

CONFORMED COPY

LOAN NUMBER 3189 ME

Guarantee Agreement

(Transmission and Distribution Project)

between

UNITED MEXICAN STATES

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 25, 1990

LOAN NUMBER 3189 ME

GUARANTEE AGREEMENT

AGREEMENT, dated September 25, 1990, between UNITED MEXICAN STATES (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor, Nacional Financiera, S.N.C. (the Borrower) and Comision Federal de Electricidad (CFE) having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to the Loan Agreement, have requested the Bank to assist in the financing of the Project;

(B) by an agreement (the Loan Agreement) of even date herewith between the Bank and the Borrower, the Bank has agreed to extend to the Borrower a loan in various currencies equivalent to four hundred and fifty million dollars (\$450,000,000), 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 Borrower in respect of such loan as provided in this Agreement;

(C) by an agreement (the Project Agreement) of even date herewith, between the Bank and CFE, the latter has agreed to undertake the obligations set forth in the Project Agreement; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985 (the General Conditions), with the last sentence of Section 3.02 deleted, constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to and Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

ARTICLE II

Guarantee; Provision of Funds

Section 2.01. Without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not merely as surety, the due and punctual payment of the principal of, and interest and other charges on, the Loan, and the premium, if any, on the prepayment of the Loan, and the punctual performance of all the other obligations of the Borrower, and CFE, as set forth in the Loan Agreement and the Project Agreement, respectively.

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 CFE will be inadequate to meet the estimated expenditures required for the carrying out of the Project, to make arrangements, satisfactory to the Bank, promptly to provide CFE, or cause CFE to be provided with, such funds as are needed to meet such expenditures.

ARTICLE III

Execution of the Project

Section 3.01. Without limitation to or restriction upon any of its obligations under this Agreement, the Guarantor declares its commitment to the objectives of the Project set forth in Schedule 2 to the Loan Agreement, and to this end shall: (i) take all measures necessary or appropriate to assist CFE in carrying out its obligations under the Project Agreement; and (ii) not take or permit to be taken, any action which would prevent or interfere with the performance by CFE of its obligations under the Project Agreement, respectively.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to the Loan Agreement.

Section 3.03. The Guarantor shall take all actions necessary to the effect that SEDUE's personnel shall receive training under Parts B.1 (b) and B.2 (b) of the Project under the plan of action submitted to the Bank pursuant to Section 2.07 (b) of the Project Agreement.

Section 3.04. The Guarantor shall:

(a) perform all of its obligations under the Financial Rehabilitation Agreement; and

(b) except as the Bank may otherwise agree, not change or fail to enforce the Financial Rehabilitation Agreement or any provision thereof.

Section 3.05. The Guarantor specifically undertakes that it shall:

- (i) review with the Bank and CFE (A) the progress of carrying out the Ten-Year Investment Plan by October 31 of each year during implementation of the Project, and (B) the progress of carrying out the Financial Rehabilitation Agreement by March 31 of each year during the implementation of the Project; both in order to ensure, among other things, adequate consideration of economic and financial factors as well as compatibility with the Guarantor's macroeconomic policies; and
- (ii) take all measures necessary or appropriate, to ensure compliance by CFE with its financial, investment and other obligations under Sections 4.02, 4.03, 4.04 and 4.05 of the Project Agreement.

Section 3.06. The Guarantor agrees that by June 30, 1992 it shall modify the domestic price of the fuel, used by CFE (and companies wholly and partially owned by it, including CFLC) for electric power generation, to reach the level of international border prices, and thereafter shall maintain such price at the level at least equivalent to the international border price. For purposes of this Section, n international border price n shall mean the average export price, FOB Mexican port, for the same type of fuel, charged by PEMEX in 1989. For purposes of the foregoing, n international border price" shall be determined in constant currency and in accordance with methodology acceptable to the Bank.

ARTICLE IV

Amendment of the Guarantee Agreement 3083-ME

Section 4.01. Section 3.06 of the Guarantee Agreement 3083-ME is hereby amended by substituting the date "October 31" for the date "September 1" specified therein.

ARTICLE V

Representative of the Guarantor; Addresses

Section 5.01. The Director General de Captacion de Credito Externo of the Secretaria de Hacienda y Credito Publico of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Direccion General de Captacion de Credito Externo
Secretaria de Hacienda y Credito Publico
Palacio Nacional
Primer Patio Mariano, 4 Piso
06066 Mexico, D.F.
Mexico

Cable address:

Telex:

1777313 SHDCME

For the Bank:

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

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

197688 (TRT)
248423 (RCA)
64145 (WUI) or
82987 (FTCC)

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

UNITED MEXICAN STATES

By /s/ Pedro Aspe Armella
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ S. Shahid Husain
Regional Vice President
Latin America and the Caribbean

