

DEBT FUNDING

*Agreement signed at Washington May 8, 1930
Operative from January 1, 1928
Modified by agreement of September 14, 1932¹*

Treasury Department print

AGREEMENT, Made the eighth day of May, 1930, at the City of Washington, District of Columbia, between THE FEDERAL GOVERNMENT OF THE REPUBLIC OF AUSTRIA, hereinafter called AUSTRIA, party of the first part, and THE GOVERNMENT OF THE UNITED STATES OF AMERICA, hereinafter called THE UNITED STATES, party of the second part

WHEREAS, Austria is indebted to the United States as of January 1, 1928, upon an obligation designated as bond No. 1, Relief series B of 1920 in the principal amount of \$24,055,708.92, together with interest accrued and unpaid thereon; and

WHEREAS, Austria desires to liquidate said indebtedness to the United States, both interest and principal, through the issue of bonds to the United States, and the United States is prepared to accept bonds from Austria upon the terms hereinafter set forth;

Now, therefore, in consideration of the premises and of the mutual covenants herein contained, it is agreed as follows:

1. *Amount of Indebtedness.*—The amount of indebtedness to be liquidated is \$34,630,968.68 which has been computed as follows:

Principal of relief obligations	\$24,055,708.92
Accrued and unpaid interest from September 4, 1920, to January 1, 1928, at 6% per annum	10,575,259.76
Total indebtedness as of January 1, 1928	\$34,630,968.68

2. *Payment.*—In order to provide for the liquidation of the indebtedness, Austria agrees to pay and the United States to accept the sum of \$33,428,500, to be paid in twenty-five equal annual installments of \$1,337,140 each, on the first day of January, 1943, and on the first day of January of each of the subsequent years to 1967, inclusive. In lieu of these twenty-five payments Austria may, at its option, issue to the United States, at par, bonds of Austria

¹ *Post*, p. 376.

in the aggregate principal amount of \$24,614,885, dated January 1, 1928, and maturing serially on the several dates and in the amounts fixed in the following schedule:

January 1—		January 1—	
1929.	\$287, 556	1949.	\$743, 047
1930.	287, 556	1950.	743, 047
1931.	287, 556	1951.	743, 047
1932.	287, 556	1952.	743, 047
1933.	287, 556	1953.	743, 047
1934.	460, 093	1954.	743, 047
1935.	460, 093	1955.	743, 047
1936.	460, 093	1956.	743, 047
1937.	460, 093	1957.	743, 047
1938.	460, 093	1958.	743, 047
1939.	460, 093	1959.	743, 047
1940.	460, 093	1960.	743, 047
1941.	460, 093	1961.	743, 047
1942.	460, 093	1962.	743, 047
1943.	460, 093	1963.	743, 047
1944.	743, 047	1964.	743, 047
1945.	743, 047	1965.	743, 047
1946.	743, 047	1966.	743, 047
1947.	743, 047	1967.	743, 047
1948.	743, 047	1968.	743, 047
			\$24, 614, 885

PROVIDED, HOWEVER, That if Austria shall exercise this option, the obligation of Austria to pay annuities during the years 1929 to 1943 will in the case of each annuity not arise if the Trustees of the Reconstruction Loan of 1923 prior to the preceding December first have raised objection to the payment of the annuity in question on the due date. To the extent, if any, that any such annuity is not paid by reason of such objection on the part of the Trustees, the amount thereof together with interest at 5 per cent per annum compounded annually to December 31, 1943, shall be repaid together with further interest at 5 per cent per annum by twenty-five equal annuities on January 1 of each of the years 1944 to 1968 inclusive. Austria shall issue its bond to the United States for each of the twenty-five annuities similar in form to the bonds first to be issued hereunder, but bearing interest at the rate of 5 per cent per annum, and maturing serially on January 1st of each of the years 1944 to 1968, inclusive.

Austria agrees that no payment shall be made upon or in respect of any of its obligations issued to the Relief Creditor Nations, to wit, Denmark, France, Great Britain, Holland, Italy, Norway, Sweden and Switzerland before, at or after maturity, whether for principal or for interest, unless a similar and proportionate payment shall simultaneously be made upon the relief indebtedness of Austria to the United States as set forth above.

3. *Form of Bond.*—All bonds issued or to be issued hereunder to the United States shall be payable to the Government of the United States of

America, or order, and shall be signed for Austria by its duly authorized representatives. The bonds to be dated January 1, 1928, and maturing January 1, 1929, and annually thereafter to January 1, 1943, inclusive, shall be substantially in the form set forth in the exhibit hereto annexed and marked "Exhibit A", and shall be issued in fifteen pieces with maturities and in denominations as hereinabove set forth and shall bear no interest except that in the event that any bond is not paid on the date of its maturity, interest shall be paid as specified in paragraph 2 above. The bonds to be dated January 1, 1928, and maturing January 1, 1944, and annually thereafter to January 1, 1968, inclusive, shall be substantially in the form set forth in the exhibit hereto annexed and marked "Exhibit B", and shall be issued in twenty-five pieces with maturities and in denominations as hereinabove set forth and shall bear no interest.

4. *Method of Payment.*—All bonds issued or to be issued hereunder shall be payable, as to both principal and interest, in United States gold coin of the present standard of value, or, at the option of Austria, upon not less than thirty days' advance notice to the United States, in any obligations of the United States issued after April 6, 1917, to be taken at par and accrued interest to the date of payment hereunder.

All payments, whether in cash or in obligations of the United States, to be made by Austria on account of the principal of or interest on any bonds issued or to be issued hereunder and held by the United States, shall be made at the Treasury of the United States in Washington, or, at the option of the Secretary of the Treasury of the United States, at the Federal Reserve Bank of New York, and if in cash shall be made in funds immediately available on the date of maturity, or if in obligations of the United States shall be in form acceptable to the Secretary of the Treasury of the United States under the general regulations of the Treasury Department governing transactions in United States obligations.

5. *Exemption from Taxation.*—The principal and interest of all bonds issued or to be issued hereunder shall be paid without deduction for, and shall be exempt from, any and all taxes or other public dues, present or future, imposed by or under authority of Austria or any political or local taxing authority within Austria.

6. *Security.*—Austria represents that the Reparation Commission, pursuant to the powers conferred upon it, has recognized that the bonds to be issued under this Agreement shall enjoy the same security as the bonds of Relief Series B of 1920, and shall be a first charge upon all the assets and revenues of Austria, and shall have priority over costs of reparation under the Treaty of Saint-Germain,² or under any treaty or agreement supplementary thereto, or under any arrangements concluded between Austria and the

² For relevant portions of the treaty of peace signed at Saint Germain-en-Laye Sept. 10, 1919, see *ante*, p. 234.

Allied and Associated Powers during the armistice signed on November 3, 1918,³ and the Austrian Government agrees that nothing in this agreement shall prejudice or affect the provisions contained in the bonds of Relief Series B of 1920 constituting such bonds a first charge upon all the assets and revenues of Austria (without prejudice, however, to the lien enjoyed by the Reconstruction Loan of 1923), so that if the Government of Austria should at any time without the assent of the United States pay or attempt to pay any sum whether in respect of reparation or by way of compensation for any non-fulfilment of the obligations of Austria under Article 184 of the said Treaty, the amount owing under the terms of Bond No. 1, Relief Series B of 1920 for principal moneys and for any arrears of interest thereon at 6 per cent per annum, compounded semi-annually from September 4, 1920, to January 1, 1925, and thereafter at 5 per cent per annum, compounded annually, shall forthwith be paid in cash by the Austrian Government in priority to any such payments under the said Treaty.

7. *Compliance with Legal Requirements.*—Austria represents and agrees that the execution and delivery of this Agreement have in all respects been duly authorized, and that all acts, conditions, and legal formalities which should have been completed prior to the making of this Agreement have been completed as required by the laws of Austria and in conformity therewith.

8. *Cancellation and Surrender of Obligations.*—Upon the execution of this Agreement, the delivery to the United States of the principal amount of bonds of Austria to be issued hereunder, together with satisfactory evidence of authority for the execution of this Agreement by the representative of Austria and for the execution of the bonds to be issued hereunder by the representatives of Austria, the United States will cancel and surrender to Austria at the Treasury of the United States in Washington, the relief obligation of Austria now held by the United States.

9. *Notices.*—Any notice, request, or consent under the hand of the Secretary of the Treasury of the United States, shall be deemed and taken as the notice, request, or consent of the United States, and shall be sufficient if delivered at the Legation of Austria in Washington or at the office of the Ministry of Finance in Vienna; and any notice, request, or election from or by Austria shall be sufficient if delivered to the American Legation in Vienna or to the Secretary of the Treasury at the Treasury of the United States in Washington. The United States in its discretion may waive any notice required hereunder, but any such waiver shall be in writing and shall not extend to or affect any subsequent notice or impair any right of the United States to require notice hereunder.

10. *Counterparts.*—This Agreement shall be executed in two counterparts, each of which shall have the force and effect of an original.

³ *Ante*, vol. 2, p. 1.

IN WITNESS WHEREOF, Austria has caused this Agreement to be executed on its behalf by its duly authorized representative at Washington, and the United States has likewise caused this Agreement to be executed on its behalf by the Secretary of the Treasury, with the approval of the President, pursuant to the Act of Congress approved February 4, 1929,⁴ all on the day and year first above written.

The Federal Government of The Republic of Austria,

By

EDGAR PROCHNIK,

Envoy Extraordinary and Minister Plenipotentiary.

The Government of The United States of America,

By

A. W. MELLON,

Secretary of the Treasury.

Approved:

HERBERT HOOVER,

President.

EXHIBIT A

(Form of Bond 1929-1943)

THE REPUBLIC OF AUSTRIA
GOLD BOND

Relief Series B-1920, No.
January 1, 1928

(Renewal Bond)
Due January 1, 19—

The Republic of Austria, hereinafter called Austria, for value received, promises to pay to the Government of the United States of America, hereinafter called the United States, or order, on January 1, , the sum of Dollars (\$). This bond is payable as to both principal and interest in gold coin of the United States of America of the present standard of value, or, at the option of Austria, upon not less than thirty days' advance notice to the United States, in any obligations of the United States issued after April 6, 1917, to be taken at par and accrued interest to the date of payment hereunder. Nevertheless, the obligation of Austria to pay this bond shall not arise if the Trustees of the Reconstruction Loan of 1923 have, prior to the first day of December preceding the maturity date of this bond, raised objection to the payment of this bond on the due date. If this bond is not paid on its due date by reason of such objection on the part of the Trustees, the amount thereof, together with interest at 5 per cent compounded annually to December 31, 1943, shall be repaid, together with further interest at 5 per cent per annum in twenty-five equal annual installments on the first of January of each of the years 1944 to 1968, inclusive.

This bond is payable as to both principal and interest without deduction for, and is exempt from, any and all taxes and other charges, present or future, imposed by or under authority of Austria or its possessions or any political or local taxing authority within Austria. This bond is payable as to both principal and interest at the Treasury of the United States in Washington, D.C., or at the option of the Secretary of the Treasury of the United States at the Federal Reserve Bank of New York.

⁴ 45 Stat. 1149.

This obligation is one of a series of obligations of similar tenor but in different amounts and payable in different currencies, designated as "Relief Series B of 1920 (Renewal Bonds)".

Austria agrees that no payment will be made upon or in respect of any of the obligations of the "Relief Bond Series B-1920" due on January 1, 1925, or upon or in respect of any of the obligations "Relief Series B of 1920 (Renewal Bonds)" or of any other obligations issued by Austria in renewal of the said "Relief Bonds Series B-1920" before, at, or after maturity, whether for principal or for interest, unless a similar payment shall simultaneously be made upon all the obligations of "Relief Series B of 1920 (Renewal Bonds)" issued by Austria in proportion to the respective obligations of said series.

The payment of this obligation is secured in the same manner and to the same extent as the obligation of Austria in the principal amount of \$24,055,708.92, designated as Bond No. 1, Relief Series B of 1920.

Austria agrees that if at any time it should pay or attempt to pay any sum whether in respect of reparation or by way of compensation for any non-fulfilment of the obligations of Austria under Article 184 of the Treaty of Saint-Germain, the amount owing under the terms of Bond No. 1, Relief Series B of 1920 for principal moneys and for any arrears of interest thereon at 6 per cent per annum, compounded semiannually, from September 4, 1920, to January 1, 1925, and thereafter at 5 per cent per annum, compounded annually, shall forthwith be paid in cash by the Austrian Government in priority to any such payments under the said Treaty.

This bond is issued under an Agreement dated May 8, 1930, between Austria and the United States, to which this bond is subject and to which reference is made for a further statement of its terms and conditions.

IN WITNESS WHEREOF, Austria has caused this bond to be executed on its behalf by its duly authorized representatives at the city of Vienna, as of January 1, 1928.

THE FEDERAL GOVERNMENT OF THE REPUBLIC OF AUSTRIA:

By

EXHIBIT B

(Form of Bond 1944-1968)

THE REPUBLIC OF AUSTRIA

GOLD BOND

Relief Series B-1920, No.
January 1, 1928

(Renewal Bond)
Due January 1, 19—

The Republic of Austria, hereinafter called Austria, for value received, promises to pay to the Government of the United States of America, hereinafter called the United States, or order, on January 1, , the sum of Dollars (\$). This bond is payable as to both principal and interest in gold coin of the United States of America of the present standard of value, or, at the option of Austria, upon not less than thirty days' advance notice to the United States, in any obligations of the United States issued after April 6, 1917, to be taken at par and accrued interest to the date of payment hereunder.

This bond is payable without deduction for, and is exempt from, any and all taxes and other charges, present or future, imposed by or under authority of Austria or its possessions or any political or local taxing authority within Austria. This bond is payable as to both principal and interest at the Treasury of the United States in Washington, D.C., or at the option of the Secretary of the Treasury of the United States at the Federal Reserve Bank of New York.

This obligation is one of a series of obligations of similar tenor but in different amounts and payable in different currencies, designated as "Relief Series B of 1920 (Renewal Bonds)".

Austria agrees that no payment will be made upon or in respect of any of the obligations of the "Relief Bond Series B-1920" due on January 1, 1925, or upon or in respect of any of the obligations "Relief Series B of 1920 (Renewal Bonds)", or of any other obligations issued by Austria in renewal of the said "Relief Bonds Series B-1920" before, at, or after maturity, whether for principal or for interest, unless a similar payment shall simultaneously be made upon all the obligations of "Relief Series B of 1920 (Renewal Bonds)" issued by Austria in proportion to the respective obligations of said series.

The payment of this obligation is secured in the same manner and to the same extent as the obligation of Austria in the principal amount of \$24,055,708.92, designated as Bond No. 1 Relief Series B of 1920.

Austria agrees that if at any time it should pay or attempt to pay any sum whether in respect of reparation or by way of compensation for any non-fulfilment of the obligations of Austria under Article 184 of the Treaty of Saint-Germain, the amount owing under the terms of Bond No. 1, Relief Series B of 1920 for principal moneys and for any arrears of interest thereon at 6 per cent per annum, compounded semiannually, from September 4, 1920, to January 1, 1925, and thereafter at 5 per cent per annum, compounded annually, shall forthwith be paid in cash by the Austrian Government in priority to any such payments under the said Treaty.

This bond is issued under an Agreement dated May 8, 1930, between Austria and the United States, to which this bond is subject and to which reference is made for a further statement of its terms and conditions.

IN WITNESS WHEREOF, Austria has caused this bond to be executed on its behalf by its duly authorized representatives at the City of Vienna, as of January 1, 1928.

THE FEDERAL GOVERNMENT OF THE REPUBLIC OF AUSTRIA:

By