

EXECUTION COPY



INSURANCE AND REIMBURSEMENT AGREEMENT

between

MBIA INSURANCE CORPORATION

and

COMISIÓN FEDERAL DE ELECTRICIDAD

dated December 15, 2006



ARTICLE I	DEFINITIONS.....	
1.1	Terms Generally.....	1
1.2	Other Rules of Construction	2
1.3	Notices and Written Communications	3
ARTICLE II	THE INSURANCE POLICIES; CLOSING CONDITIONS; PREMIUMS; REIMBURSEMENT; TAXES; INDEMNIFICATION.....	3
2.1	Insurance Policies.....	3
2.2	Closing.....	3
2.3	Payment of Premiums	5
2.4	Reimbursement and Other Payment Obligations.....	5
2.5	Subrogation.....	6
2.6	Taxes.....	7
2.7	Indemnification.....	9
2.8	Payment Procedure	12
2.9	Obligations Absolute.....	12
2.10	Reinstatement.....	15
2.11	Further Assurances and Corrective Instruments.....	15
ARTICLE III	REPRESENTATIONS AND WARRANTIES OF THE ISSUER.....	15
3.1	Representations and Warranties of the Issuer in the Note Purchase Agreement.....	15
ARTICLE IV	COVENANTS	15
4.1	Covenants.....	15
ARTICLE V	EVENTS OF DEFAULT AND REMEDIES	16
5.1	Events of Default	16
5.2	Remedies; Waivers.....	16
ARTICLE VI	MISCELLANEOUS	17
6.1	Amendments, etc.....	17
6.2	Assignments; Reinsurances; Third Party Rights.....	17
6.3	Insurance Company Not a Fiduciary	18
6.4	Notices	18
6.5	Severability; Consents.....	19



6.6	Judgment Currency	20
6.7	Termination	20
6.8	Liability of the Insurance Company	21
6.9	Governing Law; Waiver of Jury Trial	21
6.10	Submission to Jurisdiction, Etc	22
6.11	Waiver of Insurance Company's Security	23
6.12	Waiver of Sovereign Immunity	23
6.13	Entire Agreement	23
6.14	New Agreement	23
6.15	Benefits of Agreement	23
6.16	Conflicts	24
6.17	Counterparts	24



SCHEDULES AND EXHIBITS

Schedule A	Definitions
Schedule B-1	Conditions Precedent to the Issuance and Delivery of the First Insurance Policy
Schedule B-2	Conditions Precedent to the Issuance and Delivery of the Second Insurance Policy
Schedule B-3	Conditions Precedent to the Issuance and Delivery of the Third Insurance Policy
Exhibit A	Form of Insurance Policy
Exhibit B	Form of First Closing Opinion of General Counsel of the Issuer
Exhibit C	Form of First Closing Opinion of Cleary Gottlieb Steen & Hamilton LLP, special New York counsel to the Issuer



INSURANCE AND REIMBURSEMENT AGREEMENT, dated December 15, 2006 (this "Agreement" or the "Reimbursement Agreement"), between MBIA INSURANCE CORPORATION (the "Insurance Company"), a stock insurance corporation organized under the laws of the State of New York, COMISIÓN FEDERAL DE ELECTRICIDAD (the "Issuer"), a decentralized public entity of the Federal Government of the United Mexican States ("Mexico").

PRELIMINARY STATEMENTS

A. The Issuer proposes to issue and sell to the Purchasers (as defined in the Note Purchase Agreement) on each Closing Date its Insured Floating Rate Notes due 2036 (the "Notes") in an aggregate principal amount not to exceed U.S. \$905 million upon the terms and subject to the conditions provided in the Note Purchase Agreement.

B. The Insurance Company is authorized to transact a financial guarantee insurance business in the State of New York and, subject to the terms and conditions hereof, the Insurance Company is willing to issue and deliver to the Trustee, for the benefit of the Noteholders, (i) an insurance policy substantially in the form of Exhibit A hereto (the "First Insurance Policy") on the First Purchase Date, (ii) an insurance policy substantially in the form of Exhibit A hereto (the "Second Insurance Policy") on the Second Purchase Date and (iii) an insurance policy substantially in the form of Exhibit A hereto (the "Third Insurance Policy," and together with the First Insurance Policy and the Second Insurance Policy, the "Insurance Policies") on the Third Purchase Date, each for the purpose of guarantying regularly-scheduled payments of principal of and interest on the Notes upon the terms and subject to the conditions provided in the relevant Insurance Policy.

C. The parties hereto desire to specify, among other things, the terms and conditions for the issuance of the Insurance Policies, the payment of certain commissions and premiums therefor, the obligations of the Insurance Company in respect of the Insurance Policies, and to provide for certain other matters related thereto.

NOW, THEREFORE, in consideration of the promises and other agreements herein contained, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 Terms Generally. Capitalized terms used herein, including in the preliminary statements, without definition shall have the respective meanings assigned to such terms in Schedule A (*Definitions*) hereto.



1.2 Other Rules of Construction. Unless the contrary is expressly stated herein:

- (i) words in this Agreement denoting one gender only shall be construed to include the other gender;
- (ii) when used in this Agreement, the words "including", "includes" and "include" shall be deemed to be followed in each instance by the words "without limitation";
- (iii) when used in this Agreement, the words "herein", "hereby", "hereunder", "hereof", "hereto", "hereinbefore", and "hereinafter", and words of similar import, shall refer to this Agreement in its entirety and not to any particular section, subsection, paragraph, clause or other subdivision, exhibit, schedule or appendix of this Agreement;
- (iv) each reference in this Agreement to any article, section, subsection, paragraph, clause or other subdivision, exhibit, schedule or appendix shall mean, unless otherwise specified, the respective article, section, subsection, paragraph, clause or other subdivision, exhibit, schedule or appendix of this Agreement;
- (v) capitalized terms in this Agreement referring to any Person or party to any Financing Agreement, any Insurance Policy or to any other agreement, instrument, deed or other document shall refer to such Person or party together with its successors and permitted assigns, and in the case of any Governmental Authority, any Person succeeding to its functions and capacities;
- (vi) each reference in this Agreement to any Financing Agreement, any Insurance Policy, or to any other agreement, instrument, deed or other document, shall be deemed to be a reference to such Financing Agreement, Insurance Policy, or such other agreement, instrument, deed or document, as the case may be, as the same may be amended, supplemented, novated or otherwise modified from time to time in accordance with the terms hereof and thereof;
- (vii) each reference in this Agreement to any provision of Law shall be construed as a reference to that provision of Law, as applied, amended, modified, extended or re-enacted from time to time, and includes any rules or regulations promulgated thereunder;
- (viii) each reference in this Agreement to any provision of any other Financing Agreement or any Insurance Policy will include reference to any definition or provision incorporated by reference within that provision; and



(ix) when used in this agreement, the word "or" shall be non-exclusive and shall be construed to include the word "and".

1.3 Notices and Written Communications. Unless the contrary intention appears, any capitalized term used without definition in any notice or other written communication given under or pursuant to this Agreement shall have the same meaning in that notice or other written communication as in this Agreement.

ARTICLE II

THE INSURANCE POLICIES; CLOSING CONDITIONS; PREMIUMS; REIMBURSEMENT; TAXES; INDEMNIFICATION

2.1 Insurance Policies.

(a) Subject to the terms and conditions set forth herein and on the basis of the representations, warranties, covenants and agreements contained herein and in the other Financing Agreements, the Insurance Company agrees to issue and deliver the First Insurance Policy to the Trustee, for the benefit of the Noteholders, on the First Purchase Date.

(b) Subject to the terms and conditions set forth herein and on the basis of the representations, warranties, covenants and agreements contained herein and in the other Financing Agreements, the Insurance Company agrees to issue and deliver the Second Insurance Policy to the Trustee, for the benefit of the Noteholders, on the Second Purchase Date.

(c) On or before February 28, 2007, the Issuer shall advise the Insurance Company by notice in the form of Exhibit A to the Note Purchase Agreement whether it desires to issue up to an additional U.S.\$150,000,000 (or such lesser amount as shall result in the aggregate principal amount of the Notes not exceeding U.S.\$905,000,000) principal amount of its Insured Floating Rate Notes due 2036 (the "Third Purchase Date Notes") on the Third Purchase Date, but in no event later than the Third Commitment Termination Date. No later than 10 Business Days after receiving such notice from the Issuer, the Insurance Company shall indicate by notice to the Issuer whether it desires to issue the Third Insurance Policy guaranteeing payment of principal and interest on such Third Purchase Date Notes, and if it does not respond to such notice it will be deemed to have declined to issue such Third Insurance Policy.

2.2 Closing.

(a) The obligations of the Insurance Company under this Agreement, including without limitation the obligation to issue and deliver the First Insurance Policy



at the First Closing, shall be subject to the satisfaction, or the waiver by the Insurance Company in its sole discretion, on or before the First Purchase Date, but in no event later than the First Commitment Termination Date, of each of the conditions precedent set forth in Schedule B-1 (*Conditions Precedent to the Issuance and Delivery of the First Insurance Policy*). The First Closing shall take place at the offices of Cleary Gottlieb Steen & Hamilton LLP, upon not less than five Business Days' prior written notice from the Issuer to the Insurance Company (with a copy to the Trustee) that all such conditions precedent have been or will be satisfied on or before the First Purchase Date. The First Closing hereunder shall occur simultaneously with the closing of the issuance and sale of Notes under the Note Purchase Agreement on the First Purchase Date (as defined in the Note Purchase Agreement).

(b) The obligations of the Insurance Company under this Agreement, including without limitation the obligation to issue and deliver the Second Insurance Policy at the Second Closing, shall be subject to the satisfaction, or the waiver by the Insurance Company in its sole discretion, on or before the Second Purchase Date, but in no event later than the Second Commitment Termination Date, of each of the conditions precedent set forth in Schedule B-2 (*Conditions Precedent to the Issuance and Delivery of the Second Insurance Policy*). The Second Closing shall take place at the offices of Cleary Gottlieb Steen & Hamilton LLP, upon not less than five Business Days' prior written notice from the Issuer to the Insurance Company (with a copy to the Trustee) that all such conditions precedent have been or will be satisfied on or before the Second Purchase Date. The Second Closing hereunder shall occur simultaneously with the closing of the issuance and sale of Notes under the Note Purchase Agreement on the Second Purchase Date (as defined in the Note Purchase Agreement).

(c) The obligations of the Insurance Company under this Agreement to issue and deliver the Third Insurance Policy at the Third Closing, shall be subject to (i) the agreement of the Insurance Company to issue the Third Insurance Policy as evidenced by the notice delivered by the Insurance Company pursuant to Section 2.1(c) hereof and (ii) the satisfaction, or the waiver by the Insurance Company in its sole discretion, on or before the Third Purchase Date, but in no event later than the Third Commitment Termination Date, of each of the conditions precedent set forth in Schedule B-3 (*Conditions Precedent to the Issuance and Delivery of the Third Insurance Policy*). The Third Closing shall take place at the offices of Cleary Gottlieb Steen & Hamilton LLP, upon not less than five Business Days' prior written notice from the Issuer to the Insurance Company (with a copy to the Trustee) that all such conditions precedent have been or will be satisfied on or before the Third Purchase Date. The Third Closing hereunder shall occur simultaneously with the closing of the issuance and sale of Notes under the Note Purchase Agreement on the Third Purchase Date (as defined in the Note Purchase Agreement).

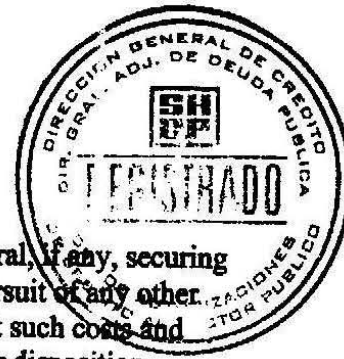


2.3 Payment of Premiums. In consideration of the issuance by the Insurance Company of the Insurance Policies, the Issuer shall pay to the Insurance Company the premiums (the "*Premiums*") with respect thereto specified in a separate letter agreement (the "*Premium Letter*") by and between the Issuer and the Insurance Company. The Premiums paid hereunder (as specified in the Premium Letter) shall be nonrefundable without regard to whether the Insurance Company makes any payment under any Insurance Policy or any other circumstances relating to the Notes or provision being made for payment of any Note prior to maturity. The Issuer shall make all payments of Premium by wire transfer to an account designated from time to time by the Insurance Company by written notice to the Issuer not less than five Business Days prior to the date on which the payment is due. Although the Premiums are fully earned by the Insurance Company upon issuance of the relevant Insurance Policy, a portion of the Premiums shall be payable after the relevant Closing Date pursuant to the Premium Letter, *provided* that in the event that any Note becomes due on an accelerated basis as a result of an Event of Default or any other circumstance (other than by reason of an early redemption at the option of the Noteholders or optional redemption for tax reasons, if any, duly made and paid in accordance with the applicable Financing Agreement, in which case a redemption premium shall be payable as provided in the Premium Letter), then the unpaid Premiums, if any, shall become immediately due and payable by the Issuer to the Insurance Company without demand or notice. The unpaid Premiums, if any, payable on an accelerated basis shall be calculated as provided in the Premium Letter.

2.4 Reimbursement and Other Payment Obligations. The Issuer agrees to pay to the Insurance Company as follows:

(a) to the extent not previously reimbursed by the Trustee pursuant to the Indenture, a sum, in U.S. Dollars, equal to the total amount of all Insurance Policy Disbursements paid by the Insurance Company under the Insurance Policies;

(b) any and all charges, fees, reasonable and documented costs and expenses which the Insurance Company may pay or incur, including attorneys', accountants' and other consultants' fees and expenses, and any and all recording and filing fees that may be payable or determined to be payable, in connection with (i) in the event of any payment under any Insurance Policy following a payment default by the Issuer, any accounts established to facilitate such payment, (ii) the enforcement, defense or preservation of any rights in respect of any of the Financing Agreements or the Insurance Policies during the Continuance of a Default or Event of Default, including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of any party to any Financing Agreement or any Affiliate thereof) relating to any of the Financing Agreements, any party to any of the Financing Agreements or the Insurance Policies or the transactions contemplated thereby,



(iii) the foreclosure against, sale or other disposition of collateral, if any, securing any obligations under any of the Financing Agreements, or pursuit of any other remedies under any of the Financing Agreements, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, (iv) any review or approval by the Insurance Company in connection with the delivery of collateral or substitute collateral, if any, under any of the Financing Agreements, or (v) any amendment, supplement or modification of any Financing Agreement or any Insurance Policy, or any waiver or consent under any Financing Agreement or any Insurance Policy; and the Insurance Company reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of any of the Financing Agreements or the Insurance Policies;

(c) to the extent permitted by applicable Law, interest on any and all amounts described in this Section 2.4 from the date paid by the Insurance Company until payment thereof in full by the Issuer and interest on any and all amounts described in Section 2.3 (*Premiums*) from the date due until payment thereof in full by the Issuer, in each case, payable to the Insurance Company at the Reimbursement Rate for each Designated Period, in each case compounded semiannually and calculated on the basis of a 360-day year for the actual number of days elapsed.

All amounts payable under Section 2.4(a) are immediately due and payable without demand, in U.S. Dollars, in full, without any requirement on the part of the Insurance Company to seek reimbursement from any other sources of indemnity therefor. Amounts payable under Section 2.4(b) and 2.4(c) shall be payable within 10 Business Days after a demand therefor, in U.S. Dollars, in full, without any requirement on the part of the Insurance Company to seek reimbursement from any other sources of indemnity therefor.

2.5 Subrogation. In furtherance of and not in limitation of the Insurance Company's right of subrogation, the Issuer acknowledges that, to the extent of any payment made by the Insurance Company pursuant to any Insurance Policy, the Insurance Company shall be fully subrogated to the extent of any such payment, and any additional interest due on any late payment, to the rights of each of the Noteholders under the Notes, the other Financing Agreements and the Note Purchase Agreement. The Issuer agrees to such subrogation and agrees to execute such instruments and to take such actions as the Insurance Company may reasonably request to evidence such subrogation and to perfect the right of the Insurance Company to receive any amounts paid or payable thereunder. If and to the extent that the Insurance Company shall be fully and indefeasibly reimbursed in cash or immediately available funds by the Issuer pursuant to Section 2.4 (*Reimbursement and Other Payment Obligations*) in respect of any payment made by the Insurance Company under any Insurance Policy or by the Trustee under the Indenture, such reimbursement shall be deemed to constitute an equal and corresponding



payment in respect of the Insurance Company's rights of subrogation hereunder in respect of such payment under any Insurance Policy.

2.6 Taxes.

(a) Any and all payments made by or on behalf of the Issuer to or for the benefit of the Insurance Company hereunder, under the Insurance Policies, the Note Purchase Agreement or under any other Financing Agreement shall be made free and clear of and without deduction or withholding for or on account of any and all present or future Taxes, and all liabilities with respect thereto, *excluding* any Tax or liability with respect thereto, imposed on or measured by reference to the overall net income of the Insurance Company or as a franchise Tax or excise Tax (to the extent imposed in lieu of a net income Tax) by (i) any Governmental Authority in the United States or (ii) any other jurisdiction in which the Insurance Company has an office or fixed place of business from which any Insurance Policy is issued (other than a Tax imposed on the Insurance Company solely by reason of entering into this Agreement, any other Financing Agreement, the Note Purchase Agreement or any Insurance Policy, or receiving payments hereunder or thereunder or the transactions contemplated by this Agreement, any other Financing Agreement, the Note Purchase Agreement or any Insurance Policy) (all such non-excluded Taxes and liabilities being referred to in this Section as "*Covered Taxes*"). If the Issuer is required by law to deduct or withhold any Covered Tax from or in respect of any sum payable to or for the benefit of the Insurance Company hereunder, under any other Financing Agreement, the Note Purchase Agreement or any Insurance Policy, the Issuer will (i) promptly notify the Insurance Company of such requirement, (ii) make such deduction or withholding, (iii) timely pay to the relevant Governmental Authority the full amount deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid to the Insurance Company under this Section 2.6), and (iv) pay to the Insurance Company, in addition to the payment to which the Insurance Company is otherwise entitled, such additional amount as is necessary to ensure that the net amount actually received by the Insurance Company (free and clear of Covered Taxes) will equal the full amount the Insurance Company would have received had no such deduction or withholding been required (including deductions or withholdings for Covered Taxes applicable to additional sums payable under this Section 2.6); *provided*, however, that the Issuer shall not be required to pay such additional amount (or otherwise indemnify the Insurance Company pursuant to the provisions of Section 2.6(c)) with respect to Taxes imposed by reason of the Insurance Company's failure to comply with the provisions of Section 2.6(f) of this Agreement.

(b) In addition, the Issuer will pay any present or future stamp, value added, transfer, capital, excise, documentary or other similar Taxes imposed by any Governmental Authority that arise from or in connection with (i) any payment made by or on behalf of it to or for the benefit of the Insurance Company hereunder, under any



other Financing Agreement, the Note Purchase Agreement or under any Insurance Policy or (ii) the execution, delivery, performance, enforcement, registration, amendment, supplement or modification of, or any waiver or consent under or in respect of, or otherwise with respect to, this Agreement, the Note Purchase Agreement, any Insurance Policy or any other Financing Agreement or the transactions contemplated hereby or thereby (hereinafter referred to as "*Other Taxes*").

(c) The Issuer will indemnify, without duplication, the Insurance Company for the full amount of Covered Taxes and Other Taxes imposed with respect to the transactions undertaken pursuant to this Agreement, any other Financing Agreement, the Note Purchase Agreement or any Insurance Policy (including any Covered Taxes and Other Taxes imposed on amounts payable under this Section 2.6) and any liabilities with respect thereto. This indemnification shall be made within 30 days from the date as of which the Insurance Company makes written demand therefor, stating the basis of such claim in reasonable detail.

(d) If the Issuer fails to pay any Covered Tax or Other Tax that it is required to pay under this Section 2.6 when due to the appropriate taxing authority or fails to remit to the Insurance Company the required receipts or other required documentary evidence as set forth in Section 2.6(e), the Issuer shall indemnify the Insurance Company on an after-tax basis for any incremental Taxes or other losses that become payable by the Insurance Company as a result of any such failure.

(e) Within 30 days after the date of any payment by the Issuer of Covered Taxes or Other Taxes, the Issuer, as applicable, will furnish to the Insurance Company an official receipt from the relevant taxing authorities, where available, or other appropriate evidence of payment thereof.

(f) The Insurance Company agrees to provide any certification, identification, information, documentation, declaration or other reporting requirement (the "*Reporting Information*") that is required or imposed by law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or reduction in the rate of, the imposition, withholding or deduction of any Taxes for which the Issuer is required to pay additional amounts pursuant to this Section 2.6; *provided that* (i) (x) at least 30 days prior to the first payment date with respect to which the Issuer shall apply this clause (f) and (y) in the event of a change in the Reporting Information, at least 30 days prior to the first payment date subsequent to such change, the Issuer shall have notified the Insurance Company that the Insurance Company will be required to provide the Reporting Information and shall have provided to the Insurance Company any information not known by the Insurance Company and any applicable forms, and (ii) the Insurance Company is eligible to provide the Reporting Information without any adverse consequences (other than *de minimis* consequences) to it.



2.7 Indemnification.

(a) In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant to this Agreement or under law or in equity, the Issuer hereby agrees that it will pay, and will protect, indemnify, and hold harmless the Insurance Company, its Affiliates and their respective officers, directors, shareholders, employees, agents and each Person, if any, who controls the Insurance Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act (each, an "Indemnitee"), on an after-tax basis, from and against any and all liabilities (including penalties), obligations, losses, claims, actions, suits, judgments, demands, damages, costs or expenses (including the reasonable and documented fees and expenses of attorneys, consultants and auditors and reasonable and documented costs of investigations) of any nature, arising out of or in any way relating to or resulting from:

(i) any statement, omission or action, including any alleged statement, omission or action (other than MBIA Information), in connection with the offering, issuance, sale, remarketing and/or delivery of the Notes (including any untrue statement or alleged untrue statement of a material fact contained in the Private Placement Memorandum, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which such statements were made, not misleading, except insofar as such claims arise out of or are based upon the MBIA Information;

(ii) any negligence, bad faith, willful misconduct, reckless disregard, misfeasance, malfeasance or theft of any director, officer, employee or agent of the Issuer or any of its Affiliates relating to any of the Financing Agreements (whether or not the Indemnitee is a party hereto or thereto);

(iii) the violation by the Issuer or any of its Affiliates of any applicable Law, including any securities or banking Law in connection with the issuance, offer and sale of Notes;

(iv) the breach by the Issuer of any agreement, representation, warranty or covenant (including any obligation of the Issuer to make payments under the Notes) under any of the Financing Agreements or any Default or Event of Default; or

(v) any investigation or defense of, or participation in, any legal proceeding relating to (A) the transactions contemplated by this Agreement, the other Financing Agreements, the Note Purchase Agreement and the Insurance Policies or (B) the execution, delivery, enforcement, performance or administration of this Agreement, the other Financing Agreements, the Note

Purchase Agreement or any other documents prepared or entered into in connection herewith or therewith (whether or not such Indemnitee is a party hereto or thereto).



(all of the foregoing in clauses (i) through (v), collectively, being the "*Indemnified Liabilities*"), *provided* that (I) the Indemnified Liabilities shall not include Taxes and (II) the Issuer shall not have any obligation under this Section 2.7 to any Indemnitee with respect to Indemnified Liabilities to the extent they arise from (A) the gross negligence, willful misconduct or bad faith of such Indemnitee, (B) the breach by the Insurance Company of its obligations under any Insurance Policy or any Financing Agreement to which it is a party, (C) Indemnified Liabilities, if and to the extent that the relevant Indemnitee shall have been previously reimbursed for such Indemnified Liabilities or (D) any willful violation by the Insurance Company of any Mexican, United States federal or state law. The Insurance Company hereby agrees that, in the event the Issuer shall make a payment of any amount owing to the Insurance Company under this Agreement and the Insurance Company is paid a duplicate amount pursuant to the terms of any other Financing Agreement, the Insurance Company shall reimburse the Issuer for such duplicate payment (net of any other amounts that may then be due and owing to the Insurance Company).

(b) If any action or proceeding (including any governmental investigation) shall be brought or asserted against any Indemnitee in respect of which indemnity may be sought from the Issuer hereunder, the Indemnitee shall promptly notify the Issuer in writing, and the Issuer shall assume the defense thereof, including the employment of counsel satisfactory to such Indemnitee and the payment of all reasonable and documented expenses in connection with such action or proceeding or defense thereof. The Indemnitee shall provide to the Issuer (at the expense of the Issuer) such assistance as the Issuer shall reasonably require in assuming the defense thereof. An Indemnitee shall have the right to employ separate counsel in any such action and to participate in the defense thereof at the expense of the Indemnitee, *provided* that the fees and expenses of such separate counsel shall be at the expense of the Issuer if (i) the Issuer has agreed in writing to pay such fees and expenses, (ii) the Issuer shall have failed to assume the defense of such action or proceeding and employ counsel satisfactory to such Indemnitee, in any such action or proceeding, *provided* that if such Indemnitee finds the counsel initially selected by the Issuer to be unsatisfactory, the Issuer shall be afforded one opportunity to propose, on a timely basis, an alternative counsel for consideration by such Indemnitee, or (iii) the named parties to any such action or proceeding (including any third parties or impleaded parties) include both the Indemnitee and the Issuer, and the Indemnitee shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the Issuer (in which case, if the Indemnitee notifies the Issuer in writing that it elects to employ separate counsel at the expense of the Issuer, the Issuer shall not have the right to assume the defense of such action or proceeding on



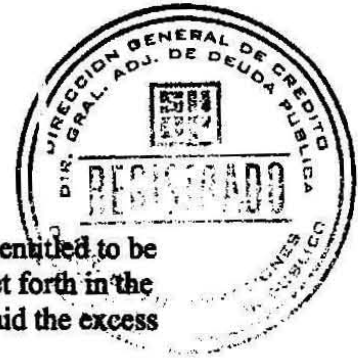
behalf of such Indemnitee, it being understood, however, that the Issuer shall not be liable in connection with any such action or proceeding or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one firm of lawyers (other than local counsel in each relevant jurisdiction) at any time for the Indemnitees, which firm shall be designated in writing by the Insurance Company). The Issuer shall not be liable for any settlement of any such action or proceeding effected without its written consent to the extent that any such settlement shall be prejudicial to it, but, if settled with its written consent, or if there is a final judgment for the plaintiff in any such action or proceeding with respect to which the Issuer shall have received notice in accordance with this Section 2.7(b), the Issuer shall and hereby agrees to, indemnify and hold the Indemnitees harmless from and against any loss or liability by reason of such settlement or judgment.

(c) To provide for just and equitable contribution if the indemnification provided by the Issuer is determined to be unavailable for any Indemnitee (other than due to application of this Section 2.7), the Issuer shall contribute to the losses incurred by the Indemnitee on the basis of the relative fault of the Issuer, on the one hand, and the Indemnitee, on the other hand.

(d) No Indemnitee shall be obliged to pursue first any recovery under any other indemnity or reimbursement obligation before seeking recovery under the indemnification and reimbursement obligations of the Issuer under this Agreement.

(e) Any amount that becomes payable by or on behalf of the Issuer pursuant to this Section 2.7 shall be due and payable within ten Business Days of demand.

(f) If and to the extent that the Insurance Company (i) shall be fully paid in cash or immediately-available funds by the Issuer for any reimbursement obligations pursuant to Section 2.4 (*Reimbursement and Other Payment Obligations*) in respect of any Insurance Policy Disbursement or by the Trustee pursuant to the Indenture, the Insurance Company shall not be entitled to be indemnified in respect of such Insurance Policy Disbursement under this Section 2.7 and (ii) shall be fully paid in cash or immediately available funds in respect of any Indemnified Liability pursuant to this Section 2.7, the Insurance Company shall not be entitled to be reimbursed under Section 2.4 for such Indemnified Liability, *provided* that in the event that the Insurance Company shall be entitled at any time to seek reimbursement and indemnification in respect of any item pursuant to both Section 2.4 and this Section 2.7, then the Insurance Company shall be entitled to be paid, and may elect, in its sole and absolute discretion, to seek recovery, under either of such sections, either sequentially, concurrently or in the alternative, and *provided further* that in the event that any amount that the Insurance Company shall be entitled to be paid under either Section 2.4 or this Section 2.7, as applicable, shall not be equal to the amount that the Insurance Company is entitled to be



paid under the other such section, then the Insurance Company shall be entitled to be paid the lesser amount under either applicable section, at its option as set forth in the preceding proviso, and the Insurance Company shall be entitled to be paid the excess amount under the applicable section.

2.8 Payment Procedure. In the event of any payment by the Insurance Company that is required to be reimbursed or indemnified by the Issuer, the Issuer agrees to accept the voucher or other evidence of payment by the Insurance Company as *prima facie* evidence of the amount thereof. All payments to be made to the Insurance Company under this Agreement shall be made to the Insurance Company in lawful currency of the United States of America in immediately available funds to the account number provided in the Premium Letter before 1:00 p.m. (New York, New York time) on the date when due or as the Insurance Company shall otherwise direct by written notice to the other parties hereto not less than five Business Days prior to the date when due, *provided* that any Premium payable on the First Purchase Date shall be payable as a condition to, and at or prior the time of, the First Closing and any Premium payable on the Second Purchase Date shall be payable as a condition to, and at or prior the time of, the Second Closing. In the event that the date of any payment to the Insurance Company or the expiration of any time period hereunder occurs on a day which is not a Business Day, then such payment or expiration of time period shall be made or occur on the next succeeding Business Day and such extension of time shall in such cases be included in computing interest or fees, if any, in connection with such payment. Payments to be made to the Insurance Company under this Agreement shall (to the extent permitted by applicable Law, if in respect of any unpaid amounts representing interest) bear interest at the Reimbursement Rate from the date when due and payable to the date paid.

2.9 Obligations Absolute.

(a) The obligations of the Issuer hereunder shall be absolute and unconditional, and shall be paid or performed strictly in accordance with this Agreement under all circumstances irrespective of:

- (i) any lack of validity or enforceability of, or any amendment or other modifications of, or waiver with respect to the Notes, any Insurance Policy or any other Financing Agreement;
- (ii) any exchange or release of any other obligations hereunder;
- (iii) the existence of any claim, setoff, defense, reduction, abatement or other right which the Issuer may have at any time against the Insurance Company or any other Person;



(iv) any document presented in connection with any Insurance Policy proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) any payment by the Insurance Company under any Insurance Policy against presentation of a certificate or other document which does not strictly comply with terms of such Insurance Policy;

(vi) any failure of the Issuer to receive the proceeds from the sale, issuance or incurrence of the Notes;

(vii) any breach by the Issuer of any representation, warranty or covenant contained in any of the Financing Agreements;

(viii) except to the extent prohibited by mandatory provisions of applicable Law, status as, and any other rights of, a "debtor" under the Uniform Commercial Code as in effect from time to time in the State of New York or under the applicable Law of any other relevant jurisdiction;

(ix) any duty on the part of the Insurance Company to disclose any matter, fact or thing relating to the business, operations or financial or other condition of the Issuer now known or hereafter known by the Insurance Company;

(x) any disability or other defense (other than payment in full) of the Issuer or any other Person;

(xi) any act or omission by the Insurance Company that directly or indirectly results in or aids the discharge of the Issuer or any other Person, by operation of law or otherwise;

(xii) any change in the time, manner or place of payment of, or in any other term of, all or any of its obligations or liabilities hereunder or any compromise, renewal, extension, acceleration or release with respect thereto, any change in the collateral subject to its obligations or liabilities hereunder or any amendment or waiver of or any consent to departure from any other guaranty for all or any of its obligations or liabilities hereunder; or

(xiii) any other circumstances, other than payment or performance in full, which might otherwise constitute a defense available to, or discharge of, the Issuer in respect of any Financing Agreement.

(b) The Issuer and any and all others who may become liable for all or part of the obligations of the Issuer under this Agreement agree to be bound by this Agreement



and to the extent permitted by Law, (i) waive and renounce any and all redemption and exemption rights and the benefit of all valuation and appraisal privileges against the indebtedness and obligations evidenced by any Financing Agreements or by any extension or renewal thereof; (ii) waive presentment and demand for payment, notices of nonpayment and of dishonor, protest of dishonor and notice of protest, except as expressly provided otherwise in this Agreement; (iii) waive all notices in connection with the delivery and acceptance hereof and all other notices in connection with the performance, default or enforcement of any payment hereunder except as required hereby or by the other Financing Agreements; (iv) waive all rights of abatement, diminution, postponement or deduction, or to any defense other than payment, that any party to any Financing Agreement or any beneficiary thereof may have at any time against the Insurance Company or any other Person, or out of any obligation at any time owing to the Trustee; (v) agree that its liabilities hereunder shall, except as otherwise expressly provided in this Section 2.9, be unconditional and without regard to any setoff, counterclaim or the liability of any other Person for the payment hereof; (vi) agree that any consent, waiver or forbearance hereunder with respect to an event shall operate only for such event and not for any subsequent event; (vii) consent to any and all extensions of time that may be granted by the Insurance Company with respect to any payment hereunder or other provisions hereof and to the release of any security at any time given for any payment hereunder, or any part thereof, with or without substitution, and to the release of any Person or entity liable for any such payment; (viii) waive all defenses and allegations based on or arising out of any contradiction or incompatibility among its obligations or liabilities hereunder and any of its other obligations; (ix) waive, unless and until its obligations or liabilities hereunder have been performed, paid, satisfied or discharged in full, any right to enforce any remedy that the Insurance Company now has or may in the future have against the Issuer or any other Person; (x) waive any benefit of, or any right to participate in, any guaranty or insurance whatsoever now or in the future held by the Insurance Company; (xi) waive the benefit of any statute of limitations affecting its liability hereunder; and (xii) consent to the addition of any and all other makers, endorsers, guarantors and other obligors for any payment hereunder, and to the acceptance of any and all other security for any payment hereunder, and agree that the addition of any such obligors or security shall not affect the liability of the parties hereto for any payment hereunder.

(c) Except as expressly provided herein, the obligations and liabilities of the Issuer under this Agreement shall not be conditioned or contingent upon the pursuit or exercise by the Insurance Company or any other Person at any time of any right or remedy (nor shall such obligations and liabilities be affected, released or modified by any action, failure, delay or omission by the Insurance Company or any other Person in the enforcement or exercise of any right or remedy under applicable Law) against any Person that may be or become liable in respect of all or any part of the obligations and liabilities of the Issuer under this Agreement.



2.10 Reinstatement. Where any discharge (whether in respect of the reimbursement obligations of the Issuer, any security for such reimbursement obligations or otherwise) is made in whole or in part, or any arrangement is made on the faith of, any payment, security or other disposition which is avoided or must be repaid, whether upon the insolvency, bankruptcy, liquidation or other similar proceeding or otherwise pursuant to any applicable Law, the liability of the Issuer under this Agreement shall continue as if there had been no such discharge or arrangement. The Insurance Company shall be entitled to concede or compromise any claim that any such payment, security or other disposition is liable to avoidance or repayment.

2.11 Further Assurances and Corrective Instruments. To the extent permitted by Law, each of the parties hereto shall, upon the written request of the other party, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, within a reasonable period of such request, such amendments or supplements hereto, and such further instruments, and take such further actions, as may be necessary in the such party's reasonable judgment to effectuate the intention, performance and provisions hereof.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE ISSUER

3.1 Representations and Warranties of the Issuer in the Note Purchase Agreement. The Issuer hereby represents and warrants to the Insurance Company that, as of the date hereof and as of each Closing Date, each of the representations and warranties contained in Section 2 (*Representations and Warranties*) of the Note Purchase Agreement is true and correct and the Issuer hereby makes each such representation and warranty to, and for the benefit of, the Insurance Company with the same effect as if the same were set forth herein, except that no representation or warranty is made as to the accuracy of the last sentence of Section 2.14 (*Private Placement Memorandum*) of the Note Purchase Agreement on the Second Purchase Date.

ARTICLE IV

COVENANTS

4.1 Covenants. The Issuer shall comply with all of its agreements, duties and obligations under the Indenture and each other Financing Agreement (including the covenants set forth in Article III (*Covenants*) of the Indenture), each of which is incorporated herein by this reference as if fully set forth in this Agreement.



ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

5.1 Events of Default. The occurrence of any of the Events of Default set forth in Section 6.1 (*Events of Default*) of the Indenture shall constitute an "*Event of Default*" hereunder.

5.2 Remedies: Waivers.

(a) Upon the occurrence of and during the Continuance of an Event of Default, the Insurance Company may exercise any one or more of the rights and remedies set forth below:

(i) declare all indebtedness of every type or description owed by the Issuer to the Insurance Company under the Financing Agreements to be immediately due and payable, and the same shall thereupon be immediately due and payable;

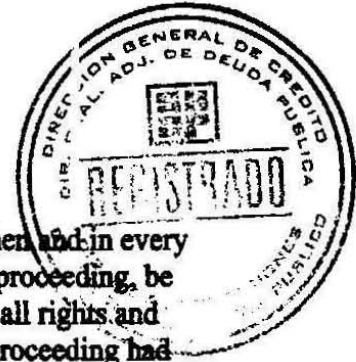
(ii) exercise any rights and remedies available under the Financing Agreements in its own capacity or in its capacity as Controlling Party; and/or

(iii) take whatever action at law or in equity as may appear necessary or desirable in its judgment to collect the amounts then due and thereafter to become due under the Financing Agreements or to enforce performance of any obligation of the Issuer under the Financing Agreements, *provided* that such action does not conflict with the exercise of any rights and remedies under the Indenture.

(b) Unless otherwise expressly provided, no remedy herein conferred upon or reserved is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under the Financing Agreements or existing at law or in equity. No delay or failure to exercise any right or power accruing under any Financing Agreement upon the occurrence and during the continuance of any Event of Default or otherwise shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

(c) In order to entitle the Insurance Company to exercise any remedy reserved to the Insurance Company in this Agreement, it shall not be necessary to give any notice, other than such notice as may be required in this Agreement or any other Financing Agreement or under applicable Law.

(d) If any proceeding has been commenced to enforce any right or remedy under this Agreement, and such proceeding has been discontinued or abandoned for any



reason, or has been determined adversely to the Insurance Company, then and in every such case the parties hereto shall, subject to any determination in such proceeding, be restored to their respective former positions hereunder, and, thereafter, all rights and remedies of the Insurance Company shall continue as though no such proceeding had been instituted.

(e) The Insurance Company shall have the right, to be exercised in its complete discretion, to waive any covenant, Default or Event of Default by a writing setting forth the terms, conditions and extent of such waiver signed by the Insurance Company and delivered to the other parties hereto. Any such waiver may only be effected in writing duly executed by the Insurance Company, and no other course of conduct shall constitute a waiver of any provision hereof. Unless such writing expressly provides to the contrary, any waiver so granted shall extend only to the specific event or occurrence so waived and not to any other similar event or occurrence that occurs subsequent to the date of such waiver.

ARTICLE VI

MISCELLANEOUS

6.1 Amendments, etc. This Agreement may be amended, modified or terminated only by written instrument or written instruments signed by the parties hereto. No act or course of dealing shall be deemed to constitute an amendment, modification or termination hereof.

6.2 Assignments; Reinsurances; Third Party Rights.

(a) Except as otherwise provided in this Section 6.2 and except in connection with the succession of a Person to the obligations of the Issuer under the Indenture and the Notes in a transaction permitted by Section 4.1(a)(ii) (*Fundamental Changes*) of the Indenture, no party hereto may grant, assign or transfer any of its rights or obligations hereunder without the prior written consent of the other parties hereto, and any attempt to assign or transfer, or to effect assignment or transfer without such consent shall render such attempted assignment or transfer, to the extent permitted by Law, null and void.

(b) The Insurance Company has the right to grant participations in its rights hereunder and under any other Financing Agreement, to enter into contracts of reinsurance with respect to any Insurance Policy and to enter into other arrangements or agreements with respect thereto or for the sharing or allocation of risk under any Insurance Policy upon such terms and conditions as the Insurance Company may in its discretion determine, *provided* that no such participation, reinsurance agreement or



other arrangement or agreement for sharing allocation of risk under any Insurance Policy shall (x) relieve the Insurance Company of any of its obligations hereunder or under such Insurance Policy or (y) result in any increased cost to the Issuer.

(c) To the extent permitted by applicable Law, the Insurance Company shall be entitled (without the need for notice to, or consent from, the Issuer) to assign or pledge to any bank or other lender providing liquidity or credit to the Insurance Company any rights of the Insurance Company under the Financing Agreements, *provided* that no such assignment shall (i) relieve the Insurance Company of any of its obligations under the Insurance Policies or (ii) conflict with the restrictions on transfers of Notes set forth in the Indenture.

(d) Except as provided herein with respect to participants and reinsurers and except for the Insurance Company and any Person entitled to indemnification under Section 2.7 (*Indemnification*), nothing in this Agreement shall confer any right, remedy or claim, express or implied, upon any Person, including, particularly, any holder of Notes, against the Issuer, and all the terms, covenants, conditions, promises and agreements contained herein shall be for the sole and exclusive benefit of the parties hereto and their successors and permitted assigns. No Person other than the Insurance Company shall have any right to payment from any premiums paid or payable hereunder or from any other amounts paid by the Issuer pursuant to Section 2.3 (*Payment of Premiums*) or 2.4 (*Reimbursement and Other Payment Obligations*).

6.3 Insurance Company Not a Fiduciary. The Issuer acknowledges and agrees that (i) the Insurance Company is entering into the transactions contemplated by the Insurance Policies and the Financing Agreements as a provider of credit through the issuance of its Insurance Policies, (ii) as such, the Insurance Company is entitled and intends to exercise its rights and discretions under the Insurance Policies and the Financing Agreements (whether in its own right or as "Controlling Party" under the Indenture) in such manner as it may deem necessary or desirable in its sole discretion in order to protect its own best interests as a creditor, (iii) subject to applicable Law, the Insurance Company shall have no liability whatsoever to any party (including the Issuer or any holder of any security issued by the Issuer) for the manner in which the Insurance Company exercises or refrains from exercising such rights and discretions, and (iv) subject to applicable Law, no provision of this Agreement, any other Financing Agreement or any Insurance Policy is intended to create any fiduciary or other duty on the part of the Insurance Company (whether in its own right or as "Controlling Party" under the Indenture) to any other party hereto or thereto with respect to the manner in which the Insurance Company exercises, or refrains from exercising, such rights and discretions.

6.4 Notices. Except to the extent otherwise expressly provided herein or as required by applicable Law, all notices, reports, requests and demands to or upon the



respective parties hereto shall not be effective unless given or made in writing or by facsimile or electronic transmission and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when (i) delivered by hand, if signed for by or on behalf of the receiving party, (ii) if deposited with an internationally recognized overnight courier service for overnight delivery to the receiving party, three Business Days after being deposited with such service, (iii) if delivered by facsimile transmission, when receipt thereof has been confirmed by telephone or facsimile by the receiving party, and (iv) if transmitted electronically, upon receipt of electronic, telephone or facsimile confirmation of the recipient's receipt thereof, in each case when sent to the relevant party at the facsimile number or address set forth with respect to such Person below:

If to the Insurance Company:

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504
Attention: Head of International Surveillance
Telephone: 914-765-3163
Telecopier: 914-765-3160

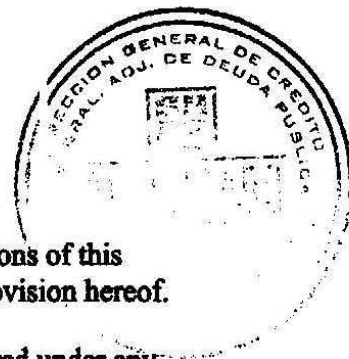
If to the Issuer:

Comisión Federal de Electricidad
Paseo de la Reforma No. 164
Colonia Juárez
México D.F., México C.P. 06600
Attention: Gerencia de Planeación Financiera
Telephone: 011-5255-5231-1881
Telecopier: 011-5255-5230-9092

or, as to each party, such other address or facsimile number as shall be designated by such party in a written notice to each other party hereto.

6.5 Severability; Consents.

(a) The holding by any court of competent jurisdiction that any remedy pursued by the Insurance Company hereunder is unavailable or unenforceable shall not affect in any way the ability of the Insurance Company to pursue any other remedy available to it. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, the parties hereto agree that such provision shall be ineffective only to the extent of such invalidity or unenforceability



without invalidating the remainder of such provision or any other provisions of this Agreement and shall not invalidate or render unenforceable any other provision hereof.

(b) In the event that the Insurance Company's consent is required under any of the Insurance Policies or the Financing Agreements, the determination whether to grant or withhold such consent shall be made by the Insurance Company in its sole discretion without any implied duty towards any other Person, except as otherwise expressly provided therein.

6.6 Judgment Currency. Each party to this Agreement agrees to indemnify the other party against any loss incurred by the Insurance Company as a result of any judgment or order being given or made for any amount due from it hereunder or under any other Financing Agreement and such judgment or order being expressed and to be paid in a currency (the "*Judgment Currency*") other than U.S. Dollars (the "*Currency of Denomination*") and as a result of any variation between (i) the rate of exchange at which amounts in the Currency of Denomination are converted into Judgment Currency for the purpose of such judgment or order, and (ii) the rate of exchange at which the party suffering such losses would have been able to purchase the Currency of Denomination with the amount of the Judgment Currency actually received by such party had such party utilized the amount of Judgment Currency so received to purchase the Currency of Denomination as promptly as practicable upon receipt thereof. The foregoing indemnity shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term "*rate of exchange*" shall include any premiums and costs of exchange payable in connection with the purchase of, or conversion into, the relevant Currency of Denomination that are documented and reasonable in light of market conditions at the time of such conversion.

6.7 Termination.

(a) Subject to Section 6.7(b), this Agreement shall create and constitute continuing obligations of each party hereto and their respective successors and permitted assigns in accordance with its terms, and such obligations will terminate on the Termination Date, *provided that* any termination of this Agreement will be effective only upon the delivery to the Insurance Company of the Insurance Policies, whereupon the Insurance Policies will be canceled and the Insurance Company's liabilities thereunder will cease. The provisions of Sections 2.4 (*Reimbursement and Other Payment Obligations*) through 2.10 (*Reinstatement*), Article III (*Representations and Warranties of the Issuer*), 6.3 (*Insurance Company Not a Fiduciary*), 6.7 (*Termination*), 6.8 (*Liability of the Insurance Company*) 6.9 (*GOVERNING LAW*), 6.10 (*Submission to Jurisdiction, Etc.*), 6.12 (*Waiver of Sovereign Immunity*), and 6.13 (*Entire Agreement*) hereof shall survive the Termination Date.



(b) If the First Closing has not occurred by the First Commitment Termination Date, the Insurance Company may at any time prior to the First Purchase Date terminate this Agreement by delivering written notice of such termination to the Issuer. Such termination shall be effective as of the date on which it sends such notice to the Issuer and the Issuer shall forthwith pay to the Insurance Company all commissions and Premiums accrued as of the date of such termination.

6.8 Liability of the Insurance Company. The Issuer agrees that neither the Insurance Company, nor any of its Affiliates, nor any of their respective officers, directors, agents or employees, shall be liable or responsible (except to the extent of its own gross negligence, willful misconduct or bad faith) for: (i) any use which may be made of any Insurance Policy by, or for any acts or omissions of, another Person in connection therewith or (ii) the validity, sufficiency, accuracy or genuineness of any documents delivered to the Insurance Company, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged, it being expressly agreed and understood that each obligation of the Insurance Company under any Insurance Policy or any Financing Agreement is solely a corporate obligation of the Insurance Company, and that any and all personal liability, either at common law or in equity, or by statute or constitution, of every such officer, employee, director, affiliate or shareholder for breaches by the Insurance Company or any of its Affiliates of any obligation under any Insurance Policy or any Financing Agreement (whether based on breach of contract, tort or any other theory) is hereby expressly waived as a condition of and in consideration for the execution and delivery of this Agreement. In furtherance and not in limitation of the foregoing, the Insurance Company (or its agents) may accept documents that appear on their face to be in order, without responsibility for further investigation.

6.9 GOVERNING LAW; WAIVER OF JURY TRIAL.

(a) THIS AGREEMENT SHALL BE CONSTRUED, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED, IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE PRINCIPLES OR RULES OF CONFLICT OF LAWS TO THE EXTENT SUCH PRINCIPLES OR RULES WOULD REQUIRE OR PERMIT THE APPLICATION OF LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

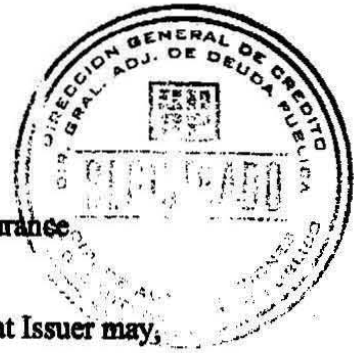
(b) THE PARTIES HERETO EACH HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY TRANSACTION RELATED HERETO OR THERETO TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW.



6.10 Submission to Jurisdiction, Etc.

(a) Each party hereto irrevocably agrees that any legal suit, action or proceeding arising out of or relating to this Agreement may be instituted by any party hereto in the United States District Court for the Southern District of New York and each party hereto irrevocably waives any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum, and irrevocably submits to the exclusive jurisdiction of any such court in any such suit, action or proceeding. In addition, in the event that the United States District Court for the Southern District of New York is unavailable, each party hereto irrevocably agrees that any legal suit, action or proceeding arising out of or relating to this Agreement may be instituted by any party hereto in the Supreme Court of the State of New York, County of New York, and each party hereto irrevocably waives any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum, and irrevocably submits to the exclusive jurisdiction of any such court in any such suit, action or proceeding. Each party hereto agrees that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner in accordance with applicable law. The Issuer hereby irrevocably waives any right to invoke jurisdiction it may have to any court by virtue of Mexican law.

(b) The Issuer has appointed Banco Nacional de Comercio Exterior, S.N.C., presently located at 757 Third Avenue, Suite 2403, New York, New York 10017, U.S.A., as its authorized agent (the "Authorized Agent") to receive on its behalf service of copies of the summons and complaints and any other process which may be served in any legal suit, action or proceeding arising out of or relating to this Agreement which may be instituted by the Insurance Company in the United States District Court or the State of New York court referred to in paragraph (a) above. Such service may be made by delivering a copy of such process to the Issuer in care of the Authorized Agent at the address specified above for the Authorized Agent and obtaining a receipt therefore, and the Issuer hereby irrevocably authorizes and directs such Authorized Agent to accept such service on its behalf. The Issuer represents and warrants that the Authorized Agent has agreed to act as said agent for service of process, and agrees that service of process in such manner upon the Authorized Agent shall be deemed in every respect effective service of process upon the Issuer in any such suit, action or proceeding; *provided* that the Person serving such process shall, to the extent lawful and possible, provide written notice to the Issuer of said service to the person and at the address specified in or pursuant to Section 6.4 (*Notices*), but in no event shall the failure to provide said written notice to the Issuer affect the effectiveness of service upon the Authorized Agent.



(c) Nothing in this Section 6.10 shall affect the right of the Insurance Company to serve process in any other manner permitted by law.

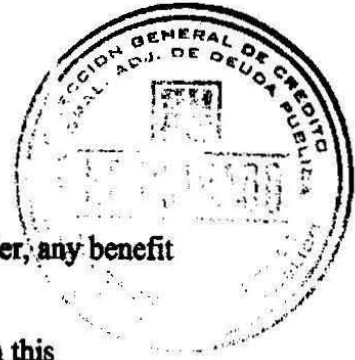
6.11 Waiver of Insurance Company's Security. To the extent that Issuer may, in any suit, legal action or proceeding brought in any court in Mexico, the courts specified in Section 6.10(a), the United States or any other jurisdiction arising out of or in connection with this Agreement, any other Financing Agreement, be entitled to the benefit of any provision of any applicable Law requiring the Insurance Company, in such suit, legal action or proceeding, to post security for the costs of such party or to post a bond or to take similar action, as the case may be, the Issuer hereby irrevocably waives such benefit, in each case to the fullest extent now or hereafter permitted under the laws of Mexico, the United States or, as the case may be, such other jurisdiction.

6.12 Waiver of Sovereign Immunity. To the extent that the Issuer has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Issuer hereby irrevocably waives such immunity in respect of its obligations under this Agreement to the fullest extent permitted by law, except that (i) under Article 4 of the Federal Code of Civil Procedure of Mexico and Articles 1, 4 and 7 (and related articles) of the Electricity Law (as defined in the Indenture), attachment prior to judgment in aid of execution will not be ordered by Mexican courts against property of the Issuer and (ii) the generation, transmission, processing, distribution and supply of electric energy as a public service, as well as the undertaking of any construction, installation and works required for the planning, operation and maintenance of the national electric system, are reserved to the Federal Government of Mexico, through the Issuer (and to that extent the assets related thereto are subject to immunity). Without limiting the generality of the foregoing, the Issuer agrees that the waivers set forth in this Article VI shall have force and effect to the fullest extent permitted under the U.S. Foreign Sovereign Immunities Act and shall be irrevocable for purposes of such Act.

6.13 Entire Agreement. This Agreement, the other Financing Agreements and the Insurance Policies constitute the entire agreement and understanding, and supersede all prior agreements and understandings (both written and oral), between the parties hereto with respect to the subject matter hereof and thereof.

6.14 New Agreement. This Agreement supersedes and replaces in its entirety the Insurance and Reimbursement Agreement dated November 17, 2006 between the Insurance Company and the Issuer.

6.15 Benefits of Agreement. Nothing in this Agreement, any other Financing Agreement or the Insurance Policies, express or implied, shall give to any Person, other



than the parties hereto and their successors and permitted assigns hereunder, any benefit or any legal or equitable right or remedy under this Agreement.

6.16 Conflicts. In case of any conflict or inconsistency between this Agreement and any other Financing Agreement, this Agreement shall control.

6.17 Counterparts. This Agreement may be executed in counterparts of the parties hereof, and each such counterpart shall be considered an original and all such counterparts shall constitute one and the same instrument.



IN WITNESS WHEREOF, the parties hereto have executed this Agreement, all
as of the day and year first above mentioned.

MBIA INSURANCE CORPORATION

By: Raimundo Langdon
Name: RAIMUNDO LANGDON
Title: DIRECTOR

Signature Page for Insurance and Reimbursement Agreement



COMISIÓN FEDERAL DE
ELECTRICIDAD

By: _____

Name: _____

Title: _____

CFE INSTITUTO FEDERAL DE CREDITO PUBLICO
DIRECCION GENERAL DE CREDITO PUBLICO
DIRECCION DE AUTORIZACIONES DE CREDITO PUBLICO
DIRECCION DE REGISTRO DE CREDITO PUBLICO

REGISTRO DE TITULOS DE CREDITO PUBLICO

LA EXPEDICION DEL PRESENTE TITULO FUE AUTORIZADA CON:

OFICIO NO. 303-121 318 y 380

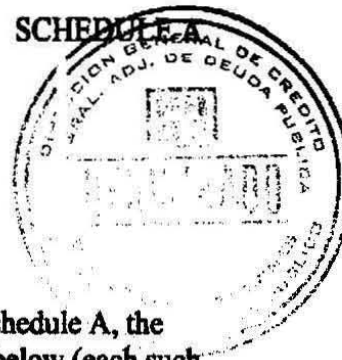
DE FECHA: 26 de octubre y 14 de diciembre 2006

Y REGISTRADO EN EL NO. 58-2006-JFP

FECHA: 19 de diciembre 2006

FIRMAS: _____

Signature Page for Insurance and Reimbursement Agreement



DEFINITIONS

In this Schedule A and any other document that references this Schedule A, the following capitalized terms shall have the respective meanings assigned below (each such meaning to be equally applicable to the singular and plural forms of the respective terms so defined).

"Affiliate" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person.

"Agreement" has the meaning given to such term in the Preamble to this Agreement.

"Authorized Agent" has the meaning given to such term in Section 6.10(b) (*Amendments, etc.*) of this Agreement.

"Business Day" means any day of the year other than a Saturday, Sunday or day on which commercial banks are required or authorized to close in Mexico City, Mexico, or in New York, New York.

"Closing Date" means each of the First Purchase Date, the Second Purchase Date and the Third Purchase Date.

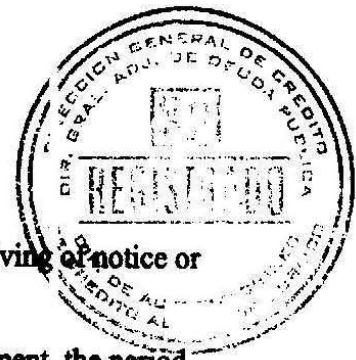
"CNBV" means the Comisión Nacional Bancaria y de Valores (the Mexican National Banking and Securities Commission) of Mexico.

"Continuance" or **"Continuing"** means, with respect to an Event of Default or Default, that such Event of Default or Default has occurred and has not been cured.

"Control" when used with respect to any particular Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person whether through the ownership of voting securities or membership, partnership or other ownership interests, by contract or otherwise, and the terms "controlling" "controlled by" and "under common control with" have meanings correlative to the foregoing.

"Covered Taxes" has the meaning given to such term in Section 2.6 (*Taxes*) of this Agreement.

"Currency of Denomination" has the meaning given to such term Section 6.6 (*Judgment Currency*) of this Agreement.



"Default" means any event which, with the passing of time, the giving of notice or both would constitute an Event of Default.

"Designated Period" means, as to any Insurance Policy Disbursement, the period commencing on the date of such Insurance Policy Disbursement and ending on the numerically corresponding day in the sixth calendar month commencing after such date, and thereafter each period commencing on the first day after the preceding Designated Period applicable to such Insurance Policy Disbursement and ending on the corresponding date in the sixth calendar month commencing thereafter, *provided* that if any Designated Period would end on a day other than a Business Day, such Designated Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Designated Period shall end on the next preceding Business Day. Interest shall accrue from and including the first day of a Designated Period to but excluding the last day of such Designated Period.

"Electricity Law" means the *Ley del Servicio Público de Energía Eléctrica*, dated December 22, 1975 (together with its regulation (*reglamento*) dated May 31, 1993).

"Event of Default" has the meaning given to such term in Section 5.1 (*Events of Default and Remedies*) of this Agreement.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Federal Funds Effective Rate" means, as of any date of determination, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System of the United States arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by Citibank, N.A., from three federal funds brokers of recognized standing selected by it.

"Financing Agreements" means, collectively, the Reimbursement Agreement, the Premium Letter, the Indenture and the Notes.

"First Closing" means the closing of the issuance and delivery of the First Insurance Policy in accordance with Section 2.2 (*Closing*) of this Agreement.

"First Commitment Termination Date" means December 29, 2006.

"First Insurance Policy" has the meaning give to such term in Preliminary Statement B to this Agreement.



"First Purchase Date" means the date on which the First Closing occurs.

"Fitch" means Fitch, Inc.

"Governmental Authority" means any government, governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, judicial or administrative body, domestic or foreign, federal, state or local.

"Hacienda" means the Secretaría de Hacienda y Crédito Público of Mexico.

"Indemnified Liabilities" has the meaning given to such term in Section 2.7(a) (Indemnification) of this Agreement.

"Indemnatee" has the meaning given to such term in Section 2.7(a) (Indemnification) of this Agreement.

"Indenture" means an indenture among the Issuer, the Insurance Company and the Trustee, as trustee, substantially in the form of the draft thereof dated December 12, 2006.

"Insurance Company" means MBIA Insurance Corporation, a stock insurance corporation organized under the laws of the State of New York.

"Insurance Policies" has the meaning give to such term in Preliminary Statement B to this Agreement.

"Insurance Policy Disbursement" means any payment by the Insurance Company in respect of any of the obligations guaranteed under any Insurance Policy.

"Issuer" has the meaning given to such term in the heading to this Agreement.

"Judgment Currency" has the meaning given to such term in Section 6.6 (Payments) of this Agreement.

"Law" means all applicable (i) constitutions, treaties, statutes, laws (including common law), codes, rules, regulations, ordinances and orders of, (ii) approvals, permits, licenses or similar authorizations of, and (iii) orders, decisions, injunctions, judgments, awards and decrees of or agreements with any Governmental Authority.

"MBIA Information" means the information in the Private Placement Memorandum, set forth under the caption "MBIA Insurance Corporation," which describes the Insurance Company and certain aspects of the principal business in which the Insurance Company is engaged, and under the caption "Form of the Insurance Policies."



"Mexico" has the meaning given to such term in the heading to this Agreement.

"Noteholder" means, as of any date of determination, each Holder (as defined in the Indenture) of an Outstanding Note on such date.

"Notes" has the meaning given to such term in Preliminary Statement A to this Agreement.

"Note Purchase Agreement" means the Note Purchase Agreement, dated December 15, 2006, among the Issuer and each purchaser listed in Schedule I thereto with respect to the issuance of the Notes.

"Offering Documents" means, collectively, the materials used in connection with the offering and sale of Notes, including the Private Placement Memorandum and all other materials used in connection with the placement of the Notes, whether or not approved by or filed with CNBV.

"Officer's Certificate" means, with respect to any Person, a certificate executed on behalf of such Person by one of its directors or officers who has been authorized by such Person to execute such certificate.

"Organic Resolutions" means the *Resoluciones de la Junta de Gobierno de CFE*, dated December 7, 2005.

"Organizational Document" means with respect to any Person its certificate or articles of incorporation, bylaws and any other organizational documents.

"Other Taxes" has the meaning given to such term in Section 2.6(b) (*Taxes*) of this Agreement.

"Outstanding" has the meaning given to such term in the Indenture.

"Person" means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Premium Letter" has the meaning given to such term in Section 2.3 (*Payment of Premiums*) of this Agreement.

"Premiums" has the meaning given to such term in Section 2.3 (*Payment of Premiums*) of this Agreement.

"Private Placement Memorandum" means the preliminary Private Placement Memorandum, dated as of December 15, 2006, relating to the placement of the Notes.



"Rating Agency" means each of Standard & Poor's and Fitch.

"Reimbursement Agreement" has the meaning given to such term in the Preamble to this Agreement.

"Reimbursement Rate" means a rate of interest *per annum* for each Designated Period equal to the Federal Funds Effective Rate *plus* 2%. The Reimbursement Rate will be determined as of the date that is two Business Days prior to the commencement of the relevant Designated Period.

"Reporting Information" has the meaning given to such term in Section 2.6(f) (Taxes) of this Agreement.

"Second Closing" means the closing of the issuance and delivery of the Second Insurance Policy in accordance with Section 2.2 (Closing) of this Agreement.

"Second Commitment Termination Date" means March 31, 2007.

"Second Insurance Policy" has the meaning given to such term in Preliminary Statement B to this Agreement.

"Second Purchase Date" means the date on which the Second Closing occurs.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Securities Law" means any applicable Law governing the issuance, offering and sale of securities.

"Standard & Poor's" means Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc.

"Tax" means any present or future tax, levy, impost, withholding deduction, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority.

"Termination Date" means the later of (i) the date on which the obligations of the Insurance Company under the Insurance Policies terminate, as provided therein, and (ii) the date on which all amounts payable to the Insurance Company under this Agreement, the Premium Letter and each of the other Financing Agreements, whether as reimbursements for payments under the Insurance Policies or otherwise, have been paid in full in cash.

"Third Closing" means the closing of the issuance and delivery of the Third Insurance Policy in accordance with Section 2.2 (Closing) of this Agreement.



"Third Commitment Termination Date" means June 30, 2007.

"Third Insurance Policy" has the meaning given to such term in Preliminary Statement B to this Agreement.

"Third Purchase Date" means the date on which the Third Closing occurs.

"Third Purchase Date Notes" has the meaning given to such term in Section 2.1(c) (*Insurance Policies*) of this Agreement.

"Trustee" means The Bank of New York, in its capacity as trustee under the Indenture.

"U.S. Dollars" and *"U.S.\$"* mean the lawful currency of the United States of America.



CONDITIONS PRECEDENT TO THE ISSUANCE AND DELIVERY OF THE FIRST
INSURANCE POLICY

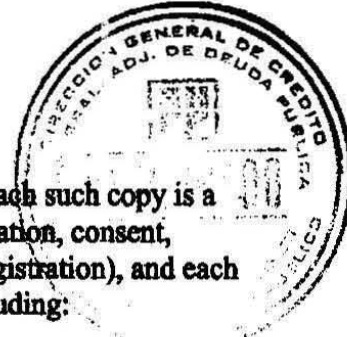
1. Authorizations, etc. The Issuer shall have delivered to the Insurance Company (i) copies of its Organizational Documents and resolutions (or other appropriate grants of authority) of its board of directors or other comparable body, in form and substance satisfactory to the Insurance Company, authorizing the execution, delivery and performance by it of each Financing Agreement to which it is party and the Note Purchase Agreement and the consummation of the transactions contemplated herein and therein, including without limitation, the Organic Resolutions and the Electricity Law, and (ii) an Officer's Certificate, in form and substance satisfactory to the Insurance Company, dated as of the First Purchase Date and certifying that such Organizational Documents and such resolutions and Laws (or other appropriate grants of authority) are in full force and effect without modification as of the First Purchase Date and that no other authorization or consent to the execution, delivery and performance of such Financing Agreements or the Note Purchase Agreement is necessary.

2. Incumbency and Signatures. The Insurance Company shall have received a certificate of the Issuer, dated as of the First Purchase Date, in form and substance satisfactory to the Insurance Company, in respect of the authority and incumbency, and containing a specimen signature, of each Person who has signed or will sign any Financing Agreement or the Note Purchase Agreement on its behalf, or who will, until replaced by another Person or Persons duly authorized for that purpose, otherwise act as representative of the Issuer for the purposes of signing documents in connection with the Financing Agreements or the Note Purchase Agreement.

3. Financing Agreements. Each of the Financing Agreements (other than the Notes to be issued on each of the Second Purchase Date and the Third Purchase Date) and the Note Purchase Agreement shall have been duly authorized, executed and delivered by each of the parties hereto and thereto (other than the Insurance Company) in the form approved by the Insurance Company on or prior to the date of this Agreement.

4. Closing under the Note Purchase Agreement. Notes in an aggregate principal amount not to exceed U.S. \$255,000,000 shall be issued and sold pursuant to the Note Purchase Agreement simultaneously with the First Closing.

5. Governmental Authorizations. The Insurance Company shall have received a copy of each action, order, authorization, consent, approval, license, ruling, permit, certification, exemption, filing or registration by or with any Governmental Authority required in connection with (i) the due execution and delivery of, and performance by it under, each Financing Agreement to which it is a party and the Note Purchase Agreement, (ii) the remittance to or by the Issuer of monies payable pursuant to the Financing Agreements or the Note Purchase Agreement (together with an Officer's



Certificate of the Issuer certifying as of the First Purchase Date that each such copy is a true, complete and correct copy of the relevant action, order, authorization, consent, approval, license, ruling, permit, certification, exemption, filing or registration), and each such governmental authorization shall be in full force and effect, including:

- (i) the authorization by Hacienda of the issuance of the Notes;
- (ii) the registration of the Notes with the Special Section of the CNBV; and
- (iii) the authorization by Hacienda of the execution, delivery and performance by the Issuer of the Note Purchase Agreement, this Agreement and the other Financing Agreements to which the Issuer is a party.

6. No Injunction, Material Damages, Etc. Consummation of the transactions contemplated under the Financing Agreements and the First Insurance Policy shall not have been restrained, enjoined or otherwise prohibited or made illegal pursuant to any applicable Law, including any order, injunction, decree or judgment of any court or other Governmental Authority. No Law that would have such effect shall have been promulgated, entered, issued or determined to be applicable by any court or other Governmental Authority to any such transaction. No action or proceeding shall be pending or threatened in writing by any Governmental Authority or any other Person before any court or other Governmental Authority (i) to restrain, enjoin or otherwise prevent or restrict the consummation of any of the transactions contemplated under the Financing Agreements and the First Insurance Policy or (ii) to recover any material damages or obtain other material relief from any Person as a result of such transactions.

7. Representations and Warranties. The representations and warranties of the Issuer set forth in the Note Purchase Agreement and in any Financing Agreement to which it is a party shall be true and accurate when made and all such representations and warranties shall be true and accurate as of the First Purchase Date as if made thereon.

8. No Event of Default or Default. No Event of Default or Default shall have occurred and be Continuing.

9. Officer's Certificate. The Issuer shall have delivered to the Insurance Company an Officer's Certificate, in form and substance satisfactory to the Insurance Company, dated the First Purchase Date, to the effect set forth in Paragraphs 6 (*No Injunction, Material Damages, Etc.*) and 7 (*Representations and Warranties*) of this Schedule.

10. Issuance of Ratings. The Insurance Company shall have received written confirmation from the Rating Agencies that the Notes, when issued, will be rated (without giving effect to the Insurance Policy) at least BBB.

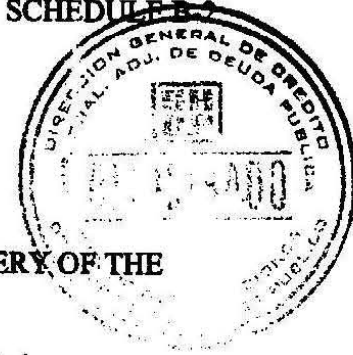


11. Legal Opinions. The Insurance Company shall have received the following signed legal opinions in the English language, in each case dated the First Purchase Date and addressed to the Insurance Company, each in form and substance reasonably satisfactory to the Insurance Company:

- (a) the opinion of General Counsel (*Encargado de la Oficina del Abogado General*) to the Issuer, substantially in the form of Exhibit B; and
- (b) the opinion of Cleary Gottlieb Steen & Hamilton LLP, special New York counsel to the Issuer, substantially in the form of Exhibit C.

12. Payment of Premiums. The Issuer shall have paid or made arrangements satisfactory to the Insurance Company for the payment of all Premiums due on the First Purchase Date pursuant to this Agreement and the Premium Letter.

13. Additional Items. The Insurance Company shall have received such other documents, instruments, approvals or opinions requested by the Insurance Company as may reasonably be necessary or desirable to effect the transactions contemplated in the Note Purchase Agreement and the Financing Agreements, including evidence satisfactory to the Insurance Company that the conditions precedent in the Note Purchase Agreement (other than the requirement of the issuance of the Insurance Policy) have been satisfied or, with the prior written consent of the Insurance Company, waived.



**CONDITIONS PRECEDENT TO THE ISSUANCE AND DELIVERY OF THE
SECOND INSURANCE POLICY**

1. **First Closing.** The First Closing shall have been completed.
2. **Authorizations, etc.** The Issuer shall have delivered to the Insurance Company (i) copies of the resolutions (or other appropriate grants of authority) of its board of directors or other comparable body, in form and substance satisfactory to the Insurance Company, authorizing the issuance of the Notes to be issued on the Second Purchase Date and the consummation of the transactions contemplated herein and therein, including without limitation, the Organic Resolutions and the Electricity Law, and (ii) an Officer's Certificate, in form and substance satisfactory to the Insurance Company, dated as of the Second Purchase Date certifying that (w) the Organizational Documents and other documents delivered by it pursuant to Paragraph 1 of Schedule B-1 are in full force and effect and such Organizational Documents have not been modified, supplemented or amended, (x) the resolutions (or other appropriate grants of authority) referred to in clause (i) of Paragraph 1 of Schedule B-1 are in full force and effect without modification as of the Second Purchase Date and that no other authorization or consent to the execution, delivery and performance of the Note Purchase Agreement or any of the Financing Agreements to which it is a party (including the Notes to be issued on the Second Purchase Date) is necessary, (y) the resolutions authorizing the issuance of the Notes to be issued on the Second Closing Date and the consummation of the transactions contemplated herein and therein are in full force and effect without modification as of the Second Purchase Date and no other corporate or shareholder authorization or other consent to the execution and performance of such supplement or issuance is necessary and (z) each of the representations and certifications in the Officer's Certificate delivered by it pursuant to Paragraph 1 of Schedule B-1 is true and correct as of the Second Purchase Date as if originally represented and certified as of the Second Purchase Date.
3. **Incumbency and Signatures.** The Insurance Company shall have received a certificate of the Issuer, dated as of the Second Purchase Date, in form and substance satisfactory to the Insurance Company, in respect of the authority and incumbency, and containing a specimen signature, of each Person who has signed or will sign the Notes or any other Financing Agreement required to be executed on the Second Purchase Date to be issued at the Second Closing on its behalf, or who will, until replaced by another Person or Persons duly authorized for that purpose, otherwise act as representative of the Issuer for the purposes of signing documents in connection with the Financing Agreements or the Note Purchase Agreement.
4. **Second Closing Note Issuance Documents.** Each of the Notes and any other Financing Agreement required to be executed and delivered on or before the Second Purchase Date shall have been duly authorized, executed and delivered by the



parties thereto (other than the Insurance Company) shall be in full force and effect and originals thereof shall have been delivered to the Insurance Company.

5. Closing under the Note Purchase Agreement. Notes in an aggregate principal amount not to exceed U.S. \$500,000,000 shall be issued and sold pursuant to the Note Purchase Agreement simultaneously with the Second Closing.

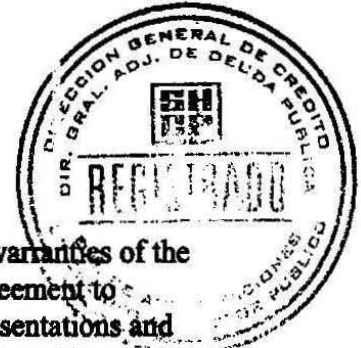
6. Governmental Authorizations. The Insurance Company shall have received a copy of each action, order, authorization, consent, approval, license, ruling, permit, certification, exemption, filing or registration by or with any Governmental Authority required in connection with (i) the due execution and delivery of, and performance by it under, the Note Purchase Agreement and each Financing Agreement to which it is a party, (ii) the remittance to or by the Issuer of monies payable pursuant to the Financing Agreements or the Note Purchase Agreement (together with an Officer's Certificate of the Issuer certifying as of the Second Purchase Date that each such copy is a true, complete and correct copy of the relevant action, order, authorization, consent, approval, license, ruling, permit, certification, exemption, filing or registration), and each such governmental authorization shall be in full force and effect, including:

(i) the authorization by Hacienda of the issuance of the Notes on the Second Purchase Date;

(ii) the registration with the Special Section of the CNBV of the Notes to be issued on the Second Purchase Date; and

(iii) the authorization by Hacienda of the execution, delivery and performance by the Issuer of the Notes to be issued at the Second Closing.

7. No Injunction, Material Damages, Etc. Consummation of the transactions contemplated under the Note Purchase Agreement, Financing Agreements and the Second Insurance Policy shall not have been restrained, enjoined or otherwise prohibited or made illegal pursuant to any applicable Law, including any order, injunction, decree or judgment of any court or other Governmental Authority. No Law that would have such effect shall have been promulgated, entered, issued or determined to be applicable by any court or other Governmental Authority to any such transaction. No action or proceeding shall be pending or threatened in writing by any Governmental Authority or any other Person before any court or other Governmental Authority (i) to restrain, enjoin or otherwise prevent or restrict the consummation of any of the transactions contemplated under the Note Purchase Agreement, the Financing Agreements and the Second Insurance Policy or (ii) to recover any material damages or obtain other material relief from any Person as a result of such transactions.



8. Representations and Warranties. The representations and warranties of the Issuer set forth in the Note Purchase Agreement and in any Financing Agreement to which it is a party shall be true and accurate when made and all such representations and warranties (except those contained in the last sentence of Section 2.14 (Private Placement Memorandum) of the Note Purchase Agreement) shall be true and accurate as of the Second Purchase Date as if made thereon.

9. No Event of Default or Default. No Event of Default or Default shall have occurred and be Continuing.

10. Officer's Certificate. The Issuer shall have delivered to the Insurance Company an Officer's Certificate, in form and substance satisfactory to the Insurance Company, dated the Second Purchase Date, to the effect set forth in Paragraphs 7 (*No Injunction, Material Damages, Etc.*) and 8 (*Representations and Warranties*) of this Schedule.

11. Issuance of Ratings. The Insurance Company shall have received written confirmation from the Rating Agencies that the Notes to be issued on the Second Purchase Date, when issued, will be rated (without giving effect to the Insurance Policy) at least BBB.

12. Legal Opinions. The Insurance Company shall have received the following signed legal opinions in the English language, in each case dated the Second Purchase Date and addressed to the Insurance Company, each in form and substance reasonably satisfactory to the Insurance Company:

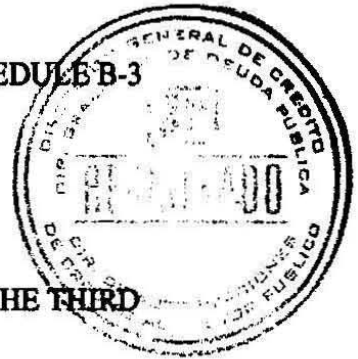
(a) the opinion of General Counsel (*Encargado de la Oficina del Abogado General*) to the Issuer, substantially in the form of Exhibit B; and

(b) the opinion of Cleary Gottlieb Steen & Hamilton LLP, special New York counsel to the Issuer, substantially in the form of Exhibit C.

13. Payment of Premiums. The Issuer shall have paid or made arrangements satisfactory to the Insurance Company for the payment of all Premiums due on the Second Purchase Date pursuant to this Agreement and the Premium Letter.

14. Additional Items. The Insurance Company shall have received such other documents, instruments, approvals or opinions requested by the Insurance Company as may reasonably be necessary or desirable to effect the transactions contemplated in the Note Purchase Agreement and the Financing Agreements, including evidence satisfactory to the Insurance Company that the conditions precedent in the Note Purchase Agreement (other than the requirement of the issuance of the Insurance Policy) have been satisfied or, with the prior written consent of the Insurance Company, waived.





**CONDITIONS PRECEDENT TO THE ISSUANCE AND DELIVERY OF THE THIRD
INSURANCE POLICY**

1. First Closing and Second Closing. The First Closing and the Second Closing shall have been completed.

2. Authorizations, etc. The Issuer shall have delivered to the Insurance Company (i) copies of the resolutions (or other appropriate grants of authority) of its board of directors or other comparable body, in form and substance satisfactory to the Insurance Company, authorizing the execution, delivery and performance by it of the supplement to the Note Purchase Agreement contemplated by Section 1(c) (*Issue and Sale of Notes; Closing*) thereof, the issuance of the Notes to be issued on the Third Closing Date and the consummation of the transactions contemplated herein and therein, and (ii) an Officer's Certificate, in form and substance satisfactory to the Insurance Company, dated as of the Third Purchase Date and certifying that (w) the Organizational Documents and other documents delivered by it pursuant to Paragraph 1 of Schedule B-1 are in full force and effect and such Organizational Documents have not been modified, supplemented or amended, (x) the resolutions (or other appropriate grants of authority) referred to in clause (i) of Paragraph 1 of Schedule B-1 are in full force and effect without modification as of the Third Purchase Date and that no other authorization or consent to the execution, delivery and performance of the Note Purchase Agreement or any of the Financing Agreements to which it is a party (including the Notes to be issued on the Third Purchase Date) is necessary, (y) the resolutions authorizing the execution, delivery and performance by it of the supplement to the Note Purchase Agreement contemplated by Section 1(c) (*Issue and Sale of Notes; Closing*) thereof, the issuance of the Notes to be issued on the Third Closing Date and the consummation of the transactions contemplated herein and therein are in full force and effect without modification as of the Third Purchase Date and no other corporate or shareholder authorization or other consent to the execution and performance of such supplement or issuance is necessary and (z) each of the representations and certifications in the Officer's Certificates delivered by it pursuant to (i) Paragraph 1 of Schedule B-1 and (ii) Paragraph 2 of Schedule B-2 is true and correct as of the Third Purchase Date as if originally represented and certified as of the Third Purchase Date.

3. Incumbency and Signatures. The Insurance Company shall have received a certificate of the Issuer, dated as of the Third Purchase Date, in form and substance satisfactory to the Insurance Company, in respect of the authority and incumbency, and containing a specimen signature, of each Person who has signed or will sign the supplement to the Note Purchase Agreement contemplated by Section 1(c) (*Issue and Sale of Notes; Closing*) thereof, the Notes and any other Financing Agreement required to be executed on the Third Purchase Date to be issued at the Third Closing on its behalf, or who will, until replaced by another Person or Persons duly authorized for that purpose,



otherwise act as representative of the Issuer for the purposes of signing documents in connection with the Financing Agreements or the Note Purchase Agreement.

4. Third Closing Note Issuance Documents. Each of the supplement to the Note Purchase Agreement contemplated by Section 1(c) (*Issue and Sale of Notes; Closing*) thereof, and the Notes and any other Financing Agreement required to be executed and delivered on or before the Third Purchase Date shall have been duly authorized, executed and delivered by the parties thereto (other than the Insurance Company) shall be in full force and effect and originals thereof shall have been delivered to the Insurance Company.

5. Closing under the Note Purchase Agreement. Notes in an aggregate principal amount not to exceed the amount specified in the supplement to the Note Purchase Agreement contemplated by Section 1(c) (*Issue and Sale of Notes; Closing*) thereof shall be issued and sold pursuant to the Note Purchase Agreement simultaneously with the Third Closing.

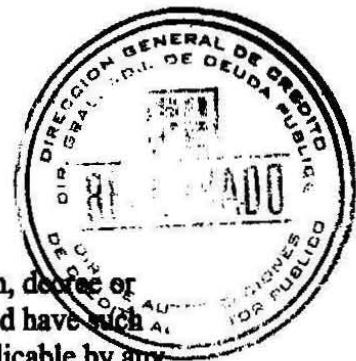
6. Governmental Authorizations. The Insurance Company shall have received a copy of each action, order, authorization, consent, approval, license, ruling, permit, certification, exemption, filing or registration by or with any Governmental Authority required in connection with (i) the due execution and delivery of, and performance by it under, the Note Purchase Agreement and each Financing Agreement to which it is a party and (ii) the remittance to or by the Issuer of monies payable pursuant to the Financing Agreements or the Note Purchase Agreement (together with an Officer's Certificate of the Issuer certifying as of the Third Purchase Date that each such copy is a true, complete and correct copy of the relevant action, order, authorization, consent, approval, license, ruling, permit, certification, exemption, filing or registration), and each such governmental authorization shall be in full force and effect, including:

(i) the authorization by Hacienda of the issuance of the Notes on the Third Purchase Date;

(ii) the registration with the Special Section of the CNBV of the Notes to be issued on the Third Purchase Date;

(iii) the authorization by Hacienda of the execution, delivery and performance by the Issuer of the supplement to the Note Purchase Agreement contemplated by Section 1(b) (*Issue and Sale of Notes; Closing*) thereof and the Notes to be issued at the Third Closing.

7. No Injunction, Material Damages, Etc. Consummation of the transactions contemplated under the Note Purchase Agreement, the Financing Agreements and the Third Insurance Policy shall not have been restrained, enjoined or otherwise prohibited or



made illegal pursuant to any applicable Law, including any order, injunction, decree or judgment of any court or other Governmental Authority. No Law that would have such effect shall have been promulgated, entered, issued or determined to be applicable by any court or other Governmental Authority to any such transaction. No action or proceeding shall be pending or threatened in writing by any Governmental Authority or any other Person before any court or other Governmental Authority (i) to restrain, enjoin or otherwise prevent or restrict the consummation of any of the transactions contemplated under the Financing Agreements and the Third Insurance Policy or (ii) to recover any material damages or obtain other material relief from any Person as a result of such transactions.

8. Representations and Warranties. The representations and warranties of the Issuer set forth in the Note Purchase Agreement and in any Financing Agreement to which it is a party shall be true and accurate when made and all such representations and warranties (except those contained in the last sentence of Section 2.14 (*Private Placement Memorandum*) of the Note Purchase Agreement) shall be true and accurate as of the Third Purchase Date as if made thereon.

9. No Event of Default or Default. No Event of Default or Default shall have occurred and be Continuing.

10. Officer's Certificate. The Issuer shall have delivered to the Insurance Company an Officer's Certificate, in form and substance satisfactory to the Insurance Company, dated the Third Purchase Date, to the effect set forth in Paragraphs 7 (*No Injunction, Material Damages, Etc.*) and 8 (*Representations and Warranties*) of this Schedule.

11. Issuance of Ratings. The Insurance Company shall have received written confirmation from the Rating Agencies that the Notes to be issued on the Third Purchase Date, when issued, will be rated (without giving effect to the Insurance Policy) at least BBB.

12. Legal Opinions. The Insurance Company shall have received the following signed legal opinions in the English language, in each case dated the Third Purchase Date and addressed to the Insurance Company, each in form and substance reasonably satisfactory to the Insurance Company:

(a) the opinion of General Counsel (*Encargado de la Oficina del Abogado General*) to the Issuer, substantially in the form of Exhibit B, with such changes as may be appropriate; and

(b) the opinion of Cleary Gottlieb Steen & Hamilton LLP, special New York counsel to the Issuer, substantially in the form of Exhibit C, with such changes as may be appropriate.

13. Payment of Premiums. The Issuer shall have paid or made arrangements satisfactory to the Insurance Company for the payment of all Premiums due on the applicable Third Purchase Date pursuant to this Agreement and the Premium Letter.

14. Additional Items. The Insurance Company shall have received such other documents, instruments, approvals or opinions requested by the Insurance Company as may reasonably be necessary or desirable to effect the transactions contemplated in the Note Purchase Agreement and the Financing Agreements, including evidence satisfactory to the Insurance Company that the applicable conditions precedent in the Note Purchase Agreement (other than the requirement of the issuance of the Insurance Policy) have been satisfied or, with the prior written consent of the Insurance Company, waived.





COMISIÓN FEDERAL DE ELECTRICIDAD,

MBIA INSURANCE CORPORATION,

as Enhancer

and

THE BANK OF NEW YORK,

as Trustee

INSURED FLOATING RATE NOTES DUE 2036

INDENTURE

Dated as of December 20, 2006

TABLE OF CONTENTS



ARTICLE I	DEFINITIONS AND INCORPORATION BY REFERENCE	
Section 1.1	Definitions.....	
Section 1.2	Rules of Construction	
ARTICLE II	THE NOTES	11
Section 2.1	Form and Dating	11
Section 2.2	Execution and Authentication.....	11
Section 2.3	Registrar, Paying Agent and Calculation Agent.....	12
Section 2.4	Paying Agent to Hold Money in Trust.....	12
Section 2.5	Holder Lists.....	13
Section 2.6	Global Note Provisions	13
Section 2.7	Legends	14
Section 2.8	Transfer and Exchange	15
Section 2.9	Mutilated, Destroyed, Lost or Stolen Notes.....	18
Section 2.10	Temporary Notes	19
Section 2.11	Cancellation	19
Section 2.12	Defaulted Amounts	19
Section 2.13	Third Purchase Date Notes	19
Section 2.14	Additional Amounts.....	20
ARTICLE III	COVENANTS	23
Section 3.1	Payment of Notes.....	23
Section 3.2	Maintenance of Office or Agency.....	23
Section 3.3	Legal Existence.....	24
Section 3.4	Delivery of Financial Statements.....	24
Section 3.5	Maintenance of Government Approvals.....	24
Section 3.6	Compliance with Applicable Laws and Governmental Approvals.....	25
Section 3.7	Performance of Obligations	25
Section 3.8	Negative Pledge	25
Section 3.9	Future Guarantors	26
Section 3.10	Repayment at the Option of the Holder	26
Section 3.11	Waiver of Certain Covenants.....	27
ARTICLE IV	FUNDAMENTAL CHANGES	27
Section 4.1	Fundamental Changes.....	27
ARTICLE V	OPTIONAL REDEMPTION OF NOTES	28
Section 5.1	Optional Redemption	28
Section 5.2	Election to Redeem	29
Section 5.3	Notice of Redemption	29
Section 5.4	Deposit of Redemption Price.....	30
Section 5.5	Redemption Price; Notes Payable on Redemption Date.....	30

TABLE OF CONTENTS
(continued)



ARTICLE VI	DEFAULTS AND REMEDIES	30
Section 6.1	Events of Default	30
Section 6.2	Acceleration	32
Section 6.3	Other Remedies.....	33
Section 6.4	Waiver of Past Defaults	33
Section 6.5	Control by Controlling Party	34
Section 6.6	Limitation on Suits.....	34
Section 6.7	Rights of Holders to Receive Payment.....	34
Section 6.8	Collection Suit by Trustee	34
Section 6.9	Trustee May File Proofs of Claim, etc.....	35
Section 6.10	Priorities.....	35
Section 6.11	Undertaking for Costs.....	36
Section 6.12	Waiver of Stay or Extension	36
Section 6.13	Remedies Cumulative	36
ARTICLE VII	TRUSTEE.....	37
Section 7.1	Duties of Trustee.....	37
Section 7.2	Rights of Trustee.....	38
Section 7.3	Individual Rights of Trustee	39
Section 7.4	Trustee's Disclaimer	39
Section 7.5	Notice of Defaults	39
Section 7.6	Compensation and Indemnity	40
Section 7.7	Replacement of Trustee	40
Section 7.8	Successor Trustee by Merger.....	41
Section 7.9	Eligibility; Disqualification	41
ARTICLE VIII	SATISFACTION AND DISCHARGE.....	42
Section 8.1	Satisfaction and Discharge.....	42
ARTICLE IX	AMENDMENTS; MEETING OF HOLDERS.....	42
Section 9.1	Without Consent of Holders	42
Section 9.2	With Consent of Holders	43
Section 9.3	Effect of Consents and Waivers.....	45
Section 9.4	Notation on or Exchange of Notes.....	45
Section 9.5	Purposes for Which Meetings May be Called	45
Section 9.6	Call, Notice and Place of Meetings.....	46
Section 9.7	Persons Entitled to Vote at Meetings.....	46
Section 9.8	Determination of Voting Rights; Conduct and Adjournment of Meetings.....	46
Section 9.9	Quorum	47
Section 9.10	Counting Votes and Recording Action of Meetings.....	47
Section 9.11	Revocation by Holders.....	47
Section 9.12	Execution of Supplemental Indentures	48

TABLE OF CONTENTS (continued)



ARTICLE X	ENHANCEMENT	48
Section 10.1	Enhancement	48
Section 10.2	Claims	48
Section 10.3	Preference Claims	48
Section 10.4	Trustee Assignment of Rights	48
Section 10.5	Subrogation	49
Section 10.6	Reimbursement of Claims on the Insurance Policies	49
Section 10.7	Surrender of Insurance Policies	49
Section 10.8	Amendments	49
ARTICLE XI	CONTROLLING PARTY	49
Section 11.1	Control	49
Section 11.2	Acceleration	50
Section 11.3	Notice to Controlling Party	50
Section 11.4	Sole Holder	50
Section 11.5	Power of Attorney	51
ARTICLE XII	MISCELLANEOUS	51
Section 12.1	Notices	51
Section 12.2	Communication by Holders with Other Holders	52
Section 12.3	Certificate and Opinion as to Conditions Precedent	52
Section 12.4	Statements Required in Certificate or Opinion	53
Section 12.5	Rules by Trustee, Paying Agent and Registrar	53
Section 12.6	Governing Law, etc	53
Section 12.7	No Recourse Against Others	54
Section 12.8	Successors	55
Section 12.9	Duplicate and Counterpart Originals	55
Section 12.10	Severability	55
Section 12.11	Table of Contents; Headings	55
Section 12.12	Force Majeure	55

EXHIBIT A	FORM OF NOTE
EXHIBIT B	FORM OF TRANSFEROR CERTIFICATE
EXHIBIT C	FORM OF TRANSFEREE CERTIFICATE
EXHIBIT D	FORM OF INSURANCE AND REIMBURSEMENT AGREEMENT



INDENTURE, dated as of December 20, 2006, among Comisión Federal de Electricidad ("CFE"), a decentralized public entity of the Federal Government of the United Mexican States ("Mexico"), MBIA Insurance Corporation, a stock insurance company organized under the laws of New York, as the Enhancer, and The Bank of New York (the "Trustee"), a New York banking corporation, as Trustee.



Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of CFE's Insured Floating Rate Notes due 2036 issued hereunder.

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1 Definitions.

"Accounts Receivable" means, as to any Person, amounts payable to such Person in respect of the sale, lease or other provision of goods, energy, services or the like, whether or not yet earned by performance.

"Additional Amounts" has the meaning assigned to it in Section 2.14.

"Affiliate" of any Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Authenticating Agent" has the meaning assigned to it in Section 2.2(d).

"Authorized Agent" has the meaning assigned to it in Section 12.6(c).

"Authorized Denominations" has the meaning assigned to it in Section 2.1(a).

"Authorized Officer" means the Chairman of the Board, the Director General, the Chief Financial Officer, any Vice President, the Treasurer, the Controller or the Secretary of CFE.

"Authorized Officer's Certificate" means a certificate signed by an Authorized Officer of CFE and delivered to the Trustee.

"Available Assets" means, as to any Person, assets of such Person consisting of cash on hand or on deposit in banks, certificates of deposit and bankers' acceptances, debt securities and intangible assets (other than equity securities and Accounts Receivable).

"Board of Directors" means, as to any Person, the board of directors, management committee or similar governing body of such Person or any duly authorized committee thereof.

"Board Resolution" means, with respect to any Person, a copy of a resolution certified by the Secretary or an Assistant Secretary of such Person to have been duly adopted by the Board of Directors of such Person and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banking institutions are authorized or required by law to close in New York City or Mexico City.

"Calculation Agent" has the meaning assigned to it in Section 2.3(b).

"CFE" means Comisión Federal de Electricidad and its successors and assigns, including any Successor Entity that becomes such in accordance with Article IV.

"Clearstream, Luxembourg" means Clearstream Banking, *société anonyme*.

"Common Depositary" has the meaning assigned to it in Section 2.6(a).

"Controlling Party" means, at any time, the Enhancer, *unless* at any such time (a) the Enhancer Termination Date shall have occurred or (b) an Insurance Policy Default shall have occurred and be continuing, in which event "Controlling Party" shall mean the percentage of Holders specified in this Indenture for the taking of the relevant action, or if no such percentage is specified, the Holders of a majority in principal amount of the Outstanding Notes.

"Corporate Trust Office" means the principal office of the Trustee at which at any time its corporate trust business shall be administered, which office at the date hereof is located at 101 Barclay Street, 21W, New York, NY 10286, Attention: Corporate Trust Department, or such other address as the Trustee may designate from time to time by notice to the Holders and CFE, or the principal corporate trust office of any successor Trustee (or such other address as such successor Trustee may designate from time to time by notice to the Holders, the Enhancer and CFE).

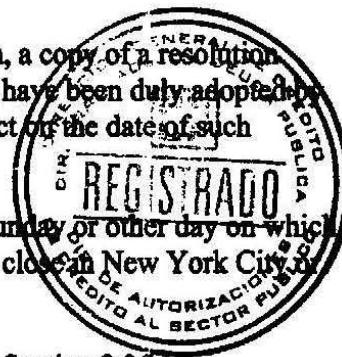
"Default" means any event or circumstance that, with the giving of notice, the lapse of time, or both, would (if not cured, waived or otherwise remedied during such time) constitute an Event of Default.

"Defaulted Amount" has the meaning assigned to it in Section 2.12.

"Definitive Note" means any Note issued in fully registered definitive form (other than a Global Note), which shall be substantially in the form of Exhibit A, with appropriate legends as specified in Section 2.7 and Exhibit A.

"Electricity Law" means the *Ley del Servicio Público de Energía Eléctrica* of Mexico and the regulations (*reglamento*) thereto.

"Eligible Assignee" means, with respect to the proposed transfer of any Note, a Person that (a) has its residence or main office located in a country that has a treaty with Mexico for the avoidance of double taxation that is in effect as of the date of the transfer, and that is eligible for the benefits of such treaty with respect to payments receivable by it under such Note, (b) has



complied with any certification, identification, information, reporting, documentation or similar requirements as of the date of the transfer without regard to any written request by CFE, (b) either (i) is not entitled to receive Additional Amounts or (ii) is entitled to receive Additional Amounts in amounts that are no greater than the transferor would have been entitled to receive with respect to such Note at the time of such transfer, (d) does not hold more than 10% of the voting shares of CFE, (e) is not an entity more than 20% of the shares of which are held directly or indirectly, individually or jointly, with Persons related to CFE, (f) is acquiring such Note in a transaction that is exempt from registration under the Securities Act and (g) is not acquiring such Note using the assets of any "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated thereunder) and any "plan" within the meaning of Section 4975 of the U.S. Internal Revenue Code of 1986.

"Euroclear" means Euroclear Bank, S.A./N.V.

"Enhancement Documents" means, collectively, the Insurance and Reimbursement Agreement, the Insurance Policies and the MBIA Premium Letter.

"Enhancer" means MBIA Insurance Corporation, and its successors.

"Enhancer Termination Date" means the later of (i) the date on which the obligations of the Enhancer under the Insurance Policies have terminated, as provided therein, and (x) the Insurance Policies shall have been surrendered to the Enhancer for cancellation or (y) CFE shall have delivered evidence to the reasonable satisfaction of the Enhancer of the termination of the Enhancer's obligations under the Insurance Policies, and (ii) the date on which all amounts payable to the Enhancer under each of the Enhancement Documents, whether as reimbursement for payments under the Insurance Policies or otherwise, have been irrevocably and indefeasibly paid in full in cash or otherwise irrevocably satisfied or discharged.

"Event of Default" has the meaning assigned to it in Section 6.1.

"Financing Agreements" means, collectively, this Indenture, the Notes, the Insurance and Reimbursement Agreement and the MBIA Premium Letter.

"First Purchase Date" means December 20, 2006.

"Global Note" means any Note issued in fully registered form to the Common Depository (or its nominee), as depository for Euroclear and Clearstream, Luxembourg, which shall be substantially in the form of Exhibit A, with appropriate legends as specified in Section 2.7 and Exhibit A.

"Government" means the Federal Government of Mexico.

"Governmental Approval" means any actions, orders, authorizations, consents, approvals, licenses, rulings, permits, certifications, exemptions, filings or registrations by or with any Governmental Authority.

"Governmental Authority" means any government, governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, judicial, legislative or

administrative body, domestic or foreign, federal, state or local having jurisdiction over the matter or matters in question.

"Guaranty" means the guaranty or other agreement, including an indenture supplement hereto, by which a Subsidiary Guarantor assumes or guarantees the payment obligations of CFE under the Financing Agreements in accordance with Section 4.1(a)(iv).

"Holder" means the Person in whose name a Note is registered in the Note Register.

"Indenture" means this Indenture as amended or supplemented from time to time, including the Exhibits hereto.

"Initial Notes" means the U.S. \$255,000,000 aggregate principal amount of Notes originally issued on the First Purchase Date, and any Notes issued upon the exchange, transfer or replacement thereof in accordance with this Indenture.

"Insurance and Reimbursement Agreement" means the Insurance and Reimbursement Agreement, dated as of December 15, 2006, by and between the Enhancer and CFE, and set forth as Exhibit D to and incorporated by reference in this Indenture, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Insurance Policies" means, collectively, (i) the Financial Guaranty Insurance Policy, Policy Number 489990, dated as of December 20, 2006 of the Enhancer; (ii) the financial guaranty insurance policy issued by the Enhancer in connection with the issuance of Second Purchase Date Notes (which shall be substantially identical to the Financial Guaranty Insurance Policy specified in clauses (i) above) and (iii) any financial guaranty insurance policy issued by the Enhancer in connection with the issuance of Third Purchase Date Notes (which shall be substantially identical to the Financial Guaranty Insurance Policy specified in clauses (i) and (ii) above), as each may be amended, restated, supplemented or otherwise modified from time to time.

"Insurance Policy Default" means the occurrence and continuation of any of the following events:

(a) the failure of the Enhancer to pay when, as and in the amounts required, any amount payable under the Insurance Policies and the continuation of such failure unremedied for two Business Days; or

(b) the Enhancer (i) files any petition or commences any case or proceeding under any provisions of any federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization, (ii) makes a general assignment for the benefit of its creditors or (iii) has an order for relief entered against it under any federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation or reorganization that is final and nonappealable; or

(c) a court of competent jurisdiction, the New York Department of Insurance or other competent regulatory authority enters a final and nonappealable order, judgment or decree appointing a custodian, trustee, agent or receiver for the Enhancer or for all or any material portion of its property or authorizing the taking of possession by a custodian,



trustee, agent or receiver of the Enhancer (or the taking of possession of all or any material portion of the Enhancer's property).

"Interest Determination Date" has the meaning assigned to it in the form of Note contained in Exhibit A.

"Interest Period" has the meaning assigned to it in the form of Note contained in Exhibit A.

"Issuer Order" has the meaning assigned to it in Section 2.2(c).

"Legend" has the meaning assigned to it in Section 2.7(a).

"LIBOR" has the meaning assigned to it in the form of Note contained in Exhibit A.

"Lien" has the meaning assigned to it in Section 3.8.

"Maturity Date" means December 15, 2036.

"MBIA Premium Letter" means the premium letter dated as of December 15, 2006, between the Enhancer and CFE, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Mexican GAAP" has the meaning assigned to it in Section 3.4.

"Mexican Withholding Taxes" has the meaning assigned to it in Section 2.14(a).

"Mexico" has the meaning assigned to it in the first paragraph of this Indenture.

"Note Enhancement Liabilities" means all amounts payable by CFE to the Enhancer, in its capacity as provider of the Insurance Policies, including in respect of reimbursements of any payment made by the Enhancer to the Trustee or the Holders under either Insurance Policy and any obligation of CFE to pay any premium or any other cost, expense, indemnity or other amounts to the Enhancer, in its capacity as provider of the Insurance Policies, in accordance with the terms of the Enhancement Documents.

"Note Purchase Agreement" means the note purchase agreement dated as of December 15, 2006 between CFE and the purchasers named therein, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Note Register" has the meaning assigned to it in Section 2.3(a).

"Notes" means any of CFE's Insured Floating Rate Notes due 2036 issued and authenticated pursuant to this Indenture, which shall be substantially in the form of Exhibit A, with appropriate legends as specified in Section 2.7 and Exhibit A.

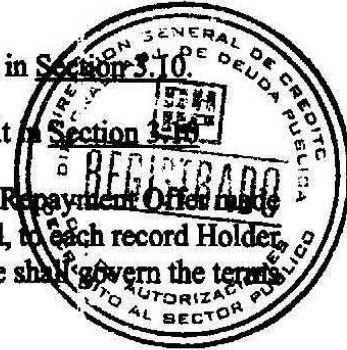
"Opinion of Counsel" means a written opinion of counsel, who, unless otherwise indicated in this Indenture, may be an internal counsel for CFE or the Enhancer.



"Optional Repayment Date" has the meaning assigned to it in **Section 3.10**.

"Optional Repayment Event" has the meaning assigned to it in **Section 3.10**.

"Optional Repayment Notice" means notice of an Optional Repayment Offer made pursuant to **Section 3.10**, which shall be mailed first-class, postage prepaid, to each record Holder, as shown on the Note Register, the Trustee and the Enhancer, which notice shall govern the terms of the Optional Repayment Offer and shall state:



(i) that an Optional Repayment Event will occur, the circumstances or events causing such Optional Repayment Event and that an Optional Repayment Offer is being made pursuant to **Section 3.10**, and that all Notes that are timely tendered will be accepted for repayment at a price equal to the outstanding principal amount thereof, plus accrued interest to (but excluding) the Optional Repayment Date;

(ii) whether CFE intends to exercise its right to make a presentation to the Enhancer (or if the Enhancer is not then the Controlling Party, the Holders) not later than 20 days prior to the Optional Repayment Date, as to the creditworthiness of CFE following the Optional Repayment Event and any other information that CFE believes in good faith will enable the Enhancer or the Holders, as the case may be, to make an informed decision with respect to such Optional Repayment Offer;

(iii) the Optional Repayment Date, which date shall be a Business Day (A) no earlier than 45 days nor later than 60 days subsequent to the date such notice is mailed and (B) not later than the date of such Optional Repayment Event;

(iv) that any Notes not tendered or accepted for repayment will continue to accrue interest;

(v) that, unless CFE defaults in the payment of the outstanding principal and accrued interest with respect thereto, all Notes accepted for repayment pursuant to the Optional Repayment Offer shall cease to accrue interest from and after the Optional Repayment Date;

(vi) that any Holder electing to have any Notes repaid pursuant to an Optional Repayment Offer will be required (A) in the case of an election by a Holder other than the Enhancer, to submit the form entitled "Option of Holder to Elect Repayment" on the reverse of such Notes completed and to surrender its Notes or (B) in the case of an election by the Enhancer in its capacity as Controlling Party, to submit the form entitled "Option of Holder to Elect Repayment" duly completed to indicate that it is electing to have all Notes repaid, in each case to the principal Paying Agent, with copies to CFE and the Trustee, at the address specified in the notice prior to the close of business on the 10th Business Day preceding the Optional Repayment Date;

(vii) that any Holder electing to have Notes repaid pursuant to the Optional Repayment Offer must tender such Holder's Notes in full; partial tenders of Notes will not be accepted;

(viii) any other information necessary to enable any Holder to tender Notes and to have such Notes purchased pursuant to Section 3.10; and

(ix) that if at such time the Enhancer is the Controlling Party, it shall have the sole right to make the election whether to accept such offer on behalf of all Holders.

"Optional Repayment Offer" has the meaning assigned to it in Section 3.10.

"Outstanding" means, as of the date of determination, all Notes theretofore authenticated and delivered under this Indenture, except:

(i) Notes which have been cancelled by the Trustee or delivered to the Trustee for cancellation as of such date of determination;

(ii) Notes as of such date of determination, or portions thereof, for whose payment or redemption moneys in the necessary amount has been deposited with the Trustee or any Paying Agent (other than CFE) in trust or set aside and segregated in trust by CFE (if CFE shall act as its own Paying Agent) for the benefit of the Holders of such Notes, provided that if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision for such notice satisfactory to the Trustee has been made; and

(iii) Notes which, as of such date of determination, have been surrendered pursuant to Section 2.9 or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture;

provided that Notes which have been paid with proceeds of either Insurance Policy shall continue to remain Outstanding for purposes of this Indenture until the Enhancer has been paid as subrogee thereunder or reimbursed pursuant to the Insurance and Reimbursement Agreement as evidenced by a written notice from the Enhancer delivered to the Trustee, and the Enhancer shall be deemed to be the Holder thereof to the extent of any payments thereon made by the Enhancer, and provided, further, that in determining whether the Holders of the requisite principal amount of Outstanding Notes are present at a meeting of Holders of Notes for quorum purposes or have taken or concurred in any action under this Indenture, including the making of any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned directly or indirectly, by Mexico or any public sector instrumentality of Mexico (including CFE or any Subsidiary Guarantor) shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that a Trust Authorized Officer actually knows to be so owned shall be so disregarded. As used in this paragraph, "public sector instrumentality" means Banco de México, any department, ministry or agency of the federal government of Mexico or any corporation, trust, financial institution or other entity owned or controlled by the federal government of Mexico or any of the foregoing, and "control" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other Persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.



"Paying Agent" has the meaning assigned to it in Section 2.3(a).

"Payment Date" means the stated due date of an installment of principal of or interest on the Notes, as specified in the form of Note contained in Exhibit A.

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having a separate legal personality.

"Preference Claim" has the meaning assigned to it in Section 10.3.

"Private Placement Legend" has the meaning assigned to it in Section 2.7(a).

"Project Financing" means any financing of the acquisition, construction or development of any properties in connection with a project if the Person or Persons providing such financing expressly agree to look to the properties financed and the revenues to be generated by the operation of, loss of or damage to, such properties as the principal source of repayment for the moneys advanced (with limited recourse, if any, to CFE) and have been provided with a feasibility study prepared by competent independent experts on the basis of which it was reasonable to conclude that such project would generate sufficient foreign currency income to repay substantially all of the principal of and interest on all Public External Indebtedness incurred in connection therewith.

"Public External Indebtedness" means, with respect to any Person, any Public Indebtedness of such Person that is payable by its terms or at the option of its holder in any currency other than the currency of Mexico (other than any such Public Indebtedness that is originally issued or incurred within Mexico). For this purpose, settlement of original issuance by delivery of Public Indebtedness (or the instruments evidencing such Public Indebtedness) within Mexico shall be deemed to be an original issuance within Mexico.

"Public Indebtedness" means, with respect to any Person, any payment obligation, including any contingent liability, of such Person arising from bonds, debentures, notes or other securities that (a) are, or were intended at the time of issuance to be, quoted, listed or traded on any securities exchange or other securities market or were issued in a private placement to institutional investors (including, without limitation, securities issued pursuant to Section 4(2) of, or eligible for resale pursuant to Rule 144A under, the Securities Act (or any successor law or regulation of similar effect)) and (b) have an original maturity of more than one year or are combined with a commitment so that the original maturity of one year or less may be extended at the option of CFE to a period in excess of one year.

"Purchase Date" means each of the First Purchase Date, the Second Purchase Date or the Third Purchase Date.

"Record Date" has the meaning assigned to it in the form of Note contained in Exhibit A.

"Redemption Date" means, with respect to any redemption of Notes pursuant to Article V, the date fixed for such redemption in a notice given in accordance with Section 5.1.





"Redemption Price" has the meaning assigned to it in Section 2.3.

"Registrar" has the meaning assigned to it in Section 2.3(a).

"Regulation S" means Regulation S under the Securities Act or any successor regulation.

"Reserved Matter" has the meaning assigned to it in Section 9.2.

"Rule 144" means Rule 144 under the Securities Act (or any successor rule).

"Rule 144A" means Rule 144A under the Securities Act (or any successor rule).

"Second Purchase Date" means the date notified by CFE to the Purchasers (as defined in the Note Purchase Agreement) pursuant to Section 1(b) of the Note Purchase Agreement as the date on which the second sale of Notes shall take place.

"Second Purchase Date Notes" means the U.S. \$500,000,000 aggregate principal amount of Notes to be issued on the Second Purchase Date, and any Notes issued upon the exchange, transfer or replacement thereof in accordance with this Indenture.

"Securities Act" means the Securities Act of 1933, as amended.

"Special Record Date" has the meaning assigned to it in Section 2.12.

"Subsidiary" shall mean, in relation to any entity, any other entity (whether or not now existing) that is controlled directly or indirectly by, or more than 50% of whose issued equity share capital (or equivalent) is then held or beneficially owned by, the first entity and/or any one or more of the first entity's Subsidiaries, and "control" means the power to appoint the majority of the members of the governing body or management of, or otherwise to control the affairs and policies of, that entity.

"Subsidiary Guarantor" means a Subsidiary of CFE that assumes or guarantees the payment obligations of CFE under the Financing Agreements in accordance with Section 4.1(a)(iv).

"Successor Entity" has the meaning assigned to it in Section 4.1(a)(ii).

"Third Purchase Date" means the date notified by CFE to the Purchasers (as defined in the Note Purchase Agreement) pursuant to Section 1(c) of the Note Purchase Agreement as the date on which the third sale of Notes, if any, shall take place.

"Third Purchase Date Notes" means CFE's Insured Floating Rate Notes due 2036 originally issued after the Second Purchase Date pursuant to Section 2.13, including any Notes issued upon the exchange, transfer or replacement thereof in accordance with this Indenture.

"Trust Authorized Officer" means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the

Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.



"Trustee" means the party named as such in the introductory paragraph of this Indenture until a successor replaces it in accordance with the terms of this Indenture and, thereafter, means such successor.

"United States" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

"United States-Mexico Income Tax Treaty" means the Convention Between the Government of the United States of America and the Government of the United Mexican States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and a Protocol thereto, both signed on September 18, 1992, as amended by Additional Protocols signed on September 8, 1994 and November 26, 2002.

"U.S. dollars," "\$" or "U.S. \$" means United States dollars.

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable or redeemable at CFE's option.

Section 1.2 Rules of Construction. Unless the context otherwise requires:

- (1) a term has the meaning assigned to it in Section 1.1;
- (2) an accounting term not otherwise defined has the meaning assigned to it in accordance with Mexican GAAP;
- (3) "or" is not exclusive;
- (4) "including" means including without limitation;
- (5) words in the singular include the plural and words in the plural include the singular;
- (6) references to the payment of principal of the Notes by CFE or a Subsidiary Guarantor shall include applicable premium, if any; and
- (7) references to payments on the Notes by CFE or a Subsidiary Guarantor, other than in Section 6.1(a) and Section 6.10, shall include Additional Amounts.

ARTICLE II

THE NOTES

Section 2.1 Form and Dating.

(a) The Notes are being originally offered and sold by CFE pursuant to the Note Purchase Agreement. The Notes will be issued in fully registered form without coupons, and only in minimum denominations of U.S. \$100,000 and any larger amount (the "Authorized Denominations") on up to three Purchase Dates. The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A.

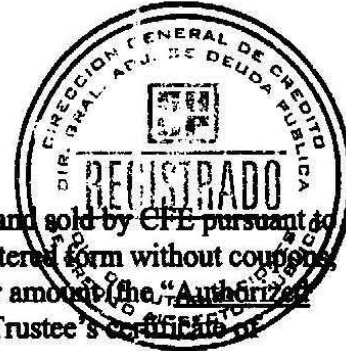
(b) Upon original issuance, the Notes will be represented by one or more permanent Global Notes, which shall be delivered to the Common Depositary for credit to the respective accounts at Euroclear and Clearstream, Luxembourg designated by the purchasers thereof.

(c) The terms and provisions of the Notes, the form of which is in Exhibit A, shall constitute, and are hereby expressly made, a part of this Indenture, and, to the extent applicable, CFE, the Enhancer and the Trustee, by their execution and delivery of this Indenture expressly agree to such terms and provisions and to be bound thereby. Except as otherwise expressly permitted in this Indenture, all Notes shall be identical in all respects, provided, however, that the Second Purchase Date Notes (i) shall have a different issue date from the Initial Notes, (ii) shall benefit from the Second Insurance Policy; (iii) may have a different interest rate applicable to the first Interest Period for such Notes and a different amount of interest payable on the first Payment Date after issuance than is payable on the Initial Notes; (iv) may have terms specified in an Authorized Officer's Certificate for such Second Purchase Date Notes making appropriate adjustments to this Article II and Exhibit A (and related definitions) applicable to such Second Purchase Date Notes in order to conform to and ensure compliance with the Securities Act (or other applicable securities laws), which are not adverse in any material respect to the Holder of any Initial Notes. If the Second Purchase Date Notes have, for purposes of U.S. federal income taxation, a greater amount of original issue discount than the original Notes have as of the Second Purchase Date, then such Second Purchase Date Notes shall be assigned an ISIN number and common code different from that assigned to the Initial Notes. Notwithstanding any differences among them, all Notes issued under this Indenture shall vote and consent together on all matters as one class;

(d) The Notes may have notations, legends or endorsements as specified in Section 2.7 or as otherwise required by law, stock exchange rule or usage. CFE and the Trustee shall approve the form of the Notes and any notation, legend or endorsement on them. Each Note shall be dated the date of its authentication.

Section 2.2 Execution and Authentication.

(a) An Authorized Officer shall sign the Notes for CFE by manual or facsimile signature. If an Authorized Officer whose signature is on a Note no longer holds that office at the time the Trustee authenticates the Note, the Note shall be valid nevertheless.



(b) A Note shall not be valid until an authorized signatory of the Trustee manually authenticates the Note. The signature of the Trustee on a Note shall be conclusive evidence that such Note has been duly and validly authenticated and issued under this Indenture.

(c) At any time and from time to time after the execution and delivery of this Indenture, the Trustee shall authenticate and make available for delivery Notes upon a written order of CFE signed by an Authorized Officer (an "Issuer Order"). An Issuer Order shall specify the amount of the Notes to be authenticated and the date on which the original issue of Notes is to be authenticated. The maximum aggregate principal amount of Notes that may be authenticated and delivered under this Indenture is U.S. \$905,000,000, except as provided in Section 2.9.

(d) The Trustee may appoint an agent (the "Authenticating Agent") reasonably acceptable to CFE to authenticate the Notes. Unless limited by the terms of such appointment, any such Authenticating Agent may authenticate Notes whenever the Trustee may do so pursuant to this Indenture. Each reference in this Indenture to authentication by the Trustee includes authentication by the Authenticating Agent.

Section 2.3 Registrar, Paying Agent and Calculation Agent.

(a) CFE shall maintain an office or agency in the Borough of Manhattan, The City of New York, where Notes may be presented or surrendered for registration of transfer or for exchange (the "Registrar"), where Notes may be presented for payment (the "Paying Agent") and for the service of notices and demands to or upon CFE in respect of the Notes and this Indenture. The Registrar shall keep a register of the Notes and of their transfer and exchange (the "Note Register"). CFE may have one or more co-Registrars and one or more additional paying agents. The term "Paying Agent" includes any additional paying agent.

(b) CFE shall maintain an agent (the "Calculation Agent") for the purpose of calculating LIBOR for each Interest Period, the rate of interest on the Notes for each such period and the amount of interest payable on each U.S. \$100,000 Outstanding principal amount of Notes on the Payment Date corresponding to each Interest Period, all in accordance with the terms of the Notes. Promptly after the Interest Determination Date for each Interest Period, the Calculation Agent shall notify the Trustee, the Paying Agent, CFE, the Enhancer and the Holders of LIBOR and the interest rate on the Notes for such Interest Period, the number of days in such Interest Period, the date of the Payment Date corresponding to such Interest Period and the amount of interest expected to be payable on each U.S. \$100,000 Outstanding principal amount of Notes on such Payment Date. On or about the 15th Business Day before each Payment Date, the Trustee or the Paying Agent shall notify CFE and the Enhancer of the amount of principal of and interest on the Notes payable by CFE on such Payment Date.

(c) CFE shall enter into an appropriate agency agreement with each Registrar, Paying Agent, co-Registrar or Calculation Agent not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such agent. CFE shall notify the Trustee of the name and address of each such agent. If CFE fails to maintain a Registrar, Paying Agent or Calculation Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.6. CFE or the Enhancer may act as Paying Agent, Registrar, co-Registrar or Calculation Agent.

(d) CFE initially appoints the Trustee at its Corporate Trust Office as Registrar, Paying Agent and Calculation Agent, and the Trustee agrees to perform the duties of the Registrar, Paying Agent and Calculation Agent set forth herein and in the Notes, until such time as another Person is appointed as such.



Section 2.4 Paying Agent to Hold Money in Trust. CFE shall require each Paying Agent (other than the Trustee) to agree in writing that such Paying Agent shall hold in trust for the benefit of the Holders or the Trustee all money held by such Paying Agent for the payment of principal of or interest on the Notes and shall notify the Trustee in writing of any default by CFE or the Enhancer in making any such payment. If CFE or the Enhancer or an Affiliate of CFE or the Enhancer acts as Paying Agent, it shall segregate the money held by it as Paying Agent and hold it as a separate trust fund. CFE at any time may require a Paying Agent (other than the Trustee) to pay all money held by it to the Trustee and to account for any funds disbursed by such Paying Agent. Upon complying with this Section 2.4, the Paying Agent (if other than CFE) shall have no further liability for the money delivered to the Trustee.

Section 2.5 Holder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders. If the Trustee is not the Registrar, CFE shall furnish to the Trustee, in writing at least seven Business Days before each Payment Date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders.

Section 2.6 Global Note Provisions.

(a) Each Global Note shall initially: (i) be registered in the name of a common depositary (the "Common Depositary"), or its nominee, for Euroclear and Clearstream, Luxembourg, (ii) be delivered to the Common Depositary, and (iii) bear the appropriate legend, as set forth in Section 2.7 and Exhibit A. The aggregate principal amount of each Global Note may from time to time be increased or decreased by adjustments made on the records of the Common Depositary, as provided in this Indenture.

(b) Direct and indirect participants in Euroclear and/or Clearstream, Luxembourg shall have no rights under this Indenture with respect to any Global Note, and CFE, the Trustee and any agent of CFE or the Trustee shall be entitled to treat the Common Depositary or its nominee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent CFE, the Trustee or any agent of CFE or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Common Depositary or impair, as between the Euroclear and Clearstream, Luxembourg and their respective participants, the operation of customary practices of each such clearing system governing the exercise of the rights of a holder of a beneficial interest in any Global Note.

(c) Except as provided below, owners of beneficial interests in Global Notes will not be entitled to receive Definitive Notes. Definitive Notes shall be issued to all owners of beneficial interests in a Global Note in exchange for such interests if:

(i) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reasons of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so;

(ii) an Event of Default has occurred and is continuing and the Registrar has received a request from the Common Depositary to exchange such Global Note for Definitive Notes; or

(iii) CFE executes and delivers to the Trustee and the Registrar an Officers' Certificate stating that such Global Note shall be so exchangeable for Definitive Notes, and gives not less than ten Business Days' notice to the Trustee and the Common Depositary of such exchange.

In connection with the exchange of an entire Global Note for Definitive Notes pursuant to this paragraph (c), the Common Depositary shall surrender such Global Note to the Trustee for cancellation, and CFE shall execute, and upon Issuer Order the Trustee shall authenticate and deliver, to each beneficial owner identified by Euroclear or Clearstream, Luxembourg in exchange for its beneficial interest in such Global Note, an equal aggregate principal amount of Definitive Notes of Authorized Denominations.

Section 2.7 Legends.

(a) Each Note shall, upon original issuance, bear the private placement legend (the "Private Placement Legend") specified below on the face thereof (together with the legend specified in paragraph (b) of this Section 2.7, the "Legends"):

"THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT ("RULE 144A")) ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) TO A NON-U.S.



PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (II) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO THIS CLAUSE (III) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, OR (IV) TO THE ISSUER OR THE ENHANCER, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER APPLICABLE JURISDICTIONS, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY SUBSEQUENT PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE."

face thereof:

(b) Each Note shall bear the additional legend specified below on the

"THIS NOTE MAY ONLY BE TRANSFERRED UPON DELIVERY BY THE TRANSFEREE OF A CERTIFICATE CERTIFYING THAT IT IS AN ELIGIBLE ASSIGNEE (AS SUCH TERM IS DEFINED IN THE INDENTURE REFERRED TO BELOW)."

Section 2.8 Transfer and Exchange.

(a) Generally. (i) Subject to such reasonable regulations as it may prescribe, CFE will keep books for the exchange, registration and registration of transfer of Notes at the designated office of the Registrar, acting as its agent for such purposes.

(ii) Transfer, registration and exchange of any Note or Notes shall be permitted and executed as provided in the Notes and this Section 2.8, and the costs and expenses of effecting any exchange or registration of transfer will be borne as provided in Section 2.8(d)(ii), subject to such reasonable regulations as CFE and the Registrar may prescribe. The Holder of any Definitive Note may transfer the same in whole or in part in Authorized Denominations by surrendering at the office of the Registrar such Definitive Note with the form of transfer thereon duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to CFE and the Registrar, duly executed by the Holder thereof or his attorney-in-fact duly authorized in writing. In exchange for any Definitive Notes properly presented for transfer, the Trustee shall promptly authenticate and deliver or cause to be authenticated and delivered at the office of the Registrar to the transferee or send by mail (at the risk of the transferee) to such address as the transferee may request, Definitive Notes registered in the name of such transferee, for the same aggregate principal amount as was transferred. In the case of the transfer of any Definitive Notes in part, the Trustee shall also promptly authenticate and deliver or cause to be

authenticated and delivered at the office of the Registrar to the transferor or sent by mail (at the risk of the transferor) to such address as the transferor may request. Definitive Notes registered in the name of the transferor, for the aggregate principal amount that was not transferred. No transfer of any Definitive Notes shall be made unless the request for such transfer is made by the registered Holder or by a duly authorized attorney-in-fact of such holder at the office of the Registrar.



(iii) The transfer and exchange of beneficial interests in a Global Note shall be effected through the facilities of Euroclear and Clearstream, Luxembourg in accordance with their respective operating procedures; provided that upon the transfer of any such beneficial interest, (x) so long as such Global Notes shall bear the Private Placement Legend, the transferor shall deliver to the Registrar a certificate substantially in the form of Exhibit B and (y) in each case, the transferee shall deliver to the Registrar a certificate substantially in the form of Exhibit C.

(iv) All Notes surrendered for registration of transfer or exchange shall be delivered to the Registrar. The Registrar shall cancel and destroy all such Notes surrendered for registration of transfer or exchange and shall promptly deliver a certificate of destruction to CFE.

(v) In the event that the Global Note is exchanged for Definitive Notes pursuant to Section 2.6(c), such Notes may be exchanged only in accordance with such procedures as are substantially consistent with the provisions of this Section 2.8 (including the certification requirements intended to ensure that such transfers comply with Rule 144A or Regulation S or another applicable exemption under the Securities Act) and such other procedures as may from time to time be adopted by CFE.

(vi) If Notes are issued upon the transfer, exchange or replacement of Notes not bearing the Private Placement Legend, the Notes so issued shall not bear the Private Placement Legend. If Notes are issued upon the transfer, exchange or replacement of Notes bearing the Private Placement Legend, or if a request is made to remove the Private Placement Legend of a Note, the Notes so issued shall bear the Private Placement Legend, or the Private Placement Legend shall not be removed, as the case may be, unless there is delivered to the Trustee and CFE such satisfactory evidence, which may include an opinion of counsel licensed to practice law in the State of New York, as may be reasonably required by the Trustee or CFE that neither the Private Placement Legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144 or that such Notes are not "restricted securities" within the meaning of Rule 144. Upon provision of such satisfactory evidence, the Trustee, at the direction of CFE, shall authenticate and deliver a Note that does not bear the Private Placement Legend. All Notes issued upon transfer, exchange or replacement shall bear the Legend set forth in Section 2.7(b).

(b) Certain Restrictions on Transfers of Notes. Prior to effecting registration of any transfer of Definitive Notes, the Trustee shall receive (i) in the case of the transfer of Notes bearing the Private Placement Legend, from the transferor thereof a completed certificate in the form of Exhibit B stating that the proposed transfer is being made in compliance with the Private Placement Legend, (ii) in the case of any transfer, from the transferee a completed

certificate in the form of Exhibit C stating that the transferee is an Eligible Assignee and (ii) in the case of a transfer pursuant to clause (III) of the Private Placement Legend, if requested by the Trustee or CFE, an opinion of counsel satisfactory to each of them that such transfer is being made in compliance with Rule 144.

(c) Retention of Documents. The Registrar shall retain copies of all letters, notices and other written communications received pursuant to this Article II. CFE shall have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time upon the giving of reasonable written notice to the Registrar.

(d) Execution, Authentication of Notes, etc.

(i) Subject to the other provisions of this Section 2.8, when Notes are presented to the Registrar or a co-Registrar with a request to register the transfer of such Notes or to exchange such Notes for an equal principal amount of Notes of other authorized denominations, the Registrar or co-Registrar shall register the transfer or make the exchange as requested if the requirements for such transaction are met; provided that any Notes presented or surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Registrar or co-Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing. To permit registrations of transfers and exchanges and subject to the other terms and conditions of this Article II, CFE will execute and upon Issuer Order the Trustee will authenticate Notes at the Registrar's or co-Registrar's request.

(ii) No service charge shall be made to a Holder for any registration of transfer or exchange, but CFE may require payment of a sum sufficient to cover any transfer tax, assessments, or similar governmental charge payable in connection therewith (other than any such transfer taxes, assessments or similar governmental charges payable upon exchange or transfer pursuant to Section 9.4).

(iii) The Registrar or co-Registrar shall not be required to register the transfer of or exchange of any Note for a period beginning: (1) 15 days before the mailing of a notice of an offer to repurchase, repay or redeem Notes and ending at the close of business on the day of such mailing or (2) 15 days before a Payment Date and ending on such Payment Date.

(iv) Prior to the due presentation for registration of transfer of any Note, CFE, the Trustee, any Paying Agent, the Registrar, any co-Registrar and the Enhancer may deem and treat the Person in whose name a Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Note and for all other purposes whatsoever, whether or not such Note is overdue, and none of CFE, the Trustee, the Paying Agent, the Registrar, any co-Registrar or the Enhancer shall be affected by notice to the contrary.

(v) All Notes issued upon any transfer or exchange pursuant to the terms of this Indenture shall evidence the same debt and shall be entitled to the same benefits under this Indenture as the Notes surrendered upon such transfer or exchange.

(e) No Obligation of the Trustee.

(i) The Trustee shall have no responsibility or obligation to any beneficial owner of an interest in a Global Note, a direct or indirect participant in Euroclear or Clearstream, Luxembourg, or other Person with respect to the accuracy of the records of Euroclear or Clearstream, Luxembourg or the nominees thereof or of any direct or indirect participants thereof, with respect to any ownership interest in the Notes or with respect to the delivery to any direct or indirect participant, beneficial owner or other Person (other than the Common Depositary) of any notice (including any notice of redemption) or the payment of any amount or delivery of any Notes (or other security or property) under or with respect to such Notes. All notices and communications to be given to the Holders and all payments to be made to Holders in respect of the Notes shall be given or made only to or upon the order of the registered Holders (which shall be the Common Depositary or its nominee in the case of a Global Note). The Trustee may rely and shall be fully protected in relying upon information furnished by Euroclear or Clearstream, Luxembourg with respect to its participants and any beneficial owners.

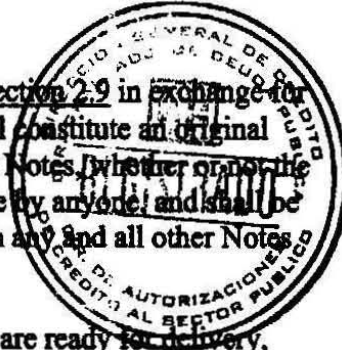
(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Euroclear or Clearstream, Luxembourg participants, indirect participants or beneficial owners in any Global Note) other than to require delivery of such certificates, opinions of counsel and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture with respect to transfers of Definitive Notes, and to examine the same to determine substantial compliance, as to form, with the express requirements hereof.

Section 2.9 Mutilated, Destroyed, Lost or Stolen Notes.

(a) If a mutilated Note is surrendered to the Registrar or if the Holder of a Note claims that the Note has been lost, destroyed or wrongfully taken, CFE shall execute and upon Issuer Order the Trustee shall authenticate a replacement Note if the requirements of Section 8-405 of the Uniform Commercial Code of the State of New York are met and the Holder satisfies any other reasonable requirements of the Trustee. If required by the Trustee or CFE, such Holder shall furnish an affidavit of loss and indemnity bond sufficient in the judgment of CFE and the Trustee to protect CFE, the Enhancer, the Trustee, the Paying Agent, the Registrar and any co-Registrar from any loss that any of them may suffer if a Note is replaced, and, in the absence of notice to CFE or the Trustee that such Note has been acquired by a protected purchaser, CFE shall execute and upon Issuer Order the Trustee shall authenticate and make available for delivery, in exchange for any such mutilated Note or in lieu of any such destroyed, lost or stolen Note, a new Note of like tenor and principal amount, bearing a number not contemporaneously Outstanding.

(b) Upon the issuance of any new Note under this Section 2.9, CFE may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) in connection therewith.

(c) Every new Note issued pursuant to this Section 2.9 in exchange for any mutilated Note, or in lieu of any destroyed, lost or stolen Note, shall constitute an original additional contractual obligation of CFE and any other obligor upon the Notes. Whether or not the mutilated, destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.



Section 2.10 Temporary Notes. Until definitive Notes are ready for delivery, CFE may execute and upon Issuer Order the Trustee will authenticate temporary Notes. Temporary Notes will be substantially in the form of definitive Notes but may have variations that CFE considers appropriate for temporary Notes. Without unreasonable delay, CFE will prepare and execute and upon Issuer Order the Trustee will authenticate definitive Notes. After the preparation of definitive Notes, the temporary Notes will be exchangeable for definitive Notes upon surrender of the temporary Notes at any office or agency maintained by CFE for that purpose and such exchange shall be without charge to the Holder. Upon surrender for cancellation of any one or more temporary Notes, CFE will execute and upon Issuer Order the Trustee will authenticate and make available for delivery in exchange therefor one or more definitive Notes representing an equal principal amount of Notes. Until so exchanged, the Holder of temporary Notes shall in all respects be entitled to the same benefits under this Indenture as a Holder of definitive Notes.

Section 2.11 Cancellation. CFE at any time may deliver Notes to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel and dispose of cancelled Notes in accordance with its policy of disposal or return to CFE all Notes surrendered for registration of transfer, exchange, payment or cancellation. CFE may not issue new Notes to replace Notes it has paid or delivered to the Trustee for cancellation for any reason other than in connection with a transfer or exchange.

Section 2.12 Defaulted Amounts. Any principal of or interest on any Note which is payable other than on the Maturity Date, but is not punctually paid or duly provided for (including any payment by the Enhancer pursuant to Article X), on any Payment Date (herein called a "Defaulted Amount") shall forthwith cease to be payable to the Holder on the relevant Record Date by virtue of having been such Holder, and such Defaulted Amount shall be paid to the Persons in whose names the Notes are registered at the close of business on a Special Record Date for the payment of such Defaulted Amount, which shall be fixed in the following manner. CFE shall notify the Trustee in writing of the amount of such Defaulted Amount proposed to be paid on each Note and the date of the proposed payment, and at the same time CFE shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Amount or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Amount as in this clause provided. Thereupon the Trustee shall fix a "Special Record Date" for the payment of such Defaulted Amount which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify CFE and the Enhancer of such Special Record Date and, in the name and at the expense of CFE, shall cause notice of the proposed payment of such Defaulted Amount and the Special Record Date therefor to be given to the Holders of Notes in accordance with Section

12.1(b), not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Amount and the Special Record Date therefor having been so given, such Defaulted Amount shall be paid to the Persons in whose names the Notes are registered at the close of business on such Special Record Date.



Section 2.13 Third Purchase Date Notes. (a) CFE may, subject to compliance with any other applicable provisions of this Indenture, without the consent of the Holders, create and issue pursuant to this Indenture up to U.S. \$150,000,000 of additional Insured Floating Rate Notes due 2036 ("Third Purchase Date Notes"), which may be consolidated to form a single series with the Initial Notes and the Second Purchase Date Notes; provided that (i) if such Third Purchase Date Notes have, for purposes of U.S. federal income taxation, a greater amount of original issue discount than the original Notes have as of the date of the issue of such Third Purchase Date Notes, then such Third Purchase Date Notes shall be assigned an ISIN number and common code different from that assigned to the Initial Notes and the Second Purchase Date Notes and (ii) the Enhancer insures the payment of such Notes pursuant to an Insurance Policy. The terms and conditions of such Third Purchase Date Notes will be identical to those of the Initial Notes and the Second Purchase Date Notes as set forth in Exhibit A, except that Third Purchase Date Notes:

- (A) may have a different issue date and issue price from the Initial Notes;
- (B) may have a different interest rate applicable to the first Interest Period for such Notes and a different amount of interest payable on the first Payment Date after issuance than is payable on the Initial Notes;
- (C) may have terms specified in an Authorized Officer's Certificate for such Third Purchase Date Notes making appropriate adjustments to this Article II and Exhibit A (and related definitions) applicable to such Third Purchase Date Notes in order to conform to and ensure compliance with the Securities Act (or other applicable securities laws), which are not adverse in any material respect to the Holder of any Initial Notes; and
- (D) may benefit from an Insurance Policy different from that applicable to the Initial Notes, so long as the terms of each such Insurance Policy are substantially identical.

(b) The terms and conditions of any Third Purchase Date Notes to be issued hereunder shall be set forth in or pursuant to an Authorized Officer's Certificate.

Section 2.14 Additional Amounts.

(a) CFE (or in the case of a payment by any Subsidiary Guarantor, such Subsidiary Guarantor) shall make payment of the principal of and interest on the Notes without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by Mexico, any political subdivision thereof or any taxing authority in Mexico ("Mexican Withholding Taxes"), unless such withholding or deduction is required by law or by the interpretation or administration thereof. If

CFE or any Subsidiary Guarantor is required to make any such withholding or deduction, it will pay such additional amounts ("Additional Amounts") as may be necessary in order to ensure that the net payment made by CFE in respect of the Notes after such withholding or deduction for its or account of Mexican Withholding Taxes shall not be less than the amount that would have been receivable in respect of the Notes in the absence of such withholding or deduction; provided that the foregoing obligation to pay Additional Amounts will not apply to:



(i) any Mexican Withholding Taxes that would not have been imposed or levied on a Holder of Notes but for the existence of any present or former connection between the Holder of such Notes and Mexico or any political subdivision or territory or possession thereof or area subject to its jurisdiction, including, without limitation, such Holder (A) being or having been a citizen or resident thereof, (B) maintaining or having maintained an office, permanent establishment or branch therein, or (C) being or having been present or engaged in trade or business therein, except for a connection solely arising from the mere ownership of, or receipt of payment under, such Notes;

(ii) any estate, inheritance, gift, sales, transfer or personal property or similar tax, assessment or other governmental charge;

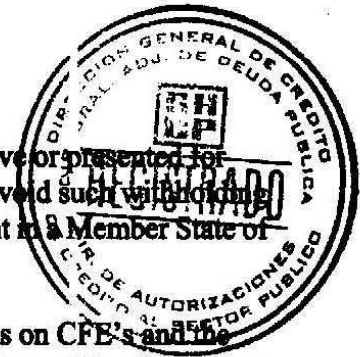
(iii) any Mexican Withholding Taxes that are imposed or levied by reason of the failure by the Holder of such Notes to comply with any certification, identification, information, documentation, declaration or other reporting requirement that is required or imposed by a statute, treaty, regulation, general rule or administrative practice as a precondition to exemption from, or reduction in the rate of, the imposition, withholding or deduction of any Mexican Withholding Taxes; provided that at least 60 days prior to (A) the first Payment Date with respect to which CFE or any Subsidiary Guarantor shall apply this clause (iii) and, (B) in the event of a change in such certification, identification, information, documentation, declaration or other reporting requirement, the first Payment Date subsequent to such change, CFE or any Subsidiary Guarantor, as the case may be, shall have notified the Trustee in writing that the Holders of Notes will be required to provide such certification, identification, information or documentation, declaration or other reporting;

(iv) any Mexican Withholding Taxes that would not have been so imposed but for the presentation by the Holder of such Note for payment on a date more than 15 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

(v) any payment on such Note to any Holder who is a fiduciary or partnership or other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the Holder of such Note; or

(vi) any withholding tax or deduction imposed on a payment to an individual pursuant to European Council Directive 2003/48/EC or any other European Union directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or

complying with, or introduced in order to conform to, such a directive or presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union.



(b) Notwithstanding the foregoing, the limitations on CFE's and the Subsidiary Guarantors' obligation to pay Additional Amounts set forth in clause (iii) of paragraph (a) above shall not apply if the provision of the certification, identification, information, documentation, declaration or other evidence described in such clause (iii) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a Holder or beneficial owner of a Note (taking into account any relevant differences between United States and Mexican law, regulation or administrative practice) than comparable information or other applicable reporting requirements imposed or provided for under U.S. federal income tax law (including the United States-Mexico Income Tax Treaty), regulations (including proposed regulations) and administrative practice. In addition, the limitations on CFE's and the Subsidiary Guarantors' obligation to pay Additional Amounts set forth in clause (iii) of paragraph (a) above shall not apply if Article 195, Section II, paragraph a) of the Mexican Income Tax Law (or a substantially similar successor of such provision) is in effect, unless (i) the provision of the certification, identification, information, documentation, declaration or other evidence described in such clause (iii) is expressly required by statute, regulation, general rules or administrative practice in order to apply Article 195, Section II, paragraph a) (or a substantially similar successor of such provision), CFE or the relevant Subsidiary Guarantor cannot obtain such certification, identification, information, documentation, declaration or evidence, or satisfy any other reporting requirements, on its own through reasonable diligence and CFE or the relevant Subsidiary Guarantor otherwise would meet the requirements for application of Article 195, Section II, paragraph a) (or such successor of such provision) or (ii) in the case of a Holder or beneficial owner of a Note that is a pension fund or other tax-exempt organization, such Holder or beneficial owner would be subject to Mexican Withholding Taxes at a rate less than that provided by Article 195, Section II, paragraph a) if the information, documentation or other evidence required under clause (iii) of paragraph (a) above were provided. In addition, clause (iii) of paragraph (a) above shall not be construed to require that a non-Mexican pension or retirement fund, a non-Mexican tax-exempt organization or a non-Mexican financial institution or any other Holder or beneficial owner of a Note register with the *Secretaría de Hacienda y Crédito Público* (the Ministry of Finance and Public Credit) of Mexico for the purpose of establishing eligibility for an exemption from or reduction of Mexican Withholding Taxes.

(c) CFE or the applicable Subsidiary Guarantor, as the case may be, will, upon written request, provide the Trustee and the Holders with a duly certified or authenticated copy of an original receipt of the payment of Mexican Withholding Taxes that CFE or such Subsidiary Guarantor has withheld or deducted in respect of any payments made under or with respect to the Notes or its Guaranty of the Notes.

(d) In the event that Additional Amounts actually paid with respect to any Notes pursuant to the preceding paragraph are based on rates of deduction or withholding of Mexican Withholding Taxes in excess of the appropriate rate applicable to the Holder of such Notes, and, as a result thereof, such Holder is entitled to make a claim for a refund or credit of such excess, then such Holder shall, by accepting such Notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to CFE

or the relevant Subsidiary Guarantor, as the case may be. However, by making such assignment, the Holder makes no representation or warranty that CFE or such Subsidiary Guarantor will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto.

(e) Whenever in the Notes or this Indenture (other than in Section 6.1(a) and Section 6.10) there is mentioned, in any context, the payment by CFE or a Subsidiary Guarantor of the principal of or interest on any Note, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof and express mention of the payment of Additional Amounts (if applicable) in any provisions hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

ARTICLE III

COVENANTS

Section 3.1 Payment of Notes.

(a) CFE shall pay the principal of and interest on the Notes in U.S. dollars on the dates and in the manner provided in the Notes and in this Indenture. Prior to 10:00 a.m., New York City time, on the Business Day preceding each Payment Date, Maturity Date, Optional Repayment Date or Redemption Date, CFE shall deposit with the Paying Agent in immediately available funds in U.S. dollars an amount sufficient to make the payments of principal and interest due on such Payment Date, Maturity Date, Optional Repayment Date or Redemption Date, as the case may be. If CFE, the Enhancer or an Affiliate of CFE or the Enhancer is acting as Paying Agent, CFE, the Enhancer or such Affiliate shall, immediately upon receipt of any such amount, segregate and hold such funds in trust in U.S. dollars for the purpose of making the payments due on such Payment Date or Maturity Date, as the case may be. Subject to Section 10.5, principal and interest shall be considered paid on the date due if on such date the Trustee or the Paying Agent (other than CFE or an Affiliate of CFE) holds in accordance with this Section 3.1 U.S. dollars designated for and sufficient to pay all principal and interest then due and the Trustee or the Paying Agent, as the case may be, is not prohibited from paying such money to the Holders on that date pursuant to the terms of this Indenture.

(b) Notwithstanding anything to the contrary contained in this Indenture, CFE may, to the extent it is required to do so by law, deduct or withhold income or other similar taxes imposed by the United States of America from principal or interest payments hereunder or under the Notes.

(c) CFE shall provide notice to the Trustee in the manner provided for in Section 12.1 on the third Business Day prior to each Payment Date, Maturity Date, Optional Repayment Date or Redemption Date confirming the amount and timeliness of such payment to be made on the Business Day preceding such Payment Date, Maturity Date, Optional Repayment Date or Redemption Date.

Section 3.2 Maintenance of Office or Agency.

(a) CFE shall maintain each office or agency required under Section 2.3. CFE will give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time CFE shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and CFE hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

(b) CFE may also from time to time designate one or more other offices or agencies (in or outside of The City of New York) where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind any such designation; provided that no such designation or rescission shall in any manner relieve CFE of its obligation to maintain an office or agency in The City of New York for such purposes. CFE will give prompt written notice to the Trustee of any such designation or rescission and any change in the location of any such other office or agency.

Section 3.3 Legal Existence. Subject to Article IV and Section 3.10, CFE will do or cause to be done all things necessary to preserve and keep in full force and effect its existence.

Section 3.4 Delivery of Financial Statements.

(a) CFE shall deliver to the Trustee and the Enhancer and post on its website, as soon as available, but not later than 180 days after the end of each of its fiscal years, a copy in the English language of the audited balance sheet of CFE as at the end of such year and the related statements of results of operations, changes in equity and changes in financial position for such year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of an independent public accounting firm of recognized standing in Mexico, which opinion (i) shall state that such financial statements present fairly the financial position of CFE as at such dates and the results of its operations, changes in equity and changes in financial position for the respective periods then ended in accordance with generally accepted accounting principles in Mexico ("Mexican GAAP"), and (ii) shall not be qualified or limited because of a restricted or limited examination by such accounting firm of any material portion of CFE's records.

(b) CFE shall deliver to the Trustee and the Enhancer and post on its website, as soon as available and in any event not later than 90 days after the end of each of its fiscal quarters, a copy of an unaudited condensed balance sheet and unaudited condensed statement of results of operations of CFE as at the end of such quarter.

(c) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt thereof shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including CFE's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Authorized Officer's Certificates).

Section 3.5 Maintenance of Government Approvals. CFE shall ~~duly obtain and~~ maintain in full force and effect all Governmental Approvals that may be necessary ~~under the laws~~ of Mexico for the performance by CFE of its obligations under the Financing Agreements ~~for the validity or enforceability thereof~~ and duly take all necessary and appropriate governmental and administrative action in Mexico in order to make all payments to be made thereunder as required by each Financing Agreement. CFE shall cause each Subsidiary Guarantor, if any, to duly obtain and maintain in full force and effect all Governmental Approvals that may be necessary ~~under the~~ laws of Mexico for the performance by it of its obligations under its Guaranty or ~~for the validity or enforceability thereof~~ and duly take all necessary and appropriate governmental and administrative action in Mexico in order to make all payments to be made thereunder as required by such Guaranty.

Section 3.6 Compliance with Applicable Laws and Governmental Approvals. CFE shall comply in all material respects with all applicable laws and all applicable Governmental Approvals of Mexico, except to the extent that such failure to comply could not reasonably be expected to have a material adverse effect on the ability of CFE to perform its obligations under the Financing Agreements or where the necessity of compliance with which is contested in good faith. CFE shall cause each Subsidiary Guarantor, if any, to comply in all material respects with: (a) its Guaranty and (b) all applicable laws and all applicable Governmental Approvals of Mexico, except to the extent such failure (individually or in the aggregate) could not reasonably be expected to have a material adverse effect on the ability of such Subsidiary Guarantor to perform its obligations under its Guaranty or where the necessity of compliance with which is contested in good faith.

Section 3.7 Performance of Obligations. CFE shall (a) perform all of its covenants and comply with all of its other obligations contained in each Financing Agreement to which it is a party and (b) pay, discharge or otherwise satisfy on or before maturity all of its other material payment obligations except where (i) the amount or validity thereof is being contested in good faith and by appropriate proceedings and adequate reserves are or will be maintained with respect thereto in conformity with Mexican GAAP or (ii) the failure to pay, discharge or otherwise satisfy such obligation would not have a material adverse effect on the ability of CFE to perform its obligations under the Financing Agreements.

Section 3.8 Negative Pledge. So long as any Note or Guaranty remains outstanding, CFE shall not, and shall not permit any Subsidiary Guarantor, if any, to create or permit to subsist any mortgage, pledge, hypothecation or other charge or encumbrance, including without limitation any equivalent thereof created or arising under the laws of Mexico (a "Lien"), upon the whole or any part of its present or future revenues or assets to secure any of its Public External Indebtedness, unless the Notes are secured equally and ratably with such Public External Indebtedness or except as shall otherwise be approved by the Controlling Party (or, if the Enhancer is not then the Controlling Party, the Holders of a majority in aggregate principal amount of the Notes then Outstanding); provided that CFE or any Subsidiary Guarantor may create or permit to subsist:

(a) any Lien on property of CFE or any Subsidiary Guarantor securing or providing for the payment of Public External Indebtedness incurred in connection with any Project Financing; provided that the properties to which any such Lien shall apply are (i) properties which are the subject of such Project Financing or (ii) revenues or claims which arise

from the operation, failure to meet specifications, failure to complete, explanation, sale or loss of or damage to such properties;

(b) any Lien on Accounts Receivable of CFE or any Subsidiary Guarantor; provided that (i) the aggregate principal amount of the Public External Indebtedness secured by Liens referred to in this clause (b) shall not exceed U.S. \$3,000,000,000 (or its equivalent in other currencies) and (ii) the short-term portion of such Public External Indebtedness shall not exceed U.S. \$1,000,000,000 (or its equivalent in other currencies); and

(c) any Lien on Available Assets of CFE or any Subsidiary Guarantor not permitted by any other paragraph of this Section 3.8; provided that, after giving effect to any such Lien, the aggregate amount of the Public External Indebtedness secured by Liens referred to in this paragraph (c) shall not exceed U.S. \$500,000,000 (or its equivalent in other currencies).

Section 3.9 Future Guarantors. In the event that any Subsidiary of CFE shall provide a Guaranty of the payment obligations of CFE under this Indenture and the Notes, the payment obligations of such Subsidiary Guarantor under its Guaranty will constitute direct, unsecured and unsubordinated general obligations of such Subsidiary Guarantor and will at all times rank equally with all present and future unsecured and unsubordinated Public External Indebtedness of such Subsidiary Guarantor.

Section 3.10 Repayment at the Option of the Holder.

(a) If at any time prior to the Maturity Date, CFE shall cease (i) to be a decentralized public entity of the Federal Government of Mexico, (ii) to be majority-owned by the Federal Government of Mexico, (iii) to be a public entity created and appointed pursuant to the Mexican Constitution or Federal laws with the right to generate, transmit, distribute and supply electricity in Mexico, or (iv) at any time, together with the Subsidiary Guarantors, as the case may be, to generate, transmit and distribute at least 60% of the electricity generated, transmitted and distributed, in each case within the regions of Mexico served by CFE as of the date hereof (unless, in the case of this clause (iv) the Federal Government of Mexico shall have assumed or guaranteed the obligations of CFE under the Financing Agreements (in each case, an "Optional Repayment Event"), then CFE shall give the Holders, the Trustee and the Enhancer written notice thereof not less than 60 days prior to the occurrence of such Optional Repayment Event, or if it is not possible to give 60 days' notice, then such lesser notice (but in no event less than 30 days) as shall be practicable given the circumstances. Such notice shall contain a written, irrevocable offer (an "Optional Repayment Offer") by CFE to repay, on the date specified in such Optional Repayment Offer (the "Optional Repayment Date"), which date shall be (x) not less than 45 days and not more than 60 days after the date of such notice and (y) not later than the date of such Optional Repayment Event, the Notes held by each Holder in full (and not in part), at a price equal to the outstanding principal amount thereof plus accrued interest thereon to (but excluding) the Optional Repayment Date. Prior to accepting such Optional Repayment Offer, the Enhancer in its capacity as Controlling Party (or if the Enhancer is not then the Controlling Party, then each Holder of Notes) shall afford CFE the opportunity to make a presentation to it, not later than 20 days prior to the Optional Repayment Date specified in CFE's Optional Repayment Offer, as to the creditworthiness of CFE following the Optional Repayment Event and any other information that CFE believes in good faith will enable the Enhancer in its capacity as Controlling Party (or if the Enhancer is not then the Controlling Party, then the Holders of the Notes) to make an informed

decision with respect to such Optional Repayment Offer, and shall consider in good faith such creditworthiness and other provided information in deciding whether to accept such Optional Repayment Offer, it being understood that the decision as to whether to accept such Optional Repayment Offer shall be made by the Enhancer in its sole discretion (or if the Enhancer is not then the Controlling Party, such decision shall be made by each Holder in its sole discretion with respect to the Notes that it holds). If the Enhancer in its capacity as Controlling Party (or, if the Enhancer is not then the Controlling Party, the Holder of any Notes) shall desire to accept such Optional Repayment Offer, (A) in the case of a Holder, it must submit a notice in substantially the form entitled "Option of Holder to Elect Repayment" on the reverse of the Notes, duly completed, and must surrender its Notes, or (B) in the case of the Enhancer, it must submit a notice in substantially the form entitled "Option of Holder to Elect Repayment" on the reverse of the Notes, duly completed to indicate that it is electing to have all Notes repaid, in each case to the Paying Agent, with copies to CFE and the Trustee, at the address specified in the Optional Repayment Offer prior to the close of business on the 10th Business Day preceding the Optional Repayment Date. If the Enhancer, in its capacity as Controlling Party, elects to accept such Optional Repayment Offer, CFE shall promptly notify the Trustee and the Holders of such election and the Optional Repayment Date. The outstanding principal amount of the Notes of Holders accepting such Optional Repayment Offer (directly or through action of the Enhancer) shall become due and payable on the Optional Repayment Date, upon presentation and surrender of such Notes (if not already surrendered pursuant to the second preceding sentence). In the event that there shall be a repayment of some, but not all, of the Notes under this Section 3.10, CFE shall promptly send written notice to the remaining Holders, setting forth the principal amount of Notes outstanding after such repayment.

(b) On the Optional Repayment Date, there shall become due and payable and CFE shall be obligated to repay the outstanding principal amount of each Note, the Holder of which (or the Enhancer, as applicable) has validly and timely elected repayment, plus interest accrued thereon to but excluding the Optional Repayment Date. If any Note is to be repaid as provided under this Section 3.10, then such Note shall cease to bear interest on and after the Optional Repayment Date, provided that such repayment is duly made or funds therefor have been made available to the Paying Agent for payment to the Holders entitled thereto. All Notes repaid by CFE under this provision shall be cancelled.

Section 3.11 Waiver of Certain Covenants. CFE may omit in any particular instance to comply with any of its covenants or conditions set forth in this Article III (other than Section 3.1), if before or after the time for such compliance the Enhancer (if at such time it is the Controlling Party) or the Holders of at least a majority in principal amount of the Outstanding Notes (if at such time the Enhancer is not the Controlling Party) shall, by vote at a meeting of Holders or by written consent, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of CFE and the duties of the Trustee in respect of any such covenant or condition shall remain in full force and effect.

ARTICLE IV

FUNDAMENTAL CHANGES

Section 4.1 Fundamental Changes.



(a) So long as any Note remains Outstanding, without the prior written consent of the Controlling Party (or, if the Enhancer is not then the Controlling Party, the Holders of a majority in aggregate principal amount of the Notes then Outstanding), CFE shall not, and shall not permit any Subsidiary Guarantor to: (x) consolidate or merge with or into any other Person or (y) in a single transaction or a series of related transactions, sell, lease or otherwise transfer, directly or indirectly, all or substantially all of the assets of CFE and the Subsidiary Guarantors, if any, taken as a whole, to any other Person; provided that, without limitation of the rights of the Holders described in Section 3.10, CFE or a Subsidiary Guarantor:

(i) may merge with another Person if (x) CFE or such Subsidiary Guarantor, as the case may be, is the Person surviving such merger and (y) after giving effect to such merger, no Default or Event of Default shall have occurred and be continuing;

(ii) may consolidate with or merge into another Person or sell, lease or otherwise transfer all or substantially all of its assets to another Person if (x) the Person formed by such consolidation or into which CFE or a Subsidiary Guarantor (the "Successor Entity") is merged or the Person which acquires by sale, lease or transfer all or substantially all of the assets of CFE or such Subsidiary Guarantor is a corporation, partnership or trust, organized and validly existing under the laws of Mexico, (y) such Person shall expressly assume the obligations of CFE or such Subsidiary Guarantor under the Financing Agreements and (z) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(iii) may terminate the corporate existence of any Subsidiary Guarantor if (x) such Subsidiary Guarantor transfers all of its material assets to CFE or another Subsidiary Guarantor and (y) immediately after giving effect to such termination, no Default or Event of Default shall have occurred and be continuing; and

(iv) may sell, lease or otherwise transfer all or substantially all of its assets to one or more of its Subsidiaries if (x) each such Person or Subsidiary (as the case may be) jointly and severally assumes or guarantees, formally and in writing, all of the payment obligations of CFE under the Financing Agreements, thereby becoming a Subsidiary Guarantor (or, in the case of any such transfer to one or more Subsidiaries, such joint and several assumption or guarantee may be provided by the Federal Government of Mexico instead of such Subsidiaries) and (y) immediately after giving effect to any such reorganization or transfer, no Event of Default shall have occurred and be continuing.

(b) Upon the occurrence of any event described in subclause (ii) or (iv) above, CFE shall execute and deliver, or shall cause any Subsidiary Guarantor or any Person referred to in subclause (ii) above, as applicable, to execute and deliver, such instruments and documents as may be reasonably requested by the Controlling Party (or, if the Enhancer is not then

the Controlling Party, the Holders of a majority in aggregate principal amount of the Notes then Outstanding) (including legal opinions and certificates of officers of CFE) to ensure compliance with the requirements described in this Section 4.1.



ARTICLE V

OPTIONAL REDEMPTION OF NOTES

Section 5.1 Optional Redemption.

(a) The Notes may be redeemed at the option of CFE in whole, but not in part, at any time at the Redemption Price, together with accrued interest, as specified in Section 5.5, on giving not less than 30 nor more than 60 days' notice to the Holders of the Notes and the Enhancer (which notice shall be irrevocable), if:

(i) CFE certifies to the Trustee immediately prior to the giving of such notice that it has or will become obligated to pay Additional Amounts in excess of the Additional Amounts that it would be obligated to pay if payments (including payments of interest) on the Notes were subject to a tax at a rate of 10%, as a result of any change in, or amendment to, or lapse of, the laws, rules or regulations of Mexico or any political subdivision or any taxing authority thereof or therein affecting taxation, or any change in, or amendment to, an official interpretation or application of such laws, rules or regulations, which change or amendment becomes effective on or after the date of issuance of the Notes; and

(ii) Prior to the publication of any notice of redemption, CFE shall deliver to the Trustee an Authorized Officer's Certificate stating that the obligation referred to in (i) above cannot be avoided by CFE, taking reasonable measures available to it, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (i) above in which event it shall be conclusive and binding on the Holders of the Notes; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which CFE would be obligated but for such redemption to pay such Additional Amounts were a payment in respect of such Notes then due and, at the time such notice is given, such obligation to pay such Additional Amounts remains in effect.

(b) On the Redemption Date fixed by CFE, there shall become due and payable and CFE shall be obligated to pay the Redemption Price, together with accrued interest on the Notes to but excluding the Redemption Date. If the Notes are to be redeemed as provided under this provision, then the Notes shall cease to bear interest on and after the Redemption Date, provided that the Redemption Price and such accrued interest is duly paid or made available to the Paying Agent for payment to the Holders. All Notes redeemed by CFE under this provision shall be cancelled.

Section 5.2 Election to Redeem. CFE shall evidence its election to redeem any Notes pursuant to Section 5.1 by an Authorized Officer's Certificate.

Section 5.3 Notice of Redemption.

(a) CFE shall give or cause the Trustee to give notice of redemption in the manner provided for in Section 12.1, not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Notes and the Enhancer. If CFE itself gives the notice, it shall also deliver a copy to the Trustee.

(b) If CFE elects to have the Trustee give notice of redemption, then CFE shall deliver to the Trustee, at least 45 days prior to the Redemption Date (unless the Trustee is satisfied with a shorter period), with a copy to the Enhancer, an Authorized Officer's Certificate requesting that the Trustee give notice of redemption and setting forth the information required by paragraph (c) of this Section 5.3. If CFE elects to have the Trustee give notice of redemption, the Trustee shall give the notice in the name of CFE and at CFE's expense.

(c) All notices of redemption shall state:

(i) the Redemption Date;

(ii) the Redemption Price and the amount of any accrued interest payable as provided in Section 5.5;

(iii) that on the Redemption Date the Redemption Price and any accrued interest payable to the Redemption Date will become due and payable in respect of each Note, and, unless CFE defaults in making the redemption payment, that interest on each Note will cease to accrue on and after the Redemption Date;

(iv) the place or places where a Holder must surrender the Holder's Notes for payment of the Redemption Price, and

(v) the ISIN number listed in the notice or printed on the Notes, and that no representation is made as to the accuracy or correctness of such ISIN number.

Section 5.4 Deposit of Redemption Price. Prior to 10:00 a.m., New York City time, on the Redemption Date, CFE shall deposit with the Trustee or with a Paying Agent (or, if CFE is acting as Paying Agent, segregate and hold in trust as provided in Section 2.4) an amount of money in immediately available funds sufficient to pay the Redemption Price of, and accrued interest on, all the Notes that CFE is redeeming on that date.

Section 5.5 Redemption Price; Notes Payable on Redemption Date. If CFE, or the Trustee on behalf of CFE, gives notice of redemption in accordance with this Article V, the Notes shall, on the Redemption Date, become due and payable at a price equal to the principal amount thereof (the "Redemption Price"), together with accrued interest, if any, to (but excluding) the Redemption Date, and from and after the Redemption Date (unless CFE shall default in the payment of the Redemption Price and accrued interest) the Notes or the portions of Notes shall cease to bear interest. Upon surrender of any Note for redemption in accordance with the notice, CFE shall pay the Notes at the Redemption Price, together with accrued interest, if any, to (but excluding) the Redemption Date (subject to the rights of Holders of record on the relevant Record Date to receive principal and interest due on the relevant Payment Date). If CFE shall fail to pay



any Note called for redemption upon its surrender for redemption, the principal amount thereof shall, until paid, bear interest from the Redemption Date at the rate then borne by the Notes.

ARTICLE VI

DEFAULTS AND REMEDIES



Section 6.1 Events of Default.

- (a) Each of the following is an "Event of Default":
 - (i) any payment of principal of or interest on the Notes is not made when due; or
 - (ii) CFE fails to pay any other amount due and payable under any Financing Agreement, which failure to pay shall continue for 10 Business Days after such amount has become due and payable; or
 - (iii) any valid claim is made under an Insurance Policy; or
 - (iv) any representation of CFE set forth in Sections 2.1 through 2.4, Section 2.8, Section 2.11 or Section 2.13 of the Note Purchase Agreement proves to have been false or incorrect in any material respect when made or deemed made and such misrepresentation has a material adverse effect on the ability of CFE to perform its obligations under the Financing Agreements; or
 - (v) CFE or any Subsidiary Guarantor fails to perform any material obligation contained in the Notes, its Guaranty (as applicable), this Indenture or the Insurance and Reimbursement Agreement (other than any obligation specified in any other Event of Default) and such failure shall continue for 30 days after written notice thereof shall have been given to CFE by the Enhancer (or if the Enhancer is not then the Controlling Party, the Holders of at least a majority in aggregate principal amount of the Notes then Outstanding); or
 - (vi) CFE or any Subsidiary Guarantor fails to make a payment of principal of or interest on any Public External Indebtedness of, or guaranteed by, CFE or such Subsidiary Guarantor in an aggregate principal amount exceeding U.S. \$75,000,000 (or its equivalent in any other currency) when due and such failure continues for more than the period of grace, if any, originally applicable thereto; or
 - (vii) one or more final judgments, order or decrees is rendered against CFE or any Subsidiary Guarantor involving in the aggregate a liability in excess of U.S. \$75,000,000 and such judgments, orders or decrees continues unsatisfied, unvacated or unstayed for a period of 60 days; or
 - (viii) an involuntary case or other proceeding is commenced against CFE seeking liquidation, reorganization or other relief with respect to it or its debts under any *concurso mercantil*, bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, *interventor*, *sindico*, custodian

or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or

(ix) CFE commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any *concurso mercantil*, bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, *interventor*, *sindico*, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in any involuntary case or other proceeding commenced against it, or makes a general assignment for the benefit of creditors, or fails generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(x) a decree is issued or other proceedings are commenced by a Governmental Authority of Mexico seeking dissolution, liquidation, reorganization or other relief with respect to CFE or its debts under applicable law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, *interventor*, *sindico*, custodian or other similar official of it or any substantial part of its property; or

(xi) a general moratorium is agreed or declared in respect of any Public External Indebtedness of CFE or any Subsidiary Guarantor, which moratorium does not expressly exclude the Notes; or

(xii) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (A) to enable CFE to lawfully perform its obligations under the Financing Agreements, (B) to enable any Subsidiary Guarantor to lawfully enter into and perform its obligations under its Guaranty relating to the Notes, and (C) to ensure that those obligations are legally binding and enforceable, is not taken, fulfilled or done within 30 days of its being so required; or

(xiii) it is or becomes unlawful for (A) CFE to perform or comply with one or more of its obligations under the Financing Agreements or (B) any Subsidiary Guarantor to perform its obligations under its Guaranty with respect to the Notes; or

(xiv) any event occurs which under the laws of Mexico has an analogous effect to any of the events referred to in paragraphs (viii) to (x) above; or

(xv) the payment obligations of CFE under the Financing Agreements fail to constitute unconditional general obligations of CFE that rank in priority of payment at least pari passu with all other unsecured and unsubordinated Public External Indebtedness of CFE.

(b) CFE shall deliver to the Trustee and the Enhancer, within ten Business Days after an Authorized Officer becomes aware of any Default or Event of Default, written notice in the form of an Authorized Officer's Certificate of any Default or Event of Default, its status and what action CFE proposes to take in respect thereof.

Section 6.2 Acceleration.

(a) In the event that any Event of Default shall have occurred and be continuing, upon the written direction of the Enhancer, if at such time it is the Controlling Party, or the Holders of not less than 25% in principal amount of the Notes then Outstanding, if at such time the Enhancer is not the Controlling Party, the Trustee shall, by notice to CFE, declare the entire principal amount of all Outstanding Notes, all interest accrued and unpaid thereon, and, to the fullest extent permitted by applicable law, all Additional Amounts, if any, and other amounts payable under the Notes and this Indenture, if any, to be due and payable, whereupon the same shall become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby waived; and

(b) At any time after the principal of the Notes shall have become due and payable upon a declaration of acceleration as provided herein, and before any judgment or decree by a court of competent jurisdiction for the payment of the money so due, or any portion thereof, shall be entered, the Enhancer, if at such time it is the Controlling Party, or the Holders of a majority in principal amount of the Notes then Outstanding, if at such time the Enhancer is not the Controlling Party, by written notice to CFE and the Trustee, may rescind and annul such declaration and its consequences if:

(i) there shall have been paid to or deposited with the Trustee a sum sufficient to pay:

(A) all principal of and interest on the Notes that have become due other than by such declaration of acceleration;

(B) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(ii) all Events of Default, other than the non-payment of the principal of and interest on the Notes that have become due solely by such acceleration, have been cured or waived as provided in Section 6.4.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 6.3 Other Remedies.

(a) If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

(b) The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative to the extent permitted by law.

Section 6.4 Waiver of Past Defaults. So long as the Enhancer is the Controlling Party, the Enhancer may on behalf of the Holders waive any past Default or Event of Default and its consequences. If the Enhancer is not the Controlling Party, the Holders of a majority in principal amount of the Notes then Outstanding may waive any past Default or Event of Default and its consequences; provided that the consent of the Holders of 75% in principal amount of the Notes then Outstanding shall be required to waive a Default or Event of Default described in Section 6.1(a)(i). Upon any such waiver, such Default or Event of Default shall cease to exist with respect to the Notes for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

Section 6.5 Control by Controlling Party. So long as the Enhancer is the Controlling Party, the Enhancer shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee with respect to the Notes or of exercising any trust or power conferred on the Trustee with respect to the Notes as provided in Section 11.1. If the Enhancer is not the Controlling Party, the Holders of a majority in principal amount of the Notes then Outstanding shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee with respect to the Notes or exercising any trust or power conferred on the Trustee with respect to the Notes. Subject to Section 7.1 and Section 7.2, however, (i) the Trustee may refuse to follow any direction that conflicts with law or this Indenture or any other Financing Agreement; and (ii) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction.

Section 6.6 Limitation on Suits. No Holder shall have the right to institute any suit, action or proceeding at law or in equity or otherwise for the appointment of a receiver or for the enforcement of any other remedy under or upon this Indenture, unless:

- (a) such Holder previously shall have given written notice to the Trustee of a continuing Event of Default;
- (b) the Holders of a majority in aggregate principal amount of the Outstanding Notes shall have requested the Trustee in writing to institute such action, suit or proceeding and shall have offered to the Trustee an indemnity reasonably satisfactory to it;
- (c) the Trustee shall have refused or neglected to institute any such action, suit or proceeding for 60 days after receipt of such notice, request and offer of indemnity;
- (d) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Controlling Party; and
- (e) such Holder has obtained the written consent of the Enhancer (if the Enhancer is then the Controlling Party).

It is understood and intended that no one or more of the Holders shall have any right in any manner whatever hereunder or under the Notes to (i) obtain or seek to obtain priority or preference over any other such Holder or (ii) enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all the Holders, subject to the provisions of this Indenture.

Section 6.7 Rights of Holders to Receive Payment Notwithstanding any other provision of this Indenture (including, without limitation, Section 6.6), but subject to Section 9.2, the right of any Holder to receive payment of principal of or interest on the Notes held by such Holder, on or after the respective due dates therefor, any Redemption Date or any Optional Repayment Date expressed in this Indenture or the Notes, or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 6.8 Collection Suit by Trustee If an Event of Default specified in Section 6.1 occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against CFE or any Subsidiary Guarantor for the whole amount then due and owing and the amounts provided for in Section 7.6.

Section 6.9 Trustee May File Proofs of Claim, etc.

(a) The Trustee may (irrespective of whether the principal of the Notes is then due):

(i) file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders under this Indenture and the Notes allowed in any bankruptcy, insolvency, liquidation or other judicial proceedings relative to CFE or any other obligor on the Notes or their respective creditors or properties; and

(ii) collect and receive any moneys or other property payable or deliverable in respect of any such claims and distribute them in accordance with this Indenture.

Any receiver, trustee, liquidator, sequestrator (or other similar official) in any such proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, taxes, disbursements and advances of the Trustee, its agent and counsel, and any other amounts due to the Trustee pursuant to Section 7.6. Any moneys collected by the Trustee under this Section 6.9 shall be applied as provided in Section 6.10.

(b) Nothing in this Indenture shall be deemed to authorize the Trustee or the Enhancer to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee or the Enhancer to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10 Priorities If the Trustee collects any money or property pursuant to this Article VI, it shall pay out the money or property in the following order:

FIRST: to the Trustee for amounts due under Section 7.6;

SECOND: to the payment of any principal payments on the Notes, in the order of the maturity of such payments, together with interest on the Notes then due and payable at the rate specified in the Notes;

THIRD: if Enhancement Liabilities have become due, to the payment of such unpaid Enhancement Liabilities;

FOURTH: to payment of (a) all accrued and unpaid default interest, if any, on the Notes and (b) all Additional Amounts, if any, due and payable to the Holders; and

FIFTH: in the event that the unpaid principal amount of the Outstanding Notes shall have become due, and all principal of and interest and Additional Amounts on the Outstanding Notes shall have been fully and irrevocably paid and all Note Enhancement Liabilities shall have been fully and irrevocably paid, any surplus then remaining shall be paid to the CFE or, to the extent the Trustee collects any amount pursuant to Article X from the Enhancer, to the Enhancer, or to such party as a court of competent jurisdiction shall direct;

provided that (a) all payments in respect of the Notes to be made pursuant to clauses "Second" and "Fourth" of this Section 6.10 shall be made, in the case of each such clause taken separately, ratably to the Holders entitled thereto, without discrimination or preference among such Holders, based upon the ratio of the unpaid principal amount of the Notes held by each such Holder to the unpaid principal amount of all Notes and (b) in no event may money collected from the Enhancer pursuant to Article X be applied to any purpose other than to make payment of principal of and interest on the Notes, and such money may not be applied to pay any Additional Amounts, any overdue interest on the Notes or any costs or expenses, liabilities or advances of the Trustee.

The Trustee may, upon notice to CFE, fix a record date and payment date for any payment to Holders pursuant to this Section 6.10.

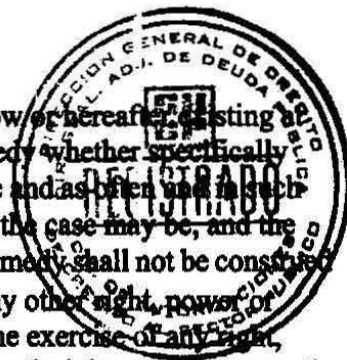
Section 6.11 Undertaking for Costs. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by CFE, a suit by a Holder pursuant to Section 6.7 or a suit by Holders of more than 25% in principal amount of the Outstanding Notes.

Section 6.12 Waiver of Stay or Extension. To the extent that it lawfully may, CFE hereby agrees that it will not at any time plead, claim or take the benefit of any appraisement, valuation, stay, extension, moratorium or redemption law now or hereafter in force and any requirement of marshaling in the event of foreclosure of the Note interests hereby created, CFE, for itself and all who may claim under CFE, as far as CFE lawfully may do so, hereby waives and releases the benefit of all such laws.

Section 6.13 Remedies Cumulative. Each and every right, power and remedy herein specifically given to the Trustee or the Enhancer shall be cumulative and shall be in addition



to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity, or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by the Trustee or the Enhancer, as the case may be, and the exercise or the commencement of the exercise of any right, power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy, and no delay or omission by the Trustee or the Enhancer in the exercise of any right, power or remedy or in the pursuance of any remedy shall impair any such right, power or remedy or to be construed to be a waiver of any default on the part of CFE or to be an acquiescence therein.



ARTICLE VII

TRUSTEE

Section 7.1 Duties of Trustee.

(a) If a Default or an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of a Default or an Event of Default:

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall examine such certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this paragraph (c) does not limit the effect of paragraph (b) of this

Section 7.1:

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Authorized Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and



(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.2, Section 6.4 or Section 6.5.

(d) Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(f) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VII.

(g) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from CFE shall be sufficient if signed by an Authorized Officer of CFE.

(h) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders or the Controlling Party unless such Holders or the Controlling Party shall have offered to the Trustee security or indemnity reasonably satisfactory to it against the costs, expenses (including reasonable attorneys' fees and expenses) and liabilities that might be incurred by it in compliance with such request or direction.

(i) The Trustee shall deliver to the Enhancer within 15 Business Days after each Payment Date a report of the outstanding principal amount of the Notes and the status of funds held by the Trustee. In addition, the Enhancer shall have the right to inspect and copy the Note Register and any other books and records of the Trustee, the Paying Agent and the Registrar relating to the Notes upon its reasonable request.

Section 7.2 Rights of Trustee. Subject to Section 7.1:

(a) The Trustee may conclusively rely on any document reasonably believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Authorized Officer's Certificate or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on an Authorized Officer's Certificate or Opinion of Counsel.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers, provided that the Trustee's conduct does not constitute willful misconduct or negligence.

(e) The Trustee may consult with counsel of its selection and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Notes shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit at the expense of CFE and shall incur no liability of any kind by reason of such inquiry or investigation.

(g) The Trustee shall not be deemed to have notice of any Default or Event of Default unless a Trust Authorized Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and this Indenture.

(h) The Trustee may request that CFE deliver an Authorized Officer's Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Authorized Officer's Certificate may be signed by any Person authorized to sign an Authorized Officer's Certificate, including any Person specified as so authorized in any such certificate previously delivered and not superseded.

(i) In no event shall the Trustee be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(j) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder.

Section 7.3 Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with CFE or any Subsidiary Guarantor with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar or co-Registrar may do the same with like rights. However, the Trustee must comply with Section 7.9.

Section 7.4 Trustee's Disclaimer. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for CFE's use of the proceeds from the Notes, and it shall not be responsible for any

statement of CFE in this Indenture, in any document issued in connection with the sale of the Notes or in the Notes other than the Trustee's certificate of authentication.

Section 7.5 Notice of Defaults. Without limiting the obligations of the Trustee under Section 11.3, if a Default or Event of Default occurs and is continuing and if a Trust Authorized Officer has actual knowledge thereof, the Trustee shall mail to the Enhancer, if at such time it is the Controlling Party or the Holders if at such time the Enhancer is not the Controlling Party, notice of the Default or Event of Default promptly and in any case within 60 days after the occurrence thereof. Except in the case of a Default or Event of Default in payment of principal of or interest on any Note (including payments pursuant to the optional redemption or early repayment provisions of such Note, if any), the Trustee may withhold the notice to the Holders (but not the Enhancer) if and so long as a committee of its Trust Authorized Officers in good faith determines that withholding the notice is in the interests of the Holders.

Section 7.6 Compensation and Indemnity.

(a) CFE shall reimburse the Trustee upon request for all reasonable and duly documented out-of-pocket expenses incurred or made by it in accordance with any provision of this Indenture (including the reasonable and duly documented compensation and reasonable and duly documented expenses and disbursements of the Trustee's agents and counsel).

(b) CFE shall indemnify the Trustee against any and all loss, liability, claim, damage or expense (including reasonable and duly documented attorneys' fees and expenses) incurred by it without negligence, willful misconduct or bad faith on its part in connection with the acceptance and administration of this trust and the performance of its duties hereunder, including the reasonable and duly documented costs and expenses of enforcing this Indenture (including this Section 7.6) and of defending itself against any claims (whether asserted by any Holder, CFE, the Enhancer or otherwise). The Trustee shall notify CFE promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify CFE shall not relieve CFE of its obligations hereunder. CFE shall defend the claim and the Trustee may have separate counsel and CFE shall pay the reasonable and duly documented fees and reasonable and duly documented expenses of such counsel, provided that CFE shall not be required to pay such fees and expenses if it assumes the Trustee's defense, and, in the reasonable judgment of outside counsel to the Trustee, there is no conflict of interest between CFE and the Trustee in connection with such defense. CFE need not reimburse any expense or indemnify against any loss, liability or expense incurred by the Trustee through the Trustee's own negligence, willful misconduct or bad faith. The benefits of this Section 7.6 shall survive termination of this Indenture.

(c) To secure CFE's payment obligations in this Section 7.6, the Trustee shall have a lien prior to the Notes on all money or property held or collected by the Trustee other than money or property held in trust to pay principal of and interest on the Notes.

Section 7.7 Replacement of Trustee.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee shall become effective until the acceptance of appointment of the successor Trustee as provided in this Section 7.7. The Trustee may resign at any time by so notifying CFE

and the Enhancer. The Controlling Party may remove the Trustee by so notifying the Trustee, and may appoint a successor Trustee reasonably acceptable to CFE. CFE may remove the Trustee if

- (i) the Trustee fails to comply with Section 7.9;
- (ii) the Trustee is adjudged bankrupt or insolvent;
- (iii) a receiver or other public officer takes charge of the Trustee or its property; or
- (iv) the Trustee otherwise becomes incapable of acting or performing its duties hereunder.

(b) If the Trustee resigns or is removed by CFE or by the Controlling Party and the Controlling Party or CFE, as applicable, does not reasonably promptly appoint a successor Trustee, or if a vacancy exists in the office of the Trustee for any reason (the Trustee in such event being referred to herein as the retiring Trustee), the Controlling Party or CFE, as applicable, shall promptly appoint a successor Trustee.

(c) A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to CFE. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders and the Enhancer. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.6.

(d) If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee or the Enhancer, if it is the Controlling Party or, if the Enhancer is not then the Controlling Party, the Holders of 10% in principal amount of the Outstanding Notes may petition, at CFE's expense, any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee fails to comply with Section 7.9, the Enhancer, if it is the Controlling Party or, if the Enhancer is not then the Controlling Party, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

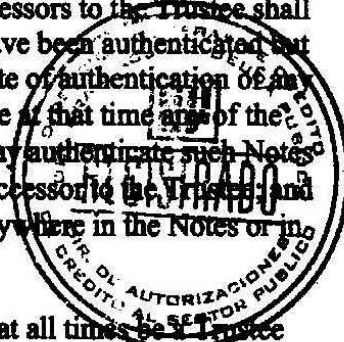
(f) Notwithstanding the replacement of the Trustee pursuant to this Section 7.7, CFE's obligations under Section 7.6 shall continue for the benefit of the retiring Trustee.

Section 7.8 Successor Trustee by Merger.

(a) If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.



(b) In case at the time such successor or successors to the Trustee shall succeed to the trusts created by this Indenture, any of the Notes shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any predecessor trustee, and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Trustee may authenticate such Notes either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of the Trustee shall have.



Section 7.9 Eligibility; Disqualification. There shall at all times be a Trustee hereunder which shall be (i) a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, or (ii) a corporation or other Person organized and doing business under the laws of a foreign government, in either case having a combined capital and surplus of at least U.S. \$50,000,000 and subject to supervision by Federal, state or other Governmental Authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section 7.9, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 7.9, it shall resign immediately in the manner and with the effect specified in this Article VII.

ARTICLE VIII

SATISFACTION AND DISCHARGE

Section 8.1 Satisfaction and Discharge. This Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the Notes, as expressly provided for in this Indenture) as to all Outstanding Notes when:

(a) either:

(i) all the Notes theretofore executed, authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by CFE and thereafter repaid to CFE or discharged from such trust) have been delivered to the Trustee for cancellation, or

(ii) all Notes not theretofore delivered to the Trustee for cancellation have become due and payable, and CFE has irrevocably deposited or caused to be deposited with the Trustee U.S. dollars or U.S. Government Obligations sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal of and interest on the Notes to the date of deposit, together with irrevocable instructions from CFE directing the Trustee to apply such funds to the payment;

(b) CFE has paid all other sums payable by it under this Indenture and the Notes and all Note Enhancement Liabilities; and

(c) CFE has delivered to the Trustee an Authorized Officer's Certificate stating that all conditions precedent under this Indenture relating to the satisfaction and discharge of this Indenture have been complied with.



ARTICLE IX

AMENDMENTS; MEETING OF HOLDERS

Section 9.1 Without Consent of Holders.

(a) CFE and the Trustee may, without the vote or consent of any Holder of the Notes, but with the written consent of the Enhancer, for so long as it is the Controlling Party, modify or amend this Indenture or the Notes for the purpose of: (i) adding to the covenants of CFE for the benefit of the Holders of the Notes; (ii) surrendering any right or power conferred upon CFE; (iii) securing the Notes pursuant to the requirements of this Indenture or otherwise; (iv) curing any ambiguity or curing, correcting or supplementing any defective provision of this Indenture or the Notes; (v) amending this Indenture or the Notes in any manner which CFE, the Trustee and (so long as it is the Controlling Party) the Enhancer may determine and that will not adversely affect the rights of any Holder of the Notes in any material respect; (vi) reflecting the succession of another corporation to CFE and the successor corporation's assumption of the covenants and obligations of CFE under the Notes and this Indenture; or (vii) reflecting the guaranty by the Federal Government of Mexico or the assumption by the Federal Government of Mexico of the obligations of CFE under the Notes and this Indenture.

(b) The consent of the Holders is not necessary under this Indenture to approve the particular form of any proposed amendment, modification, supplement or waiver. It is sufficient if the consent approves the substance of the proposed amendment, modification, supplement or waiver. After an amendment, modification or waiver under this Indenture becomes effective, CFE will mail to the Holders and the Enhancer a notice briefly describing the amendment, modification or waiver. However, the failure to give this notice to all the Holders, or any defect in the notice, will not impair or affect the validity of the amendment, modification, supplement or waiver.

Section 9.2 With Consent of Holders.

(a) CFE and the Trustee may modify, amend or supplement this Indenture or the Notes in any way, and the Trustee may consent to any amendment or modification of any other Financing Agreement (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes) without notice to, or consent by, any Holder, but with the written consent of the Controlling Party; provided that:

(i) no such supplemental indenture shall, without the written consent, or the affirmative vote at a meeting of Holders that is properly called and held in accordance with this Article IX, of the Holders of not less than 75% in aggregate principal

amount of the Outstanding Notes, effect a modification, amendment, supplement or waiver that constitutes a Reserved Matter, and

(ii) the Trustee shall not, without the written consent of the affirmative vote at a meeting of Holders that is properly called and held in accordance with this Article IX, of the Holders of not less than 75% in aggregate principal amount of the Outstanding Notes, consent to any modification or waiver of the Insurance Policies.

A "Reserved Matter" means any action that would:

- (1) change the due date for any payment of principal of or premium (if any) or interest on the Notes;
- (2) reduce the principal amount of the Notes, the portion of the principal amount that is payable upon acceleration of the maturity of the Notes, the interest rate on the Notes or the premium (if any) payable upon redemption of the Notes;
- (3) shorten the period during which CFE is not permitted to redeem the Notes (except as permitted by Article V) or permit CFE to redeem the Notes prior to maturity, if, prior to such action, CFE is not permitted to do so (except as permitted under Article V);
- (4) change the coin or currency in which, or the required places at which, any principal of or premium (if any) or interest on the Notes is payable;
- (5) modify any Guaranty of the Notes in any manner adverse to the Holder of any of the Notes;
- (6) change the obligation of CFE to pay Additional Amounts with respect to the Notes;
- (7) reduce the percentage of the principal amount of the Notes, the vote or consent of the Holders of which is necessary to modify, amend or supplement this Indenture, the Notes or any Insurance Policy or to take other action provided therein; or
- (8) modify any of the provisions of this Section 9.2, Section 3.11, Section 6.2(b), Section 6.4, Section 9.9 or Section 11.1, in each case except to increase any related percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Note affected thereby;
- (9) change Section 12.6(a);
- (10) change the courts to the jurisdiction of which each of the parties hereto has submitted, CFE's obligation to appoint and maintain an Authorized Agent in the Borough of Manhattan, The City of New York, as set forth in Section 12.6(c), or CFE's waiver of immunity in respect of actions or proceedings brought by the Trustee, the Enhancer or any Holder based upon this Indenture or the Notes, as set forth in Section 12.6(d);

- (11) in connection with an exchange offer for the Notes, amend any
Event of Default;
- (12) change the ranking of the Notes, as set forth in the terms of the
Notes;
- (13) change the definition of "Outstanding;" or
- (14) waive or modify any provision of any Insurance Policy relating to
the Notes in any manner adverse to the Holder of any Notes.



Upon the request of CFE, and upon the filing with the Trustee of evidence of the consent of the Enhancer and, if required, the Holders and such other documents, if any, required by Section 7.1, the Trustee shall join with CFE and the Enhancer in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties, immunities or indemnities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obliged to, enter into such supplemental indenture.

It shall not be necessary for any act of the Holders under this Section 9.2 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such act shall approve the substance thereof.

Promptly after the execution by CFE, the Enhancer and the Trustee of any supplemental indenture pursuant to the provisions of this Section 9.2, CFE shall, or shall direct the Trustee to, give notice thereof to the Holders setting forth in general terms the substance of such supplemental indenture. Any failure of CFE or the Trustee, as the case may be, to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 9.3 Effect of Consents and Waivers.

(a) A consent to an amendment, supplement or waiver by a Holder of a Note (or by the Enhancer as Controlling Party) shall bind the Holder and every subsequent Holder of that Note or portion of the Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent or waiver is not made on the Note. However, any such Holder or subsequent Holder may revoke the consent or waiver as to such Holder's Note or portion of the Note if the Trustee receives the notice of revocation before the date the amendment, supplement or waiver becomes effective. After an amendment, supplement or waiver becomes effective, it shall bind every Holder, except as otherwise provided in this Article IX. An amendment, supplement or waiver shall become effective upon receipt by the Trustee of the requisite number of written consents or votes at a Holders' meeting as specified in Section 9.2.

(b) CFE may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to give their consent or take any other action described above or required or permitted to be taken pursuant to this Indenture. If a record date is fixed, then notwithstanding the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to give such consent or to revoke any consent previously given or to take any such action, whether or not such

Persons continue to be Holders after such record date. No such consent shall be valid or effective for more than 90 days after such record date.

Section 9.4 Notation on or Exchange of Notes. If an amendment or supplement changes the terms of a Note, the Trustee may require the Holder of the Note to deliver it to the Trustee. The Trustee may place an appropriate notation on the Note regarding the changed terms and return it to the Holder. Alternatively, if CFE or the Trustee so determines, CFE in exchange for the Note will execute and upon the delivery of an Issuer Order the Trustee will authenticate a new Note that reflects the changed terms. Failure to make the appropriate notation or to issue a new Note shall not affect the validity of such amendment or supplement.

Section 9.5 Purposes for Which Meetings May be Called. A meeting of Holders may be called at any time and from time to time to make, give or take any request, demand, authorization, direction, notice, consent, waiver, amendment, modification, supplement or other action provided by this Indenture or the Notes to be made, given or taken by the Holders.

Section 9.6 Call, Notice and Place of Meetings.

(a) The Trustee may at any time call a meeting of Holders for any purpose specified in Section 9.5, to be held at such time and at such place in The City of New York as the Trustee shall determine.

(b) CFE, the Enhancer (so long as it is the Controlling Party) or the Holders of at least 10% in principal amount of the Outstanding Notes (if at such time the Enhancer is not the Controlling Party) may request the Trustee to call a meeting of the Holders for any purpose specified in Section 9.5 by giving written request to the Trustee setting forth in reasonable detail the action proposed to be taken at the meeting.

(c) Notice of every meeting of Holders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given to the Holders, the Enhancer and CFE in the manner provided in Section 12.1, not less than 30 and not more than 60 days prior to the date fixed for the meeting. If the Trustee shall not have sent notice of a meeting requested pursuant to paragraph (b) above within 20 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then CFE, the Enhancer (so long as it is the Controlling Party) or the Holders of at least 10% in principal amount of the Outstanding Notes (if at such time the Enhancer is not the Controlling Party), as the case may be, may determine the time and the place in The City of New York for such meeting and may call such meeting for such purposes by giving notice thereof as provided in this paragraph (c).

Section 9.7 Persons Entitled to Vote at Meetings. To be entitled to vote at any meeting of Holders, a Person shall be (a) a Holder of one or more Outstanding Notes or (b) a person duly appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Notes by such Holder or Holders; provided that so long as the Enhancer is the Controlling Party, the Enhancer shall be treated as the sole Holder of the Notes at any meeting of Holders. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel, any representatives

of the Trustee and its counsel and any representatives of CFE and any Subordinated Guarantor and their respective counsel.

Section 9.8 Determination of Voting Rights; Conduct and Adjournment of

Meetings.

(a) Notwithstanding any other provisions of this instrument, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders with respect to the proof of the holding of Notes and of the appointment of proxies and with respect to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Notes shall be proved in the manner specified in Section 2.8(d)(iv).

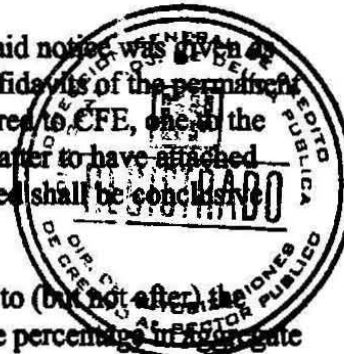
(b) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by CFE, the Enhancer or by Holders as provided in Section 9.6(b), in which case CFE, the Enhancer or the Holders, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in principal amount of the Outstanding Notes represented at the meeting.

(c) Subject to Section 9.7, at any meeting each Holder of a Note or proxy shall be entitled to one vote for each U.S. \$1,000 principal amount of the Outstanding Notes held or represented by such Holder; provided that no vote shall be cast or counted at any meeting in respect of any Note of such series challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of Notes or proxy.

Section 9.9 Quorum. At any meeting of Holders (other than a meeting held to discuss a Reserved Matter), the presence of Persons holding or representing a majority of the aggregate principal amount of the Outstanding Notes shall constitute a quorum. At any meeting of Holders held to discuss a Reserved Matter, the presence of Persons holding or representing 75% of the aggregate principal amount of the Outstanding Notes shall constitute a quorum. Any meeting of such Holders duly called pursuant to Section 9.6 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority of the aggregate principal amount of the Outstanding Notes represented at the meeting; and the meeting may be held as so adjourned without further notice.

Section 9.10 Counting Votes and Recording Action of Meetings. The vote upon any resolution submitted to any meeting of Holders shall be by written ballots on which shall be subscribed the signatures of such Holders or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Notes held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record, at least in triplicate, of the proceedings of each meeting of such Holders shall be prepared by the secretary of the meeting and there shall be attached to such record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the

facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 9.6. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to CFE, one to the Enhancer and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.



Section 9.11 Revocation by Holders. At any time prior to (but not after) the evidencing to the Trustee of the taking of any action by the Holders of the percentage in aggregate principal amount of the Notes specified in this Indenture in connection with such action, any Holder of a Note the serial number of which is included in the Notes the Holders of which have consented to such action may, by filing written notice with the Trustee at its principal Corporate Trust Office and upon proof of holding as provided in Section 2.8(d)(iv), revoke such consent so far as concerns such Note. Except as aforesaid, any such consent given by the Holder of any Note shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Note and of any Note issued in exchange therefor or in lieu thereof, irrespective of whether or not any notation in regard thereto is made upon such Note. Any action taken by the Holders of the percentage in aggregate principal amount of the Notes specified in this Indenture in connection with such action shall be conclusively binding upon CFE, the Trustee and the Holders of all the Notes.

Section 9.12 Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall receive, and shall be fully protected in relying upon, an Opinion of Counsel and an Authorized Officer's Certificate stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

ARTICLE X

ENHANCEMENT

Section 10.1 Enhancement. The Notes shall have the benefit of enhancement pursuant to the Insurance Policies issued by the Enhancer.

Section 10.2 Claims. If at 10:00 a.m., New York City time, on the Business Day prior to any Payment Date, the funds deposited by CFE with the Trustee or the Paying Agent with respect to such Payment Date pursuant to Section 3.1 or otherwise are not sufficient to make payment of all principal of and interest on the Notes then due on such Payment Date, the Trustee shall, no later than 2:00 p.m., New York City time, on the Business Day immediately preceding such Payment Date, make a claim under each Insurance Policy in an aggregate amount equal to such insufficiency. If such funds are not deposited by CFE at or before 10:00 a.m., New York City time, on the Business Day prior to any Payment Date, CFE shall immediately provide notice of such nonpayment to the Enhancer in the manner provided for in Section 11.3. All proceeds of claims upon the Insurance Policies shall be deposited with the Trustee and shall be used solely to pay amounts of scheduled principal and interest due in respect of principal of and interest on the

Notes (and not, for the avoidance of doubt, Additional Amounts or overpaid interest). The Trustee shall hold the Insurance Policies in trust, and shall hold any proceeds of any claim under any Insurance Policy in trust, solely for the use and benefit of the Holders entitled to the proceeds.

Section 10.3 Preference Claims. On any day that the Trustee has actual knowledge or receives notice that any amount previously paid to a Holder has been subsequently recovered from such Holder pursuant to a final order of a court of competent jurisdiction and such payment constitutes an avoidable preference to such Holder within the meaning of any applicable bankruptcy law (a "Preference Claim"), the Trustee shall make a claim within one Business Day upon the relevant Insurance Policy for the full amount of such Preference Claim in accordance with the terms of such Insurance Policy. Any proceeds of any such Preference Claim received by the Trustee shall be paid to the Holders.

Section 10.4 Trustee Assignment of Rights. The Trustee, on behalf of the Holders, shall assign to the Enhancer, to the fullest extent permitted by law, all of the Trustee's and the Holders' respective right, title and interest in the relevant Notes to the extent of payments made by the Enhancer under the related Insurance Policy including, for the avoidance of doubt, the rights of such Trustee and each Holder in the conduct of any insolvency proceeding, including all rights of any party to an adversarial proceeding with respect to any court order issued in connection with any such insolvency proceeding. Such assignment shall not in any way limit any other rights of subrogation otherwise available to the Enhancer. The Trustee shall take such action as reasonably requested by the Enhancer in connection with such assignment.

Section 10.5 Subrogation. Anything herein to the contrary notwithstanding, any payment with respect to the principal of and interest on the Notes that is made using funds paid under the Insurance Policies shall not (i) be considered payment by CFE of principal of and interest on the Notes, (ii) discharge CFE in respect of its obligation to make such payment or (iii) result in the payment of or the provision for the payment of the principal of or interest on the Notes within the meaning of Section 2.13 hereof. In furtherance and not in limitation of the Enhancer's equitable right of subrogation, CFE and the Trustee acknowledge and agree that, without the need for any further action on the part of the Enhancer, CFE, the Trustee or any other Person, to the extent of any payment made by the Enhancer pursuant to the Insurance Policies, the Enhancer shall be fully subrogated, to the extent of such payment and any additional interest due on CFE's late payment, to the rights of the Holders to receive such payment under this Indenture and the Notes. The parties hereto agree to such subrogation and, further, agree to execute such instruments and to take such actions as, in the reasonable judgment of the Enhancer, are necessary to evidence such subrogation and to perfect the rights of the Enhancer to receive any moneys paid or payable in respect of the Notes under the Insurance Policies or otherwise.

Section 10.6 Reimbursement of Claims on the Insurance Policies. On each Payment Date, Maturity Date, Optional Repayment Date or Redemption Date, following the payment to the Holders of all amounts due hereunder and in respect of the Notes on such date and so long as no Insurance Policy Default shall have occurred and be continuing, the Trustee shall pay, to the extent of the funds then available, to the Enhancer an amount equal to the sum of all unreimbursed claims under the Insurance Policies, together with accrued and unpaid interest on such amount (as provided in the Insurance and Reimbursement Agreement), and any unpaid Note Enhancement Liabilities.

Section 10.7 Surrender of Insurance Policies. The Trustee shall surrender each Insurance Policy to the Enhancer upon expiration of the term of such Insurance Policy in accordance with the terms of such Insurance Policy.

Section 10.8 Amendments. So long as the Enhancer is the Controlling Party and except as contemplated in Section 4.1, CFE will not amend, restate, supplement or otherwise modify or waive, or agree with any other Person to so amend, restate, supplement or otherwise modify or waive, any provision of, or assign or agree to assign its rights or obligations under, any Financing Agreement without the prior written consent of the Controlling Party.

ARTICLE XI

CONTROLLING PARTY

Section 11.1 Control. So long as the Enhancer is the Controlling Party, the Enhancer shall have the right to (i) direct the time, method and place of conducting any proceeding for any remedy available to the Trustee with respect to the Notes or exercising of any trust or power conferred on the Trustee with respect to the Notes, (ii) grant any consent or waiver under or with respect to the Notes, any Insurance Policy or any other Financing Agreement, (iii) agree to amend or modify any Insurance Policy or the Financing Agreements and (iv) direct the Trustee in writing in respect of any other action with respect to the Notes requiring the consent of the Holders of the requisite percentage in aggregate principal amount of the Notes and the Enhancer shall have no fiduciary duties to the Trustee or the Holders in connection with the exercise of its rights and discretions hereunder; provided that (x) the Enhancer may not take any action that constitutes a Reserved Matter with respect to the Notes without the consent of the Holders of 75% in aggregate principal amount of the Outstanding Notes, (y) such direction shall not be in conflict with any applicable law or with this Indenture or any other Financing Agreement or expose the Trustee to personal liability; and (z) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction. In the event that the Enhancer is no longer the Controlling Party, the Holders of a majority in aggregate principal amount of the Outstanding Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee with respect to the Notes, or exercising any trust or power conferred on the Trustee with respect to the Notes.

Section 11.2 Acceleration. So long as the Enhancer is the Controlling Party, then upon the occurrence of an Event of Default in respect of the Notes, the Trustee shall, upon the direction of the Controlling Party by written notice to CFE, declare the entire principal amount of all Outstanding Notes, all interest accrued and unpaid thereon, all Additional Amounts, if any, and all other amounts payable under the Notes and this Indenture, if any, to be due and payable, whereupon the same shall become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby waived.

Section 11.3 Notice to Controlling Party. CFE shall promptly deliver to the Enhancer a copy of each request, demand, authorization, direction, notice, consent, waiver, certificate, Opinion of Counsel, Board Resolution or other document received or sent by it, an Authorized Officer or any Holder pursuant to or in connection with this Indenture or the Notes. All notices or other deliveries to the Enhancer hereunder shall be made to the Enhancer by mail,

first-class postage prepaid, at the following address or at such other address as the Enhancer may notify to the Trustee and CFE, from time to time:

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504
Facsimile: 914-765-3160
Telephone: 914-765-3163
Attention: Head of International Surveillance



Section 11.4 Sole Holder. So long as the Enhancer is the Controlling Party, the Enhancer is hereby irrevocably appointed, and the Trustee and CFE hereby acknowledge and consent to the appointment of the Enhancer, as the sole Holder of the Notes and as the sole representative of the Holders for all purposes of this Indenture. Each Holder irrevocably consents and agrees to (and the successive Holders, by taking and holding one or more of the Notes will be conclusively deemed to irrevocably consent and agree) to such appointment of the Enhancer as the "sole Holder" and representative of the Holders at any time when the Enhancer is the Controlling Party.

Section 11.5 Power of Attorney. Subject to receipt by the Trustee from the Enhancer of an indemnity reasonably satisfactory to the Trustee, the Trustee shall appoint the Enhancer as agent and attorney-in-fact for the Trustee and the Holders in any legal proceeding with respect to the Notes in connection with and to the extent of any payments made by the Enhancer under the Insurance Policies, provided that, in connection with the exercise of such attorney-in-fact, the Enhancer shall consult with, and obtain consent of, the Trustee prior to taking any action pursuant to this Indenture, which consent shall not be unreasonably withheld.

ARTICLE XII

MISCELLANEOUS

Section 12.1 Notices.

(a) Any notice or communication to the Trustee, CFE or the Enhancer shall be in writing and delivered in person, by courier or by facsimile transmission, addressed as follows:

if to CFE:

Comisión Federal de Electricidad
Paseo de la Reforma No. 164, 7º Piso,
Col. Juárez
Mexico, D.F., 06600
Facsimile: +52 55 5230 9092
Telephone: +52 55 5231 1881
Attention: Manager of Financial Planning

if to the Trustee:

The Bank of New York
101 Barclay Street Floor 21W
New York, NY 10286
Facsimile: 212-815-5802
Telephone: 212-495-1784
Attention: Corporate Trust Administration



if to the Enhancer: At its address specified in or pursuant to Section 11.3.

CFE, the Trustee or the Enhancer by notice to the others may designate additional or different addresses for subsequent notices or communications.

(b) Any notice or communication to the Holders shall be in writing and delivered by first-class mail, postage prepaid, addressed to each Holder at such Holder's address as it appears on the Note Register maintained by the Registrar and shall be sufficiently given if so mailed within the time prescribed.

(c) Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Section 12.2 Communication by Holders with Other Holders. Holders may communicate with other Holders with respect to their rights under this Indenture (including any Guaranty) or the Notes in accordance with the provisions set forth in this Section 12.2. Within five business days after the receipt by the Trustee of a written application by any three or more Holders stating that the applicants desire to communicate with other Holders with respect to their rights under this Indenture or under the Notes, and accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, and by reasonable proof that each such applicant has owned a Note for a period of at least six months preceding the date of such application, the Trustee shall, at its election, either:

(1) afford to such applicants access to all information on the Holders of the Notes so furnished to or received by the Trustee; or

(2) inform such applicants as to the approximate number of Holders according to the most recent information so furnished to or received by the Trustee, and as to the approximate cost of mailing to such Holders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford to such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to all the Holders copies of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of such mailing, unless within five days after such tender, the Trustee shall mail to such applicants a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Holders or would be in violation of applicable law. Such written statement shall specify the basis of such opinion.

Section 12.3 Certificate and Opinion as to Conditions Precedent. Upon any request or application by CFE to the Trustee to take or refrain from taking any action under this Indenture, CFE shall furnish to the Trustee:

(1) an Authorized Officer's Certificate in form and substance reasonably satisfactory to the Trustee stating that, in the opinion of the signer, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; or

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee;

provided that in the case of any such request or application as to which the furnishing of documents is specifically required by any provision of this Indenture relating to such particular request or application, no additional certificate or opinion shall be required.

Section 12.4 Statements Required in Certificate or Opinion. Each certificate or opinion, including each Authorized Officer's Certificate or Opinion of Counsel with respect to compliance with a covenant or condition provided for in this Indenture shall include:

(1) a statement that the individual making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such individual, such covenant or condition has been complied with.

In giving an Opinion of Counsel, counsel may rely as to factual matters on an Authorized Officer's Certificate or on certificates of public officials.

Section 12.5 Rules by Trustee, Paying Agent and Registrar. The Trustee may make reasonable rules for action by, or a meeting of, Holders. The Registrar and the Paying Agent may make reasonable rules for their functions.

Section 12.6 Governing Law, etc.

(a) THIS INDENTURE AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, EXCEPT THAT THE AUTHORIZATION AND EXECUTION THEREOF BY CFE WILL BE GOVERNED BY THE LAWS OF MEXICO.



(b) THE PARTIES HERETO EACH HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS INDENTURE OR THE NOTES OR ANY TRANSACTION RELATED HERETO OR THERETO TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW.

(c) Each party hereto irrevocably agrees that any legal suit, action or proceeding arising out of or relating to this Indenture or the Notes may be instituted by any party hereto or by any Holder in the United States District Court for the Southern District of New York and each party hereto irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum, and irrevocably submits to the exclusive jurisdiction of any such court in any such suit, action or proceeding. In addition, in the event that the United States District Court for the Southern District of New York is unavailable, each party hereto irrevocably agrees that any legal suit, action or proceeding arising out of or relating to this Indenture or the Notes may be instituted by any party hereto or by any Holder in the Supreme Court of the State of New York, County of New York, and each party hereto irrevocably waives any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum, and irrevocably submits to the exclusive jurisdiction of any such court in any such suit, action or proceeding. Each party hereto agrees that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner in accordance with applicable law. CFE hereby irrevocably waives any right to invoke jurisdiction it may have to any court by virtue of Mexican law. CFE has appointed Banco Nacional de Comercio Exterior, S.N.C., presently located at 375 Park Avenue, 19th Floor, New York, New York 10152, as its authorized agent (the "Authorized Agent") to receive on its behalf service of copies of the summons and complaints and any other process which may be served in any legal suit, action or proceeding arising out of or relating to this Indenture or the Notes which may be instituted by the Trustee, the Enhancer or any Holder in the United States District Court or the State of New York court referred to above. Such service may be made by delivering a copy of such process to CFE in care of the Authorized Agent at the address specified above for the Authorized Agent and obtaining a receipt therefore, and CFE hereby irrevocably authorizes and directs such Authorized Agent to accept such service on its behalf. CFE represents and warrants that the Authorized Agent has agreed to act as said agent for service of process, and agrees that service of process in such manner upon the Authorized Agent shall be deemed in every respect effective service of process upon CFE in any such suit, action or proceeding; provided that the Person serving such process shall, to the extent lawful and possible, provide written notice to CFE of said service to the person and at the address specified in or pursuant to Section 12.1, but in no event shall the failure to provide said written notice to CFE affect the effectiveness of service upon the Authorized Agent.

(d) To the extent that CFE has or hereafter may acquire any immunity from jurisdiction of any of the courts referred to above or any Mexican courts or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, CFE hereby irrevocably waives such immunity in respect of its obligations under this Indenture and the Notes to the fullest

extent permitted by law, except that (i) under Article 4 of the Federal Code of Civil Procedure of Mexico and Articles 1, 4 and 7 (and related articles) of the Electricity Law, attachment prior to judgment in aid of execution will not be ordered by Mexican courts against property of CFE and (ii) the generation, transmission, processing, distribution and supply of electric energy as a public service, as well as the undertaking of any construction, installation and works required for the planning, operation and maintenance of the national electric system, are reserved to the Federal Government of Mexico, through CFE (and to that extent the assets related thereto are subject to immunity). Without limiting the generality of the foregoing, CFE agrees that the waivers set forth in this Section 12.6 shall have force and effect to the fullest extent permitted under the U.S. Foreign Sovereign Immunities Act and shall be irrevocable for purposes of such Act.

(e) Nothing in this Section 12.6 shall affect the right of the Trustee or any Holder of the Notes to serve process in any other manner permitted by law.

Section 12.7 No Recourse Against Others. An incorporator, director, officer, employee, stockholder or controlling Person, as such, of CFE shall not have any liability for any obligations of CFE under the Notes or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Notes.

Section 12.8 Successors. All agreements of CFE in this Indenture and the Notes shall bind its successors. All agreements of the Trustee and the Enhancer in this Indenture shall bind their respective successors.

Section 12.9 Duplicate and Counterpart Originals. The parties may sign any number of copies of this Indenture. One signed copy is enough to prove this Indenture. This Indenture may be executed in any number of counterparts, each of which so executed shall be an original, but all of them together represent the same agreement. Delivery of an executed counterpart of a signature page of this Indenture by facsimile shall be as effective as delivery of a manually executed counterpart of this Indenture.

Section 12.10 Severability. In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 12.11 Table of Contents; Headings. The table of contents and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not intended to be considered a part hereof and shall not modify or restrict any of the terms or provisions hereof.

Section 12.12 Force Majeure. In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed as of the date first written above.

COMISIÓN FEDERAL DE ELECTRICIDAD

By: _____
Name:
Title:



MBIA INSURANCE CORPORATION,
as Enhancer

By: _____
Name:
Title:

THE BANK OF NEW YORK,
as Trustee

By: _____
Name:
Title:

SH
CFE

DIRECCION GENERAL DE CREDITO PUBLICO
DIRECCION GRAL. ADJUNTA DE DEUDA PUBLICA
DIRECCION DE AUT. DE CREDITO AL SECTOR PUBLICO
DEPTO. DE GARANTIAS Y REGISTRO DE LA DEUDA
DEL SECTOR PUBLICO

REGISTRO DE TITULOS DE CREDITO PUBLICO CON EFECTOS A QUE SE
REFIERE LA LEY GENERAL DE DEUDA PUBLICA Y LA LEY DE INGRESOS
DE LA FEDERACION

LA EXPEDICION DEL PRESENTE TITULO FUE AUTORIZADA CON:

OFICIO No. 355/111 3184320

DE FECHA 26 Oct. 2006 Y 14 dic. 2006

Y REGISTRADO EN EL NO. 58-2006-FP

FECHA 19 Dic. 2006

FORMA [Signature]

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly
executed as of the date first written above.

COMISIÓN FEDERAL DE ELECTRICIDAD



By: _____
Name:
Title:

MBIA INSURANCE CORPORATION,
as Enhancer

By: Raimundo Langlois
Name: RAIMUNDO LANGLOIS
Title: DIRECTOR

THE BANK OF NEW YORK,
as Trustee

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties have caused this Indenture to be duly
executed as of the date first written above.



COMISIÓN FEDERAL DE ELECTRICIDAD

By: _____
Name:
Title:

MBIA INSURANCE CORPORATION,
as Enhancer

By: _____
Name:
Title:

THE BANK OF NEW YORK,
as Trustee

By: _____
Name:
Title:

A handwritten signature in black ink, appearing to read 'Hernan Lopez', written over a horizontal line.

HERNAN LOPEZ
ASSISTANT VICE PRESIDENT

FORM OF NOTE



THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT ("RULE 144A")) ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO THIS CLAUSE (III) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, OR (IV) TO THE ISSUER, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER APPLICABLE JURISDICTIONS, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY SUBSEQUENT PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN CLAUSE (A) ABOVE.

THIS NOTE MAY ONLY BE TRANSFERRED UPON DELIVERY BY THE TRANSFEREE OF A CERTIFICATE CERTIFYING THAT IT IS AN ELIGIBLE ASSIGNEE (AS SUCH TERM IS DEFINED IN THE INDENTURE REFERRED TO BELOW).

FORM OF FACE OF NOTE

**COMISIÓN FEDERAL DE ELECTRICIDAD
INSURED FLOATING RATE NOTES DUE 2036**



Principal Amount U.S. \$ []

[as revised by the schedule of increases and decreases
in Global Note attached as Schedule A hereto]¹

No. []

ISIN No. _____

Common Code _____

Comisión Federal de Electricidad ("CFE" or the "Issuer"), a decentralized public entity of the Federal Government of the United Mexican States ("Mexico"), promises to pay to [], or registered assigns, the principal sum of [] Dollars, in 60 equal semi-annual installments on each Payment Date (as defined on the reverse of this Note), each such installment to be in an amount equal to one-sixtieth of the original principal amount of this Note; provided that the last such installment shall be in an amount equal to the remaining principal amount of this Note, and to pay accrued interest on the outstanding principal amount of this Note at [•]% per annum (the "Initial Interest Rate") from [•] (the "Original Issue Date") until the first Payment Date, and thereafter at a rate per annum for each Interest Period equal to the sum of LIBOR for such Interest Period plus the Spread (each such term as defined on the reverse of this Note), determined in accordance with the terms and conditions of the Notes set forth on the reverse hereof, until said principal amount is paid or duly provided for in accordance with the terms hereof and the Indenture referred to below. Each payment of interest in respect of a Payment Date shall include interest accrued from and including the Original Issue Date, or from and including the last Payment Date to which interest has been paid or duly provided for to but excluding such Payment Date, and payments of interest on the final maturity date of this Note or upon earlier redemption, repayment or acceleration shall include interest accrued to, but excluding, the final maturity date or date of redemption or repayment.

All such payments of principal and interest (except principal and interest payable on the final Payment Date) shall be payable to the Holders of record of the Notes on the Record Date immediately preceding such Payment Date by [wire transfer to a U.S. dollar account maintained by the registered Holder of this Note at a bank located in the United States as may have been appropriately designated by such Holder to the Trustee in writing no later than the relevant Record Date]² [wire transfer of immediately available funds to the accounts specified by the registered Holder of this Note].¹

Payment of principal of and interest on the Notes at final maturity shall be made in immediately available funds to the Holders in whose name the Notes are registered on such date,

¹ Include for Global Notes only.

² Insert for Definitive Notes only.

upon surrender of the Notes at the corporate trust office of the Trustee in The City of New York; provided that such Notes are presented to the Trustee in time for the Trustee to make such payments in such funds in accordance with its normal procedures. "Record Date" means the close of business on the fifteenth day preceding the applicable Payment Date, whether or not such fifteenth day is a Business Day.

Additional provisions of this Note are set forth on the reverse of this Note, and such additional provisions shall for all purposes have the same effect as though fully set forth in this place.

COMISIÓN FEDERAL DE ELECTRICIDAD

By: _____
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

THE BANK OF NEW YORK,

as Trustee, certifies that this is one of the Notes referred to in the Indenture referred to on the reverse of this Note.

By: _____
Authorized Signatory

Date: _____

SCHEDULE A³

Date	Decrease in Principal Amount of this Global Note	Increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such Increase or Decrease	Signature of Authorized Signatory of Trustee or Global Depository



³ Include for Global Notes only.

REVERSE OF NOTE

1. Interest

Comisión Federal de Electricidad, a decentralized public entity of the Federal Government of the United Mexican States ("Mexico"), and its successors and assigns under the Indenture hereinafter referred to ("CFE" or the "Issuer"), promises to pay interest on the principal amount of this Note outstanding from time to time at the Initial Interest Rate specified on the face hereof from the Original Issue Date specified on the face hereof until the first Payment Date (as defined below) and, thereafter, at a rate per annum for each Interest Period equal to LIBOR for such Interest Period plus the Spread, until the principal amount hereof is paid or payment hereof is duly provided for. This Note will accrue interest from and including the first day of each Interest Period to but excluding the last day of each Interest Period, and accrued interest on the outstanding principal amount of this Note will be paid in arrears on each Payment Date, Optional Repayment Date, Redemption Date and date of acceleration of the maturity of the Notes. The amount of interest payable for any Interest Period will be computed on the basis of a 360-day year and the actual number of days elapsed.

Subject to applicable provisions of law and except as specified herein, the interest rate for each Interest Period shall be the rate determined in accordance with the provisions below. LIBOR with respect to each Interest Period will be determined by the Calculation Agent on the Interest Determination Date for such Interest Period in accordance with the following provisions:

(i) "LIBOR" will be:

(A) the offered rate for six-month deposits in U.S. dollars commencing on the second London Banking Day following such Interest Determination Date, as such rate appears on the Reuters Screen LIBO Page at approximately 11:00 a.m., London time, on such Interest Determination Date; or

(B) if no such rate appears on the Reuters Screen LIBO Page at such time, then the offered rate for six-month deposits in U.S. dollars commencing on the second London Banking Day following such Interest Determination Date, as such rate appears on Telerate Page 3750 at approximately 11:00 a.m., London time, on such Interest Determination Date.

(ii) If no such rate appears on the Reuters Screen LIBO Page or Telerate Page 3750 on such Interest Determination Date, the Calculation Agent will request the principal London offices of each of four major banks in the London interbank market, as selected by the Calculation Agent with the approval of CFE and MBIA (such approval not to be unreasonably withheld), to provide the Calculation Agent with its offered quotations for six-month deposits in U.S. dollars, commencing on the second London Banking Day immediately following such Interest Determination Date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on such Interest Determination Date and in a principal amount not less than U.S. \$1,000,000 that is



representative of a single transaction in such market at such time. If at least two such quotations are provided, LIBOR shall be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR for such Interest Period shall be the arithmetic mean of the rates quoted at approximately 11:00 a.m., New York City time, on such Interest Determination Date by three major banks in The City of New York selected by the Calculation Agent with the approval of CFE and MBIA (such approval not to be unreasonably withheld) for six-month loans in U.S. dollars to leading European banks, commencing on the second London Banking Day following such Interest Determination Date, and in a principal amount not less than U.S. \$1,000,000 that is representative of a single transaction in such market at such time; provided that if fewer than three banks selected by the Calculation Agent with the approval of CFE and MBIA are quoting rates as mentioned in this sentence, LIBOR shall be LIBOR as in effect on such Interest Determination Date.

"Business Day" means any day that is (a) not a Saturday or Sunday; (b) not a legal holiday or a day on which banking institutions are authorized or required by law, regulation or executive order to close in The City of New York; and (c) a London Banking Day.

"Holder" means the Person in whose name a Note is registered in the Note Register (as defined in the Indenture referred to below).

"Interest Determination Date" means, for any Interest Period, the second London Banking Day preceding the first day of such Interest Period.

"Interest Period" means, for any Note, each period commencing on the Purchase Date of such Note (in the case of the initial Interest Period) or on the last day of the immediately preceding Interest Period (in the case of each Interest Period after the initial Interest Period) and ending on the next Payment Date.

"London Banking Day" means a day on which commercial banks are open for dealings in U.S. dollar deposits in the London interbank market.

"Payment Date" means June 15 and December 15 of each year, commencing on June 15, 2007 and ending on December 15, 2036; provided that if any Payment Date is not a Business Day, such Payment Date will be postponed to the next succeeding Business Day, except that if such Business Day falls in the next succeeding calendar month, such Payment Date shall be the immediately preceding Business Day.

"Reuters Screen LIBO Page" means the display designated as page "LIBO" on the Reuters Monitor Money Rates Service, or such other page as may replace the "LIBO" page on that service for the purpose of displaying London interbank offered rates of major banks.

"Spread" means 0.495% per annum.

"Telerate Page 3750" means the display designated as page "3750" on Moneyline Telerate, or such other page as may replace the "3750" page on that service or such other

service or services as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits.

Notwithstanding the foregoing, in no event will the interest rate on this Note exceed the maximum rate permitted by applicable law.

So long as this Note is outstanding, CFE shall provide that there shall be appointed an agent for calculating the interest rate hereon (the "Calculation Agent"). The interest rate for each Interest Period shall be determined by the Calculation Agent as of each Interest Determination Date in accordance with the provisions hereof and of the Indenture referred to below. As soon as practicable after calculating such interest rate, but in any event not later than the first Business Day of such Interest Period (except with respect to the first Interest Period and as described below), the Calculation Agent shall notify CFE, each Paying Agent, the registered Holders and the Enhancer of its determination of LIBOR and of the interest rate in effect for such Interest Period, the number of days in such Interest Period, the date of the next Payment Date and the amount of interest expected to be payable for each U.S. \$100,000 Outstanding principal amount of Notes on such Payment Date, Maturity Date or date of earlier redemption or repayment, as the case may be. Upon the request of the Holder hereof, the Calculation Agent will provide the interest rate then in effect and, if determined, the interest rate that will become effective for the next Interest Period. Each determination made by the Calculation Agent pursuant to the provisions hereof shall be conclusive and binding on CFE, the Paying Agents and the Holders in the absence of manifest error.

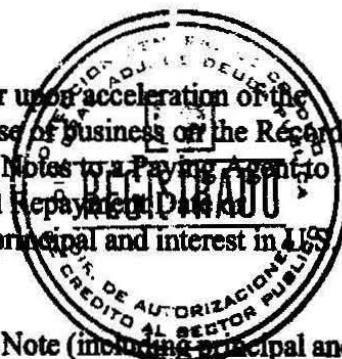
Accrued interest hereon shall be calculated by multiplying the outstanding principal amount hereof by an accrued interest factor. The interest factor for each Interest Period will be computed by multiplying the applicable interest rate by a fraction, the numerator is the number of days in such Interest Period and the denominator of which is 360. All percentages resulting from any calculation of the rate of interest on this Note will be rounded, if necessary, to the nearest one hundredth-thousand of a percentage point, with five one-millionths of a percentage point rounded upward, e.g., 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655) and 9.876544% (or .09876544) being rounded to 9.87654% (or .0987654). All U.S. dollar amounts used in or resulting from such calculation will be rounded to the nearest cent (with U.S. \$0.005 being rounded upward to U.S. \$0.01).

All payments made by CFE in respect of principal of and interest on the Notes will be made without deduction or withholding for or on account of any Mexican Withholding Taxes, unless such withholding or deduction is required by law or by the interpretation or administration thereof. In that event, CFE will pay to each Holder of the Notes Additional Amounts as provided in Section 2.14 of the Indenture, subject to the limitations set forth in Section 2.14 of the Indenture.

2. Method of Payment

Prior to 10:00 a.m., New York City time, on the Business Day preceding each Payment Date, Maturity Date, Optional Repayment Date or Redemption Date, CFE shall irrevocably deposit with the Trustee or the Paying Agent money sufficient to pay the principal and interest due on such Payment Date, Maturity Date, Optional Repayment Date or Redemption Date. CFE will pay such principal and interest (except any Defaulted Amounts) and interest payable on

the Maturity Date, Optional Repayment Date or Redemption Date or upon acceleration of the Notes) to the Persons who are registered Holders of Notes at the close of business on the Record Date preceding the relevant Payment Date. Holders must surrender Notes to a Paying Agent to collect principal and interest payable on the Maturity Date, Optional Repayment Date or Redemption Date or upon acceleration of the Notes. CFE will pay principal and interest in U.S. dollars.



Payments in respect of Notes represented by a Global Note (including principal and interest) will be made by wire transfer of immediately available funds to the accounts specified by the Common Depositary. CFE will make all payments in respect of a Definitive Note (including principal and interest) by wire transfer to a U.S. dollar account maintained by the Holder with a bank in the United States designated by such Holder no later than 15 days before the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

3. Paying Agent and Registrar

Initially, The Bank of New York (the “Trustee”), will act as Trustee, Paying Agent, Registrar and Calculation Agent. CFE may appoint and change any Paying Agent, Registrar, co-Registrar or Calculation Agent without notice to any Holder. CFE or the Enhancer may act as Paying Agent, Registrar, co-Registrar or Calculation Agent.

4. Indenture

CFE has issued the Notes under an Indenture, dated as of December 20, 2006 (as it may be amended or supplemented from time to time in accordance with the terms thereof, the “Indenture”), among CFE, the Enhancer and the Trustee. Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture. The Notes are subject to all the terms of the Indenture. Each Holder, by accepting a Note, agrees to be bound by all of the terms and provisions of the Indenture, as amended or supplemented from time to time.

The Notes constitute direct, unsecured and unsubordinated general obligations of CFE and will at all times rank equally with each other. The payment obligations of CFE under the Notes will at all times rank equally with all present and future unsecured and unsubordinated Public External Indebtedness of CFE.

Subject to the conditions set forth in the Indenture and without the consent of the Holders, CFE may issue [Second Purchase Date Notes and]⁴ Third Purchase Date Notes.

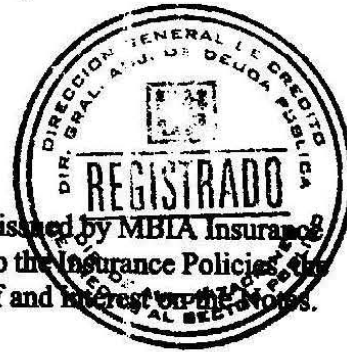
All Notes will be treated as a single class of securities under the Indenture but may bear different ISIN numbers.

The Indenture imposes certain limitations on, among other things, the ability of CFE and any Subsidiary Guarantor to incur Liens or consolidate or merge or transfer or convey all or substantially all of the assets of CFE and the Subsidiary Guarantors, taken as a whole.

⁴ Include only in First Purchase Date Notes.

5. Insurance Policy

The Notes will have the benefit of an Insurance Policy issued by MBIA Insurance Corporation (together with its successors, the "Enhancer"). Pursuant to the Insurance Policies, the Enhancer has guaranteed the timely payment of scheduled principal of and interest on the Notes.



6. Tax Redemption

The Notes may be redeemed at the option of CFE in whole, but not in part, at any time, at a price equal to the outstanding principal amount thereof (the "Redemption Price"), together with accrued interest to but excluding the date fixed for redemption (the "Redemption Date"), on giving not less than 30 nor more than 60 days' notice to the Holders and the Enhancer (which notice shall be irrevocable), if:

(a) CFE certifies to the Trustee immediately prior to the giving of such notice that it has or will become obligated to pay Additional Amounts (as defined in the Indenture) in excess of the Additional Amounts that it would be obligated to pay if payments (including payments of interest) on the Notes were subject to a tax at a rate of 10%, as a result of any change in, or amendment to, or lapse of, the laws, rules or regulations of Mexico or any political subdivision or any taxing authority thereof or therein affecting taxation, or any change in, or amendment to, an official interpretation or application of such laws, rules or regulations, which change or amendment becomes effective on or after the date of issuance of the Notes; and

(b) prior to the publication of any notice of redemption, CFE shall deliver to the Trustee an Authorized Officer's Certificate stating that the obligation referred to in (a) above cannot be avoided by CFE, taking reasonable measures available to it, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (a) above, in which event it shall be conclusive and binding on the Holders of the Notes; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which CFE would be obligated but for such redemption to pay such Additional Amounts were a payment in respect of such Notes then due and, at the time such notice is given, such obligation to pay such Additional Amounts remains in effect.

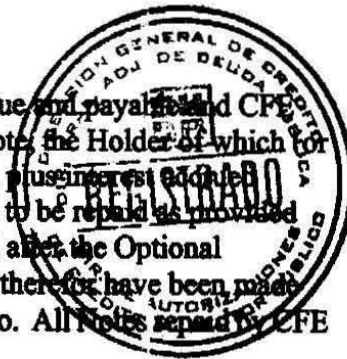
On the Redemption Date fixed by CFE, there shall become due and payable and CFE shall be obligated to pay the Redemption Price, together with accrued interest on the Notes to but excluding the Redemption Date. If the Notes are to be redeemed as provided under this provision, then the Notes shall cease to bear interest on and after the Redemption Date, provided that the Redemption Price and such accrued interest is duly paid or made available to the Paying Agent for payment to the Holders. All Notes redeemed by CFE under this provision shall be cancelled.

7. Optional Repayment

If at any time prior to the Maturity Date, CFE shall cease (a) to be a decentralized public entity of the Federal Government of Mexico, (b) to be majority-owned by the Federal Government of Mexico, (c) to be a public entity created and appointed pursuant to the Mexican

Constitution or Federal laws with the right to generate, transmit, distribute and supply electricity in Mexico, or (d) at any time, together with the Subsidiary Guarantors, as the case may be, to generate, transmit and distribute at least 60% of the electricity generated, transmitted and distributed, in each case within the regions of Mexico served by CFE as of the date of execution of the Indenture (unless, in the case of this clause (d) the Federal Government of Mexico shall have assumed or guaranteed the obligations of CFE under the Notes, the Indenture and the other Financing Agreements (as defined in the Indenture)) (in each case, an Optional Repayment Event), then CFE shall give the Holders, the Trustee and the Enhancer written notice thereof not less than 60 days prior to the occurrence of such Optional Repayment Event, or if it is not possible to give 60 days' notice, then such lesser notice (but in no event less than 30 days) as shall be practicable given the circumstances. Such notice shall contain a written, irrevocable offer (an "Optional Repayment Offer") by CFE to repay, on the date specified in such Optional Repayment Offer (the "Optional Repayment Date"), which date shall be (i) not less than 45 days and not more than 60 days after the date of such notice and (ii) not later than the date of such Optional Repayment Event, the Notes held by each Holder in full (and not in part), at a price equal to the outstanding principal amount thereof plus accrued interest thereon to (but excluding) the Optional Repayment Date. Prior to accepting such Optional Repayment Offer, the Enhancer in its capacity as Controlling Party (or if the Enhancer is not then the Controlling Party, then each Holder of Notes) shall afford CFE the opportunity to make a presentation to it, not later than 20 days prior to the Optional Repayment Date specified in CFE's Optional Repayment Offer, as to the creditworthiness of CFE following the Optional Repayment Event and any other information that CFE believes in good faith will enable the Enhancer in its capacity as Controlling Party (or if the Enhancer is not then the Controlling Party, then the Holders of the Notes) to make an informed decision with respect to such Optional Repayment Offer, and shall consider in good faith such creditworthiness and other provided information in deciding whether to accept such Optional Repayment Offer, it being understood that the decision as to whether to accept such Optional Repayment Offer shall be made by the Enhancer in its sole discretion (or if the Enhancer is not then the Controlling Party, such decision shall be made by each Holder in its sole discretion with respect to the Notes that it holds). If the Enhancer in its capacity as Controlling Party (or, if the Enhancer is not then the Controlling Party, the Holder of any Notes) desires to accept such Optional Repayment Offer, (A) in the case of a Holder, it must submit a notice in substantially the form entitled "Option of Holder to Elect Repayment" attached hereto, duly completed, and must surrender its Notes, or (B) in the case of the Enhancer, it must submit a notice in substantially the form entitled "Option of Holder to Elect Repayment" on the reverse of the Notes, duly completed to indicate that it is electing to have all Notes repaid, in each case to the Paying Agent, with copies to CFE and the Trustee, at the address specified in the Optional Repayment Offer prior to the close of business on the 10th Business Day preceding the Optional Repayment Date. If the Enhancer, in its capacity as Controlling Party, elects to accept such Optional Repayment Offer, CFE shall promptly notify the Trustee and the Holders of such election and the Optional Repayment Date. The outstanding principal amount of the Notes of Holders accepting such Optional Repayment Offer (directly or through action of the Enhancer) shall become due and payable on the Optional Repayment Date, upon presentation and surrender of such Notes (if not already surrendered pursuant to the second preceding sentence). In the event that there shall be a repayment of some, but not all, of the Notes under this section, CFE shall promptly send written notice to the remaining Holders, setting forth the principal amount of Notes outstanding after such repayment.

On the Optional Repayment Date, there shall become due and payable and CFE shall be obligated to repay the outstanding principal amount of each Note, the Holder of which (or the Enhancer, as applicable) has validly and timely elected repayment, plus interest accrued thereon to but excluding the Optional Repayment Date. If any Note is to be repaid as provided under this provision, then such Note shall cease to bear interest on and after the Optional Repayment Date, provided that such repayment is duly made or funds therefor have been made available to the Paying Agent for payment to the Holders entitled thereto. All Notes repaid by CFE under this provision shall be cancelled.



8. Denominations; Transfer; Exchange

The Notes are in fully registered form without coupons, in minimum denominations of U.S. \$100,000 and any larger amount (the "Authorized Denominations"). A Holder may transfer or exchange Notes in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange (i) any Notes called for redemption for a period beginning 15 days before the mailing of a notice of Notes to be redeemed and ending on the date of such mailing or (ii) any Notes for a period beginning 15 days before a Payment Date and ending on such Payment Date.

9. Persons Deemed Owners

The registered holder of this Note may be treated as the owner of it for all purposes.

10. Unclaimed Money

If money for the payment of principal of or interest on the Notes remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back (i) upon the request of CFE and with the consent of the Enhancer (if the Enhancer is at such time the Controlling Party), such consent not to be unreasonably withheld, to CFE or (ii) if such money or any portion thereof was paid by the Enhancer to the Trustee or Paying Agent for the payment of principal of or interest on such Notes, to the extent of such unreimbursed amounts, to the Enhancer in lieu of CFE. After any such payment, Holders entitled to the money must look only to CFE (but only to the extent of the amounts so paid to CFE) or the Enhancer (but only to the extent of the amount so paid to the Enhancer), as the case may be, for payment thereof and not to the Trustee for payment.

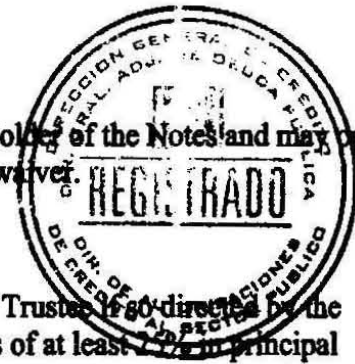
11. Discharge Prior to Redemption or Maturity

Subject to certain conditions set forth in the Indenture, CFE at any time may terminate some or all of its obligations under the Notes and the Indenture if CFE deposits with the Trustee U.S. dollars or U.S. Government Obligations for the payment of principal of and interest on the Notes to redemption or maturity, as the case may be.

12. Meetings and Amendments

The Indenture sets forth provisions for meetings of Holders and for modifications, amendments and waivers of the Indenture and the Notes. Under these provisions, so long as the

Enhancer is the Controlling Party, it shall be considered the sole Holder of the Notes and may on behalf of all Holders, consent to any modification, amendment or waiver.



13. Defaults and Remedies

If an Event of Default occurs and is continuing, the Trustee ~~if so directed by the~~ Enhancer (if it is the Controlling Party at such time) or the Holders of at least 25% in principal amount of the Outstanding Notes (if the Enhancer is not the Controlling Party at such time) may declare all the Notes to be due and payable immediately.

Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Notes unless it receives reasonable indemnity or security. Subject to certain limitations and to the following paragraph, Holders of a majority in principal amount of the Outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing Default or Event of Default (except a Default or Event of Default in payment of principal or interest) if it determines that withholding notice is in their interest.

So long as the Enhancer is the Controlling Party, the Enhancer shall have the sole right to direct the Trustee in the exercise of remedies under the Indenture and the Enhancer shall have no fiduciary duties to the Holders in so acting.

14. Trustee Dealings with CFE

Subject to certain limitations set forth in the Indenture, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by CFE or any Subsidiary Guarantor and may otherwise deal with CFE or any Subsidiary Guarantor with the same rights it would have if it were not Trustee.

15. No Recourse Against Others

An incorporator, director, officer, employee, stockholder or controlling person, as such, of CFE shall not have any liability for any obligations of CFE under the Notes or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

16. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent acting on its behalf) manually signs the certificate of authentication on the face of this Note.

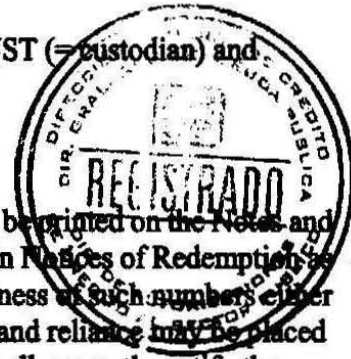
17. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (= tenants in common), TEN ENT (= tenants by the entirety), JT TEN (= joint

tenants with rights of survivorship and not as tenants in common), CUST (= custodian) and U/G/M/A (= Uniform Gift to Minors Act).

18. ISIN Number and Common Code

CFE has caused an ISIN number and Common Code to be printed on the Notes and has directed the Trustee to use such ISIN number and Common Code in Notices of Redemption as a convenience to Holders. No representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any Notice of Redemption, and reliance may be placed only on the other identification numbers printed on the Notes. CFE shall promptly notify the Trustee of any change in the ISIN number or Common Code.



19. Governing Law

This Note shall be governed by, and construed in accordance with, the laws of the State of New York, except that the authorization and execution hereof by CFE will be governed by the laws of Mexico.

20. Submission to Jurisdiction; Agent for Service; Waiver of Immunities

Each of CFE, the Trustee and the Enhancer has agreed in the Indenture that any legal suit, action or proceeding arising out of or relating to the Indenture or the Notes brought by any Holder, the Enhancer, the Trustee or CFE may be instituted in the United States District Court for the Southern District of New York and each of CFE, the Trustee and the Enhancer has irrevocably waived any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum, and has irrevocably submitted to the exclusive jurisdiction of any such court in any such suit, action or proceeding. In addition, in the event that the United States District Court for the Southern District of New York is unavailable, CFE, the Trustee and the Enhancer have irrevocably agreed in the Indenture that any legal suit, action or proceeding arising out of or relating to the Indenture or the Notes brought by any Holder, the Enhancer, the Trustee or CFE may be instituted in the Supreme Court of the State of New York, County of New York, and each of CFE, the Trustee and the Enhancer has irrevocably waived any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum, and irrevocably submitted to the exclusive jurisdiction of any such court in any such suit, action or proceeding. Each of CFE, the Enhancer and the Trustee has agreed that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner in accordance with applicable law. CFE has irrevocably waived any right to invoke jurisdiction it may have to any court by virtue of Mexican law. CFE has appointed Banco Nacional de Comercio Exterior S.N.C., presently located at 375 Park Avenue, 19th Floor, New York, New York 10152, as its authorized agent to receive on its behalf service of copies of the summons and complaints and any other process which may be served in any legal suit, action or proceeding arising out of or relating to the Indenture or the Notes which may be instituted by any Holder, the Enhancer or the Trustee in the United States District Court or the State of New York court referred to above.

To the extent that CFE has or hereafter may acquire any immunity from jurisdiction of any of the courts referred to above or any Mexican court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, CFE irrevocably waives such immunity in respect of its obligations under the Indenture and the Notes to the fullest extent permitted by law, except that (i) under Article 4 of the Federal Code of Civil Procedure of Mexico and Articles 1, 4 and 7 (and related articles) of the Electricity Law (as defined in the Indenture), attachment prior to judgment in aid of execution will not be ordered by Mexican courts against property of CFE and (ii) the generation, transmission, processing, distribution and supply of electric energy as a public service, as well as the undertaking of any construction, installation and works required for the planning, operation and maintenance of the national electric system, are reserved to the Mexican Government, through CFE (and to that extent the assets related thereto are subject to immunity).

ASSIGNMENT FORM

To assign this Note, fill in the form below:

I or we assign and transfer this Note to

(Print or type assignee's name, address and zip code)

(Insert assignee's Social Security or Tax I.D. Number)



and irrevocably appoint agent to transfer this Note on the books of CFE. The agent may substitute another to act for him.

Date: _____

Your Signature: _____

Signature Guarantee: _____
(Signature must be guaranteed)

Sign exactly as your name appears on the other side of this Note.

The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to the United States Securities Exchange Act of 1934 Rule 17Ad-15.

OPTION OF HOLDER TO ELECT REPAYMENT

**COMISIÓN FEDERAL DE ELECTRICIDAD
INSURED FLOATING RATE NOTES DUE 2036**



The undersigned [Holder] [Enhancer, in its capacity as Controlling Party] hereby elects to have [its] [all of the] Insured Floating Rate Notes due 2036 (the "Notes") repaid in full by Comisión Federal de Electricidad ("CFE") pursuant to Section 3.10 of the Indenture, dated as of December 20, 2006 (as amended and supplemented from time to time, the "Indenture"), among CFE, the Enhancer party thereto and The Bank of New York, as Trustee.

Name of [Holder] [Enhancer]: _____

Serial No(s). of Notes: _____

Date: _____ Signature of [Holder] [Enhancer]: _____
(If Holder, Sign exactly as your name appears on the other side of the Note)

Signature Guarantee: _____
(Signature must be guaranteed)

In the case of delivery of notice to any Holder, the signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to the United States Securities Exchange Act of 1934 Rule 17Ad-15.

This form should be mailed to the Paying Agent not later than the close of business on the third Business Day preceding the Optional Repayment Date (as defined in the Indenture) at the address set forth in the Optional Repayment Offer of CFE given pursuant to Section 3.10 of the Indenture.

FORM OF TRANSFEROR CERTIFICATE

[Date]



The Bank of New York
101 Barclay Street, 21W
New York, NY 10286
Attention: Corporate Trust Department

Re: Insured Floating Rate Notes due 2036 (the "Notes")
of Comisión Federal de Electricidad ("CFE")

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of December 20, 2006 (as amended and supplemented from time to time, the "Indenture"), among CFE, the Enhancer party thereto and The Bank of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

This letter relates to U.S. \$ _____ aggregate principal amount of Notes which are held in the name of the undersigned (the "Transferor") to effect the transfer of such Notes in exchange for an equivalent beneficial interest in the Note.

In connection with such request, and with respect to such Notes, the Transferor does hereby certify that (check one box below):

- ☐ 1. Such Notes are being transferred in accordance with Rule 144A under the Securities Act of 1933, as amended ("Rule 144A"), to a transferee that the Transferor reasonably believes is purchasing the Notes for its own account or an account with respect to which the transferee exercises sole investment discretion, and the transferee, as well as any such account, is a "qualified institutional buyer" within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with applicable securities laws of any state of the United States or any other jurisdiction.
- ☐ 2. Such Notes are being transferred pursuant to and in accordance with Regulation S under the Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor represents that:
- (a) the offer of the Notes was not made to a person in the United States;
- (b) either (i) at the time the buy order was originated, the transferee was outside the United States or we and any person acting on our behalf reasonably believed that the transferee was outside the United

States or (ii) the transaction was executed in, on or through the facilities of a designated off-shore securities market and neither we nor any person acting on our behalf knows that the transaction has been pre-arranged with a buyer in the United States;

(c) no directed selling efforts have been made in the United States in contravention of the requirements of Rule 903(b) or Rule 904 of Regulation S, as applicable; and

(d) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

- ☐ 3. Such Notes are being transferred pursuant to and in accordance with Rule 144 under the Securities Act.⁵

You and CFE are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Very truly yours,

[Name of Transferor]

By: _____

Authorized Signature

⁵ Transfers pursuant to Rule 144 may require the submission of an opinion of counsel, if requested by the Trustee or CFE.

FORM OF TRANSFeree CERTIFICATE

[Date]



The Bank of New York
101 Barclay Street, 21W
New York, NY 10286
Attention: Corporate Trust Department

Re: Insured Floating Rate Notes due 2036 (the "Notes")
of Comisión Federal de Electricidad ("CFE")

Ladies and Gentlemen:

Reference is hereby made to the Indenture, dated as of December 20, 2006 (as amended and supplemented from time to time, the "Indenture"), between CFE, the Enhancer party thereto and The Bank of New York, as Trustee. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

This certificate is delivered to request a transfer of U.S. \$ _____ principal amount of the Notes (the "Transferred Notes") to the undersigned (the "Transferee").

Upon transfer, the Transferred Notes should be registered in the name of the new owner as follows:

Name: _____ [If applicable, add: as
nominee for the transferee]

Address: _____

Taxpayer ID Number: _____

The Transferee does hereby certify that it (a) has its residence or main office located in a country that has a treaty with Mexico for the avoidance of double taxation that is in effect as of the date hereof, and that is eligible for the benefits of such treaty with respect to payments receivable by it under the Transferred Notes, (b) has complied with any certification, identification, information, reporting, documentation or similar requirements as of the date of the transfer without regard to any written request by CFE, (c) either (i) is not entitled to receive Additional Amounts or (ii) is entitled to receive Additional Amounts in amounts that are no greater than the transferor would have been entitled to receive with respect to the Transferred Notes at the time of such transfer, (d) does not hold more than 10% of the voting shares of CFE, (e) is not an entity more than 20% of the shares of which are held directly or indirectly, individually or jointly with persons related to CFE, (f) is acquiring the Transferred Notes in a transaction that is exempt from registration under the Securities Act and (g) is not acquiring the Transferred Notes using the assets of any "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations

promulgated thereunder) and any "plan" within the meaning of Section 4975 of the U.S. Internal Revenue Code of 1986.

[In addition, the Transferee does hereby certify that it is purchasing the Notes for its own account or an account with respect to which the transferee exercises sole investment discretion, and the transferee, as well as any such account, is a "qualified institutional buyer" within the meaning of Rule 144A under the United States Securities Act of 1933 (the "Securities Act").]⁶

[In addition, the Transferee does hereby certify that it is not a U.S. person (as defined in Regulation S under the Securities Act).]⁷

You and CFE are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Very truly yours,

[Name of Transferee]

By: _____
Authorized Signature

⁶ Include if Transferor Certificate indicates that the transfer of Notes was made pursuant to paragraph 1 of the Transferor Certificate.

⁷ Include if Transferor Certificate indicates that the transfer of Notes was made pursuant to paragraph 2 of the Transferor Certificate.



INSURANCE AND REIMBURSEMENT AGREEMENT

between

MBIA INSURANCE CORPORATION

and

COMISIÓN FEDERAL DE ELECTRICIDAD

dated December •, 2006



ARTICLE I	DEFINITIONS.....	5
1.1	Terms Generally.....	5
1.2	Other Rules of Construction	6
1.3	Notices and Written Communications	7
ARTICLE II	THE INSURANCE POLICIES; CLOSING CONDITIONS; PREMIUMS; REIMBURSEMENT; TAXES; INDEMNIFICATION.....	7
2.1	Insurance Policies	7
2.2	Closing	7
2.3	Payment of Premiums	9
2.4	Reimbursement and Other Payment Obligations.....	9
2.5	Subrogation	10
2.6	Taxes	11
2.7	Indemnification	13
2.8	Payment Procedure	16
2.9	Obligations Absolute	16
2.10	Reinstatement.....	19
2.11	Further Assurances and Corrective Instruments	19
ARTICLE III	REPRESENTATIONS AND WARRANTIES OF THE ISSUER.....	19
3.1	Representations and Warranties of the Issuer in the Note Purchase Agreement	19
ARTICLE IV	COVENANTS	19
4.1	Covenants.....	19
ARTICLE V	EVENTS OF DEFAULT AND REMEDIES	20
5.1	Events of Default	20
5.2	Remedies; Waivers.	20
ARTICLE VI	MISCELLANEOUS	21
6.1	Amendments, etc.....	21
6.2	Assignments; Reinsurances; Third Party Rights.....	21
6.3	Insurance Company Not a Fiduciary	22
6.4	Notices	22
6.5	Severability; Consents	23
6.6	Judgment Currency	24
6.7	Termination.....	24



6.8	Liability of the Insurance Company	25
6.9	Governing Law; Waiver of Jury Trial.	25
6.10	Submission to Jurisdiction, Etc.....	26
6.11	Waiver of Insurance Company's Security	27
6.12	Waiver of Sovereign Immunity	27
6.13	Entire Agreement.....	27
6.14	New Agreement.....	27
6.15	Benefits of Agreement.....	27
6.16	Conflicts.....	28
6.17	Counterparts.....	28



SCHEDULES AND EXHIBITS

Schedule A	Definitions
Schedule B-1	Conditions Precedent to the Issuance and Delivery of the First Insurance Policy
Schedule B-2	Conditions Precedent to the Issuance and Delivery of the Second Insurance Policy
Schedule B-3	Conditions Precedent to the Issuance and Delivery of the Third Insurance Policy
Exhibit A	Form of Insurance Policy
Exhibit B	Form of First Closing Opinion of General Counsel of the Issuer
Exhibit C	Form of First Closing Opinion of Cleary Gottlieb Steen & Hamilton LLP, special New York counsel to the Issuer

INSURANCE AND REIMBURSEMENT AGREEMENT, dated December 2006 (this "Agreement" or the "Reimbursement Agreement"), between MEXIA INSURANCE CORPORATION (the "Insurance Company"), a stock insurance corporation organized under the laws of the State of New York, and COMISIÓN FEDERAL DE ELECTRICIDAD (the "Issuer"), a decentralized public entity of the Federal Government of the United Mexican States ("Mexico").



PRELIMINARY STATEMENTS

A. The Issuer proposes to issue and sell to the Purchasers (as defined in the Note Purchase Agreement) on each Closing Date its Insured Floating Rate Notes due 2036 (the "Notes") in an aggregate principal amount not to exceed U.S. \$905 million upon the terms and subject to the conditions provided in the Note Purchase Agreement.

B. The Insurance Company is authorized to transact a financial guarantee insurance business in the State of New York and, subject to the terms and conditions hereof, the Insurance Company is willing to issue and deliver to the Trustee, for the benefit of the Noteholders, (i) an insurance policy substantially in the form of Exhibit A hereto (the "First Insurance Policy") on the First Purchase Date, (ii) an insurance policy substantially in the form of Exhibit A hereto (the "Second Insurance Policy") on the Second Purchase Date and (iii) an insurance policy substantially in the form of Exhibit A hereto (the "Third Insurance Policy," and together with the First Insurance Policy and the Second Insurance Policy, the "Insurance Policies") on the Third Purchase Date, each for the purpose of guarantying regularly-scheduled payments of principal of and interest on the Notes upon the terms and subject to the conditions provided in the relevant Insurance Policy.

C. The parties hereto desire to specify, among other things, the terms and conditions for the issuance of the Insurance Policies, the payment of certain commissions and premiums therefor, the obligations of the Insurance Company in respect of the Insurance Policies, and to provide for certain other matters related thereto.

NOW, THEREFORE, in consideration of the promises and other agreements herein contained, the parties hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 Terms Generally. Capitalized terms used herein, including in the preliminary statements, without definition shall have the respective meanings assigned to such terms in Schedule A (*Definitions*) hereto.

1.2 Other Rules of Construction. Unless the contrary is expressly stated herein:



- (i) words in this Agreement denoting one gender only shall be construed to include the other gender;
- (ii) when used in this Agreement, the words "including", "includes" and "include" shall be deemed to be followed in each instance by the words "without limitation";
- (iii) when used in this Agreement, the words "herein", "hereby", "hereunder", "hereof", "hereto", "hereinbefore", and "hereinafter", and words of similar import, shall refer to this Agreement in its entirety and not to any particular section, subsection, paragraph, clause or other subdivision, exhibit, schedule or appendix of this Agreement;
- (iv) each reference in this Agreement to any article, section, subsection, paragraph, clause or other subdivision, exhibit, schedule or appendix shall mean, unless otherwise specified, the respective article, section, subsection, paragraph, clause or other subdivision, exhibit, schedule or appendix of this Agreement;
- (v) capitalized terms in this Agreement referring to any Person or party to any Financing Agreement, any Insurance Policy or to any other agreement, instrument, deed or other document shall refer to such Person or party together with its successors and permitted assigns, and in the case of any Governmental Authority, any Person succeeding to its functions and capacities;
- (vi) each reference in this Agreement to any Financing Agreement, any Insurance Policy, or to any other agreement, instrument, deed or other document, shall be deemed to be a reference to such Financing Agreement, Insurance Policy, or such other agreement, instrument, deed or document, as the case may be, as the same may be amended, supplemented, novated or otherwise modified from time to time in accordance with the terms hereof and thereof;
- (vii) each reference in this Agreement to any provision of Law shall be construed as a reference to that provision of Law, as applied, amended, modified, extended or re-enacted from time to time, and includes any rules or regulations promulgated thereunder;
- (viii) each reference in this Agreement to any provision of any other Financing Agreement or any Insurance Policy will include reference to any definition or provision incorporated by reference within that provision; and



(ix) when used in this agreement, the word "or" shall be non-exclusive and shall be construed to include the word "and".

1.3 Notices and Written Communications. Unless the contrary intention appears, any capitalized term used without definition in any notice or other written communication given under or pursuant to this Agreement shall have the same meaning in that notice or other written communication as in this Agreement.

ARTICLE II

THE INSURANCE POLICIES; CLOSING CONDITIONS; PREMIUMS; REIMBURSEMENT; TAXES; INDEMNIFICATION

2.1 Insurance Policies.

(a) Subject to the terms and conditions set forth herein and on the basis of the representations, warranties, covenants and agreements contained herein and in the other Financing Agreements, the Insurance Company agrees to issue and deliver the First Insurance Policy to the Trustee, for the benefit of the Noteholders, on the First Purchase Date.

(b) Subject to the terms and conditions set forth herein and on the basis of the representations, warranties, covenants and agreements contained herein and in the other Financing Agreements, the Insurance Company agrees to issue and deliver the Second Insurance Policy to the Trustee, for the benefit of the Noteholders, on the Second Purchase Date.

(c) On or before February 28, 2007, the Issuer shall advise the Insurance Company by notice in the form of Exhibit A to the Note Purchase Agreement whether it desires to issue up to an additional U.S.\$150,000,000 (or such lesser amount as shall result in the aggregate principal amount of the Notes not exceeding U.S.\$905,000,000) principal amount of its Insured Floating Rate Notes due 2036 (the "Third Purchase Date Notes") on the Third Purchase Date, but in no event later than the Third Commitment Termination Date. No later than 10 Business Days after receiving such notice from the Issuer, the Insurance Company shall indicate by notice to the Issuer whether it desires to issue the Third Insurance Policy guaranteeing payment of principal and interest on such Third Purchase Date Notes, and if it does not respond to such notice it will be deemed to have declined to issue such Third Insurance Policy.

2.2 Closing.

(a) The obligations of the Insurance Company under this Agreement, including without limitation the obligation to issue and deliver the First Insurance Policy



at the First Closing, shall be subject to the satisfaction, or the waiver by the Insurance Company in its sole discretion, on or before the First Purchase Date, but in no event later than the First Commitment Termination Date, of each of the conditions precedent set forth in Schedule B-1 (*Conditions Precedent to the Issuance and Delivery of the First Insurance Policy*). The First Closing shall take place at the offices of Cleary Gottlieb Steen & Hamilton LLP, upon not less than five Business Days' prior written notice from the Issuer to the Insurance Company (with a copy to the Trustee) that all such conditions precedent have been or will be satisfied on or before the First Purchase Date. The First Closing hereunder shall occur simultaneously with the closing of the issuance and sale of Notes under the Note Purchase Agreement on the First Purchase Date (as defined in the Note Purchase Agreement).

(b) The obligations of the Insurance Company under this Agreement, including without limitation the obligation to issue and deliver the Second Insurance Policy at the Second Closing, shall be subject to the satisfaction, or the waiver by the Insurance Company in its sole discretion, on or before the Second Purchase Date, but in no event later than the Second Commitment Termination Date, of each of the conditions precedent set forth in Schedule B-2 (*Conditions Precedent to the Issuance and Delivery of the Second Insurance Policy*). The Second Closing shall take place at the offices of Cleary Gottlieb Steen & Hamilton LLP, upon not less than five Business Days' prior written notice from the Issuer to the Insurance Company (with a copy to the Trustee) that all such conditions precedent have been or will be satisfied on or before the Second Purchase Date. The Second Closing hereunder shall occur simultaneously with the closing of the issuance and sale of Notes under the Note Purchase Agreement on the Second Purchase Date (as defined in the Note Purchase Agreement).

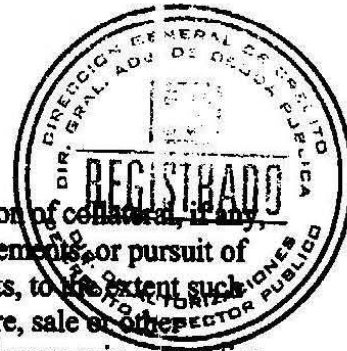
(c) The obligations of the Insurance Company under this Agreement to issue and deliver the Third Insurance Policy at the Third Closing, shall be subject to (i) the agreement of the Insurance Company to issue the Third Insurance Policy as evidenced by the notice delivered by the Insurance Company pursuant to Section 2.1(c) hereof and (ii) the satisfaction, or the waiver by the Insurance Company in its sole discretion, on or before the Third Purchase Date, but in no event later than the Third Commitment Termination Date, of each of the conditions precedent set forth in Schedule B-3 (*Conditions Precedent to the Issuance and Delivery of the Third Insurance Policy*). The Third Closing shall take place at the offices of Cleary Gottlieb Steen & Hamilton LLP, upon not less than five Business Days' prior written notice from the Issuer to the Insurance Company (with a copy to the Trustee) that all such conditions precedent have been or will be satisfied on or before the Third Purchase Date. The Third Closing hereunder shall occur simultaneously with the closing of the issuance and sale of Notes under the Note Purchase Agreement on the Third Purchase Date (as defined in the Note Purchase Agreement).

2.3 Payment of Premiums. In consideration of the issuance by the Insurance Company of the Insurance Policies, the Issuer shall pay to the Insurance Company the premiums (the "Premiums") with respect thereto specified in a separate letter agreement (the "Premium Letter") by and between the Issuer and the Insurance Company. The Premiums paid hereunder (as specified in the Premium Letter) shall be non-refundable without regard to whether the Insurance Company makes any payment under any Insurance Policy or any other circumstances relating to the Notes or provision being made for payment of any Note prior to maturity. The Issuer shall make all payments of Premium by wire transfer to an account designated from time to time by the Insurance Company by written notice to the Issuer not less than five Business Days prior to the date on which the payment is due. Although the Premiums are fully earned by the Insurance Company upon issuance of the relevant Insurance Policy, a portion of the Premiums shall be payable after the relevant Closing Date pursuant to the Premium Letter, *provided that* in the event that any Note becomes due on an accelerated basis as a result of an Event of Default or any other circumstance (other than by reason of an early redemption at the option of the Noteholders or optional redemption for tax reasons, if any, duly made and paid in accordance with the applicable Financing Agreement, in which case a redemption premium shall be payable as provided in the Premium Letter), then the unpaid Premiums, if any, shall become immediately due and payable by the Issuer to the Insurance Company without demand or notice. The unpaid Premiums, if any, payable on an accelerated basis shall be calculated as provided in the Premium Letter.

2.4 Reimbursement and Other Payment Obligations. The Issuer agrees to pay to the Insurance Company as follows:

(a) to the extent not previously reimbursed by the Trustee pursuant to the Indenture, a sum, in U.S. Dollars, equal to the total amount of all Insurance Policy Disbursements paid by the Insurance Company under the Insurance Policies;

(b) any and all charges, fees, reasonable and documented costs and expenses which the Insurance Company may pay or incur, including attorneys', accountants' and other consultants' fees and expenses, and any and all recording and filing fees that may be payable or determined to be payable, in connection with (i) in the event of any payment under any Insurance Policy following a payment default by the Issuer, any accounts established to facilitate such payment, (ii) the enforcement, defense or preservation of any rights in respect of any of the Financing Agreements or the Insurance Policies during the Continuance of a Default or Event of Default, including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of any party to any Financing Agreement or any Affiliate thereof) relating to any of the Financing Agreements, any party to any of the Financing Agreements or the Insurance Policies or the transactions contemplated



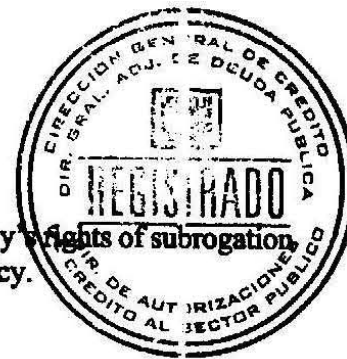
thereby, (iii) the foreclosure against, sale or other disposition of collateral, if any, securing any obligations under any of the Financing Agreements, or pursuit of any other remedies under any of the Financing Agreements, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, (iv) any review or approval by the Insurance Company in connection with the delivery of collateral or substitute collateral, if any, under any of the Financing Agreements, or (v) any amendment, supplement or modification of any Financing Agreement or any Insurance Policy, or any waiver or consent under any Financing Agreement or any Insurance Policy; and the Insurance Company reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of any of the Financing Agreements or the Insurance Policies;

(c) to the extent permitted by applicable Law, interest on any and all amounts described in this Section 2.4 from the date paid by the Insurance Company until payment thereof in full by the Issuer and interest on any and all amounts described in Section 2.3 (*Premiums*) from the date due until payment thereof in full by the Issuer, in each case, payable to the Insurance Company at the Reimbursement Rate for each Designated Period, in each case compounded semiannually and calculated on the basis of a 360-day year for the actual number of days elapsed.

All amounts payable under Section 2.4(a) are immediately due and payable without demand, in U.S. Dollars, in full, without any requirement on the part of the Insurance Company to seek reimbursement from any other sources of indemnity therefor. Amounts payable under Section 2.4(b) and 2.4(c) shall be payable within 10 Business Days after a demand therefor, in U.S. Dollars, in full, without any requirement on the part of the Insurance Company to seek reimbursement from any other sources of indemnity therefor.

2.5 Subrogation. In furtherance of and not in limitation of the Insurance Company's right of subrogation, the Issuer acknowledges that, to the extent of any payment made by the Insurance Company pursuant to any Insurance Policy, the Insurance Company shall be fully subrogated to the extent of any such payment, and any additional interest due on any late payment, to the rights of each of the Noteholders under the Notes, the other Financing Agreements and the Note Purchase Agreement. The Issuer agrees to such subrogation and agrees to execute such instruments and to take such actions as the Insurance Company may reasonably request to evidence such subrogation and to perfect the right of the Insurance Company to receive any amounts paid or payable thereunder. If and to the extent that the Insurance Company shall be fully and indefeasibly reimbursed in cash or immediately available funds by the Issuer pursuant to Section 2.4 (*Reimbursement and Other Payment Obligations*) in respect of any payment made by the Insurance Company under any Insurance Policy or by the Trustee under the Indenture, such reimbursement shall be deemed to constitute an equal

and corresponding payment in respect of the Insurance Company's rights of subrogation hereunder in respect of such payment under any Insurance Policy.



2.6 Taxes.

(a) Any and all payments made by or on behalf of the Issuer to or for the benefit of the Insurance Company hereunder, under the Insurance Policies, the Note Purchase Agreement or under any other Financing Agreement shall be made free and clear of and without deduction or withholding for or on account of any and all present or future Taxes, and all liabilities with respect thereto, *excluding* any Tax or liability with respect thereto, imposed on or measured by reference to the overall net income of the Insurance Company or as a franchise Tax or excise Tax (to the extent imposed in lieu of a net income Tax) by (i) any Governmental Authority in the United States or (ii) any other jurisdiction in which the Insurance Company has an office or fixed place of business from which any Insurance Policy is issued (other than a Tax imposed on the Insurance Company solely by reason of entering into this Agreement, any other Financing Agreement, the Note Purchase Agreement or any Insurance Policy, or receiving payments hereunder or thereunder or the transactions contemplated by this Agreement, any other Financing Agreement, the Note Purchase Agreement or any Insurance Policy) (all such non-excluded Taxes and liabilities being referred to in this Section as "Covered Taxes"). If the Issuer is required by law to deduct or withhold any Covered Tax from or in respect of any sum payable to or for the benefit of the Insurance Company hereunder, under any other Financing Agreement, the Note Purchase Agreement or any Insurance Policy, the Issuer will (i) promptly notify the Insurance Company of such requirement, (ii) make such deduction or withholding, (iii) timely pay to the relevant Governmental Authority the full amount deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid to the Insurance Company under this Section 2.6), and (iv) pay to the Insurance Company, in addition to the payment to which the Insurance Company is otherwise entitled, such additional amount as is necessary to ensure that the net amount actually received by the Insurance Company (free and clear of Covered Taxes) will equal the full amount the Insurance Company would have received had no such deduction or withholding been required (including deductions or withholdings for Covered Taxes applicable to additional sums payable under this Section 2.6); *provided*, however, that the Issuer shall not be required to pay such additional amount (or otherwise indemnify the Insurance Company pursuant to the provisions of Section 2.6(c)) with respect to Taxes imposed by reason of the Insurance Company's failure to comply with the provisions of Section 2.6(f) of this Agreement.

(b) In addition, the Issuer will pay any present or future stamp, value added, transfer, capital, excise, documentary or other similar Taxes imposed by any Governmental Authority that arise from or in connection with (i) any payment made by or on behalf of it to or for the benefit of the Insurance Company hereunder, under any



other Financing Agreement, the Note Purchase Agreement or under any Insurance Policy or (ii) the execution, delivery, performance, enforcement, registration, amendment, supplement or modification of, or any waiver or consent under or in respect of, or otherwise with respect to, this Agreement, the Note Purchase Agreement, any Insurance Policy or any other Financing Agreement or the transactions contemplated hereby or thereby (hereinafter referred to as "Other Taxes").

(c) The Issuer will indemnify, without duplication, the Insurance Company for the full amount of Covered Taxes and Other Taxes imposed with respect to the transactions undertaken pursuant to this Agreement, any other Financing Agreement, the Note Purchase Agreement or any Insurance Policy (including any Covered Taxes and Other Taxes imposed on amounts payable under this Section 2.6) and any liabilities with respect thereto. This indemnification shall be made within 30 days from the date as of which the Insurance Company makes written demand therefor, stating the basis of such claim in reasonable detail.

(d) If the Issuer fails to pay any Covered Tax or Other Tax that it is required to pay under this Section 2.6 when due to the appropriate taxing authority or fails to remit to the Insurance Company the required receipts or other required documentary evidence as set forth in Section 2.6(e), the Issuer shall indemnify the Insurance Company on an after-tax basis for any incremental Taxes or other losses that become payable by the Insurance Company as a result of any such failure.

(e) Within 30 days after the date of any payment by the Issuer of Covered Taxes or Other Taxes, the Issuer, as applicable, will furnish to the Insurance Company an official receipt from the relevant taxing authorities, where available, or other appropriate evidence of payment thereof.

(f) The Insurance Company agrees to provide any certification, identification, information, documentation, declaration or other reporting requirement (the "Reporting Information") that is required or imposed by law, regulation, administrative practice or an applicable treaty as a precondition to exemption from, or reduction in the rate of, the imposition, withholding or deduction of any Taxes for which the Issuer is required to pay additional amounts pursuant to this Section 2.6; *provided that* (i) (x) at least 30 days prior to the first payment date with respect to which the Issuer shall apply this clause (f) and (y) in the event of a change in the Reporting Information, at least 30 days prior to the first payment date subsequent to such change, the Issuer shall have notified the Insurance Company that the Insurance Company will be required to provide the Reporting Information and shall have provided to the Insurance Company any information not known by the Insurance Company and any applicable forms, and (ii) the Insurance Company is eligible to provide the Reporting Information without any adverse consequences (other than *de minimis* consequences) to it.

2.7 Indemnification

(a) In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant to this Agreement or under law or in equity, the Issuer hereby agrees that it will pay, and will protect, indemnify, and hold harmless the Insurance Company, its Affiliates and their respective officers, directors, shareholders, employees, agents and each Person, if any, who controls the Insurance Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act (each, an "Indemnitee"), on an after-tax basis, from and against any and all liabilities (including penalties), obligations, losses, claims, actions, suits, judgments, demands, damages, costs or expenses (including the reasonable and documented fees and expenses of attorneys, consultants and auditors and reasonable and documented costs of investigations) of any nature, arising out of or in any way relating to or resulting from:

(i) any statement, omission or action, including any alleged statement, omission or action (other than MBIA Information), in connection with the offering, issuance, sale, remarketing and/or delivery of the Notes (including any untrue statement or alleged untrue statement of a material fact contained in the Private Placement Memorandum, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which such statements were made, not misleading, except insofar as such claims arise out of or are based upon the MBIA Information;

(ii) any negligence, bad faith, willful misconduct, reckless disregard, misfeasance, malfeasance or theft of any director, officer, employee or agent of the Issuer or any of its Affiliates relating to any of the Financing Agreements (whether or not the Indemnitee is a party hereto or thereto);

(iii) the violation by the Issuer or any of its Affiliates of any applicable Law, including any securities or banking Law in connection with the issuance, offer and sale of Notes;

(iv) the breach by the Issuer of any agreement, representation, warranty or covenant (including any obligation of the Issuer to make payments under the Notes) under any of the Financing Agreements or any Default or Event of Default; or

(v) any investigation or defense of, or participation in, any legal proceeding relating to (A) the transactions contemplated by this Agreement, the other Financing Agreements, the Note Purchase Agreement and the Insurance Policies or (B) the execution, delivery, enforcement, performance or administration of this Agreement, the other Financing Agreements, the Note

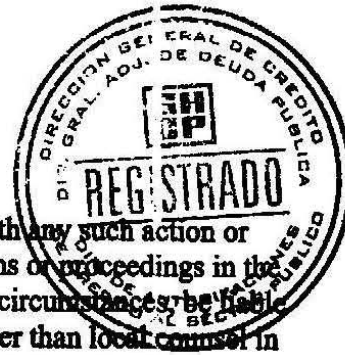


Purchase Agreement or any other documents prepared or entered into in connection herewith or therewith (whether or not such Indemnitor is a party hereto or thereto).



(all of the foregoing in clauses (i) through (v), collectively, being the "Indemnified Liabilities"), provided that (i) the Indemnified Liabilities shall not include Taxes and (ii) the Issuer shall not have any obligation under this Section 2.7 to any Indemnitor with respect to Indemnified Liabilities to the extent they arise from (A) the gross negligence, willful misconduct or bad faith of such Indemnitor, (B) the breach by the Insurance Company of its obligations under any Insurance Policy or any Financing Agreement to which it is a party, (C) Indemnified Liabilities, if and to the extent that the relevant Indemnitor shall have been previously reimbursed for such Indemnified Liabilities or (D) any willful violation by the Insurance Company of any Mexican, United States federal or state law. The Insurance Company hereby agrees that, in the event the Issuer shall make a payment of any amount owing to the Insurance Company under this Agreement and the Insurance Company is paid a duplicate amount pursuant to the terms of any other Financing Agreement, the Insurance Company shall reimburse the Issuer for such duplicate payment (net of any other amounts that may then be due and owing to the Insurance Company).

(b) If any action or proceeding (including any governmental investigation) shall be brought or asserted against any Indemnitor in respect of which indemnity may be sought from the Issuer hereunder, the Indemnitor shall promptly notify the Issuer in writing, and the Issuer shall assume the defense thereof, including the employment of counsel satisfactory to such Indemnitor and the payment of all reasonable and documented expenses in connection with such action or proceeding or defense thereof. The Indemnitor shall provide to the Issuer (at the expense of the Issuer) such assistance as the Issuer shall reasonably require in assuming the defense thereof. An Indemnitor shall have the right to employ separate counsel in any such action and to participate in the defense thereof at the expense of the Indemnitor, provided that the fees and expenses of such separate counsel shall be at the expense of the Issuer if (i) the Issuer has agreed in writing to pay such fees and expenses, (ii) the Issuer shall have failed to assume the defense of such action or proceeding and employ counsel satisfactory to such Indemnitor, in any such action or proceeding, provided that if such Indemnitor finds the counsel initially selected by the Issuer to be unsatisfactory, the Issuer shall be afforded one opportunity to propose, on a timely basis, an alternative counsel for consideration by such Indemnitor, or (iii) the named parties to any such action or proceeding (including any third parties or impleaded parties) include both the Indemnitor and the Issuer, and the Indemnitor shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the Issuer (in which case, if the Indemnitor notifies the Issuer in writing that it elects to employ separate counsel at the expense of the Issuer, the Issuer shall not have the right to assume the defense of such action or proceeding on behalf of such Indemnitor, it being



understood, however, that the Issuer shall not, in connection with any such action or proceeding or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one firm of lawyers (other than local counsel in each relevant jurisdiction) at any time for the Indemnitees, which firm shall be designated in writing by the Insurance Company). The Issuer shall not be liable for any settlement of any such action or proceeding effected without its written consent to the extent that any such settlement shall be prejudicial to it, but, if settled with its written consent, or if there is a final judgment for the plaintiff in any such action or proceeding with respect to which the Issuer shall have received notice in accordance with this Section 2.7(b), the Issuer shall and hereby agrees to, indemnify and hold the Indemnitees harmless from and against any loss or liability by reason of such settlement or judgment.

(c) To provide for just and equitable contribution if the indemnification provided by the Issuer is determined to be unavailable for any Indemnitee (other than due to application of this Section 2.7), the Issuer shall contribute to the losses incurred by the Indemnitee on the basis of the relative fault of the Issuer, on the one hand, and the Indemnitee, on the other hand.

(d) No Indemnitee shall be obliged to pursue first any recovery under any other indemnity or reimbursement obligation before seeking recovery under the indemnification and reimbursement obligations of the Issuer under this Agreement.

(e) Any amount that becomes payable by or on behalf of the Issuer pursuant to this Section 2.7 shall be due and payable within ten Business Days of demand.

(f) If and to the extent that the Insurance Company (i) shall be fully paid in cash or immediately-available funds by the Issuer for any reimbursement obligations pursuant to Section 2.4 (*Reimbursement and Other Payment Obligations*) in respect of any Insurance Policy Disbursement or by the Trustee pursuant to the Indenture, the Insurance Company shall not be entitled to be indemnified in respect of such Insurance Policy Disbursement under this Section 2.7 and (ii) shall be fully paid in cash or immediately available funds in respect of any Indemnified Liability pursuant to this Section 2.7, the Insurance Company shall not be entitled to be reimbursed under Section 2.4 for such Indemnified Liability, *provided* that in the event that the Insurance Company shall be entitled at any time to seek reimbursement and indemnification in respect of any item pursuant to both Section 2.4 and this Section 2.7, then the Insurance Company shall be entitled to be paid, and may elect, in its sole and absolute discretion, to seek recovery, under either of such sections, either sequentially, concurrently or in the alternative, and *provided further* that in the event that any amount that the Insurance Company shall be entitled to be paid under either Section 2.4 or this Section 2.7, as applicable, shall not be equal to the amount that the Insurance Company is entitled to be paid under the other such section, then the Insurance Company shall be entitled to be paid

the lesser amount under either applicable section, at its option as set forth in the preceding proviso, and the Insurance Company shall be entitled to be paid the excess amount under the applicable section.



2.8 Payment Procedure. In the event of any payment by the Insurance Company that is required to be reimbursed or indemnified by the Issuer, the Issuer agrees to accept the voucher or other evidence of payment by the Insurance Company as *prima facie* evidence of the amount thereof. All payments to be made to the Insurance Company under this Agreement shall be made to the Insurance Company in lawful currency of the United States of America in immediately available funds to the account number provided in the Premium Letter before 1:00 p.m. (New York, New York time) on the date when due or as the Insurance Company shall otherwise direct by written notice to the other parties hereto not less than five Business Days prior to the date when due, *provided that* any Premium payable on the First Purchase Date shall be payable as a condition to, and at or prior the time of, the First Closing and any Premium payable on the Second Purchase Date shall be payable as a condition to, and at or prior the time of, the Second Closing. In the event that the date of any payment to the Insurance Company or the expiration of any time period hereunder occurs on a day which is not a Business Day, then such payment or expiration of time period shall be made or occur on the next succeeding Business Day and such extension of time shall in such cases be included in computing interest or fees, if any, in connection with such payment. Payments to be made to the Insurance Company under this Agreement shall (to the extent permitted by applicable Law, if in respect of any unpaid amounts representing interest) bear interest at the Reimbursement Rate from the date when due and payable to the date paid.

2.9 Obligations Absolute.

(a) The obligations of the Issuer hereunder shall be absolute and unconditional, and shall be paid or performed strictly in accordance with this Agreement under all circumstances irrespective of:

- (i) any lack of validity or enforceability of, or any amendment or other modifications of, or waiver with respect to the Notes, any Insurance Policy or any other Financing Agreement;
- (ii) any exchange or release of any other obligations hereunder;
- (iii) the existence of any claim, setoff, defense, reduction, abatement or other right which the Issuer may have at any time against the Insurance Company or any other Person;

(iv) any document presented in connection with any Insurance Policy proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) any payment by the Insurance Company under any Insurance Policy against presentation of a certificate or other document which does not strictly comply with terms of such Insurance Policy;

(vi) any failure of the Issuer to receive the proceeds from the sale, issuance or incurrence of the Notes;

(vii) any breach by the Issuer of any representation, warranty or covenant contained in any of the Financing Agreements;

(viii) except to the extent prohibited by mandatory provisions of applicable Law, status as, and any other rights of, a "debtor" under the Uniform Commercial Code as in effect from time to time in the State of New York or under the applicable Law of any other relevant jurisdiction;

(ix) any duty on the part of the Insurance Company to disclose any matter, fact or thing relating to the business, operations or financial or other condition of the Issuer now known or hereafter known by the Insurance Company;

(x) any disability or other defense (other than payment in full) of the Issuer or any other Person;

(xi) any act or omission by the Insurance Company that directly or indirectly results in or aids the discharge of the Issuer or any other Person, by operation of law or otherwise;

(xii) any change in the time, manner or place of payment of, or in any other term of, all or any of its obligations or liabilities hereunder or any compromise, renewal, extension, acceleration or release with respect thereto, any change in the collateral subject to its obligations or liabilities hereunder or any amendment or waiver of or any consent to departure from any other guaranty for all or any of its obligations or liabilities hereunder; or

(xiii) any other circumstances, other than payment or performance in full, which might otherwise constitute a defense available to, or discharge of, the Issuer in respect of any Financing Agreement.

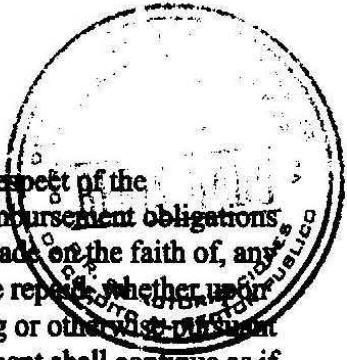
(b) The Issuer and any and all others who may become liable for all or part of the obligations of the Issuer under this Agreement agree to be bound by this Agreement and to the extent permitted by Law, (i) waive and renounce any and all redemption and





exemption rights and the benefit of all valuation and appraisement privileges against the indebtedness and obligations evidenced by any Financing Agreements or by any extension or renewal thereof; (ii) waive presentment and demand for payment, notices of nonpayment and of dishonor, protest of dishonor and notice of protest, except as expressly provided otherwise in this Agreement; (iii) waive all notices in connection with the delivery and acceptance hereof and all other notices in connection with the performance, default or enforcement of any payment hereunder except as required hereby or by the other Financing Agreements; (iv) waive all rights of abatement, diminution, postponement or deduction, or to any defense other than payment, that any party to any Financing Agreement or any beneficiary thereof may have at any time against the Insurance Company or any other Person, or out of any obligation at any time owing to the Trustee; (v) agree that its liabilities hereunder shall, except as otherwise expressly provided in this Section 2.9, be unconditional and without regard to any setoff, counterclaim or the liability of any other Person for the payment hereof; (vi) agree that any consent, waiver or forbearance hereunder with respect to an event shall operate only for such event and not for any subsequent event; (vii) consent to any and all extensions of time that may be granted by the Insurance Company with respect to any payment hereunder or other provisions hereof and to the release of any security at any time given for any payment hereunder, or any part thereof, with or without substitution, and to the release of any Person or entity liable for any such payment; (viii) waive all defenses and allegations based on or arising out of any contradiction or incompatibility among its obligations or liabilities hereunder and any of its other obligations; (ix) waive, unless and until its obligations or liabilities hereunder have been performed, paid, satisfied or discharged in full, any right to enforce any remedy that the Insurance Company now has or may in the future have against the Issuer or any other Person; (x) waive any benefit of, or any right to participate in, any guaranty or insurance whatsoever now or in the future held by the Insurance Company; (xi) waive the benefit of any statute of limitations affecting its liability hereunder; and (xii) consent to the addition of any and all other makers, endorsers, guarantors and other obligors for any payment hereunder, and to the acceptance of any and all other security for any payment hereunder, and agree that the addition of any such obligors or security shall not affect the liability of the parties hereto for any payment hereunder.

(c) Except as expressly provided herein, the obligations and liabilities of the Issuer under this Agreement shall not be conditioned or contingent upon the pursuit or exercise by the Insurance Company or any other Person at any time of any right or remedy (nor shall such obligations and liabilities be affected, released or modified by any action, failure, delay or omission by the Insurance Company or any other Person in the enforcement or exercise of any right or remedy under applicable Law) against any Person that may be or become liable in respect of all or any part of the obligations and liabilities of the Issuer under this Agreement.



2.10 Reinstatement. Where any discharge (whether in respect of the reimbursement obligations of the Issuer, any security for such reimbursement obligations or otherwise) is made in whole or in part, or any arrangement is made on the faith of, any payment, security or other disposition which is avoided or must be repaid, whether upon the insolvency, bankruptcy, liquidation or other similar proceeding or otherwise, pursuant to any applicable Law, the liability of the Issuer under this Agreement shall continue as if there had been no such discharge or arrangement. The Insurance Company shall be entitled to concede or compromise any claim that any such payment, security or other disposition is liable to avoidance or repayment.

2.11 Further Assurances and Corrective Instruments. To the extent permitted by Law, each of the parties hereto shall, upon the written request of the other party, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, within a reasonable period of such request, such amendments or supplements hereto, and such further instruments, and take such further actions, as may be necessary in the such party's reasonable judgment to effectuate the intention, performance and provisions hereof.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE ISSUER

3.1 Representations and Warranties of the Issuer in the Note Purchase Agreement. The Issuer hereby represents and warrants to the Insurance Company that, as of the date hereof and as of each Closing Date, each of the representations and warranties contained in Section 2 (*Representations and Warranties*) of the Note Purchase Agreement is true and correct and the Issuer hereby makes each such representation and warranty to, and for the benefit of, the Insurance Company with the same effect as if the same were set forth herein, except that no representation or warranty is made as to the accuracy of the last sentence of Section 2.14 (*Private Placement Memorandum*) of the Note Purchase Agreement on the Second Purchase Date.

ARTICLE IV

COVENANTS

4.1 Covenants. The Issuer shall comply with all of its agreements, duties and obligations under the Indenture and each other Financing Agreement (including the covenants set forth in Article III (*Covenants*) of the Indenture), each of which is incorporated herein by this reference as if fully set forth in this Agreement.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES



5.1 Events of Default. The occurrence of any of the Events of Default set forth in Section 6.1 (*Events of Default*) of the Indenture shall constitute an "Event of Default" hereunder.

5.2 Remedies; Waivers.

(a) Upon the occurrence of and during the Continuance of an Event of Default, the Insurance Company may exercise any one or more of the rights and remedies set forth below:

(i) declare all indebtedness of every type or description owed by the Issuer to the Insurance Company under the Financing Agreements to be immediately due and payable, and the same shall thereupon be immediately due and payable;

(ii) exercise any rights and remedies available under the Financing Agreements in its own capacity or in its capacity as Controlling Party; and/or

(iii) take whatever action at law or in equity as may appear necessary or desirable in its judgment to collect the amounts then due and thereafter to become due under the Financing Agreements or to enforce performance of any obligation of the Issuer under the Financing Agreements, *provided* that such action does not conflict with the exercise of any rights and remedies under the Indenture.

(b) Unless otherwise expressly provided, no remedy herein conferred upon or reserved is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under the Financing Agreements or existing at law or in equity. No delay or failure to exercise any right or power accruing under any Financing Agreement upon the occurrence and during the continuance of any Event of Default or otherwise shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

(c) In order to entitle the Insurance Company to exercise any remedy reserved to the Insurance Company in this Agreement, it shall not be necessary to give any notice, other than such notice as may be required in this Agreement or any other Financing Agreement or under applicable Law.

(d) If any proceeding has been commenced to enforce any right or remedy under this Agreement, and such proceeding has been discontinued or abandoned for any

reason, or has been determined adversely to the Insurance Company, then and in every such case the parties hereto shall, subject to any determination in such proceeding, be restored to their respective former positions hereunder, and, thereafter, all rights and remedies of the Insurance Company shall continue as though no such proceeding had been instituted.



(e) The Insurance Company shall have the right, to be exercised in its complete discretion, to waive any covenant, Default or Event of Default by a writing setting forth the terms, conditions and extent of such waiver signed by the Insurance Company and delivered to the other parties hereto. Any such waiver may only be effected in writing duly executed by the Insurance Company, and no other course of conduct shall constitute a waiver of any provision hereof. Unless such writing expressly provides to the contrary, any waiver so granted shall extend only to the specific event or occurrence so waived and not to any other similar event or occurrence that occurs subsequent to the date of such waiver.

ARTICLE VI

MISCELLANEOUS

6.1 Amendments, etc. This Agreement may be amended, modified or terminated only by written instrument or written instruments signed by the parties hereto. No act or course of dealing shall be deemed to constitute an amendment, modification or termination hereof.

6.2 Assignments; Reinsurances; Third Party Rights.

(a) Except as otherwise provided in this Section 6.2 and except in connection with the succession of a Person to the obligations of the Issuer under the Indenture and the Notes in a transaction permitted by Section 4.1(a)(ii) (*Fundamental Changes*) of the Indenture, no party hereto may grant, assign or transfer any of its rights or obligations hereunder without the prior written consent of the other parties hereto, and any attempt to assign or transfer, or to effect assignment or transfer without such consent shall render such attempted assignment or transfer, to the extent permitted by Law, null and void.

(b) The Insurance Company has the right to grant participations in its rights hereunder and under any other Financing Agreement, to enter into contracts of reinsurance with respect to any Insurance Policy and to enter into other arrangements or agreements with respect thereto or for the sharing or allocation of risk under any Insurance Policy upon such terms and conditions as the Insurance Company may in its discretion determine, *provided* that no such participation, reinsurance agreement or

other arrangement or agreement for sharing allocation of risk under any Insurance Policy shall (x) relieve the Insurance Company of any of its obligations hereunder or under such Insurance Policy or (y) result in any increased cost to the Issuer.

(c) To the extent permitted by applicable Law, the Insurance Company shall be entitled (without the need for notice to, or consent from, the Issuer) to assign or pledge to any bank or other lender providing liquidity or credit to the Insurance Company any rights of the Insurance Company under the Financing Agreements, provided that no such assignment shall (i) relieve the Insurance Company of any of its obligations under the Insurance Policies or (ii) conflict with the restrictions on transfers of Notes set forth in the Indenture.

(d) Except as provided herein with respect to participants and reinsurers and except for the Insurance Company and any Person entitled to indemnification under Section 2.7 (*Indemnification*), nothing in this Agreement shall confer any right, remedy or claim, express or implied, upon any Person, including, particularly, any holder of Notes, against the Issuer, and all the terms, covenants, conditions, promises and agreements contained herein shall be for the sole and exclusive benefit of the parties hereto and their successors and permitted assigns. No Person other than the Insurance Company shall have any right to payment from any premiums paid or payable hereunder or from any other amounts paid by the Issuer pursuant to Section 2.3 (*Payment of Premiums*) or 2.4 (*Reimbursement and Other Payment Obligations*).

6.3 Insurance Company Not a Fiduciary. The Issuer acknowledges and agrees that (i) the Insurance Company is entering into the transactions contemplated by the Insurance Policies and the Financing Agreements as a provider of credit through the issuance of its Insurance Policies, (ii) as such, the Insurance Company is entitled and intends to exercise its rights and discretions under the Insurance Policies and the Financing Agreements (whether in its own right or as "Controlling Party" under the Indenture) in such manner as it may deem necessary or desirable in its sole discretion in order to protect its own best interests as a creditor, (iii) subject to applicable Law, the Insurance Company shall have no liability whatsoever to any party (including the Issuer or any holder of any security issued by the Issuer) for the manner in which the Insurance Company exercises or refrains from exercising such rights and discretions, and (iv) subject to applicable Law, no provision of this Agreement, any other Financing Agreement or any Insurance Policy is intended to create any fiduciary or other duty on the part of the Insurance Company (whether in its own right or as "Controlling Party" under the Indenture) to any other party hereto or thereto with respect to the manner in which the Insurance Company exercises, or refrains from exercising, such rights and discretions.

6.4 Notices. Except to the extent otherwise expressly provided herein or as required by applicable Law, all notices, reports, requests and demands to or upon the



respective parties hereto shall not be effective unless given or made in writing or by facsimile or electronic transmission and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when (i) delivered by hand, if signed for by or on behalf of the receiving party, (ii) if deposited with an internationally recognized overnight courier service for overnight delivery to the receiving party, three Business Days after being deposited with such service, (iii) if delivered by facsimile transmission, when receipt thereof has been confirmed by telephone or facsimile by the receiving party, and (iv) if transmitted electronically, upon receipt of electronic, telephone or facsimile confirmation of the recipient's receipt thereof, in each case when sent to the relevant party at the facsimile number or address set forth with respect to such Person below:

If to the Insurance Company:

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504
Attention: Head of International Surveillance
Telephone: 914-765-3163
Telecopier: 914-765-3160

If to the Issuer:

Comisión Federal de Electricidad
Paseo de la Reforma No. 164
Colonia Juárez
México D.F., México C.P. 06600
Attention: Gerencia de Planeación Financiera
Telephone: 011-5255-5231-1881
Telecopier: 011-5255-5230-9092

or, as to each party, such other address or facsimile number as shall be designated by such party in a written notice to each other party hereto.

6.5 Severability; Consents.

(a) The holding by any court of competent jurisdiction that any remedy pursued by the Insurance Company hereunder is unavailable or unenforceable shall not affect in any way the ability of the Insurance Company to pursue any other remedy available to it. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, the parties hereto agree that such provision shall be ineffective only to the extent of such invalidity or unenforceability

without invalidating the remainder of such provision or any other provisions of this Agreement and shall not invalidate or render unenforceable any other provision hereof.

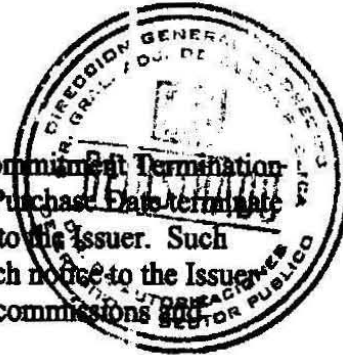
(b) In the event that the Insurance Company's consent is required under any of the Insurance Policies or the Financing Agreements, the determination whether to grant or withhold such consent shall be made by the Insurance Company in its sole discretion without any implied duty towards any other Person, except as otherwise expressly provided therein.

6.6 Judgment Currency. Each party to this Agreement agrees to indemnify the other party against any loss incurred by the Insurance Company as a result of any judgment or order being given or made for any amount due from it hereunder or under any other Financing Agreement and such judgment or order being expressed and to be paid in a currency (the "*Judgment Currency*") other than U.S. Dollars (the "*Currency of Denomination*") and as a result of any variation between (i) the rate of exchange at which amounts in the Currency of Denomination are converted into Judgment Currency for the purpose of such judgment or order, and (ii) the rate of exchange at which the party suffering such losses would have been able to purchase the Currency of Denomination with the amount of the Judgment Currency actually received by such party had such party utilized the amount of Judgment Currency so received to purchase the Currency of Denomination as promptly as practicable upon receipt thereof. The foregoing indemnity shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term "*rate of exchange*" shall include any premiums and costs of exchange payable in connection with the purchase of, or conversion into, the relevant Currency of Denomination that are documented and reasonable in light of market conditions at the time of such conversion.

6.7 Termination.

(a) Subject to Section 6.7(b), this Agreement shall create and constitute continuing obligations of each party hereto and their respective successors and permitted assigns in accordance with its terms, and such obligations will terminate on the Termination Date, *provided* that any termination of this Agreement will be effective only upon the delivery to the Insurance Company of the Insurance Policies, whereupon the Insurance Policies will be canceled and the Insurance Company's liabilities thereunder will cease. The provisions of Sections 2.4 (*Reimbursement and Other Payment Obligations*) through 2.10 (*Reinstatement*), Article III (*Representations and Warranties of the Issuer*), 6.3 (*Insurance Company Not a Fiduciary*), 6.7 (*Termination*), 6.8 (*Liability of the Insurance Company*) 6.9 (*GOVERNING LAW*), 6.10 (*Submission to Jurisdiction, Etc.*), 6.12 (*Waiver of Sovereign Immunity*), and 6.13 (*Entire Agreement*) hereof shall survive the Termination Date.

(b) If the First Closing has not occurred by the First Commitment Termination Date, the Insurance Company may at any time prior to the First Purchase Date terminate this Agreement by delivering written notice of such termination to the Issuer. Such termination shall be effective as of the date on which it sends such notice to the Issuer, and the Issuer shall forthwith pay to the Insurance Company all commissions and Premiums accrued as of the date of such termination.



6.8 Liability of the Insurance Company. The Issuer agrees that neither the Insurance Company, nor any of its Affiliates, nor any of their respective officers, directors, agents or employees, shall be liable or responsible (except to the extent of its own gross negligence, willful misconduct or bad faith) for: (i) any use which may be made of any Insurance Policy by, or for any acts or omissions of, another Person in connection therewith or (ii) the validity, sufficiency, accuracy or genuineness of any documents delivered to the Insurance Company, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged, it being expressly agreed and understood that each obligation of the Insurance Company under any Insurance Policy or any Financing Agreement is solely a corporate obligation of the Insurance Company, and that any and all personal liability, either at common law or in equity, or by statute or constitution, of every such officer, employee, director, affiliate or shareholder for breaches by the Insurance Company or any of its Affiliates of any obligation under any Insurance Policy or any Financing Agreement (whether based on breach of contract, tort or any other theory) is hereby expressly waived as a condition of and in consideration for the execution and delivery of this Agreement. In furtherance and not in limitation of the foregoing, the Insurance Company (or its agents) may accept documents that appear on their face to be in order, without responsibility for further investigation.

6.9 GOVERNING LAW; WAIVER OF JURY TRIAL.

(a) THIS AGREEMENT SHALL BE CONSTRUED, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED, IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE PRINCIPLES OR RULES OF CONFLICT OF LAWS TO THE EXTENT SUCH PRINCIPLES OR RULES WOULD REQUIRE OR PERMIT THE APPLICATION OF LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

(b) THE PARTIES HERETO EACH HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY TRANSACTION RELATED HERETO OR THERETO TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW.

6.10 Submission to Jurisdiction. Etc.

(a) Each party hereto irrevocably agrees that any legal suit, action or proceeding arising out of or relating to this Agreement may be instituted by any party hereto in the United States District Court for the Southern District of New York and each party hereto irrevocably waives any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum, and irrevocably submits to the exclusive jurisdiction of any such court in any such suit, action or proceeding. In addition, in the event that the United States District Court for the Southern District of New York is unavailable, each party hereto irrevocably agrees that any legal suit, action or proceeding arising out of or relating to this Agreement may be instituted by any party hereto in the Supreme Court of the State of New York, County of New York, and each party hereto irrevocably waives any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum, and irrevocably submits to the exclusive jurisdiction of any such court in any such suit, action or proceeding. Each party hereto agrees that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner in accordance with applicable law. The Issuer hereby irrevocably waives any right to invoke jurisdiction it may have to any court by virtue of Mexican law.

(b) The Issuer has appointed Banco Nacional de Comercio Exterior, S.N.C., presently located at 757 Third Avenue, Suite 2403, New York, New York 10017, U.S.A., as its authorized agent (the "*Authorized Agent*") to receive on its behalf service of copies of the summons and complaints and any other process which may be served in any legal suit, action or proceeding arising out of or relating to this Agreement which may be instituted by the Insurance Company in the United States District Court or the State of New York court referred to in paragraph (a) above. Such service may be made by delivering a copy of such process to the Issuer in care of the Authorized Agent at the address specified above for the Authorized Agent and obtaining a receipt therefore, and the Issuer hereby irrevocably authorizes and directs such Authorized Agent to accept such service on its behalf. The Issuer represents and warrants that the Authorized Agent has agreed to act as said agent for service of process, and agrees that service of process in such manner upon the Authorized Agent shall be deemed in every respect effective service of process upon the Issuer in any such suit, action or proceeding; *provided that* the Person serving such process shall, to the extent lawful and possible, provide written notice to the Issuer of said service to the person and at the address specified in or pursuant to Section 6.4 (*Notices*), but in no event shall the failure to provide said written notice to the Issuer affect the effectiveness of service upon the Authorized Agent.



(c) Nothing in this Section 6.10 shall affect the right of the Insurance Company to serve process in any other manner permitted by law.

6.11 Waiver of Insurance Company's Security. To the extent that the Issuer may, in any suit, legal action or proceeding brought in any court in Mexico, the courts specified in Section 6.10(a), the United States or any other jurisdiction arising out of or in connection with this Agreement, any other Financing Agreement, be entitled to the benefit of any provision of any applicable Law requiring the Insurance Company, in such suit, legal action or proceeding, to post security for the costs of such party or to post a bond or to take similar action, as the case may be, the Issuer hereby irrevocably waives such benefit, in each case to the fullest extent now or hereafter permitted under the laws of Mexico, the United States or, as the case may be, such other jurisdiction.

6.12 Waiver of Sovereign Immunity. To the extent that the Issuer has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Issuer hereby irrevocably waives such immunity in respect of its obligations under this Agreement to the fullest extent permitted by law, except that (i) under Article 4 of the Federal Code of Civil Procedure of Mexico and Articles 1, 4 and 7 (and related articles) of the Electricity Law (as defined in the Indenture), attachment prior to judgment in aid of execution will not be ordered by Mexican courts against property of the Issuer and (ii) the generation, transmission, processing, distribution and supply of electric energy as a public service, as well as the undertaking of any construction, installation and works required for the planning, operation and maintenance of the national electric system, are reserved to the Federal Government of Mexico, through the Issuer (and to that extent the assets related thereto are subject to immunity). Without limiting the generality of the foregoing, the Issuer agrees that the waivers set forth in this Article VI shall have force and effect to the fullest extent permitted under the U.S. Foreign Sovereign Immunities Act and shall be irrevocable for purposes of such Act.

6.13 Entire Agreement. This Agreement, the other Financing Agreements and the Insurance Policies constitute the entire agreement and understanding, and supersede all prior agreements and understandings (both written and oral), between the parties hereto with respect to the subject matter hereof and thereof.

6.14 New Agreement. This Agreement supersedes and replaces in its entirety the Insurance and Reimbursement Agreement dated November 17, 2006 between the Insurance Company and the Issuer.

6.15 Benefits of Agreement. Nothing in this Agreement, any other Financing Agreement or the Insurance Policies, express or implied, shall give to any Person, other



than the parties hereto and their successors and permitted assigns hereunder, any benefit or any legal or equitable right or remedy under this Agreement.

6.16 Conflicts. In case of any conflict or inconsistency between this Agreement and any other Financing Agreement, this Agreement shall control.

6.17 Counterparts. This Agreement may be executed in counterparts of the parties hereof, and each such counterpart shall be considered an original and all such counterparts shall constitute one and the same instrument.





IN WITNESS WHEREOF, the parties hereto have executed this Agreement, all as of the day and year first above mentioned.

MBIA INSURANCE CORPORATION

By: _____
Name:
Title:

COMISIÓN FEDERAL DE
ELECTRICIDAD



By: _____
Name:
Title:

SCHEDULE A



DEFINITIONS

In this Schedule A and any other document that references this Schedule A, the following capitalized terms shall have the respective meanings assigned below (each such meaning to be equally applicable to the singular and plural forms of the respective terms so defined).

"Affiliate" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person.

"Agreement" has the meaning given to such term in the Preamble to this Agreement.

"Authorized Agent" has the meaning given to such term in Section 6.10(b) (Amendments, etc.) of this Agreement.

"Business Day" means any day of the year other than a Saturday, Sunday or day on which commercial banks are required or authorized to close in Mexico City, Mexico, or in New York, New York.

"Closing Date" means each of the First Purchase Date, the Second Purchase Date and the Third Purchase Date.

"CNBV" means the Comisión Nacional Bancaria y de Valores (the Mexican National Banking and Securities Commission) of Mexico.

"Continuance" or **"Continuing"** means, with respect to an Event of Default or Default, that such Event of Default or Default has occurred and has not been cured.

"Control" when used with respect to any particular Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person whether through the ownership of voting securities or membership, partnership or other ownership interests, by contract or otherwise, and the terms "controlling" "controlled by" and "under common control with" have meanings correlative to the foregoing.

"Covered Taxes" has the meaning given to such term in Section 2.6 (Taxes) of this Agreement.

"Currency of Denomination" has the meaning given to such term Section 6.6 (Judgment Currency) of this Agreement.



"Default" means any event which, with the passing of time, the giving of notice or both would constitute an Event of Default.

"Designated Period" means, as to any Insurance Policy Disbursement, the period commencing on the date of such Insurance Policy Disbursement and ending on the numerically corresponding day in the sixth calendar month commencing after such date, and thereafter each period commencing on the first day after the preceding Designated Period applicable to such Insurance Policy Disbursement and ending on the corresponding date in the sixth calendar month commencing thereafter, *provided* that if any Designated Period would end on a day other than a Business Day, such Designated Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Designated Period shall end on the next preceding Business Day. Interest shall accrue from and including the first day of a Designated Period to but excluding the last day of such Designated Period.

"Electricity Law" means the *Ley del Servicio Público de Energía Eléctrica*, dated December 22, 1975 (together with its regulation (*reglamento*) dated May 31, 1993).

"Event of Default" has the meaning given to such term in Section 5.1 (*Events of Default and Remedies*) of this Agreement.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Federal Funds Effective Rate" means, as of any date of determination, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System of the United States arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by Citibank, N.A., from three federal funds brokers of recognized standing selected by it.

"Financing Agreements" means, collectively, the Reimbursement Agreement, the Premium Letter, the Indenture and the Notes.

"First Closing" means the closing of the issuance and delivery of the First Insurance Policy in accordance with Section 2.2 (Closing) of this Agreement.

"First Commitment Termination Date" means December 29, 2006.

"First Insurance Policy" has the meaning give to such term in Preliminary Statement B to this Agreement.



"First Purchase Date" means the date on which the First Closing occurs.

"Fitch" means Fitch, Inc.

"Governmental Authority" means any government, governmental department, commission, board, bureau, agency, regulatory authority, instrumentality, judicial or administrative body, domestic or foreign, federal, state or local.

"Hacienda" means the Secretaría de Hacienda y Crédito Público of Mexico.

"Indemnified Liabilities" has the meaning given to such term in Section 2.7(a) (Indemnification) of this Agreement.

"Indemnitee" has the meaning given to such term in Section 2.7(a) (Indemnification) of this Agreement.

"Indenture" means an indenture among the Issuer, the Insurance Company and the Trustee, as trustee, substantially in the form of the draft thereof dated December 12, 2006.

"Insurance Company" means MBIA Insurance Corporation, a stock insurance corporation organized under the laws of the State of New York.

"Insurance Policies" has the meaning give to such term in Preliminary Statement B to this Agreement.

"Insurance Policy Disbursement" means any payment by the Insurance Company in respect of any of the obligations guaranteed under any Insurance Policy.

"Issuer" has the meaning given to such term in the heading to this Agreement.

"Judgment Currency" has the meaning given to such term in Section 6.6 (Payments) of this Agreement.

"Law" means all applicable (i) constitutions, treaties, statutes, laws (including common law), codes, rules, regulations, ordinances and orders of, (ii) approvals, permits, licenses or similar authorizations of, and (iii) orders, decisions, injunctions, judgments, awards and decrees of or agreements with any Governmental Authority.

"MBIA Information" means the information in the Private Placement Memorandum, set forth under the caption "MBIA Insurance Corporation," which describes the Insurance Company and certain aspects of the principal business in which the Insurance Company is engaged, and under the caption "Form of the Insurance Policies."

"Mexico" has the meaning given to such term in the heading to this Agreement.

"Noteholder" means, as of any date of determination, each Holder (as defined in the Indenture) of an Outstanding Note on such date.

"Notes" has the meaning given to such term in Preliminary Statement A to this Agreement.

"Note Purchase Agreement" means the Note Purchase Agreement, dated December 9, 2006, among the Issuer and each purchaser listed in Schedule I thereto with respect to the issuance of the Notes.

"Offering Documents" means, collectively, the materials used in connection with the offering and sale of Notes, including the Private Placement Memorandum and all other materials used in connection with the placement of the Notes, whether or not approved by or filed with CNBV.

"Officer's Certificate" means, with respect to any Person, a certificate executed on behalf of such Person by one of its directors or officers who has been authorized by such Person to execute such certificate.

"Organic Resolutions" means the Resoluciones de la Junta de Gobierno de CFE, dated December 7, 2005.

"Organizational Document" means with respect to any Person its certificate or articles of incorporation, bylaws and any other organizational documents.

"Other Taxes" has the meaning given to such term in Section 2.6(b) (Taxes) of this Agreement.

"Outstanding" has the meaning given to such term in the Indenture.

"Person" means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Premium Letter" has the meaning given to such term in Section 2.3 (Payment of Premiums) of this Agreement.

"Premiums" has the meaning given to such term in Section 2.3 (Payment of Premiums) of this Agreement.

"Private Placement Memorandum" means the preliminary Private Placement Memorandum, dated as of December 9, 2006, relating to the placement of the Notes.





"Rating Agency" means each of Standard & Poor's and Fitch.

"Reimbursement Agreement" has the meaning given to such term in the Preamble to this Agreement.

"Reimbursement Rate" means a rate of interest per annum for each Designated Period equal to the Federal Funds Effective Rate plus 2%. The Reimbursement Rate will be determined as of the date that is two Business Days prior to the commencement of the relevant Designated Period.

"Reporting Information" has the meaning given to such term in Section 2.6(f) (Taxes) of this Agreement.

"Second Closing" means the closing of the issuance and delivery of the Second Insurance Policy in accordance with Section 2.2 (Closing) of this Agreement.

"Second Commitment Termination Date" means March 31, 2007.

"Second Insurance Policy" has the meaning given to such term in Preliminary Statement B to this Agreement.

"Second Purchase Date" means the date on which the Second Closing occurs.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Securities Law" means any applicable Law governing the issuance, offering and sale of securities.

"Standard & Poor's" means Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc.

"Tax" means any present or future tax, levy, impost, withholding deduction, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority.

"Termination Date" means the later of (i) the date on which the obligations of the Insurance Company under the Insurance Policies terminate, as provided therein, and (ii) the date on which all amounts payable to the Insurance Company under this Agreement, the Premium Letter and each of the other Financing Agreements, whether as reimbursements for payments under the Insurance Policies or otherwise, have been paid in full in cash.

"Third Closing" means the closing of the issuance and delivery of the Third Insurance Policy in accordance with Section 2.2 (Closing) of this Agreement.

"Third Commitment Termination Date" means June 30, 2007.

"Third Insurance Policy" has the meaning given to such term in Preliminary Statement B to this Agreement.

"Third Purchase Date" means the date on which the Third Closing occurs.

"Third Purchase Date Notes" has the meaning given to such term in Section 2.1(c) (Insurance Policies) of this Agreement.

"Trustee" means The Bank of New York, in its capacity as trustee under the Indenture.

"U.S. Dollars" and *"U.S.\$"* mean the lawful currency of the United States of America.



SCHEDULE B-1

CONDITIONS PRECEDENT TO THE ISSUANCE AND DELIVERY OF THE FIRST
INSURANCE POLICY



1. Authorizations, etc. The Issuer shall have delivered to the Insurance Company (i) copies of its Organizational Documents and resolutions (or other appropriate grants of authority) of its board of directors or other comparable body, in form and substance satisfactory to the Insurance Company, authorizing the execution, delivery and performance by it of each Financing Agreement to which it is party and the Note Purchase Agreement and the consummation of the transactions contemplated herein and therein, including without limitation, the Organic Resolutions and the Electricity Law, and (ii) an Officer's Certificate, in form and substance satisfactory to the Insurance Company, dated as of the First Purchase Date and certifying that such Organizational Documents and such resolutions and Laws (or other appropriate grants of authority) are in full force and effect without modification as of the First Purchase Date and that no other authorization or consent to the execution, delivery and performance of such Financing Agreements or the Note Purchase Agreement is necessary.

2. Incumbency and Signatures. The Insurance Company shall have received a certificate of the Issuer, dated as of the First Purchase Date, in form and substance satisfactory to the Insurance Company, in respect of the authority and incumbency, and containing a specimen signature, of each Person who has signed or will sign any Financing Agreement or the Note Purchase Agreement on its behalf, or who will, until replaced by another Person or Persons duly authorized for that purpose, otherwise act as representative of the Issuer for the purposes of signing documents in connection with the Financing Agreements or the Note Purchase Agreement.

3. Financing Agreements. Each of the Financing Agreements (other than the Notes to be issued on each of the Second Purchase Date and the Third Purchase Date) and the Note Purchase Agreement shall have been duly authorized, executed and delivered by each of the parties hereto and thereto (other than the Insurance Company) in the form approved by the Insurance Company on or prior to the date of this Agreement.

4. Closing under the Note Purchase Agreement. Notes in an aggregate principal amount not to exceed U.S. \$255,000,000 shall be issued and sold pursuant to the Note Purchase Agreement simultaneously with the First Closing.

5. Governmental Authorizations. The Insurance Company shall have received a copy of each action, order, authorization, consent, approval, license, ruling, permit, certification, exemption, filing or registration by or with any Governmental Authority required in connection with (i) the due execution and delivery of, and performance by it under, each Financing Agreement to which it is a party and the Note Purchase Agreement, (ii) the remittance to or by the Issuer of monies payable pursuant to the Financing Agreements or the Note Purchase Agreement (together with an Officer's

Certificate of the Issuer certifying as of the First Purchase Date that ~~such such copy is a~~ true, complete and correct copy of the relevant action, order, authorization, consent, approval, license, ruling, permit, certification, exemption, filing or registration), and each such governmental authorization shall be in full force and effect, including:



- (i) the authorization by Hacienda of the issuance of the Notes;
- (ii) the registration of the Notes with the Special Section of the CNBV; and
- (iii) the authorization by Hacienda of the execution, delivery and performance by the Issuer of the Note Purchase Agreement, this Agreement and the other Financing Agreements to which the Issuer is a party.

6. No Injunction, Material Damages, Etc. Consummation of the transactions contemplated under the Financing Agreements and the First Insurance Policy shall not have been restrained, enjoined or otherwise prohibited or made illegal pursuant to any applicable Law, including any order, injunction, decree or judgment of any court or other Governmental Authority. No Law that would have such effect shall have been promulgated, entered, issued or determined to be applicable by any court or other Governmental Authority to any such transaction. No action or proceeding shall be pending or threatened in writing by any Governmental Authority or any other Person before any court or other Governmental Authority (i) to restrain, enjoin or otherwise prevent or restrict the consummation of any of the transactions contemplated under the Financing Agreements and the First Insurance Policy or (ii) to recover any material damages or obtain other material relief from any Person as a result of such transactions.

7. Representations and Warranties. The representations and warranties of the Issuer set forth in the Note Purchase Agreement and in any Financing Agreement to which it is a party shall be true and accurate when made and all such representations and warranties shall be true and accurate as of the First Purchase Date as if made thereon.

8. No Event of Default or Default. No Event of Default or Default shall have occurred and be Continuing.

9. Officer's Certificate. The Issuer shall have delivered to the Insurance Company an Officer's Certificate, in form and substance satisfactory to the Insurance Company, dated the First Purchase Date, to the effect set forth in Paragraphs 6 (*No Injunction, Material Damages, Etc.*) and 7 (*Representations and Warranties*) of this Schedule.

10. Issuance of Ratings. The Insurance Company shall have received written confirmation from the Rating Agencies that the Notes, when issued, will be rated (without giving effect to the Insurance Policy) at least BBB.

11. Legal Opinions. The Insurance Company shall have received the following signed legal opinions in the English language, in each case dated the First Purchase Date and addressed to the Insurance Company, each in form and substance reasonably satisfactory to the Insurance Company:

(a) the opinion of General Counsel (*Encargado de la Oficina del Abogado General*) to the Issuer, substantially in the form of Exhibit B; and

(b) the opinion of Cleary Gottlieb Steen & Hamilton LLP, special New York counsel to the Issuer, substantially in the form of Exhibit C.

12. Payment of Premiums. The Issuer shall have paid or made arrangements satisfactory to the Insurance Company for the payment of all Premiums due on the First Purchase Date pursuant to this Agreement and the Premium Letter.

13. Additional Items. The Insurance Company shall have received such other documents, instruments, approvals or opinions requested by the Insurance Company as may reasonably be necessary or desirable to effect the transactions contemplated in the Note Purchase Agreement and the Financing Agreements, including evidence satisfactory to the Insurance Company that the conditions precedent in the Note Purchase Agreement (other than the requirement of the issuance of the Insurance Policy) have been satisfied or, with the prior written consent of the Insurance Company, waived.



SCHEDULE B-2

CONDITIONS PRECEDENT TO THE ISSUANCE AND DELIVERY OF THE
SECOND INSURANCE POLICY



1. First Closing. The First Closing shall have been completed.
2. Authorizations, etc. The Issuer shall have delivered to the Insurance Company (i) copies of the resolutions (or other appropriate grants of authority) of its board of directors or other comparable body, in form and substance satisfactory to the Insurance Company, authorizing the issuance of the Notes to be issued on the Second Purchase Date and the consummation of the transactions contemplated herein and therein, including without limitation, the Organic Resolutions and the Electricity Law, and (ii) an Officer's Certificate, in form and substance satisfactory to the Insurance Company, dated as of the Second Purchase Date certifying that (w) the Organizational Documents and other documents delivered by it pursuant to Paragraph 1 of Schedule B-1 are in full force and effect and such Organizational Documents have not been modified, supplemented or amended, (x) the resolutions (or other appropriate grants of authority) referred to in clause (i) of Paragraph 1 of Schedule B-1 are in full force and effect without modification as of the Second Purchase Date and that no other authorization or consent to the execution, delivery and performance of the Note Purchase Agreement or any of the Financing Agreements to which it is a party (including the Notes to be issued on the Second Purchase Date) is necessary, (y) the resolutions authorizing the issuance of the Notes to be issued on the Second Closing Date and the consummation of the transactions contemplated herein and therein are in full force and effect without modification as of the Second Purchase Date and no other corporate or shareholder authorization or other consent to the execution and performance of such supplement or issuance is necessary and (z) each of the representations and certifications in the Officer's Certificate delivered by it pursuant to Paragraph 1 of Schedule B-1 is true and correct as of the Second Purchase Date as if originally represented and certified as of the Second Purchase Date.
3. Incumbency and Signatures. The Insurance Company shall have received a certificate of the Issuer, dated as of the Second Purchase Date, in form and substance satisfactory to the Insurance Company, in respect of the authority and incumbency, and containing a specimen signature, of each Person who has signed or will sign the Notes or any other Financing Agreement required to be executed on the Second Purchase Date to be issued at the Second Closing on its behalf, or who will, until replaced by another Person or Persons duly authorized for that purpose, otherwise act as representative of the Issuer for the purposes of signing documents in connection with the Financing Agreements or the Note Purchase Agreement.
4. Second Closing Note Issuance Documents. Each of the Notes and any other Financing Agreement required to be executed and delivered on or before the Second Purchase Date shall have been duly authorized, executed and delivered by the parties

thereto (other than the Insurance Company) shall be in full force and effect and originals thereof shall have been delivered to the Insurance Company.

5. Closing under the Note Purchase Agreement. Notes in an aggregate principal amount not to exceed U.S. \$500,000,000 shall be issued and sold pursuant to the Note Purchase Agreement simultaneously with the Second Closing.

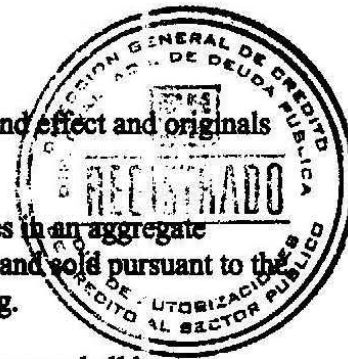
6. Governmental Authorizations. The Insurance Company shall have received a copy of each action, order, authorization, consent, approval, license, ruling, permit, certification, exemption, filing or registration by or with any Governmental Authority required in connection with (i) the due execution and delivery of, and performance by it under, the Note Purchase Agreement and each Financing Agreement to which it is a party, (ii) the remittance to or by the Issuer of monies payable pursuant to the Financing Agreements or the Note Purchase Agreement (together with an Officer's Certificate of the Issuer certifying as of the Second Purchase Date that each such copy is a true, complete and correct copy of the relevant action, order, authorization, consent, approval, license, ruling, permit, certification, exemption, filing or registration), and each such governmental authorization shall be in full force and effect, including:

(i) the authorization by Hacienda of the issuance of the Notes on the Second Purchase Date;

(ii) the registration with the Special Section of the CNBV of the Notes to be issued on the Second Purchase Date; and

(iii) the authorization by Hacienda of the execution, delivery and performance by the Issuer of the Notes to be issued at the Second Closing.

7. No Injunction, Material Damages, Etc. Consummation of the transactions contemplated under the Note Purchase Agreement, Financing Agreements and the Second Insurance Policy shall not have been restrained, enjoined or otherwise prohibited or made illegal pursuant to any applicable Law, including any order, injunction, decree or judgment of any court or other Governmental Authority. No Law that would have such effect shall have been promulgated, entered, issued or determined to be applicable by any court or other Governmental Authority to any such transaction. No action or proceeding shall be pending or threatened in writing by any Governmental Authority or any other Person before any court or other Governmental Authority (i) to restrain, enjoin or otherwise prevent or restrict the consummation of any of the transactions contemplated under the Note Purchase Agreement, the Financing Agreements and the Second Insurance Policy or (ii) to recover any material damages or obtain other material relief from any Person as a result of such transactions.



8. Representations and Warranties. The representations and warranties of the Issuer set forth in the Note Purchase Agreement and in any Financing Agreement to which it is a party shall be true and accurate when made and all such representations and warranties (except those contained in the last sentence of Section 2.14 (Private Placement Memorandum) of the Note Purchase Agreement) shall be true and accurate as of the Second Purchase Date as if made thereon.



9. No Event of Default or Default. No Event of Default or Default shall have occurred and be Continuing.

10. Officer's Certificate. The Issuer shall have delivered to the Insurance Company an Officer's Certificate, in form and substance satisfactory to the Insurance Company, dated the Second Purchase Date, to the effect set forth in Paragraphs 7 (No Injunction, Material Damages, Etc.) and 8 (Representations and Warranties) of this Schedule.

11. Issuance of Ratings. The Insurance Company shall have received written confirmation from the Rating Agencies that the Notes to be issued on the Second Purchase Date, when issued, will be rated (without giving effect to the Insurance Policy) at least BBB.

12. Legal Opinions. The Insurance Company shall have received the following signed legal opinions in the English language, in each case dated the Second Purchase Date and addressed to the Insurance Company, each in form and substance reasonably satisfactory to the Insurance Company:

(a) the opinion of General Counsel (*Encargado de la Oficina del Abogado General*) to the Issuer, substantially in the form of Exhibit B; and

(b) the opinion of Cleary Gottlieb Steen & Hamilton LLP, special New York counsel to the Issuer, substantially in the form of Exhibit C.

13. Payment of Premiums. The Issuer shall have paid or made arrangements satisfactory to the Insurance Company for the payment of all Premiums due on the Second Purchase Date pursuant to this Agreement and the Premium Letter.

14. Additional Items. The Insurance Company shall have received such other documents, instruments, approvals or opinions requested by the Insurance Company as may reasonably be necessary or desirable to effect the transactions contemplated in the Note Purchase Agreement and the Financing Agreements, including evidence satisfactory to the Insurance Company that the conditions precedent in the Note Purchase Agreement (other than the requirement of the issuance of the Insurance Policy) have been satisfied or, with the prior written consent of the Insurance Company, waived.

CONDITIONS PRECEDENT TO THE ISSUANCE AND DELIVERY OF THE THIRD
INSURANCE POLICY



1. First Closing and Second Closing. The First Closing and the Second Closing shall have been completed.

2. Authorizations, etc. The Issuer shall have delivered to the Insurance Company (i) copies of the resolutions (or other appropriate grants of authority) of its board of directors or other comparable body, in form and substance satisfactory to the Insurance Company, authorizing the execution, delivery and performance by it of the supplement to the Note Purchase Agreement contemplated by Section 1(c) (*Issue and Sale of Notes; Closing*) thereof, the issuance of the Notes to be issued on the Third Closing Date and the consummation of the transactions contemplated herein and therein, and (ii) an Officer's Certificate, in form and substance satisfactory to the Insurance Company, dated as of the Third Purchase Date and certifying that (w) the Organizational Documents and other documents delivered by it pursuant to Paragraph 1 of Schedule B-1 are in full force and effect and such Organizational Documents have not been modified, supplemented or amended, (x) the resolutions (or other appropriate grants of authority) referred to in clause (i) of Paragraph 1 of Schedule B-1 are in full force and effect without modification as of the Third Purchase Date and that no other authorization or consent to the execution, delivery and performance of the Note Purchase Agreement or any of the Financing Agreements to which it is a party (including the Notes to be issued on the Third Purchase Date) is necessary, (y) the resolutions authorizing the execution, delivery and performance by it of the supplement to the Note Purchase Agreement contemplated by Section 1(c) (*Issue and Sale of Notes; Closing*) thereof, the issuance of the Notes to be issued on the Third Closing Date and the consummation of the transactions contemplated herein and therein are in full force and effect without modification as of the Third Purchase Date and no other corporate or shareholder authorization or other consent to the execution and performance of such supplement or issuance is necessary and (z) each of the representations and certifications in the Officer's Certificates delivered by it pursuant to (i) Paragraph 1 of Schedule B-1 and (ii) Paragraph 2 of Schedule B-2 is true and correct as of the Third Purchase Date as if originally represented and certified as of the Third Purchase Date.

3. Incumbency and Signatures. The Insurance Company shall have received a certificate of the Issuer, dated as of the Third Purchase Date, in form and substance satisfactory to the Insurance Company, in respect of the authority and incumbency, and containing a specimen signature, of each Person who has signed or will sign the supplement to the Note Purchase Agreement contemplated by Section 1(c) (*Issue and Sale of Notes; Closing*) thereof, the Notes and any other Financing Agreement required to be executed on the Third Purchase Date to be issued at the Third Closing on its behalf, or who will, until replaced by another Person or Persons duly authorized for that purpose,



otherwise act as representative of the Issuer for the purposes of signing documents in connection with the Financing Agreements or the Note Purchase Agreement.

4. Third Closing Note Issuance Documents. Each of the supplement to the Note Purchase Agreement contemplated by Section 1(c) (*Issue and Sale of Notes; Closing*) thereof, and the Notes and any other Financing Agreement required to be executed and delivered on or before the Third Purchase Date shall have been duly authorized, executed and delivered by the parties thereto (other than the Insurance Company) shall be in full force and effect and originals thereof shall have been delivered to the Insurance Company.

5. Closing under the Note Purchase Agreement. Notes in an aggregate principal amount not to exceed the amount specified in the supplement to the Note Purchase Agreement contemplated by Section 1(c) (*Issue and Sale of Notes; Closing*) thereof shall be issued and sold pursuant to the Note Purchase Agreement simultaneously with the Third Closing.

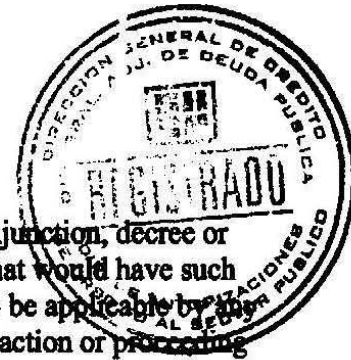
6. Governmental Authorizations. The Insurance Company shall have received a copy of each action, order, authorization, consent, approval, license, ruling, permit, certification, exemption, filing or registration by or with any Governmental Authority required in connection with (i) the due execution and delivery of, and performance by it under, the Note Purchase Agreement and each Financing Agreement to which it is a party and (ii) the remittance to or by the Issuer of monies payable pursuant to the Financing Agreements or the Note Purchase Agreement (together with an Officer's Certificate of the Issuer certifying as of the Third Purchase Date that each such copy is a true, complete and correct copy of the relevant action, order, authorization, consent, approval, license, ruling, permit, certification, exemption, filing or registration), and each such governmental authorization shall be in full force and effect, including:

(i) the authorization by Hacienda of the issuance of the Notes on the Third Purchase Date;

(ii) the registration with the Special Section of the CNBV of the Notes to be issued on the Third Purchase Date;

(iii) the authorization by Hacienda of the execution, delivery and performance by the Issuer of the supplement to the Note Purchase Agreement contemplated by Section 1(b) (*Issue and Sale of Notes; Closing*) thereof and the Notes to be issued at the Third Closing.

7. No Injunction, Material Damages, Etc. Consummation of the transactions contemplated under the Note Purchase Agreement, the Financing Agreements and the Third Insurance Policy shall not have been restrained, enjoined or otherwise prohibited or



made illegal pursuant to any applicable Law, including any order, injunction, decree or judgment of any court or other Governmental Authority. No Law that would have such effect shall have been promulgated, entered, issued or determined to be applicable by any court or other Governmental Authority to any such transaction. No action or proceeding shall be pending or threatened in writing by any Governmental Authority or any other Person before any court or other Governmental Authority (i) to restrain, enjoin or otherwise prevent or restrict the consummation of any of the transactions contemplated under the Financing Agreements and the Third Insurance Policy or (ii) to recover any material damages or obtain other material relief from any Person as a result of such transactions.

8. Representations and Warranties. The representations and warranties of the Issuer set forth in the Note Purchase Agreement and in any Financing Agreement to which it is a party shall be true and accurate when made and all such representations and warranties (except those contained in the last sentence of Section 2.14 (*Private Placement Memorandum*) of the Note Purchase Agreement) shall be true and accurate as of the Third Purchase Date as if made thereon.

9. No Event of Default or Default. No Event of Default or Default shall have occurred and be Continuing.

10. Officer's Certificate. The Issuer shall have delivered to the Insurance Company an Officer's Certificate, in form and substance satisfactory to the Insurance Company, dated the Third Purchase Date, to the effect set forth in Paragraphs 7 (*No Injunction, Material Damages, Etc.*) and 8 (*Representations and Warranties*) of this Schedule.

11. Issuance of Ratings. The Insurance Company shall have received written confirmation from the Rating Agencies that the Notes to be issued on the Third Purchase Date, when issued, will be rated (without giving effect to the Insurance Policy) at least BBB.

12. Legal Opinions. The Insurance Company shall have received the following signed legal opinions in the English language, in each case dated the Third Purchase Date and addressed to the Insurance Company, each in form and substance reasonably satisfactory to the Insurance Company:

(a) the opinion of General Counsel (*Encargado de la Oficina del Abogado General*) to the Issuer, substantially in the form of Exhibit B, with such changes as may be appropriate; and

(b) the opinion of Cleary Gottlieb Steen & Hamilton LLP, special New York counsel to the Issuer, substantially in the form of Exhibit C, with such changes as may be appropriate.

13. Payment of Premiums. The Issuer shall have paid or made arrangements satisfactory to the Insurance Company for the payment of all Premiums due on the applicable Third Purchase Date pursuant to this Agreement and the Premium Letter.

14. Additional Items. The Insurance Company shall have received such other documents, instruments, approvals or opinions requested by the Insurance Company as may reasonably be necessary or desirable to effect the transactions contemplated in the Note Purchase Agreement and the Financing Agreements, including evidence satisfactory to the Insurance Company that the applicable conditions precedent in the Note Purchase Agreement (other than the requirement of the issuance of the Insurance Policy) have been satisfied or, with the prior written consent of the Insurance Company, waived.

