
LOAN NUMBER 316 ME

Guarantee Agreement

(Power Program—1962)

BETWEEN

UNITED MEXICAN STATES

AND

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

DATED JUNE 20, 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, 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, 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.

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 Mex-light 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 /s/ RAUL MARTINEZ OSTOS
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ W. A. B. ILIFF
Vice President