European Company for the Financing of Railroad Rolling Stock

BASIC AGREEMENT

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Basic Agreement

In order to determine the general principles of operation of "EUROFIMA", European Company for the Financing of Railroad Rolling Stock,

the undersigned railway administrations (hereinafter called the "administrations") have agreed as follows:

Part 1 - Field of the Company's activity

For the first two years of its existence, the Company's activities shall be limited to administrations of states which are signatories of the international Convention relating to the establishment of this Company on the one hand, and to wagons of standard type or performance to be incorporated into the EUROP wagon pool, on the other.

Part 2 - Ordering of stock

The administrations shall be bound:
- to inform the Company, upon request, of their general requirements in railway rolling stock of standard type or performance;
- to indicate the portion of these requirements which could possibly be met by the Company, with the understanding that the administrations shall remain free at all times to meet all or part of their requirements by other means.

EUROFIMA shall endeavor, according to its financial possibilities, to coordinate portions of these requirements into annual programs comprising comparable stock. It shall invite tenders from manufacturers in an attempt to obtain the best possible conditions from them. These tenders shall be from as wide a field as possible in order to encourage international competition.

Before finally contracting the loans necessary for the purchase of stock and placing the corresponding orders, the Company shall seek the agreement of the administrations concerned. This agreement shall be obtained by the conclusion of contract as provided for in Part 3.

Administrations shall have the possibility of effecting payment in cash for all or part of the stock ordered by EUROFIMA to meet their requirements. In this case, they shall become the immediate owners of a number of units of stock, the price of which corresponds to the amount of the payment made. Such stock shall not be the subject of contracts referred to in Part 3.

While striving to obtain the most advantageous prices, EUROFIMA shall endeavor when placing orders, especially during its first years of operation, to harmonize its interests and those of the administrations with the legitimate interests of the national industry in the various countries.

Where an administration is directly concerned in an order of stock, it shall provide
technical assistance to the Company in drawing up orders, examining conditions as to price, supervising manufacture, accepting delivery of stock and verifying invoices, as well as in applying any price revision clauses.

Where an administration is not directly concerned in the order, it shall, at the request of the Company, provide technical assistance in carrying out the above-mentioned operations.

In providing technical assistance, administrations shall act as agents of the Company. This agency shall be provided without payment where the administration is directly concerned in the order.

**Part 3 - Making stock available**

**Chapter I - Making stock available by means of hire purchase**

**A. - General provisions**

Stock belonging to EUROFIMA may be made available to administrations by hire purchase under contracts which shall be subject to the law of the state in which the Head Office is situated and shall stipulate that EUROFIMA remain owner of that stock until such time as the purchase price is paid in full. These contracts must essentially define the type of stock made available by hire purchase, the duration of the latter, the currency of the contract and the amount and method of payment of the annual hire-purchase instalments.

In particular, hire-purchase contracts shall be concluded with administrations for wagons which they have brought in to EUROFIMA for the allotment of the Company's registered capital to them. The contracts shall take effect on the day the rolling stock is made available and shall terminate at the end of the tenth financial year.

All hire-purchase contracts shall be drawn up in accordance with the following provisions.

**B. - Rules for the determination and payment of annual hire-purchase instalments**

The amount of the annual hire-purchase instalments shall include:

a) for stock brought in to the Company:
   - a principal amount allowing for the amortization, in ten years, of the value of the stock in question;
   - an additional amount designed to meet part of the operational costs of the Company;

b) for other stock:
   - a principal amount enabling the Company, during the period of hire purchase, to meet the charges - interest, amortization and accessory expenses - relating to the resources used for the financing of the stock hired out (loans and equity of the Company, the latter with a maximum interest of 4%);
   - an additional amount intended to meet part of the operational costs of the Company and contributing, in addition, to a return on the equity capital
and the allocation to the reserves.

The Company shall maintain the annual additional amounts within the limits of 0.25% for stock brought in and 0.50% for other stock of the initial value of the stock in question.

Administrations hiring wagons which have been brought in shall pay their annual hire-purchase installments to the Company at the end of each of the first ten financial years. The annual installments shall be equal.

Administrations hiring other stock shall pay annual hire-purchase installments to the Company according to the terms fixed by the contracts. The annual installments shall, as a rule, be equal. However, it shall be specified that any difference between the effective cost of the stock and the price used as a basis for the calculation of the annual hire-purchase installments shall be borne by the hiring administration or be credited to it, as the case may be. Its settlement shall be effected, unless there is a special agreement, as soon as the effective cost is known.

The Company may transfer or pledge, either totally or partially, the annual hire-purchase installments due it.

in the event of delay in delivery for which the manufacturer is liable, the Company shall refund to the hiring administrations the penalties paid by the manufacturer as contractual damages.

C. - Registration and owner's marking on hired stock

Throughout the whole period of the hire-purchase contract, the stock concerned shall be registered in the pool of the hiring administration and shall bear the marking "Eurofima", thus clearly indicating that it is owned by the Company.

D. - Delay or default in effecting payment of annual hire-purchase installments

By default in the payment of an annual installment, the hiring administration shall pay additional interest; the rate and the date from which it becomes due shall be stipulated in the hire-purchase contract.

Should one of the hiring administrations not have effected payment of the entire sum of the annual hire-purchase installment three months after it falls due and two weeks after notice has been given by registered letter, its hire-purchase contract shall be cancelled. It shall immediately make the stock covered by the cancelled contract available to EUROFIMA and shall forfeit all its rights under that contract. In particular, it may not obtain the refund of annual installments already paid.

For its part, EUROFIMA shall endeavor, in order to cover the commitments reverting to it from the cancellation of a contract, to hire out or to sell the stock it so acquires. The Company shall also convert the pledges which it may have been given as guarantee for said contract.

The administration whose hire-purchase contract is cancelled shall, in any event, remain liable for effecting payment of its contractual debt to EUROFIMA, of all damages and interests which the default shall have caused, as well as any expenses and tariffs, especially customs duties owed for transfers of stock.

However, the amounts which EUROFIMA may collect as a result of a new hiring
E. - Maintenance of hired stock

Throughout the whole period of the hire-purchase contract, the maintenance of the stock shall be entirely the responsibility of the hiring administration, which pledges itself to insure that all necessary repairs are carried out, regardless of their nature or origin, at its own expense.

The Company shall authorize each hiring administration, at the latter's request, to commence and to continue, for and on its behalf, any action or proceedings against the manufacturers should the repair work to be effected be necessitated by a fault in design or construction on the part of the latter. The Company shall transfer any amount that may be awarded in its favour in such a case to that administration; in return, the administrations shall agree to bear the cost and to indemnify the Company in the event that it is liable for any payment in the same situation.

With the agreement of EUROFIMA, administrations may carry out improvements or alterations of hired stock. The cost of such improvements and alterations shall be paid by them.

In the event of total loss, whatever the cause thereof, even in the event of so-called "cause de force majeure" and subject to a possible claim against the manufacturer or all substitutes responsible, the hiring administration shall, with the agreement of the Company, replace at its own expense and without delay, each unit of stock destroyed either by one or several units of the same type or by one or several units which, owing to their constructional characteristics and age, may be considered the equivalent of the stock destroyed, or again by a cash payment. Replacement stock shall be deemed to represent the stock destroyed for the purposes of the terms of the hire-purchase contract.

F. - Requisition of hired rolling stock

In case of requisition by any state of rolling stock hired by an administration, whether the latter is dependent upon that state or not, the Company shall have a right to demand payment of the annual hire-purchase installments from the hiring administration as if the requisition had not taken place.

G. - Termination of hire purchase

Upon termination of a hire-purchase contract, the hiring administration shall become owner of that stock, without further formality, provided that the amounts due have been paid in full.

Should a hiring administration and the Company agree mutually to terminate a hire-purchase contract before its normal expiration, the hiring administration shall be considered to have fulfilled its obligations after having paid the discounted value of the annual installments still due to the Company, and without further formality, shall become owner of the stock.

Subject to prior agreement with the Company, a hiring administration may assign its hire-purchase contract to another member administration of the Company. The
administration thus substituted will assume all the rights and obligations of the original hiring administration.

Chapter II - Making stock available by means other than hire-purchase

When legislation of the state of an administration so permits, the Company may, at the request of that administration, conclude with it, in place of a hire-purchase contract as defined in the preceding chapter, contracts of another type, provided that these are based on analogous rules which provide the Company guarantees which it considers to be equivalent. The rules laid down in Part 2 and in the preceding chapter shall apply to contracts concluded by virtue of this chapter, *mutatis mutandis*, having considered the different juridical nature of the contracts.

It is in this manner particularly, that the Company may conclude contracts of sale or financing with payment by means of successive installments on the condition that the Company, in all respects, remains owner of all the stock until the final installment has been made.

Part 4 - Constitution of brought-in stock

Wagons which may be brought in initially by shareholders in consideration for their allotment of shares shall be incorporated into the EUROP wagon pool. This stock shall be evaluated by a commission of five experts from different railway administrations. In the case of the commission’s evaluating stock brought in of an administration represented within that commission, the expert of the same shall not give his opinion on the evaluations of his own administration. He shall be replaced by a substitute expert designated by a sixth administration. He shall, however, have the right to attend the evaluation by his colleagues. The commission shall reach a decision by a simple majority of its members.

Part 5 - Arbitration

All disputes relating to the interpretation of this Agreement shall be submitted to an arbitrary body composed of three members of different nationalities, who as a rule shall not be nationals of a country interested in the litigation, and who shall be appointed by the President of the Swiss Federal Tribunal at the request of one or several of the parties.

The arbitrators, who decide by a simple majority, shall render their judgment within a period of four months from their appointment.

If, for any reason whatsoever, the arbitrators are unable to reach their decision within the period designated above, a substitute, who in principle shall not be a national of a country concerned in the dispute, shall be appointed by the President of the Swiss Federal Tribunal at the request of one of the parties.

The substitute arbitrator shall make his decision within a period of six months from his appointment.

The arbitrators and the substitute shall decide *ex aequo et bono*.

The provisions of this part may not be invoked in disputes relating to contracts concluded by the Company and concerning the making available of stock.
Part 6 - Suspensive condition

The provisions of this Basic Agreement shall not come into force until EUROFIMA shall have approved them by countersigning this Agreement.

This Agreement was signed, on behalf of the administrations shown below, in the following order:


This Agreement was also signed in the name of the Hungarian State Railways, the Greek State Railways, the Turkish State Railways, the Croatian Railways, the Slovenian Railways, the Bosnia and Herzegovina Railways, the Railways of the former Yugoslav Republic of Macedonia, the Bulgarian State Railways, the Railways of Slovak Republic, the Czech Railways and the Željeznica Crne Gore.

Done in London, this 30th day of September 1955, in the French, German and Italian languages, the French text prevailing in the event of legal difficulties of application, the three original copies remaining deposited with the General Management of the Swiss Federal Railways, which shall furnish a certified copy thereof to each of the railway administrations concerned.