

STRICTLY CONFIDENTIAL

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Washington, D. C.
Tuesday, March 9, 1965

A Regular Meeting of the Executive Directors was
convened at 10:00 o'clock, a.m., in the Board Room, 1818
H Street, N.W., George D. Woods, President, presiding.

Public Disclosure Authorized

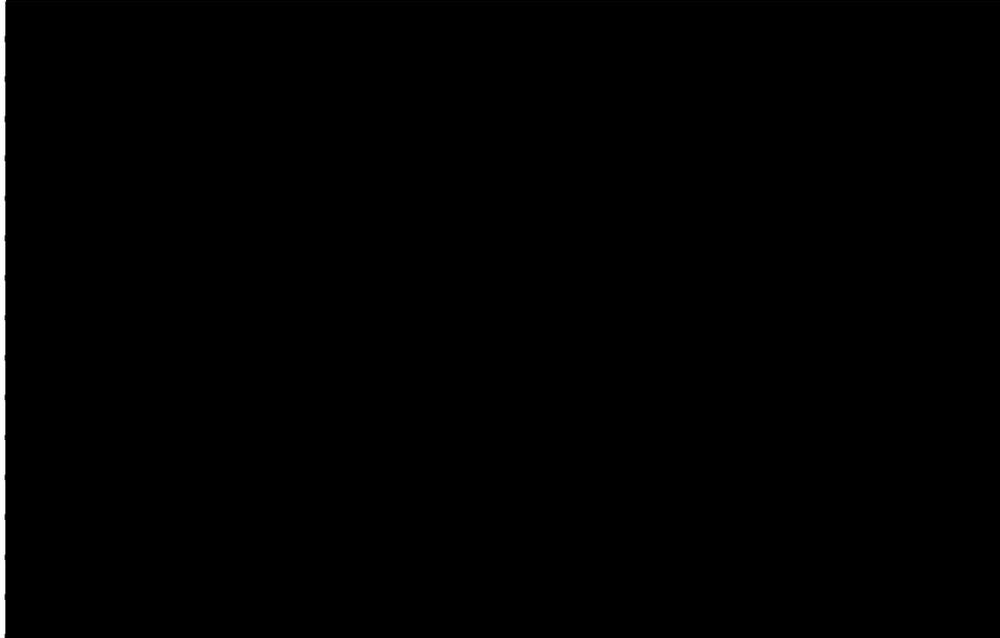
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C O N T E N T S

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4. Proposed Deutsche Mark Bonds of 1965 15



MR. WOODS:

I would like next, gentlemen, to report to you on the status of our proposed bond issue in Germany and present for your consideration, and hopefully for your approval, a resolution in connection with the proposed issue.

As you will have seen from the document, the issue would be in the principal amount of DM 250 million and carrying it at interest of 5-1/2%, maturing in 20 years. The bonds will carry a sinking fund of 100% under which the Bank would retire the bonds at par during the last 15 years. The Bank will have an option to redeem all of the bonds at any time at par on or after April 1, 1976. The underwriting commission is to be 1-1/2% which is the same as in our last issue in Germany.

In order to assist in providing a good "after market" for these bonds, we have reached two agreements with our bankers in Germany. first: as the documents show, the bonds will require that if the price of the bonds falls below par once the sinking fund begins to operate; that is, after five years, we will be required to attempt to buy bonds in the market equal to half of the sinking fund installment. This, of course, would be our normal custom in other countries for meeting sinking fund requirements, and in fact represents no problem; that is in accordance with our normal procedure. Point two, we plan to agree with the Deutsche Bank that during the first five years, that is, before the sinking fund begins to operate, we will purchase limited amounts of bonds in the market, should the price fall to a point where such purchases appear to be desirable. All bonds purchased in the market would ultimately be credited against the requirements of the fixed sinking fund, if we do not resell them. This procedure is customary in Germany, and I feel it appropriate to agree to it in connection with this issue.

Although our bankers expect to make the fact public that we will support the market to some extent, they do not wish the precise terms to be of general knowledge. I agree that it is advisable that the specific terms be

kept confidential. This agreement would not be an obligation to the bond holders, but would only represent an agreement between the Deutsche Bank and ourselves. Both the bonds we would buy for the sinking fund and those we would buy under the purchase fund arrangements may be resold by us at any time before they are used for credit against a sinking fund installment. Whether we would wish to resell would, of course, depend on the price fluctuations of our bonds from time to time.

The time schedule for this proposed issue is as follows: I expect to go to Germany this week end and we plan to sign the underwriting agreement next Monday, March 15. The bonds would be offered to the public on Tuesday of the following week. That is on March 23rd. And our present expectation is that the bonds will be offered at par to the public. The underwriting syndicate would consist of the same banks as underwrote our first issue in Germany.

The delivery date, Mr. Cavanaugh?

MR. CAVANAUGH: March 23.

MR. WOODS: The delivery date, payment date, therefore, would be coincidental with the offering date, Tuesday, March 23rd.

The resolutions which you have before you, Document 65-35, have been prepared largely in Frankfurt, by a team

consisting of our Treasurer, Mr. Cavanaugh; and our Associate General Counsel, and a group of the Deutsche Bank people. The documents have the approval of our General Counsel, and I recommend that the Directors take the formal step of approving these resolutions this morning.

Are there any comments or any questions? If not, Tab 1 of the Document 65-35, being the resolution authorizing the issuance and sale of the bonds; Tab 3 is the English translation of Tab 2, the Purchase Agreement; Tab 4 is the Letter Agreement between ourselves and the two principal underwriters, the Deutsche Bank and the Dresdner Bank relating to indemnification for underwriters' liability arising out of the listing prospectus; Tab 5 is a letter from the two banks which in effect gives us an underwriting for those two banks in the event any member of the rather large syndicate falls under his obligations.

Mr. Broches, is there one resolution covering all of these?

MR. BROCHES: That's correct, and actually the resolution, although it may not be easy to read it, it does refer to the German text, rather than the English text. For better or for worse, we adopted the German text.

MR. WOODS: Well, I think the Directors can live without it. We get the money on March ^{23rd} 21st.

MR. BROCHES: It's just that it's a more difficult text.

MR. WOODS: Is there a motion? It is moved and seconded.

(Moved and seconded that the resolution be adopted.)

MR. WOODS: All those in favor, please so indicate.

(Show of hands.)

MR. WOODS: Opposed?

Thank you. The resolution is adopted. If this transaction goes through as I have outlined to you, gentlemen, I will consider it is an eminently satisfactory development in our affairs. I think the only question is the one of price, and I have every reason to believe that the price at par will obtain. Bond markets are peculiar things. I know that because I spent most of my life with them. There are scheduled in the German market two bond issues, one this week and one next week, preceding our issue, which will be the third; and anything can happen, but if we get through on the basis we're talking about, I will consider it a very satisfactory agreement and if, because of market conditions, we have to discount the price a little bit, I won't be too unhappy, although I hope we don't have to do it and I don't expect we'll have to do it.