INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Washington, D. C.
Tuesday, February 23, 1965

A meeting of the Executive Directors of the
International Bank for Reconstruction and Development was
convened at 10:00 o'clock, a.m., in the Board Room, 1818
H Street, N.W., George D. Woods, President, presiding.
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MR. WOODS:

The second matter is a matter of reporting. I touched
on previously the fact that we were in discussions with our bankers in Frankfurt, West Germany, with respect to finance. These discussions have progressed quite well, and yesterday which was no holiday in Germany, we came to a meeting of the minds with the Deutsche Bank, our leading banker, which contemplates, subject of course to the approval of the Executive Directors when the formal papers are ready, a transaction approximately as follows:

₩250 million D marks, which is about $62-1/2 million, for a 20-year, 5-1/2% bond, denominated of course in D marks. The offering price would be 100 par, and the underwriting commission would be 1-1/2% which is the identical commission which was paid by the bank to this same syndicate about five years ago, when the other public issue in Germany was accomplished.

The transaction will be on the basis of no sinking fund, no mandatory sinking fund for the first five years, and a sinking fund to extinguish the entire amount of the issue in the remaining period of its life, the last fifteen years. We will have some understandings with the Deutsche Bank as our banker with respect to a purchase fund during the period of grace, five years, for the purchase of bonds in the event they are available in the open market, at a price to be agreed upon, not in excess of the offering price; in no one year do we expect to purchase more than 4% of the issue, and all of
the bonds that we purchase during the first five years in what amounts really to a maintenance of market situation, may be credited against the required sinking fund payment in the remaining 15 years of the life. Bonds so acquired, if indeed any are acquired, will be applied against the mandatory sinking fund payments in such a fashion and against such payments as we in the Bank may determine.

It is contemplated that the contract will be signed on Monday, March 15, which I guess is three weeks from yesterday, and the subscription books would be opened subsequently during that week. The payment would be made shortly after that; the precise date of the payment has left my mind, but it's three or four weeks later. In any event, the schedule is such that the entire transaction should be consummated within this current fiscal year.

There is a possibility -- I give it no more dignity than a possibility -- it's not a probability -- that during the week of March the 8th, that is the week preceding the day we execute the underwriting agreement, the purchase contract, that the Deutsche Bank, as manager of the syndicate, will see fit to increase the issue from 250 million D marks to 300 million D marks. I've been urging that we receive accommodation from the German market in the order of 400 million D marks. This is more or less of an arbitrary figure, but the German
authorities, both government and private, have been doing their best to accomplish this desire and it may be that the public issue, as we get closer to it, depending on markets, will be increased.

I consider this a satisfactory transaction from the standpoint of the Bank, having in mind the interest rate situation in Germany. I am saying to our bankers that I am interested in raising capital for our purposes in the Bank but I am equally interested in having a successful offering of this bond issue, because I intend to return to the German market bi-annually, and I'm urging that while I would like to get up to 400 million D marks, the issue not be increased beyond the 250 million D marks which everybody seems to think is a perfectly acceptable amount, unless there's good indication that the success of the offering will not thereby be impaired - the possibility of the success of the offering will not thereby be impaired.

Unless there is some objection on the part of any Director, I propose that the wheels that are in motion, our Treasurer's Department is represented in Frankfurt right now - as a matter of fact, Mr. Cavanaugh is there; and our Legal Department is represented in Frankfurt right now, and unless there is some objection here this morning, I expect to continue the work that is being done on the mechanics looking toward this March 15th signing on this basis without interruption.
Are there any questions or comments on this?

In the absence of such, I will proceed and the matter will come before the Directors formally in due course and, as I learn more about it from week to week, I will keep you posted.