

No. 6771

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

**Guarantee Agreement—*Power Program—1962* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and Comisión Federal de Electricidad and Nacional Financiera, S.A.). Signed at Washington, on 20 June 1962**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 11 June 1963.*

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

**Contrat de garantie — *Programme relatif à l'énergie électrique—1962* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque, la Comisión Federal de Electricidad et la Nacional Financiera, S.A.). Signé à Washington, le 20 juin 1962**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 11 juin 1963.*

No. 6771. GUARANTEE AGREEMENT<sup>1</sup> (*POWER PROGRAM-1962*) BETWEEN THE UNITED MEXICAN STATES AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 20 JUNE 1962

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AGREEMENT, dated June 20, 1962, 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 Comisión Federal de Electricidad and Nacional Financiera, S.A. (hereinafter called the Borrowers), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,<sup>2</sup> the Bank has agreed to make to the Borrowers a loan in various currencies equivalent to one hundred thirty million dollars (\$130,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrowers in respect of such loan as hereinafter provided; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

*Article I*

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

*Section 1.02.* Wherever used in this Agreement, unless the context shall otherwise require, the terms defined in Section 1.02 of the Loan Agreement shall have the same meanings as therein set forth.

<sup>1</sup> Came into force on 26 July 1962, upon notification by the Bank to the Government of Mexico.

<sup>2</sup> See p. 118 of this volume.

### Article II

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

*Section 2.02.* Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrowers will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrowers or cause the Borrowers to be provided with such funds as are needed to meet such expenditures.

### Article III

*Section 3.01.* 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 account of the Guarantor or any political subdivision of the Guarantor.

*Section 3.02.* (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) 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 3.03.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

*Section 3.04.* This 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 3.05.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

*Section 3.06.* The Guarantor shall 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 shall take or cause to be taken all reasonable governmental action (and all reasonable action by reason of its ownership or control of Mexlight and Industrial Eléctrica Mexicana, S.A. de C.V.), which shall be necessary in order to enable the Borrowers to perform such covenants, agreements and obligations (including the undertaking contained in Section 5.14 of the Loan Agreement).

*Section 3.07.* The Guarantor covenants that it will : (a) grant and maintain or cause to be granted and maintained rates for the sale of electricity as shall be required to provide Comisión with funds (including the proceeds of the Power Consumption Tax) sufficient to : (i) cover all cash operating expenses of Comisión, including adequate maintenance and taxes, if any, and service payments on debt; and (ii) create a surplus adequate to meet a reasonable portion of the cost of expansion of Comisión's generating, transmission and distribution facilities; and (b) cause the agency or agencies of the Guarantor responsible for the setting and adjustment of such rates to effect, when necessary but in any case at least once a year, a review of such rates in order to verify that such rates are adequate to provide Comisión with such funds.

For the purposes of this Section the term "debt" shall have the same meaning as in Section 5.12 of the Loan Agreement set forth.

#### *Article IV*

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

#### *Article V*

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

For the Guarantor :

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

Alternative address for cablegrams and radiograms :

Nafin  
Mexico City

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D.C.

*Section 5.02.* Financiera is designated for the purposes of Section 8.03 of the Loan Regulations.

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 Raul MARTINEZ OSTOS  
Authorized Representative

International Bank for Reconstruction and Development :

By W. A. B. ILIFF  
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

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

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

LOAN AGREEMENT  
(POWER PROGRAM—1962)

AGREEMENT, dated June 20, 1962, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, party of the first part (hereinafter called the Bank), and COMISIÓN FEDERAL DE ELECTRICIDAD and NACIONAL FINANCIERA, S.A., parties of the second part (hereinafter called the Borrowers).

*Article I*

LOAN REGULATIONS; SPECIAL DEFINITIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,<sup>1</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the following modifica-

<sup>1</sup> See above.

tions thereof (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations) :

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

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

(c) Subparagraph (c) of Section 5.02 of the Loan Regulations is amended to read as follows :

“ (c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrowers or either of them or the Guarantor under the Loan Agreement, the Guarantee Agreement,<sup>1</sup> or the Bonds, or under the Loan Agreements between the Bank and the Borrowers dated January 6, 1949,<sup>2</sup> January 11, 1952,<sup>3</sup> and May 5, 1958,<sup>4</sup> or under any bonds issued thereunder, or under the Guarantee Agreements between the Guarantor and the Bank dated January 6, 1949,<sup>2</sup> January 11, 1952,<sup>3</sup> and May 5, 1958.”<sup>4</sup>

(d) Paragraph 6 of Section 10.01 of the Loan Regulations is amended to read as follows :

“ 6. The term ‘ Borrower ’ means the Borrowers, except that as used in Sections 5.02 (b), 5.02 (d), 5.02 (e), 5.02 (f), 7.01 and 7.02 such term means the Borrowers or either of them. The term ‘ Guarantor ’ means United Mexican States. ”

(e) Paragraph 11 of Section 10.01 of the Loan Regulations is amended to read as follows :

“ 11. The term ‘ Project ’ means the Expansion Program of Comisión or the projects included therein (or any of them, or such groupings of them as the context may require) for which the Loan is granted, as described in the Loan Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and the Borrowers. ”

*Section 1.02.* Unless the context otherwise requires, the following terms wherever used in this Agreement or in the Loan Regulations shall have the following meanings :

(a) The term “ Comisión ” means Comisión Federal de Electricidad.

(b) The term “ Financiera ” means Nacional Financiera, S.A.

(c) The term “ Mexlight ” means Compañía Mexicana de Luz y Fuerza, S.A., and its Subsidiaries.

(d) The term “ Power Consumption Tax ” means the tax established by law of December 31, 1938, of the Guarantor and payable by consumers of electricity on the amounts of their billings, and the proceeds of which are paid over to Comisión for the purposes of Article 5 thereof.

<sup>1</sup> See p. 110 of this volume.

<sup>2</sup> United Nations, *Treaty Series*, Vol. 154, pp. 3 and 81.

<sup>3</sup> United Nations, *Treaty Series*, Vol. 159, p. 129.

<sup>4</sup> United Nations, *Treaty Series*, Vol. 309, p. 3.

*Article II*

## THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrowers, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to one hundred thirty million dollars (\$130,000,000).

*Section 2.02.* The Bank shall open a Loan Account on its books in the name of the Borrowers and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations.

*Section 2.03.* Except as the Bank shall otherwise agree, the Borrowers shall be entitled, subject to the provisions of this Agreement and the Loan Regulations, to withdraw from the Loan Account :

(a) such amounts as shall have been expended for the reasonable cost of goods to be financed under this Agreement and, if the Bank shall so agree, such amounts as shall be required by the Borrowers to meet payments for such goods; and

(b) the equivalent of a percentage or percentages to be established from time to time by agreement between the Bank and the Borrowers of such amounts as shall have been expended for the reasonable cost of civil works required for carrying out the Project described in Schedule 2<sup>1</sup> to this Agreement and not included in (a) above, such percentage to represent the foreign exchange component of such cost;

provided, however, that no withdrawals shall be made on account of : (i) expenditures prior to January 1, 1962; or (ii) expenditures made in the territories of any country (except Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories.

*Section 2.04.* Withdrawals from the Loan Account pursuant to subsection (b) of Section 2.03 of this Agreement shall be in dollars or such other currency or currencies as the Bank shall from time to time reasonably select.

*Section 2.05.* The Borrowers shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

*Section 2.06.* The Borrowers shall pay interest at the rate of five and three-fourths per cent ( $5\frac{3}{4}$ %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.07.* Except as the Bank and the Borrowers shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrowers pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

<sup>1</sup> See p. 140 of this volume.



*Section 2.08.* Interest and other charges shall be payable semi-annually on May 1 and November 1 in each year.

*Section 2.09.* The Borrowers shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1<sup>1</sup> to this Agreement.

*Section 2.10.* All obligations of the Borrowers under the Loan Agreement and the Bonds, unless such obligations shall have been expressly undertaken by one of the Borrowers, shall be joint and several and the obligation of either of them to comply with any provision of the Loan 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 the Loan Agreement or the Bonds, and no failure of the Bank or of any holder of the Bonds to give any notice or to make any demand or protest whatsoever to either of the Borrowers, or strictly to assert any right or pursue any remedy against either of them in respect of the Loan Agreement or the Bonds, 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 the Loan Agreement or the Bonds.

### *Article III*

#### USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrowers shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2 to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Bank and the Borrowers, subject to modification by further agreement between them.

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

### *Article IV*

#### BONDS

*Section 4.01.* The Borrowers shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations. The forms of Bonds referred to in Article VI of the Loan Regulations shall be appropriately modified so as to provide that the obligations on the part of the Borrowers under the Bonds shall be joint and several.

<sup>1</sup> See p. 138 of this volume.

*Section 4.02.* (a) The *Director General* of Comisión and such person or persons as he shall appoint in writing are designated as authorized representatives of Comisión for the purposes of Section 6.12 (a) of the Loan Regulations.

(b) The *Director General* of Financiera and such person or persons as he shall appoint in writing are designated as authorized representatives of Financiera for the purposes of Section 6.12 (a) of the Loan Regulations.

#### Article V

##### PARTICULAR COVENANTS

*Section 5.01.* (a) The Borrowers shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

(b) The Borrowers covenant that, to assist them in the carrying out of such parts of the Project as shall be agreed upon between the Bank and the Borrowers, the Borrowers will, except as the Bank shall otherwise agree, at all times employ competent and experienced consultants acceptable to, and upon terms and conditions satisfactory to, the Bank.

*Section 5.02.* (a) The Borrowers shall at all times maintain their corporate existence and right to carry on their operations and Comisión shall, except as the Bank shall otherwise agree, take all steps necessary to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) Comisión shall operate and maintain its plants, equipment and property, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering and public utility practices.

(c) Comisión shall at all times carry on its planning and operations, conduct its affairs and maintain its financial position all in accordance with sound management, business, financial and public utility principles and practices.

*Section 5.03.* (a) Upon request from time to time by the Bank, the Borrowers 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.

(b) The Borrowers shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrowers.

(c) The Borrowers shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents, and all other plants, sites, works, properties and equipment of Comisión.

(d) The Borrowers shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the operations and financial condition of the Borrowers.

*Section 5.04.* Each of the Borrowers undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any of its assets as security, as to Financiera for any external debt and as to Comisión for any debt, such lien shall *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and in the creation of any such lien express provision shall 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 5.05.* Comisión shall have its financial statements (balance sheet and related statement of earnings and expenses) certified annually by an independent accountant or accounting firm acceptable to the Bank and shall promptly after their preparation and not later than four months after the close of Comisión's fiscal year transmit to the Bank certified copies of such statements and a signed copy of the accountant's or accounting firm's report.

*Section 5.06.* (a) The Bank and the Borrowers shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to any other of them all such information as it shall reasonably request with regard to the general status of the Loan.

(b) The Bank and the Borrowers shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrowers shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof or the adjustment, when necessary, of Comisión's rates for the sale of electricity as required by Section 5.13 of this Agreement and Section 3.07 of the Guarantee Agreement.

*Section 5.07.* The Borrowers 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, 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 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 5.08.* The Borrowers 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.

*Section 5.09. (a)* The Borrowers shall insure or cause to be insured with responsible insurers all goods financed out of the proceeds of the Loan. Such insurance shall cover such marine, transit and other hazards incident to purchase and importation of the goods into the territories of the Guarantor and delivery thereof to the sites of the Project, and shall be for such amounts, as shall be consistent with sound commercial practices. Such insurance shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

*(b)* In addition, Comisión shall, except as the Bank shall otherwise agree, take out and maintain, with good and reputable insurance companies, insurance against such risks and in such amounts as shall be consistent with sound public utility and business practices.

*Section 5.10.* Except as the Bank shall otherwise agree, Comisión shall not, during the period of construction of the Project, directly or indirectly undertake, or permit to be undertaken on its behalf, any major addition (other than the Project) to its plants and other property.

For the purposes of this Section the term "major addition" includes, but without limitation, any generating unit of 5,000 kw or larger, any substation of 10,000 kva or larger and any transmission line of a voltage of 69 kv or higher.

*Section 5.11.* Except as the Bank shall otherwise agree :

*(a)* Comisión shall obtain title to all goods financed out of the proceeds of the Loan free and clear of all encumbrances; and

*(b)* Comisión shall not, without the consent of the Bank, sell or otherwise dispose of any of its property or assets which shall be required for the efficient carrying on of its business and undertaking, including the Project, unless the Borrowers shall first pay or redeem, or make adequate provision satisfactory to the Bank for payment or redemption of, all of the Loan and the Bonds which shall then be outstanding and unpaid.

*Section 5.12. (a)* Except as the Bank shall otherwise agree, Comisión shall not :  
*(i)* during the years 1962 and 1963 incur any debt and *(ii)* thereafter incur any debt if funds required for servicing the outstanding debt of Comisión (including the debt proposed to be incurred) shall, in any fiscal year of Comisión (including the fiscal year in which such debt would be incurred), exceed  $66\frac{2}{3}\%$  of the net revenues of Comisión during the fiscal year next preceding such incurrence or during any later consecutive twelve-month period preceding such incurrence, whichever is the greater.

(b) Except as the Bank shall otherwise agree : (i) Financiera shall not incur debt or permit any other entity to incur debt on Financiera's behalf the purposes of which would be directly or indirectly to finance any power generating, transmission or distribution facilities of Comisión and which would not, if Comisión were directly legally and financially incurring such debt, meet the requirements of subsection (a) of this Section; and (ii) the Borrowers shall promptly make arrangements satisfactory to the Bank whereby Comisión shall become, as between Comisión and Financiera, obligated to and shall service, out of its operating revenues, all such debt heretofore incurred by Financiera.

For the purposes of this Section :

1. The term " debt " shall not include debt of Comisión incurred in the ordinary course of its business and maturing by its terms less than one year after the date of its incurrence but shall include all debt heretofore or hereafter incurred by Financiera or by any other agency of the Guarantor for the purposes of financing directly or indirectly any power generating, transmission or distribution facilities of Comisión.

2. The term " net revenues " means the sum of all gross operating revenues of Comisión plus the proceeds of the Power Consumption Tax (but excluding public appropriations, contributions, grants and proceeds of taxes and levies other than the proceeds of the Power Consumption Tax) less the sum of all operating, administrative and overhead expenses of Comisión (but without deduction of any amounts for service payments on debt or for depreciation, replacement, retirement, or obsolescence of the assets of Comisión), such net revenues to be adjusted to take account of any increases in Comisión's rates for the sale of electricity or in the Power Consumption Tax in effect at the time of the incurrence of debt as if such increases had been in effect during the entire fiscal year or twelve-month period to which such revenues relate.

3. Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt.

*Section 5.13.* Comisión shall from time to time take all necessary or desirable steps to cause such adjustments in Comisión's rates for the sale of electricity to be made as shall be required to provide Comisión with funds (including the proceeds of the Power Consumption Tax) sufficient to : (a) cover all cash operating expenses of Comisión, including adequate maintenance and taxes, if any, and service payments on debt; and (b) create a surplus adequate to meet a reasonable portion of the cost of expansion of Comisión's generating, transmission and distribution facilities.

For the purposes of this Section the term " debt " shall have the same meaning as in Section 5.12 set forth.

*Section 5.14.* (a) Except as the Bank shall otherwise agree, Comisión shall, during the years 1962, 1963, 1964 and 1965, take all such action as may be required on its part

to conclude, not later than December 1 in each such year, agreements with Mexlight and Industrial Eléctrica Mexicana, S.A. de C.V., with a view to achieving coordination in respect of: (i) the operation of such power generating, transmission and distribution facilities owned or controlled by each of them as are interconnected with each other and (ii) the planning of their investment programs in such facilities for the five years immediately following each such agreement.

(b) Financiera shall, by reason of its present control over Industrial Eléctrica Mexicana, S.A. de C.V., take all such action as may be necessary or desirable to cause Industrial Eléctrica Mexicana, S.A. de C.V., on its part to conclude with Comisión and Mexlight the agreements required by subsection (a) of this Section, and, if Financiera shall transfer such control to any entity other than Comisión, Financiera shall make arrangements with such entity whereby compliance with the provisions of this Section shall be ensured.

*Section 5.15.* Except as the Bank shall otherwise agree, Comisión shall not, during the years 1962, 1963 and 1964, invest in, or lend or otherwise make available to, its affiliated companies, during any such year, funds of the Comisión in excess of the aggregate principal amount of twenty-five million pesos in currency of the Guarantor.

For the purposes of this Section the term “affiliated companies” means the companies now or hereafter directly or indirectly under the control of Comisión, whether through power to direct their management and policies, ownership of their voting stock or assets, contract or otherwise.

## Article VI

### REMEDIES OF THE BANK

*Section 6.01.* (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrowers or to either of them, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in the Loan Agreement or in the Bonds to the contrary notwithstanding.

## Article VII

### MISCELLANEOUS

*Section 7.01.* The Closing Date shall be October 1, 1964, or such other date as shall be agreed by the Bank and the Borrowers as the Closing Date.

*Section 7.02.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

(a) For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D.C.

(b) For the Borrowers :

Comisión Federal de Electricidad  
Calle de Ródano 14  
Mexico 5, D.F., Mexico

Alternative address for cablegrams and radiograms :

Cefelec  
Mexico

and

Nacional Financiera, S.A.  
Avenida Venustiano Carranza 25  
Mexico, D.F., Mexico

Alternative address for cablegrams and radiograms :

Nafin  
Mexico

*Section 7.03.* A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By W. A. B. ILIFF  
Vice President

Comisión Federal de Electricidad :

By Manuel MORENO TORRES  
Authorized Representative

Nacional Financiera, S.A.

By Raul MARTINEZ OSTOS  
Authorized Representative

## SCHEDULE I

## 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>
Nov. 1, 1964 . . . . .	\$1,635,000	May 1, 1975 . . . . .	\$2,960,000
May 1, 1965 . . . . .	1,680,000	Nov. 1, 1975 . . . . .	3,045,000
Nov. 1, 1965 . . . . .	1,730,000	May 1, 1976 . . . . .	3,135,000
May 1, 1966 . . . . .	1,780,000	Nov. 1, 1976 . . . . .	3,225,000
Nov. 1, 1966 . . . . .	1,830,000	May 1, 1977 . . . . .	3,315,000
May 1, 1967 . . . . .	1,880,000	Nov. 1, 1977 . . . . .	3,410,000
Nov. 1, 1967 . . . . .	1,935,000	May 1, 1978 . . . . .	3,510,000
May 1, 1968 . . . . .	1,990,000	Nov. 1, 1978 . . . . .	3,610,000
Nov. 1, 1968 . . . . .	2,050,000	May 1, 1979 . . . . .	3,715,000
May 1, 1969 . . . . .	2,110,000	Nov. 1, 1979 . . . . .	3,820,000
Nov. 1, 1969 . . . . .	2,170,000	May 1, 1980 . . . . .	3,930,000
May 1, 1970 . . . . .	2,230,000	Nov. 1, 1980 . . . . .	4,045,000
Nov. 1, 1970 . . . . .	2,295,000	May 1, 1981 . . . . .	4,160,000
May 1, 1971 . . . . .	2,360,000	Nov. 1, 1981 . . . . .	4,280,000
Nov. 1, 1971 . . . . .	2,430,000	May 1, 1982 . . . . .	4,405,000
May 1, 1972 . . . . .	2,500,000	Nov. 1, 1982 . . . . .	4,530,000
Nov. 1, 1972 . . . . .	2,570,000	May 1, 1983 . . . . .	4,660,000
May 1, 1973 . . . . .	2,645,000	Nov. 1, 1983 . . . . .	4,795,000
Nov. 1, 1973 . . . . .	2,720,000	May 1, 1984 . . . . .	4,935,000
May 1, 1974 . . . . .	2,800,000	Nov. 1, 1984 . . . . .	5,075,000
Nov. 1, 1974 . . . . .	2,880,000	May 1, 1985 . . . . .	5,220,000

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

## PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity . . . . .	½ of 1%
More than three years but not more than six years before maturity . . . . .	1%
More than six years but not more than eleven years before maturity . . . . .	1¾%
More than eleven years but not more than sixteen years before maturity . . . . .	2½%
More than sixteen years but not more than nineteen years before maturity . . . . .	3½%
More than nineteen years but not more than twenty-one years before maturity . . . . .	4¾%
More than twenty-one years before maturity . . . . .	5¾%



## SCHEDULE 2

## DESCRIPTION OF THE PROJECT

I. The Project is the Expansion Program, extending from January 1962 to January 1966, of Comisión's power generating, transmission and distribution facilities and is designed to increase the installed capacity of Comisión's eleven major systems by about 2390 Megawatts, and of its miscellaneous small systems by about 160 Megawatts. The Project also includes a continuation of Comisión's rural electrification program, the addition of some capital improvements to its existing facilities, and a training program designed to increase the number of staff available for operating the new plants. Transmission lines of voltage and length adequate to serve the new generating units will be constructed, together with the required substations and ancillary equipment. Distribution networks of capacity adequate to serve the forecasted load growth will be provided.

II. Details of the generating, transmission and distribution facilities included in the Project, such as their type, location, capacity and scheduled completion dates will be determined from time to time by agreement between the Bank and the Borrowers, subject to modification by further agreement between them.

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