

No. 7798

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

Guarantee Agreement—*Railway Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Red Nacional de los Ferrocarriles Españoles). Signed at Washington, on 31 July 1964

Official text: English.

Registered by the International Bank for Reconstruction and Development on 2 June 1965.

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

Contrat de garantie — *Projet relatif aux chemins de fer* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la Red Nacional de los Ferrocarriles Españoles). Signé à Washington, le 31 juillet 1964

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et développement le 2 juin 1965.

No. 7798. GUARANTEE AGREEMENT¹ (*RAILWAY PROJECT*)
BETWEEN SPAIN AND THE INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT. SIGN-
ED AT WASHINGTON, ON 31 JULY 1964

AGREEMENT, dated July 31, 1964, between SPAIN (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith² between the Bank and Red Nacional de los Ferrocarriles Españoles (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement, the Bank has agreed to make to the Borrower a loan in various currencies equivalent to sixty-five million dollars (\$65,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

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

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961³ (said Loan Regulations No. 4 being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

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

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby uncon-

¹ Came into force on 25 February 1965, upon notification by the Bank to the Government of Spain.

² See p. 92 of this volume.

³ See p. 90 of this volume.

ditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

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

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect, provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term “ assets of the Guarantor ” as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the assets of the Instituto Español de Moneda Extranjera and the Banco de España and any other institution performing the functions of a central bank for the Guarantor.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such

information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

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

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

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

Section 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

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

Section 3.06. (a) The Guarantor covenants that it will not take or permit any of its political subdivisions or any of its agencies or any agency of any political subdivision to take any action which would prevent or interfere with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained, will maintain the corporate existence of the Borrower and will take or cause to be taken all reasonable action (including, but without limitation, the provisions of Section 5.04 (a) of the Loan Agreement) which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations.

(b) Except as the Guarantor and the Bank shall otherwise agree, the Guarantor shall take all such action (including, but without limitation, the prompt provision of funds) as shall be necessary on its part to put into effect and carry out the Plan of Action and the Investment Plan with due diligence and efficiency;

and shall not, without the agreement of the Bank, amend the Plan of Action or the Investment Plan.

Section 3.07. (a) The Guarantor shall from time to time take or cause to be taken such necessary or desirable steps (including, but without limitation, adjustments in the rates and fares of the Borrower) as shall be required to provide the Borrower with revenues sufficient, by such date or dates as shall be agreed upon between the Guarantor, and the Bank and the Borrower, to : (i) meet all cash operating expenses of the Borrower and interest payments on debt; (ii) cover depreciation of assets of the Borrower; and (iii) earn a reasonable return of the net fixed assets of the Borrower.

(b) Without prejudice to the provisions of Section 2.02 of this Agreement, the Guarantor shall make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided, during such time as the Borrower's revenues shall be insufficient to meet the items provided for in paragraphs (a) (i) and (ii) of this Section and repayment of the Borrower's outstanding debt, with funds sufficient to meet such items and repay such outstanding debt.

Section 3.08. (a) The Guarantor undertakes that, if the Guarantor shall propose to construct any new railway line to be owned and operated by the Borrower, the Guarantor shall inform the Bank of such proposal and, before such new construction is started, shall afford the Bank all opportunity which is reasonably practicable in the circumstances to exchange views with the Guarantor and the Borrower with respect thereto.

(b) The Guarantor shall take all such action as shall be necessary for the implementation of the arrangements referred to in Section 7.01 (f) of the Loan Agreement, for the discontinuance of service on uneconomic railway lines.

Article IV

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

Article V

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

For the Guarantor :

Dirección General de Financiación Exterior
Ministerio de Hacienda
Alcalá 11, Madrid 14, Spain

Alternative address for cablegrams and radiograms :

Financxterior
Madrid

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

Section 5.02. The *Ministro de Hacienda* of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

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

Spain :

By Juan SANCHEZ CORTES
Authorized Representative

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

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

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

LOAN AGREEMENT
(RAILWAY PROJECT)

AGREEMENT, dated July 31, 1964, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and RED NACIONAL DE LOS FERROCARRILES ESPAÑOLES (hereinafter called the Borrower).

WHEREAS the Government of Spain will, before the Effective Date, adopt a ten-year Investment Plan, to be executed by the Borrower, to provide and finance capital goods and services for the rehabilitation and modernization of the Railways of the Borrower, all as more fully set forth in this Agreement; and

WHEREAS the financial requirements of the Investment Plan will have to be met in part from external sources, and the amount of external borrowing required for this purpose is, at this time, estimated to be of the order of the equivalent of \$200 million, including the Loan provided for in this Agreement; and

WHEREAS the Bank has indicated its willingness to participate in the future financing of the Investment Plan, the extent of such participation to be determined from time to time by agreement between the Government of Spain, the Bank and the Borrower in the light of all relevant considerations then prevailing, including progress made in the execution of the Investment Plan and the economic situation of Spain; and

WHEREAS it has been determined that the initial financing by the Bank shall be in the amount of sixty-five million dollars (\$65,000,000);

NOW THEREFORE, the parties hereto hereby agree as follows :

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961¹ (said Loan Regulations No. 4 being hereinafter called the Loan Regulations) with the same force and effect as if they were fully set forth herein.

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

(a) The term " Railways " means the railways owned and operated by the Borrower and includes all railway property, equipment and materials of the Borrower.

(b) The term " Plan of Action " means the plan of action for the modernization and improvement of the operations of the Borrower, the specific measures of which shall be determined from time to time by agreement between the Guarantor, the Bank and the Borrower, subject to modification by further agreement between them.

¹ See p. 90 of this volume.

(c) The term "Investment Plan" means the 1964-1973 program of the Guarantor and the Borrower to provide and finance capital goods and services for the rehabilitation, modernization, development, increase in capacity and more effective utilization of the Railways, as the same may be amended from time to time by agreement between the Guarantor, the Bank and the Borrower.

(d) The term "*estatuto*" means the definitive *estatuto* of the Borrower as granted by the Guarantor to the Borrower, as specified in Section 7.01(a) of this Agreement.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to sixty-five million dollars (\$65,000,000).

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

Section 2.03. Notwithstanding the provisions of Section 3.02 of the Loan Regulations, withdrawals from the Loan Account in respect of expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower shall be in dollars or such other currency or currencies as the Bank shall from time to time reasonably select.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.05. The Borrower shall pay interest at the rate of five and one-half per cent ($5\frac{1}{2}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.06. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

¹ See p. 106 of this volume.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

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

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

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

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, railway and financial principles and practices.

Section 5.02. The Borrower shall, in the carrying out of such parts of the Project as the Bank and the Borrower shall agree upon, employ competent and experienced consultants.

Section 5.03. Upon request from time to time by the Bank, the Borrower shall promptly furnish to the Bank the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request.

Section 5.04. (a) The Borrower shall, in accordance with the *estatuto*, at all times maintain its right to carry on its operations and shall take all steps necessary to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) The Borrower shall operate and maintain the Railways, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering and railway practices.

Section 5.05. (a) The Borrower shall at all times manage its affairs, plan the development of the Railways and maintain its financial position all in accordance with sound

engineering, railway, financial and business principles and practices and under the supervision of experienced and competent management.

(b) The Borrower shall have its financial statements (balance sheet and related statement of revenues and expenses) certified annually by an accountant independent of the Borrower and acceptable to the Bank, and shall promptly after their preparation and not later than five months after the close of the Borrower's fiscal year transmit to the Bank certified copies of such statements and a signed copy of the accountant's report.

Section 5.06. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower, the functioning of the Railways, and other matters relating to the purposes of the Loan.

(b) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the goods financed out of such proceeds, the Project, and the administration, operations and financial condition of the Borrower and the functioning of the Railways.

(c) The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by the Borrower of its obligations under this Agreement.

Section 5.07. The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower and the functioning of the Railways; and shall enable the Bank's representatives to inspect the Project, the goods, the Railways and any relevant records and documents.

Section 5.08. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.09. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

Section 5.10. The Borrower shall insure or cause to be insured with responsible insurers all goods financed out of the proceeds of the Loan. Such insurance shall cover such marine, transit and other hazards incident to purchase and importation of the goods into the territories of the Guarantor and delivery thereof to the Borrower, and shall be for such amounts, as shall be consistent with sound commercial practices. Any indemnity under such insurance shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable.

Section 5.11. Except as the Bank and the Borrower shall otherwise agree the Borrower shall : (a) obtain title to all goods financed out of the proceeds of the Loan free and clear of all encumbrances; and (b) at all times hold and enjoy the use of all of the property and assets of the Railways which shall be required for the efficient carrying on of the Borrower's business and undertaking, including the Project.

Section 5.12. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 5.13. Except as the Bank shall otherwise agree, the Borrower shall not declare or pay any dividend or make any other distribution on the capital of the Borrower until such reserves have been established as will enable the Borrower to conduct its operations and provide for the development of the Railways in accordance with the provisions of this Agreement.

Section 5.14. The Borrower shall take all such action as shall be necessary on its part to cause the Plan of Action and the Investment Plan to be put into effect and carried out with due diligence and efficiency; and shall not, without the agreement of the Bank, amend the Plan of Action or the Investment Plan.

Section 5.15. The Borrower undertakes that, if the Borrower shall propose to incur any debt or substantially to modify the terms of payment of any such debt from time to time outstanding, the Borrower will inform the Bank of such proposal and, before the proposed action is taken, shall afford the Bank all opportunity which is reasonably practicable in the circumstances to exchange views with the Borrower with respect thereto. The foregoing provisions of this Section shall not apply to : (i) the incurring of additional debt through utilization, in accordance with the terms of any credit established prior to the date of this Agreement, of any unused amounts available under such credit; or (ii) the incurring by the Borrower in the ordinary course of its business of any indebtedness maturing not more than one year after its date. For the purposes of this Section debt shall be deemed to include, without limitation, suppliers' credits, other than normal commercial current accounts.

Section 5.16. The Borrower shall from time to time take all necessary or desirable steps (including, but without limitation, adjustments in its rates and fares) as shall be required to provide revenues sufficient, by such date or dates as shall be agreed upon between the Guarantor, the Bank and the Borrower, to : (a) meet all cash operating expenses of the Borrower and interest payments on its debt; (b) cover depreciation of its assets; and (c) earn a reasonable return on its net fixed assets.

Section 5.17. The Borrower shall take all action necessary for implementing the arrangements referred to in Section 7.01 (f), for the discontinuance of service on un-economic railways lines.

Article VI

REMEDIES OF THE BANK

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

Section 6.02. For the purposes of Section 5.02 (j) of the Loan Regulations, the following additional event is specified :

A substantial change in the definitive *estatuto* shall have been made without the agreement of the Bank.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (b) of the Loan Regulations :

(a) A definitive *estatuto* of the Borrower, in form and substance satisfactory to the Guarantor and the Bank, has been granted by the Guarantor to the Borrower and such *estatuto* has become effective.

(b) The Investment Plan, in form and substance satisfactory to the Guarantor and the Bank, has been enacted and has become effective.

(c) All of the contributions (*dotaciones*) made by the Guarantor to the Borrower up to the date of this Agreement have been incorporated, free of any lien, by the Guarantor into the Borrower's equity (*patrimonio*).

(d) Arrangements, satisfactory to the Bank, have been made for the incorporation, free of any lien, by the Guarantor into the Borrower's equity (*patrimonio*) of debt balances,

if any, owed or to be owed by the Borrower to the Guarantor up to December 31, 1964.

(e) Appropriate measures, satisfactory to the Bank, have been taken by the Guarantor with respect to : (1) the application of normal commercial rates to the Guarantor's freight and passenger traffic and mail; and (2) the compensation for loss of revenue on passenger services provided by the Borrower at less than normal commercial rates if such rates have been established by the Guarantor.

(f) The Borrower, the Guarantor and the Bank have agreed upon arrangements for putting into effect appropriate measures toward discontinuing service on uneconomic railway lines, and initial action, satisfactory to the Bank, has been taken thereunder.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank : that the Borrower has sufficient power and authority under the provisions of Decree-Law No. 27 of July 19, 1962, of the Guarantor, or otherwise, to enter into all of the obligations in this Agreement contained.

Section 7.03. A date 90 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1967, or such other date or dates as shall be agreed between the Borrower and the Bank as the Closing Date.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Sr. Director General
de la Red Nacional de los Ferrocarriles Españoles
Estación de Príncipe Pío
Madrid, Spain

Alternative address for cablegrams and radiograms :

Renfe, Madrid

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

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

International Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

Red Nacional de los Ferrocarriles Españoles :

By Carlos MENDOZA
Authorized Representative

SCHEDULE I

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
September 15, 1968	\$1,235,000	March 15, 1977	\$1,960,000
March 15, 1969	1,270,000	September 15, 1977	2,010,000
September 15, 1969	1,305,000	March 15, 1978	2,065,000
March 15, 1970	1,340,000	September 15, 1978	2,125,000
September 15, 1970	1,375,000	March 15, 1979	2,180,000
March 15, 1971	1,415,000	September 15, 1979	2,240,000
September 15, 1971	1,455,000	March 15, 1980	2,305,000
March 15, 1972	1,495,000	September 15, 1980	2,365,000
September 15, 1972	1,535,000	March 15, 1981	2,430,000
March 15, 1973	1,575,000	September 15, 1981	2,500,000
September 15, 1973	1,620,000	March 15, 1982	2,570,000
March 15, 1974	1,665,000	September 15, 1982	2,640,000
September 15, 1974	1,710,000	March 15, 1983	2,710,000
March 15, 1975	1,755,000	September 15, 1983	2,785,000
September 15, 1975	1,805,000	March 15, 1984	2,860,000
March 15, 1976	1,855,000	September 15, 1984	2,940,000
September 15, 1976	1,905,000		

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

PREMIUMS ON PREPAYMENT AND REDEMPTION

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

<i>Time of Prepayment or Redemption</i>	<i>Premiums</i>
Not more than three years before maturity	½ of 1%
More than three years but not more than six years before maturity	1½%
More than six years but not more than eleven years before maturity	2½%
More than eleven years but not more than sixteen years before maturity	3½%
More than sixteen years but not more than eighteen years before maturity	4½%
More than eighteen years before maturity	5½%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of the first two years (1964-1965) of the 1964-1973 program for the rehabilitation, modernization, development, increase in capacity and more effective utilization of the Railways, as provided for in the Investment Plan. It also includes the improvement of the Borrower's operations through the adoption of adequate measures in respect of matters such as transport coordination, personnel and administration, discontinuance of service on uneconomic lines and stations, rates and fares, accounting and financial management, all as more fully provided in this Agreement and in the Plan of Action.

The part of the Project to be financed with the proceeds of the Loan is the acquisition, for use by the Borrower, of locomotives, freight and passenger rolling stock, spare parts and other railway equipment, tools, materials and services connected therewith, with the prime object of increasing, and improving the utilization of, the carrying capacity of the Railways.