

No. 8944

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

Guarantee Agreement—*Second Railway Project* (with annexed Loan Regulations No. 4, as amended, and Loan Agreement between the Bank and the Red Nacional de los Ferrocarriles Españoles). Signed at Washington, on 4 August 1967

Official text: English.

Registered by the International Bank for Reconstruction and Development on 29 January 1968.

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

Contrat de garantie — *Deuxième projet relatif aux chemins de fer* (avec, en annexe, le Règlement n° 4 sur les emprunts, tel qu'il a été modifié, et le Contrat d'emprunt entre la Banque et la Red Nacional de los Ferrocarriles Españoles). Signé à Washington, le 4 août 1967

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 29 janvier 1968.

No. 8944. GUARANTEE AGREEMENT¹ (*SECOND RAILWAY PROJECT*) BETWEEN SPAIN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 4 AUGUST 1967

AGREEMENT, dated August 4, 1967, between SPAIN (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Red Nacional de los Ferrocarriles Españoles (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to fifty million dollars (\$50,000,000), 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 Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961 as amended February 9, 1967,² subject, however, to the modification thereof set forth in Section 1.01 of the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

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

¹ Came into force on 15 December 1967, upon notification by the Bank to the Government of Spain.

² See p. 218 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, 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 cover (a) the estimated expenditures required for carrying out the Project, (b) all cash operating expenses of the Borrower, (c) repayment of, and interest payments on, the Borrower's debt, and (d) depreciation of the Borrower's fixed assets, 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 items.

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: (i) 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; (ii) take or cause to be taken all reasonable action which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations, and (iii) maintain, in accordance with the *Estatuto*, the corporate existence of the Borrower and its right to carry on its operations.

(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 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. Except as the Bank shall otherwise agree, the Guarantor shall from time to time take such action as may be necessary (including but without limitation, adjustments in the rates and fares of the Borrower) to provide the Borrower with revenues, by such date or dates as shall be agreed upon, sufficient to : (i) meet all cash operating expenses of the Borrower and interest payments on its debt; (ii) cover depreciation of the Borrower's fixed assets; and (iii) earn an adequate return on the value of the Borrower's net fixed assets in use.

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 any 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 on its part to implement the arrangements referred to in Section 5.04 (c) of the Loan Agreement in respect of the discontinuance of service on uneconomic railway lines and stations.

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 :

Oficina de Financiación Exterior
Dirección General del Tesoro
Ministerio de Hacienda
Alcalá 11; Madrid 14, Spain
Cable address :

Financ exterior
Madrid

For the Bank :

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

Cable address :

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 José ESPINOSA
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,
AS AMENDED 9 FEBRUARY 1967

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

[Not published herein. See *United Nations, Treaty Series, Vol. 598, p. 270.*]

LOAN AGREEMENT
(SECOND RAILWAY PROJECT)

AGREEMENT, dated August 4, 1967, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and RED NACIONAL DE LOS FERROCARRILES ESPAÑOLES (hereinafter called the Borrower).

WHEREAS the Bank has previously made a loan to assist in financing the ten-year Investment Plan for the rehabilitation and modernization of the Railways of the Borrower, all as more fully set forth in a loan agreement dated July 31, 1964,¹ between the Bank and the Borrower;

WHEREAS the Government of Spain and the Borrower have requested the Bank to continue to assist in financing such Plan; and

WHEREAS the Bank is at this time willing to participate further in financing such Plan by making a loan amounting to the equivalent of fifty million dollars (\$50,000,000) for that purpose on the terms and conditions hereinafter provided;

NOW THEREFORE, the parties hereto hereby agree as follows :

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961, as amended February 9, 1967,² with the same force and effect as if they were fully set forth herein subject, however, to the following modification thereof (said Loan Regulations No. 4, as so modified, being hereafter called the Loan Regulations) : clause (b) of the second sentence of Section 4.01 is deleted.

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

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

(b) " *Estatuto* " means the *estatuto* granted to the Borrower by Decree No. 2170 dated July 23, 1964, of the Guarantor.

(c) " 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.

(d) " 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.

(e) " First Loan Agreement " means the loan agreement dated July 31, 1964, between the Bank and the Borrower.

(f) " First Guarantee Agreement " means the guarantee agreement dated July 31, 1964, between the Guarantor and the Bank.

¹ United Nations, *Treaty Series*, Vol. 537, p. 81.

² See p. 218 of this volume.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower an amount in various currencies equivalent to fifty million dollars (\$50,000,000).

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 withdrawn from time to time from the Loan Account.

Section 2.05. The Borrower shall pay interest at the rate of six per cent (6%) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.06. Except as the Bank and the Borrower 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 commitment outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on April 15 and October 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 1 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

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

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

Section 4.02. The *Presidente* of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations. The *Presidente* of the Borrower may designate additional or other authorized representatives by appointment notified to the Bank.

Article V

PARTICULAR COVENANTS

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

(b) The Borrower shall take all such action as shall be necessary on its part to carry out or cause to be carried out, the Plan of Action and the Investment Plan with due diligence and efficiency.

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 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.

(c) The Borrower shall take all such action as shall be necessary on its part to implement such arrangements as shall be agreed upon by the Guarantor, the Bank and the Borrower for putting into effect appropriate measures toward discontinuing service of the Railways on uneconomic railway lines and stations.

(d) 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. 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, except as the Bank shall otherwise agree, 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, 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 the Loan Agreement, the Guarantee Agreement¹ 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.

¹ See p. 210 of this volume.

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 the Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.10. The Borrower shall insure or cause to be insured with good and reputable insurers all goods financed out of the proceeds of the Loan. Such insurance shall cover such marine, transit and other risks 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. Except as the Bank shall otherwise agree, any indemnity under such insurance shall be payable in the currency in which the cost of the goods insured thereunder shall be payable or in a freely convertible currency.

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. 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 5.14. 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 5.15. Except as the Bank shall otherwise agree, the Borrower shall from time to time take such action as may be necessary (including but without limitation, adjustments in its rates and fares) to provide revenues, by such date or dates as shall be agreed upon, sufficient to : (i) meet all cash operating expenses of the Borrower and interest payments on its debt; (ii) cover depreciation of its fixed assets; and (iii) earn an adequate return on the value of the net fixed assets in use.

Article VI

REMEDIES OF THE BANK; AMENDMENT OF FIRST LOAN AGREEMENT

Section 6.01. (i) If any event specified in paragraph (a), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations or in Section 6.02 (a) of this Agreement shall occur and shall continue for a period of thirty days, or (ii) if a default shall occur in the payment of principal or interest or any other payment required under any other loan agreement between the Bank and the Borrower or under any bond delivered pursuant thereto and such default shall continue for a period of thirty days, or (iii) if a default shall occur in the payment of principal or interest or any other payment required under any loan agreement or under any guarantee agreement between the Guarantor and the Bank or under any bond delivered pursuant to any such agreement under circumstances which would make it unlikely that the Guarantor would meet its obligations under the Guarantee Agreement and such default shall continue for a period of thirty days, or (iv) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations or in Section 6.02 (b) of this Agreement 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 the Loan Agreement or in the Bonds to the contrary notwithstanding.

Section 6.02. For the purposes of Section 5.02 (l) of the Loan Regulations, the following additional events are specified :

(a) A substantial change in the *Estatuto* shall have been made without the agreement of the Bank; and

(b) A default shall have occurred in the performance of any covenant or agreement on the part of the Borrower or the Guarantor under the First Loan Agreement, the First Guarantee Agreement, or the bonds provided for therein.

Section 6.03. For the purposes of the First Loan Agreement, paragraph (c) of Section 5.02 of Loan Regulations No. 4 of the Bank, dated February 15, 1961,¹ is hereby amended to read as follows :

“(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement, or the Bonds, or under the loan agreement dated August 4,

¹ United Nations, *Treaty Series*, Vol. 400, p. 212.

1967, between the Bank and the Borrower, the guarantee agreement of even date therewith between the Guarantor and the Bank, or the bonds therein provided for.”;

and the term “Loan Regulations” as used for the purposes of the First Loan Agreement shall mean Loan Regulations No. 4 of the Bank, dated February 15, 1961, as amended hereby.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (d) of the Loan Regulations :

A revision of the Investment Plan, in form and substance satisfactory to the Guarantor and the Bank, has been made and has become effective.

Section 7.02. If this Agreement shall not have come into force and effect by December 31, 1967, this Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be July 31, 1971 or such later date as may be agreed by the Bank.

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

Cable address :

Renfe
Madrid

For the Bank :

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

Cable address :

Intbafrad
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be 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 Leopoldo CALVO-SOTELO
Authorized Representative

SCHEDULE 1

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>
October 15, 1971	1,540,000	October 15, 1977	2,195,000
April 15, 1972	1,585,000	April 15, 1978	2,265,000
October 15, 1972	1,635,000	October 15, 1978	2,330,000
April 15, 1973	1,685,000	April 15, 1979	2,400,000
October 15, 1973	1,735,000	October 15, 1979	2,470,000
April 15, 1974	1,785,000	April 15, 1980	2,545,000
October 15, 1974	1,840,000	October 15, 1980	2,625,000
April 15, 1975	1,895,000	April 15, 1981	2,700,000
October 15, 1975	1,950,000	October 15, 1981	2,785,000
April 15, 1976	2,010,000	April 15, 1982	2,865,000
October 15, 1976	2,070,000	October 15, 1982	2,955,000
April 15, 1977	2,135,000		

* 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	2¼%
More than six years but not more than eleven years before maturity	3½%
More than eleven years but not more than thirteen years before maturity	5%
More than thirteen years before maturity	6%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of the two years, 1967-1968, 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.
