. Any notice, demand or request required or permitted to be given under this Guarantee Agreement shall be in writing and shall be deemed to have been duly given when it shall be delivered in writing or by telegram, cable or radiogram to the party to which such notice, demand or request is required or permitted to be given at its address hereinafter specified, or at such other address as such party shall have designated by notice in writing to the party giving or making such notice, demand or request. The addresses so specified are :

(a) For the Guarantor :

United Mexican States, c/o Nacional Financiera, S. A., Avenida Venustiano Carranza 25, Mexico, D. F., Mexico.

(b) For the Bank :

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

Section 2. This Guarantee Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

¹ See p. 94 of this volume.

Section 3. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Guarantee Agreement on behalf of the Guarantor may be taken or executed by Financiera or any person thereunto authorized in writing by it. Any modification or amplification of the provisions of this Guarantee Agreement may be agreed to on behalf of the Guarantor by written instrument executed on behalf of the Guarantor by Financiera, or any person thereunto authorized in writing by it; provided, that in the opinion of Financiera, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Guarantor hereunder. The Bank may accept the execution by Financiera or such other person of any such instrument as conclusive evidence that, in the opinion of Financiera, any modification or amplification of the provisions of this Guarantee Agreement effected by such instrument is reasonable in the circumstances and will not substantially increase the obligations of the Guarantor hereunder.

Section 4. The Guarantor shall furnish to the Bank sufficient evidence of the authority of the person or persons who will, on behalf of the Guarantor, take any action or execute any documents required or permitted to be taken or executed by the Guarantor pursuant to any of the provisions of this Guarantee Agreement or the Loan Agreement and the authenticated specimen signature of each such person.

Article VI

This Guarantee Agreement shall come into force and effect on the Effective Date. If, pursuant to Section 3 of Article IX of the Loan Agreement, the Bank shall terminate the Loan Agreement, the Bank shall promptly notify the Guarantor thereof and upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall forthwith cease and determine.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be signed in their respective names by their representatives thereunto duly authorized as of the day and year first above written.

United Mexican States :

By Luis FERNÁNDEZ M. G.

Nacional Financiera, S. A. :

By Antonio CARRILLO

Authorized Representatives

International Bank for Reconstruction and Development :

By John J. McCLOY

President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 1, DATED 9 MAY 1947

REGULATIONS GOVERNING THE ARBITRATION OF CONTROVERSIES AND CLAIMS ARISING UNDER LOAN AGREEMENTS

[Not published herein. See United Nations, Treaty Series, Vol. 152, p. 116.]

LOAN AGREEMENT

(MEXLIGHT PROJECT)

AGREEMENT, dated January 6, 1949, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, party of the first part, and NACIONAL FINANCIERA, S. A., and COMISIÓN FEDERAL DE ELECTRICIDAD, parties of the second part.

Article I

DEFINITIONS

Wherever used in this Agreement or in any Schedule to this Agreement, unless the context shall otherwise require, the following terms shall have the respective meanings hereinafter in this Article set forth:

(1) The term Bank means International Bank for Reconstruction and Development, the party of the first part hereto.

(2) The term Financiera means Nacional Financiera, S. A., a corporation (*sociedad anónima*) organized and existing under the laws of United Mexican States, an official agency of United Mexican States, one of the parties of the second part hereto.

(3) The term Commission means Comisión Federal de Electricidad, an official agency of United Mexican States, one of the parties of the second part hereto.

(4) The term Company means The Mexican Light and Power Company, Limited, and the term Subsidiaries shall have the meaning set forth in Declaration I (5) of the Subsidiary Loan Agreement referred to in paragraph 18 of this Article.

(5) The term Borrowers means Financiera and the Commission, the respective parties of the second part hereto.

(6) The term Guarantor means United Mexican States.

(7) The term Loan means the loan provided for in this Agreement.

(8) The term Loan Account means the loan account to be opened as provided in Section 1 of Article IV of this Agreement.

(9) The term United States means the United States of America.

(10) The term dollars and the sign \$ mean dollars in such coin or currency of the United States as at the time referred to shall be legal tender for the payment of public and private debts in the United States.

(11) The term principal office of the Bank means its principal office in the City of Washington, District of Columbia, United States. If the principal office of the Bank shall be changed and the Bank shall so notify the Borrowers, the term principal office of the Bank shall thereafter mean the principal office so notified to the Borrowers.

(12) The term goods means the equipment, supplies and services which are required for the purposes specified in Article III of this Agreement, and wherever reference is made in this Agreement to the cost of any goods, such cost shall be deemed to include the cost of importing such goods into the territories of the Guarantor, but only to the extent that such cost shall be paid in currency other than currency of the Guarantor.

(13) The term external debt means any debt payable in any currency other than currency of the Guarantor, whether such debt is payable absolutely or at the option of the creditor in such other currency.

(14) The term Closing Date means December 1, 1949, or such other date as shall be agreed upon in writing between the Bank and the Borrowers as the Closing Date.

(15) The term Effective Date means the date on which this Agreement shall come into force and effect as provided in Article IX of this Agreement.

(16) The term Guarantee Agreement¹ means the agreement of even date herewith between the Bank and the Guarantor whereby the Guarantor agrees to guarantee the Loan and the obligations of the Borrowers under this Agreement.

(17) The term this Agreement includes the respective Schedules² which are referred to herein and all of which are hereby incorporated herein and are herein referred to by their respective numbers.

(18) The term Subsidiary Loan Agreement means the contract to be entered into between the Borrowers and the Company whereby the Borrowers shall agree to lend to the Company any and all amounts withdrawn from the Loan Account.

(19) The term Subsidiary Loan means the loan provided for in the Subsidiary Loan Agreement.

(20) The term Subsidiary Notes means the commercial notes to be executed and delivered by the Company in accordance with the provisions of the Subsidiary Loan Agreement.

(21) The term Project means the program prepared by the Company for the development of its facilities and those of the Subsidiaries for the production and distribution of electric power in the territories of the Guarantor, as more particularly set forth in Schedule 1 of this Agreement as such Schedule shall be modified from time to time by the Company with the agreement in writing of the Bank and the Borrowers.

¹ See p. 82 of this volume.

² See p. 124 of this volume.

Article II

THE LOAN

Section 1. The Bank agrees to lend to the Borrowers, on the terms and conditions in this Agreement set forth, the sum of ten million dollars (\$10,000,000), or the equivalent thereof in currencies other than dollars as hereinafter provided.

Section 2. The amount of the Loan may be withdrawn by the Borrowers as provided in Article IV of this Agreement. The Borrowers shall pay to the Bank a commitment charge on any amount of the Loan not so withdrawn for the period from the Effective Date to the respective dates on which the respective amounts shall be so withdrawn or shall be cancelled pursuant to Section 6 or 8 of Article IV of this Agreement or on which the Bank shall incur firm obligations to others than the Borrowers to pay such amounts, whichever shall be the earlier. Such commitment charge shall be payable in dollars on June 30 and December 31 in each year and shall accrue and be payable at the following rates :

(a) For the period to and including the 180th day after the Effective Date at the rate of one and one-half per cent ($1\frac{1}{2}\%$) per annum;

(b) Thereafter, at the rate of three and one-half per cent ($3\frac{1}{2}\%$) per annum less a credit computed as follows: For each three-month period beginning January 1, April 1, July 1 or October 1, or for any part of such period, such credit shall be computed at the approximate rate of annual discount on the issue of 90, 91 or 92-day United States Treasury Bills last sold by the United States immediately preceding the beginning of such period on the basis of the average price for the sale of such issue, all as announced by the United States Treasury Department; provided, however, that the rate at which such credit shall be computed for any such period, or part thereof, shall in no event exceed two per cent (2%) per annum.

Section 3. The Borrowers shall pay interest (including commission) at the rate of four and one-half per cent ($4\frac{1}{2}\%$) per annum on the principal amount of the Loan outstanding and unpaid from the respective dates on which the respective amounts of the Loan shall be withdrawn by the Borrowers as provided in Article IV of this Agreement or on which the Bank shall incur firm obligations to others than the Borrowers to pay such amounts, whichever shall be the earlier. Such interest shall be payable in dollars semi-annually on June 30 and December 31, except that interest on any part of the Loan which shall be repayable in any currency other than dollars shall be payable in such other currency.

Section 4. In all cases in which it shall be necessary to compute the amount of commitment charge or interest which shall have accrued under this Agreement for periods of less than six months, such commitment charge or interest shall be computed on a daily basis, using a 365-day factor. For even periods of six months such commitment charge and interest shall be computed on an annual basis.

Section 5. The Borrowers shall repay the principal of the Loan on or before December 31, 1949.

Section 6. Except as shall be otherwise specified in this Agreement, the principal of, and interest and commitment charge on, the Loan shall be paid at the office of the

Bank in The City of New York, State of New York, United States, or at such other place or places as the Bank shall from time to time request in writing.

Section 7. As soon as practicable, but in no case later than 30 days after the Effective Date, the Borrowers shall cause the Company to notify the Bank of the countries other than the United States in which the Company has placed or intends to place orders for goods which notice shall include for each such country a list of the goods for which the Company has placed or intends to place orders and the estimated cost of such goods. The Borrowers shall cause the Company from time to time thereafter promptly to notify the Bank of any changes in such countries or in such lists or in such estimated costs. If any goods shall be purchased in any country other than the United States, the Borrowers shall cause the Company to make reasonable efforts to pay the cost of such goods in the currency of such other country. To the extent that the cost of any goods shall be payable in any currency other than dollars, the Bank may, at its option, advance such other currency in lieu of dollars as part of the Loan. If and to the extent that the Bank shall acquire in exchange for dollars any such other currency which it shall so advance, the part of the Loan so advanced shall be repayable in dollars and the equivalent in dollars of the part of the Loan so advanced shall be the amount of dollars paid by the Bank in exchange for such other currency. If and to the extent that the Bank shall advance any such other currency which it shall not have acquired in exchange for dollars the part of the Loan so advanced shall be repayable in such other currency.

Section 8. The parties to this Agreement accept and agree to the provisions of Loan Regulations No. 2¹ of the Bank, dated April 28, 1948, a copy of which has been furnished to the Borrowers, with the same force and effect as if they were fully set forth herein.

Article III

USE OF PROCEEDS OF THE LOAN

Section 1. Except as shall be otherwise agreed in writing between the Bank and the Borrowers, the proceeds of the Loan shall be loaned by the Borrowers to the Company under the Subsidiary Loan Agreement in order to enable the Company to pay, or to reimburse the Company for, expenditures required in order to purchase and import into the territories of the Guarantor goods which will be required for the carrying out of the Project. The specific goods to be purchased out of the proceeds of the Subsidiary Loan shall be determined by the Company with the agreement in writing of the Bank and the Borrowers and the list of such goods may be modified from time to time by the Company with the agreement in writing of the Bank and the Borrowers.

Section 2. The Borrowers shall cause the Company to import or cause the Subsidiaries to import into the territories of the Guarantor all goods purchased in whole

¹ See p. 130 of this volume.

or in part with the proceeds of the Subsidiary Loan and to use such goods in the carrying out of the Project, all in accordance with the provisions of this Agreement and the Subsidiary Loan Agreement.

Article IV

WITHDRAWAL OF PROCEEDS OF THE LOAN

Section 1. The Bank shall open an account on its books in the name of the Borrowers and shall credit to said account the amount of the Loan. The Borrowers shall be entitled from time to time to withdraw from the Loan Account such amounts as shall be required under the Subsidiary Loan Agreement to reimburse the Company for amounts paid by the Company subsequent to the Effective Date (except as shall be otherwise specifically provided by agreement in writing between the Bank and the Borrowers) for the purpose of paying the cost of goods purchased in accordance with the Subsidiary Loan Agreement and with Article III of this Agreement. The Borrowers shall also be entitled from time to time to withdraw from the Loan Account such amounts as shall from time to time be approved in writing by the Bank and as shall be reasonably required by the Borrowers to enable the Company to pay the cost of such goods not theretofore paid.

Section 2. (a) Whenever the Borrowers shall desire to withdraw amounts from the Loan Account, the Borrowers shall deliver to the Bank an application in writing setting forth :

(1) The amount which the Borrowers so desire to withdraw from the Loan Account;

(2) A statement that said amount is required by the Borrowers in order to make an advance under the Subsidiary Loan Agreement to reimburse the Company for, or to enable the Company to meet, payments made or to be made by the Company for the purpose of paying the cost of goods as therein set forth, which statement shall show, in such reasonable detail as the Bank shall request, the cost of such goods, the date on which such goods were ordered and the dates on which payment for such goods was made or will be due, the names and addresses of the suppliers of such goods, the date of arrival or estimated date of arrival of such goods in the territories of the Guarantor, and the known or intended destination and end-use of such goods in the Project;

(3) A statement that the Borrowers have not theretofore withdrawn from the Loan Account, or applied for the withdrawal from the Loan Account of, any amounts for the purpose of reimbursing the Company for, or enabling the Company to meet, such payments and that neither of the Borrowers nor the Company has obtained or will obtain funds for such purpose out of the proceeds of any other loan or credit available to any of them, other than a short-term loan or credit established in anticipation of the withdrawal applied for and to be repaid pro tanto with the funds to be withdrawn, which loan or credit shall be described in the application;

(4) A statement that such payments were or will be made for the purposes specified in Article III of this Agreement and in accordance with the Subsidiary Loan Agreement;

that the goods purchased or to be purchased by means of such payments are appropriate for such purposes; and that the cost and terms of purchase thereof are not unreasonable; and

(5) A statement that at the date of the application there is no existing default in the performance of any of the obligations of the Borrowers or either of them under this Agreement or of the Guarantor under the Guarantee Agreement or of the Company under the Subsidiary Loan Agreement.

(b) If such application shall be to withdraw from the Loan Account amounts in order that the Borrowers may enable the Company under the Subsidiary Loan Agreement to meet the cost of goods not theretofore paid, it shall also set forth :

(6) A statement of the arrangements under which the amount to be withdrawn from the Loan Account on such application will be applied by the Company under the Subsidiary Loan Agreement to the payment of the cost of such goods; and

(7) An agreement by the Borrowers that they will apply or cause to be applied the amount to be withdrawn from the Loan Account on such application only to provide under the Subsidiary Loan Agreement for the payment by the Company when and as due of the cost of such goods and that, as promptly as possible thereafter, the Borrowers will furnish or cause to be furnished to the Bank proof satisfactory to the Bank that such amount has been so applied.

(c) If such application shall be the first application for withdrawal hereunder, it shall also set forth :

(8) A statement that, during the period from the date of this Agreement to the Effective Date, none of the events specified in paragraph (g) of Section 7 of this Article has occurred.

Section 3. (a) Each application under this Article shall be in writing in the English language and shall be signed on behalf of the Borrowers by their representative or representatives duly authorized for the purpose. Each such application shall be executed and delivered to the Bank in triplicate as the Bank shall from time to time direct. Except as otherwise agreed in writing between the Bank and the Borrowers, each such application (except the final application for any currency) shall be for an amount of not less than \$50,000, or the equivalent thereof in any one currency. Such applications shall be serially numbered.

(b) The Borrowers shall furnish or cause to be furnished to the Bank, upon request, original or duplicate receipted bills or invoices or other documents sufficient to show that the payments covered by the application have been made by the Company for the goods specified therein.

(c) If the expenditures to be reimbursed or paid by the withdrawal applied for were or are to be made by the Company in any currency other than dollars, the application shall so state and shall also state the amount of such expenditures in such other currency.

Section 4. Each application and the accompanying documents must be sufficient to satisfy the Bank that the amount to be withdrawn from the Loan Account is to be used only for the purposes specified in Article III of this Agreement and in accordance with the Subsidiary Loan Agreement. The Borrowers shall furnish or cause to be

furnished to the Bank any and all such further documents and other evidence in support of the application as the Bank shall at any time or from time to time reasonably request and whether before or after the Bank shall permit any withdrawal requested in the application. All applications and other documents delivered to the Bank under this Article shall be in form and substance satisfactory to the Bank.

Section 5. If the Bank is satisfied that the application fully complies with the provisions of this Agreement and that the Borrowers are entitled under this Agreement to withdraw from the Loan Account the amount applied for, the Bank shall promptly pay such amount to or on the order of the Borrowers; provided, however, that if the expenditures to be reimbursed or paid by the withdrawal applied for were made or are to be made in any currency other than dollars, the Bank shall have the option, as provided in Section 7 of Article II of this Agreement, to make the advance applied for in such other currency.

Section 6. The Borrowers may at their option by written notice to the Bank cancel all or any part of the Loan which the Borrowers shall not have withdrawn prior to such notice. If the Borrowers shall not on or before the Closing Date have withdrawn from the Loan Account the full amount of the Loan, the amount of the Loan not so withdrawn shall be cancelled.

Section 7. If any of the events hereinafter described shall have happened and be continuing, the Bank may, at its option, suspend the right of the Borrowers to withdraw from the Loan Account, to wit :

(a) An Event of Default shall have happened and be existing under this Agreement.

(b) A default shall have happened in the performance of any covenant or agreement on the part of the Borrowers or either of them or the Company in the Subsidiary Loan Agreement set forth.

(c) An extraordinary situation shall exist which shall make it improbable that the Borrowers or either of them will be able to perform their obligations under this Agreement or that the Guarantor will be able to perform its obligations under the Guarantee Agreement or that the Borrowers or the Company will be able to perform their obligations under the Subsidiary Loan Agreement.

(d) The Guarantor shall have ceased to be a member of the International Monetary Fund or shall have become or been declared ineligible under Section 6 of Article IV, Section 5 of Article V, Section 1 of Article VI or Section 2 (a) of Article XV of the Articles of Agreement of the International Monetary Fund¹ to use the resources thereof.

(e) The Guarantor shall have been suspended from membership in or have ceased to be a member of the Bank.

(f) The Bank shall have suspended operations either temporarily or permanently as provided in Section 5 of Article VI of its Articles of Agreement.²

(g) After the date of this Agreement and prior to the Effective Date, the Guarantor or either of the Borrowers shall have taken any action which would have constituted

¹ United Nations, *Treaty Series*, Vol. 2, p. 40; Vol. 19, p. 280, and Vol. 141, p. 355.

² United Nations, *Treaty Series*, Vol. 2, p. 134; Vol. 19, p. 300, and Vol. 141, p. 356.

a violation of any covenant contained in Section 10, 11 or 16 of Article V of this Agreement or in Section 1 or 2 of Article III of the Guarantee Agreement, had this Agreement and the Guarantee Agreement been in full force and effect on the date such action was taken.

The Bank may exercise its option to suspend such right to withdraw by notice to the Borrowers of its election to exercise such option. Upon the giving of such notice the right of the Borrowers to withdraw from the Loan Account, except as otherwise provided in Section 9 of this Article, shall forthwith be suspended and shall continue to be suspended until the event which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Borrowers that the Bank has lifted such suspension, whichever is the earlier.

If the right of the Borrowers to withdraw from the Loan Account shall be so suspended for a period of 30 days, then at any time after the expiration of such 30 days, the Borrowers may, by notice to the Bank, elect to treat such suspension as a cancellation. The amount of the Loan not theretofore withdrawn shall be deemed to have been cancelled pursuant to Section 8 of this Article as of the date of receipt by the Bank of such notice.

Section 8. Except as otherwise provided in Section 9 of this Article, if any of the events described in Section 7 of this Article shall have happened and be continuing, the Bank may at any time by notice to the Borrowers terminate any and all obligations of the Bank to permit the Borrowers to withdraw from the Loan Account, and upon the giving of such notice the amount of the Loan not theretofore withdrawn shall be cancelled.

Section 9. If the right of the Borrowers to withdraw from the Loan Account shall be suspended pursuant to Section 7 or cancelled pursuant to Section 8 of this Article and if prior to the date of such suspension or cancellation, as the case may be, the Company shall have entered into any binding commitment for the purchase of goods which shall have been approved in writing by the Bank either before or after the making thereof, then the Bank shall permit the Borrowers to withdraw from the Loan Account such amounts as shall be necessary in order to enable the Company to satisfy such of its obligations under such commitment as shall be due prior to December 31, 1949. The right of the Borrowers to withdraw from the Loan Account pursuant to this Section shall be subject to the condition that the Borrowers shall comply with the provisions of Sections 2 (except subparagraphs 5 and 8 thereof), 3, 4 and 5 of this Article. The commitment charge specified in Section 2 of Article II of this Agreement shall continue to accrue on amounts subject to withdrawal under this Section.

Section 10. Notwithstanding any cancellation pursuant to Section 6 or 8 of this Article or any suspension pursuant to Section 7 of this Article, all the provisions of this Agreement shall continue in full force and effect except as in this Article specifically provided.

Article V

PARTICULAR COVENANTS OF THE BORROWERS

The Borrowers hereby covenant as follows :

Section 1. The Borrowers will duly and punctually pay the principal of, and the interest and commitment charge on, the Loan when and as the same shall become due and payable as provided in this Agreement.

Section 2. The Borrowers will not agree to any change in the provisions of the Subsidiary Loan Agreement without the prior written approval of the Bank.

Section 3. The Borrowers will duly and punctually perform all obligations on their part under the Subsidiary Loan Agreement and will use their best efforts to enforce the performance by the Company of all obligations on its part thereunder.

Section 4. The Borrowers will use their best efforts to cause the Company to carry out the Project with due diligence and efficiency and in conformity with sound engineering practice and will not hinder or obstruct the Company in the carrying out of the Project.

Section 5. The Borrowers will, immediately upon the preparation thereof, furnish to the Bank, or cause the Company to furnish to the Bank, the plans and specifications for the Project in such form and detail as the Bank shall reasonably request. Any modifications or changes in such plans and specifications shall be promptly furnished to the Bank.

Section 6. The Borrowers will cause the proceeds of the Loan and the Subsidiary Loan and the goods purchased with such proceeds to be applied in accordance with the provisions of Article III of this Agreement and with the provisions of the Subsidiary Loan Agreement.

Section 7. So long as any part of the Loan shall be outstanding and unpaid, the Borrowers will cause books, accounts and records to be maintained which shall be adequate to identify the goods purchased with the proceeds of the Loan and the Subsidiary Loan, to disclose the enduse thereof in the Project and the progress of the Project, and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of each of the Borrowers and the Company.

Section 8. So long as any part of the Loan shall be outstanding and unpaid, the Borrowers will permit, and will cause the Company and the Subsidiaries to permit, accredited representatives of the Bank, including independent accountants and engineers designated by the Bank for that purpose, to inspect any and all goods purchased out of the proceeds of the Loan and the Subsidiary Loan and any of the properties owned or operated by the Company or any Subsidiary of the Company and to inspect, audit and make copies of, any books, accounts, records, contracts, orders, invoices, engineering

studies and reports, and other documents relating to the goods purchased out of the proceeds of the Loan and the Subsidiary Loan, and the use thereof in the Project, or to the progress of the Project, or otherwise to the operations and financial condition of the Borrowers and the Company and the relations between the Borrowers and the Company.

Section 9. So long as any part of the Loan shall be outstanding and unpaid, the Borrowers will furnish, and will cause the Company to furnish, to the Bank all such information, at such times, in such form and in such detail, as the Bank shall reasonably request relating to the expenditure of the proceeds of the Loan and the Subsidiary Loan, the use of the goods purchased therewith, the progress of the Project and the operations and financial condition of the Borrowers and the Company.

Section 10. So long as any part of the Loan shall be outstanding and unpaid, Financiera shall propose to incur, assume or guarantee any external debt, or substantially to modify the terms of payment of any then existing external debt incurred, assumed or guaranteed by it, it will notify the Bank promptly of the particular proposal, and prior to the taking of the proposed action, will afford to the Bank all opportunity which is reasonably practicable under the circumstances to exchange views with it with regard to such proposal.

Section 11. So long as any part of the Loan shall be outstanding and unpaid, the Commission will not, without the prior written approval of the Bank, incur any debt if thereby the aggregate amount required in any fiscal year of the Commission (including the fiscal year in which the Commission proposes to incur such debt) for the payment of principal (including amortization and sinking fund payments) of, and interest and other charges on, all outstanding debt (including said proposed debt) incurred by the Commission would exceed $66 \frac{2}{3} \%$ of the aggregate amount of the revenues received by the Commission during its fiscal year last preceding the date on which the Commission proposes to incur such debt. For purposes of this Section :

(a) the term "revenues of the Commission" shall be deemed to mean the aggregate of

(i) all current revenues of the Commission excluding public appropriations and grants and

(ii) all payments on account of principal of, and amortization and sinking funds on, debt owing to the Commission but only to the extent that the Commission shall have made payments during the same fiscal year on account of principal of, and amortization and sinking funds on, debt of the Commission; less the amount of all operating, administrative and overhead expenses of the Commission, but without deduction of any amounts for depreciation, replacement, retirement, obsolescence, interest, sinking fund or amortization of principal of indebtedness;

(b) the term "debt" shall not include debt maturing by its terms in not more than one year after its date in an aggregate principal amount not exceeding the equivalent of ten million pesos in the currency of the Guarantor;

(c) the term "debt" shall not include the Loan and the term "revenues of the Commission" shall not include any amounts received pursuant to the Subsidiary Loan Agreement;

(d) the term "incur" with reference to any debt shall include any assumption or guarantee of such debt or any modification of the terms of payment of such debt; and

(e) sums in currency other than currency of the Guarantor shall be converted into currency of the Guarantor at the official selling rate of the Bank of Mexico for such other currency on the date on which the Commission proposes to incur the debt in question.

Section 12. If at any time so long as any part of the Loan shall be outstanding and unpaid any condition shall arise which shall prevent, obstruct or interfere with, or threaten to prevent, obstruct or interfere with, the accomplishment of the purposes of the Loan or the Subsidiary Loan or the maintenance of the service on, or the repayment of, the Loan or the Subsidiary Loan, the Borrowers will promptly inform the Bank of such condition and will afford, and cause the Company to afford, to the Bank a reasonable opportunity to exchange views with the Borrowers, or with the Borrowers and the Company, as the case may be, with regard thereto.

Section 13. The Borrowers will pay or cause to be paid any and all taxes, duties, imposts and fees that shall be imposed upon this Agreement or the Guarantee Agreement, or the execution, delivery or registration thereof, or the payment of principal, interest or other charges thereunder. Such principal, interest and other charges shall be paid without deduction for and free of any and all such taxes, duties, imposts and fees imposed by the Guarantor or any taxing authority thereof or therein.

Section 14. So long as any part of the Loan shall be outstanding and unpaid :

(a) Each of the Borrowers will at all times maintain its existence and right to carry on operations and the Commission will, except as the Bank shall otherwise agree in writing, maintain and renew all rights, powers, privileges and franchises owned by it and necessary or useful in the operation of its business.

(b) The Commission will maintain its plants, equipment and property, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering standards.

(c) The Commission will not, without the written consent of the Bank, sell or otherwise dispose of all or substantially all of its property and assets, unless the Borrowers shall first redeem and pay, or make adequate provision satisfactory to the Bank for redemption and payment of, all of the Loan which shall then be outstanding and unpaid.

(d) Financiera will make available to the Company during the year ending December 31, 1949, such amounts in pesos, not exceeding an aggregate of 10,000,000 pesos, as shall be required from time to time by the Company for local currency expenditures in such year in connection with the Project, such amounts to be made available by means of credits or other arrangements as agreed to by Financiera and the Company and on terms and conditions acceptable to the Bank.

Section 15. Except as shall be otherwise agreed in writing between the Bank and the Borrowers, the Borrowers will insure or cause to be insured with responsible insurers all goods purchased in whole or in part with the proceeds of the Loan or the Subsidiary Loan for the full cost of such goods against marine and transit hazards incident to delivery of the goods into the territories of the Guarantor under contracts of insurance payable in dollars or in the currency in which the part of the Loan applied to the cost of such goods is payable.

Section 16. Except as the Bank shall otherwise agree in writing, so long as any part of the Loan shall be outstanding and unpaid if any privilege or priority (including any mortgage, pledge or charge) shall be created on any property, assets, revenues or receipts of the Commission as security for the payment of any debt, then by the creation thereof such privilege or priority shall equally and ratably secure the payment of the principal of, and interest and commitment charge on, the Loan and the Commission covenants that in the creation of any such privilege or priority, express provision will be made to that effect; provided, however, that this Section shall not apply to any privilege or priority created on any property purchased (other than any of the goods) at the time of purchase solely as security for the payment of the purchase price of such property.

Section 17. So long as any part of the Loan shall be outstanding and unpaid :

(a) All Subsidiary Notes which shall be received by Financiera under the provisions of the Subsidiary Loan Agreement shall be held by the Borrowers for the account of the Bank as security for the repayment of the principal of, and payment of interest and commitment charges on, the Loan. All moneys received by the Borrowers as payment of interest or other charges on, or as repayment of the principal of, the Subsidiary Notes shall be applied by them forthwith first to payment of interest and commitment charges then accrued on the Loan, and if there shall be any excess of such moneys over the aggregate of such charges, to the repayment of a portion of the principal of the Loan equivalent to such excess. Except as otherwise agreed in writing by the Bank, the Borrowers shall not sell, assign, pledge or otherwise transfer or dispose of any of the Subsidiary Notes.

(b) The net proceeds of any sale of goods pursuant to Clause Eighth of the Subsidiary Loan Agreement, after deducting all costs and expenses of the Borrowers, including amounts expended by them in completing payment for any of such goods, shall be promptly applied to the payment of all amounts due or to become due to the Bank under this Agreement.

Article VI

REMEDIES OF THE BANK ON DEFAULT

Section 1. If any of the following events (herein called Events of Default) shall happen, that is to say :

(a) if default shall be made in the payment of any instalment of interest or commitment charge on the Loan when and as the same shall become payable; or

(b) if default shall be made in the payment of the principal of the Loan at its maturity; or

(c) if default shall be made in the performance of any other covenant or agreement on the part of the Borrowers or either of them or of the Guarantor in this Agreement or in the Guarantee Agreement set forth; or

(d) if the Guarantor or any governmental authority shall take any action for the dissolution or disestablishment of either of the Borrowers or for the suspension of the operations of either of them; or

(e) if by action of the Guarantor or of any governmental authority, the ownership, possession or control of all or substantially all of the properties which are included in the Project, or of any plant of the Company or any Subsidiary or any property necessary for the operation thereof, shall be taken from the Company, or any franchise or concession necessary for such operation shall be cancelled or, having expired, shall not be renewed;

then and in each such case during the continuance of such Event of Default (but in the case of an Event of Default specified in clause (a) of this Section only if such default shall continue for a period of 30 days; and in the case of an Event of Default specified in clause (c) of this Section only if such default shall continue for a period of 60 days after written notice thereof shall have been given by the Bank to the Borrowers) the Bank, at its option, may declare the principal of the Loan then outstanding (if not already due) to be due and payable immediately, and upon any such declaration such principal shall become and shall be due and payable immediately, anything in this Agreement contained to the contrary notwithstanding.

Section 2. No delay by the Bank in exercising, or omission of the Bank to exercise, any right or power accruing to it under this Agreement upon any Event of Default shall impair any such right or power or be construed to be a waiver of any such Event of Default or acquiescence therein; nor shall the action of the Bank in respect of any default, or in respect of the waiver of any default, affect or impair any right or power of the Bank in respect of any other or subsequent default; and every right, power and remedy given hereunder to the Bank may be exercised by it from time to time and as often as it may deem expedient.

Article VII

INTERPRETATION OF AGREEMENT; ARBITRATION

Section 1. The respective rights and obligations of the parties under this Agreement shall be valid and enforceable in accordance with their terms anything in any statute, law or regulation of any nation or state or political subdivision thereof to the contrary notwithstanding. None of such parties shall be entitled in any proceeding under this Article to assert any claim that any provision of this Agreement is invalid or unenforceable because of any provision of the Articles of Agreement of the Bank or for any other reason.

Section 2. The provisions of this Agreement shall be interpreted in accordance with the law of the State of New York, United States, as at the time in effect.

Section 3. Any controversy between the parties to this Agreement and any claim by any of such parties against any other party thereto arising under this Agreement which shall not be determined by agreement of such parties shall be submitted to and determined by arbitration by an Arbitral Tribunal in accordance with the provisions of Loan Regulations No. 1¹ of the Bank dated May 9, 1947, a copy of which has been furnished to the Borrowers. The parties to this Agreement accept and agree to the provisions of said Loan Regulations No. 1 with the same force and effect as if they were fully set forth herein; provided, however, that the term "Borrower" as used in said Loan Regulations No. 1 shall be deemed to mean the Borrowers.

Article VIII

MISCELLANEOUS PROVISIONS

Section 1. Any notice, request or demand required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given when it shall be delivered in writing or by telegram, cable or radiogram to the party or parties to which such notice, request or demand is required or permitted to be given at its or their address or addresses hereinafter specified, or at such other address or addresses as such party or parties shall have designated by notice in writing to the party or parties giving or making such notice, request or demand. The addresses so specified are :

(a) For the Bank : International Bank for Reconstruction and Development, 1818 H Street, N. W., Washington 25, District of Columbia, United States of America.

(b) For the Borrowers : Nacional Financiera, S. A., Avenida Venustiano Carranza 25, Mexico, D. F., Mexico.

Section 2. The Borrowers shall furnish to the Bank sufficient evidence of the authority of the person or persons who will sign the applications provided for in Article IV of this Agreement or who will, on behalf of the Borrowers, take any other action or execute any other documents required or permitted to be taken or executed by the Borrowers pursuant to any of the provisions of this Agreement and the authenticated specimen signature of each such person.

Section 3. All obligations of the Borrowers under this Agreement shall be joint and several and the obligation of either of them to comply with any provision of this Agreement is not subject to any prior notice to, demand upon or action against the other. No extension of time or forbearance given to either of the Borrowers in respect of the performance of any of its obligations under this Agreement, and no failure of the Bank strictly to assert any right or pursue any remedy against either of them in respect of this Agreement and no failure by either of the Borrowers to comply with any requirement of any law, regulation or order shall in any way affect or impair any obligation of the other Borrower under this Agreement.

Section 4. This Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

¹ See p. 94 of this volume.

Article IX

EFFECTIVE DATE

Section 1. This Agreement is subject to the condition that before it shall become effective the following events shall have occurred :

(a) the Subsidiary Loan Agreement shall have been duly executed and delivered on behalf of the Borrowers and the Company substantially in the form initialed by the representative of the Bank and the representative of Financiera on the date of this Agreement and all acts required to be performed pursuant to Clause Thirtieth of the Subsidiary Loan Agreement shall have been performed;

(b) the execution and delivery on behalf of the Guarantor of the Guarantee Agreement shall have been duly authorized or ratified by all necessary governmental action;

(c) the execution and delivery of this Agreement and the Subsidiary Loan Agreement on behalf of the Borrowers shall have been duly authorized or ratified by all necessary action of each of the Borrowers; and

(d) any privilege or priority (including any mortgage, pledge or charge) existing at the date of this Agreement on any property, assets, revenues or receipts of the Commission as security for the payment of any debt shall have been extinguished, except as the Bank shall have otherwise agreed in writing.

Section 2. The Borrowers shall promptly furnish to the Bank evidence satisfactory to the Bank that all acts required to be performed pursuant to Section 1 of this Article have been performed. As part of such evidence the Borrowers shall furnish to the Bank an opinion or opinions satisfactory to the Bank of legal counsel acceptable to the Bank, showing :

(a) that this Agreement and the Subsidiary Loan Agreement have been duly authorized by, and executed and delivered on behalf of, each of the Borrowers; that the Guarantee Agreement has been duly authorized by, and executed and delivered on behalf of, the Guarantor; and that the Subsidiary Loan Agreement has been duly authorized by, and executed and delivered on behalf of, the Company;

(b) that said Agreements constitute valid and binding obligations of the Borrowers, the Guarantor and the Company, respectively, in accordance with their terms; and

(c) that, except as the Bank shall otherwise agree in writing, all privileges and priorities (including any mortgage, pledge or charge) existing at the date of this Agreement on any property, assets, revenues and receipts of the Commission as security for the payment of any debt have been extinguished and are no longer effective.

Except as shall otherwise be agreed in writing between the Bank and the Borrowers, this Agreement shall come into force and effect on the date when the Bank notifies the Borrowers and the Guarantor of its acceptance of such evidence.

Section 3. If all acts required to be performed pursuant to Section 1 of this Article shall not have been performed and satisfactory evidence thereof shall not have been furnished to the Bank within 30 days after the date of this Agreement, the Bank may

at its option by notice to the Borrowers and the Guarantor terminate this Agreement, and upon the giving of such notice of termination, this Agreement and all obligations of the parties hereunder shall forthwith cease and determine.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be signed in their respective names by their representatives thereunto duly authorized as of the day and year first above written.

International Bank for Reconstruction and Development :

By John J. McCLOY

Nacional Financiera, S. A. :

By Antonio CARRILLO

Comisión Federal de Electricidad :

By A. PAEZ U.

SCHEDULE 1

DESCRIPTION OF PROJECT

I. *Hydro-Electric Generating Plants*

1. *Necaxa*

Install unit No. 10 at Necaxa hydro-electric plant, complete with one 20,000 KVA generator, one 22,000 h.p. turbine, transformers, circuit breakers, penstock, valves and appropriate auxiliary equipment.

2. *Lerma*

Install unit No. 3 at Lerma hydro-electric plant, complete with one 31,000 KVA generator, turbine, transformers, circuit breakers, penstock, valves, power house extension and appropriate auxiliary equipment.

3. *Patla*

(a) Construct and install a 45,000 KW hydro-electric plant at Patla, with three 15,000 KW generators, three 22,500 h.p. turbines, transformers, circuit breakers, power house and appropriate auxiliary equipment.

(b) Install penstock. Construct power tunnel, tunnel intake, protective walls, diversion dam, surge tank, inclined railway and other requisite hydraulic and civil engineering works. Provide requisite construction equipment.

(c) Construct 85 KV transmission line Patla-Jacksonville and re-route Tepexic line to Jacksonville.

4. *Spare Parts*

Provide spare parts for maintenance and repair of hydro-electric plant equipment during period 1949-1951.

II. *Thermo-electric Generating Plant*

Build a 50,000 KW thermo-electric plant at Lecheria, with two 25,000 KW turbo-generators, boilers, cooling towers, transformers, switchboards, oil storage facilities and appropriate auxiliary equipment.

III. *Substations, Transmission Lines and Distribution Systems*

1. Construct a new double-circuit 187 KV transmission line between Necaxa and Federal District, including 187/85 KV substations at the terminal points at Jacksonville and Cerro Gordo.

2. Increase capacity of transmission and distribution system in the Lecheria-Tlalnepantla district, as follows :

(a) Construct double circuit 85 KV transmission line from Lecheria substation to K. 15 substation.

(b) Construct new 20,000 KVA substation at La Loma.

(c) Add appropriate equipment to Lecheria, K. 15, Tlalnepantla and Industria Eléctrica substations.

3. Increase to 10,000 KVA the capacity of Careaga 20/6 KV substation.

4. Install at Patera a 10,000 KVA, 20/6 KV substation.

5. Install at San Juan a 10,000 KVA, 20/6 KV substation.

6. Install at Xalostoc a 5,000 KVA, 20/6 KV substation.

7. Increase to 20,000 KVA the capacity of Cerro Gordo 85/20 KV substation and build additional outgoing 20 KV circuit.

8. Build two 85 KV lines from Lecheria to Jasso, and erect at Jasso a 20,000 KVA, 85/20 KV substation.

9. Build one 85 KV line from Cerro Gordo to Los Reyes, and erect at Los Reyes a 12,000 KVA, 85/20 KV substation.

10. Install 10 KMS. of 85 KV underground three-phase circuit between Nonoalco and Jamaica substations, passing through San Lazaro substation.

11. Build one 85 KV line between K-48 and Toluca, and erect at Toluca a 7,800 KVA, 85/20 KV substation. Erect two 2,600 KVA, 44/20—6 KV substations to feed the aqueduct pumping stations at Lerma Springs.

12. Install a 36,000 KVA, 85/40 KV bank at Morales substation, install 40 KV cables to Euskadi, and erect at this place a 20,000 KVA, 40/6 KV automatic substation.

13. Add a second 60 KV circuit from Capulin to Cuernavaca town and convert the distribution system for 6 KV operation.

14. Reinforce 85 KV overhead lines around Mexico City, by erecting new double-circuit 85 KV steel tower lines between Alamo and Tasquena substation, and replacing conductors on existing lines between Tasquena and Jamaica.
15. Increase the capacity of the 20 KV system at Pachuca and erect a 5,000 KVA 20/6 KV substation.
16. Add additional equipment at the Company's end of the El Alamo substation to provide adequate distribution of power received from the Commission's Ixtapantongo and Santa Barbara hydroelectric plants.
17. Replace conductors and insulators on one-half of Lerma-Nonoalco 85 KV lines.
18. Replace the 20,000 KVA, 85/6 KV bank at Morales by another bank rated at 30,000 KVA.
19. Install at Jamaica substation a second 30,000 KVA, 85/6 KV bank, extend building and replace 6 KV switchgear.
20. Provide 14 new 6 KV feeders from various substations of the Federal District.
21. Rebuild Indianilla substation.
22. Replace 33 public lighting transformers in the Federal District and Pachuca town.
23. Erect a 5,000 KVA, 20/6 KV substation at Tlalpam and convert distribution system to 6 KV.
24. Erect a 5,000 KVA, 20/6 KV substation at Pantitlan.
25. Add 50,000 KVA in condenser capacity to the Company's system.
26. Erect new rural substations and increase capacity of existing ones.
27. Install distribution transformers, new connections and extensions in overhead and underground distribution system.
28. Construct 15 new transformer vaults.
29. Provide 200,000 watt-hour meters and miscellaneous metering equipment.

IV. General

All constructions and installations described in the foregoing Sections I, II, and III of this Schedule shall be carried out and placed in serviceable operating order in conformity with sound engineering practice and in accordance with the detailed plans and specifications to be furnished to the Bank by the Borrowers. Such constructions and installations shall include the acquisition of all necessary land and franchises, the construction of all necessary civil and hydraulic engineering work and the installation of adequate communication systems.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 2, DATED 28 APRIL 1948

REGULATIONS GOVERNING THE DETERMINATION OF THE EQUIVALENT IN DOLLARS OF PARTS OF LOANS REPAYABLE IN CURRENCIES OTHER THAN DOLLARS AND THE AMOUNTS TO BE PAID AS PRINCIPAL, INTEREST AND OTHER CHARGES IN RESPECT OF PARTS OF LOANS ADVANCED OUT OF THE BANK'S CAPITAL HELD IN SUCH CURRENCIES

[*Not published herein. See United Nations, Treaty Series, Vol. 153, p. 340.*]