SALE OF FOREIGN BONDS OR SECURITIES IN THE UNITED STATES

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

SEVENTY-SECOND CONGRESS

FIRST SESSION

PURSUANT TO

S. Res. 19

A RESOLUTION AUTHORIZING THE FINANCE COMMITTEE OF THE SENATE TO INVESTIGATE THE SALE, FLOTATION, AND ALLOCATION BY BANKS, BANKING INSTITUTIONS, CORPORATIONS, OR INDIVIDUALS OF FOREIGN BONDS OR SECURITIES IN THE UNITED STATES

PART 2

JANUARY 4, 5, 6, AND 7, 1932

Printed for the use of the Committee on Finance

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1932

92928

COMMITTEE ON FINANCE

REED SMOOT, Utah, *Chairman*

JAMES E. WATSON, Indiana.
DAVID A. REED, Pennsylvania.
SAMUEL M. SHORTRIDGE, California.
JAMES COUZENS, Michigan.
HENRY W. KEYES, New Hampshire.
HIRAM BINGHAM, Connecticut.
ROBERT M. LA FOLLETTE, Jr., Wisconsin.
JOHN THOMAS, Idaho.
WESLEY L. JONES, Washington.
JESSE H. METCALF, Rhode Island.
PAT HARRISON, Mississippi.
WILLIAM H. KING, Utah.
WALTER F. GEORGE, Georgia.
DAVID I. WALSH, Massachusetts.
ALBEN W. BARKLEY, Kentucky.
TOM CONNALLY, Texas.
THOMAS P. GORE, Oklahoma.
EDWARD P. COSTIGAN, Colorado.
CORDELL HULL, Tennessee.

Isaac M. Stewart, *Clerk*.

CONTENTS

SALE OF FOREIGN BONDS OR SECURITIES IN THE UNITED STATES

MONDAY, JANUARY 4, 1932

UNITED STATES SENATE, COMMITTEE ON FINANCE,
Washington, D. C.

The committee met at 10 o'clock a. m., pursuant to adjournment on Monday, December 21, 1931, in the committee hearing room in the Senate Office Building, Senator Reed Smoot, presiding.

Present: Senators Smoot (chairman), Watson, Reed, Shortridge, Couzens, Keyes, Jones, Metcalf, Harrison, King, George, Connally, Gore, Costigan, and Hull.

Present also: Senator Johnson.

The CHAIRMAN. If the committee will come to order we will proceed with the hearing. Mr. Kahn, you are ready to proceed with your testimony, I take it?

Mr. KAHN. Yes, Mr. Chairman.

The CHAIRMAN. We will be glad for you to do so at this time.

TESTIMONY OF OTTO H. KAHN, MEMBER OF THE BANKING HOUSE OF KUHN, LOEB & CO., NEW YORK, N. Y.—Resumed

(The witness was duly sworn by the chairman of the committee when he took the stand on December 21, 1931.)

Mr. KAHN. I assume, Mr. Chairman, that I am to go on reading the loans.

The CHAIRMAN. Just where you left off on Monday, December 21, 1931, which I think was the date you last testified.

Mr. KAHN. In June of 1927, the city of Copenhagen, Denmark, 25-year, 5 per cent, gold loan due in 1952, $15,000,000. The price paid was 94.29 per cent. The issue price, that is, the net price at which the bonds were offered to the public, was 97¼ per cent. The spread was 2.96 per cent, the purpose of the loans was refunding and public works and buildings.

Senator JOHNSON. Mr. Kahn, is it possible for you to state while you are giving these details of loans, the present market price of the particular bonds of the bonds that were floated by you?

Mr. KAHN. I have not got those data here, I am sorry to say, but I can say that of all the loans enumerated in list from which I am reading and which go back to 1919, in other words, covering a period of 12 years, there is only one single borrower in default. All the others are meeting their interest and sinking fund.

Senator JOHNSON. No; I was not asking about that. I was asking what the present market rate is in regard to the particular bonds or securities about which you are talking and which your house floated.

Mr. KAHN. I have not got those data here.

Senator JOHNSON. May I at this point call attention to the fact, as it may save a good deal of the committee's time, that Congressman LaGuardia put in the Congressional Record on the 10th of December very lengthy tables showing the amounts of foreign loans that have been floated in this country, the prices at which they were floated, the present values, and so on. Mr. Kahn, have you ever examined that table?

Mr. KAHN. No.

Senator JOHNSON. It purported to be a series of publications from the New York American.

Mr. KAHN. I have not examined that statement, Senator Johnson.

Senator JOHNSON. Very well.

Mr. KAHN. I am afraid that a similar statement could be put into the Congressional Record as to a great number of American bonds and other American securities which are selling at the present time not on the basis of their intrinsic value but on the basis of unreasoning fear.

Senator JOHNSON. Just what is the object of that answer? I queried you about foreign investments.

Mr. KAHN. Yes.

Senator JOHNSON. And immediately your reflex is that I am going to say something about American bonds.

Mr. KAHN. Senator Johnson, my motive is to prove that the present market prices of bonds do not constitute a situation relating exclusively to foreign bonds, but reflect the prevailing all too widespread attitude of unreasoning fear on the part of the American investor.

Senator JOHNSON. So that you would make a comparison, or at least leave the implication, that United States Government bonds are in exactly the same situation as these foreign government bonds that have been floated.

Mr. KAHN. That they are "in exactly the same situation" I do not say, of course. In fact, I did not mention American Government bonds. But I do say that the same fear which applies to foreign bonds likewise applies to American bonds, and I should say that present values as quoted do not express what I believe to be the intrinsic value, generally speaking, of foreign bonds any more than they express the intrinsic value of American bonds.

Senator JOHNSON. Eliminating either the psychological or the metaphysical aspects of the case would you say that American Government bonds have been reduced in price in like fashion with foreign government securities that have been floated by your house and others?

Mr. KAHN. You say, "in like fashion," Senator Johnson?

Senator JOHNSON. Yes.

Mr. KAHN. You must permit me to use my own language in replying to your question, otherwise I should create a wrong impression.

Senator JOHNSON. It goes without saying that I want you to use your own language and to answer as you see fit.

Mr. Kahn. With your permission I would say that American Government bonds are in a class by themselves, good and safe beyond peradventure or question, and that an acute and general decline in foreign bonds or in ordinary American bonds, inspired by fear, suspicion, a credit crisis, or shaken confidence would not express itself, of course, by merely the same or a similar percentage as in American Government bonds. The fact is that the market price of the last issue of American Government bonds, Federal Government bonds, has declined within about three months by 15 per cent, an extraordinary heavy and rapid shrinkage for the premier security of the world. If you translate this, and apply it to foreign bonds, the fact that such bonds have suffered a vast dimunition in market value does not seem so utterly extraordinary a phenomenon by comparison.

Senator Johnson. All right. Now, that is your justification for the answer that you originally made, is it? I do not want to pursue the subject, but would it be too much to ask you either to furnish a table or to look at the tables furnished by Congressman LaGuardia which are in the Congressional Record of December 11, 1931, and state whether or not those tables furnished by Congressman LaGuardia are accurate? Can you do that without too much difficulty?

Mr. Kahn. I can easily do it when I get back to my office, Senator Johnson.

Senator Johnson. That is what I mean. I am not asking you to do it now.

Mr. Kahn. I will be very glad to do it.

Senator Johnson. I will submit at the conclusion of your testimony a copy of the Congressional Record of December 11, 1931, and I will ask you to advise us subsequently whether or not the tables submitted by Congressman LaGuardia as appearing in that record are substantially correct.

Mr. Kahn. I shall be very glad to do that, Senator.

Senator Johnson. All right. Now, pardon me. Mr. Chairman, for interposing.

(The following was received subsequently:)

Senator Johnson. Since we adjourned on Friday I have received from Palm Beach, Fla., from Mr. Otto H. Kahn, a letter in which he desires to add something to his testimony, and in fairness to him I am very glad to have that letter inserted as a part of the record.

The Chairman. I have a similar letter, and was going to ask that it be made a part of the record, but yours will be sufficient.

Senator Johnson. I thank you. The letter is as follows [reading]:

Palm Beach, Fla.,
January 5, 1932.

Hon. Hiram W. Johnson,
Senate Office Building, Washington, D. C.

Dear Senator Johnson: Having been at my office uninterruptedly every business day since last July, I have come down here for two weeks of needed rest. Therefore, I am not in a position to check the quotations contained in the address of Congressman LaGuardia, as you desired me to do. I have perused the address carefully and have sent it to my firm in New York, with the request that they check the quotations as best they can and advise you of the result as promptly as possible.

I wonder whether I would be in order, and whether I may trespass upon your courtesy, in asking you to read at the next hearing of the Senate Finance Committee and place into the record of the hearing, the following three statements on my part, which I had intended to include in my informal closing remarks, but failed to so include, inasmuch as it was manifest that the committee was anxious to proceed to the examination of the next witness:

"1. I venture to think that the statement which you quoted as attributed to Mr. S. Parker Gilbert is not couched in his precise language and that, taken apart from its context, it tends to give an impression somewhat differing, of course wholly unintentionally on your part, from the meaning intended by the author.

"2. My firm originated only two German loans; that is, to the North German Lloyd and to the city (and port) of Hamburg. It originated loans with one in only two South American countries, that is, loans to the Argentine Government and to the Mortgage Bank of Chile (a governmental institution similar to our Farm Loan Board).

"3. Without having any intention of reflecting upon others, who, perhaps, showed greater enterprise and eagerness than we did, I should like to say that my firm sent no representative to either South America or Europe, for the purpose of offering American loans or stimulating foreign countries, municipalities or corporations to have recourse to the American investment market.

"Believe me, dear Senator, with high regard,

"Very faithfully yours,

"OTTO H. KAHN."

P. S.—As indicating the risks and responsibilities, to which originating bankers and underwriting syndicates are inevitably subject, I am asking my firm to send you, in the hope that you may see fit to insert it in the record of the hearings, a statement which I wrote on this subject some years ago, together with a record of a few examples of more recent date, exemplifying the same subject.

Senator JOHNSON. In addition to that if the chairman will recall I submitted to Mr. Kahn at the conclusion of his testimony a statement of loans which had been put in the Congressional Record by Congressman LaGuardia. That statement of loans Mr. Kahn said he would submit to his office and would advise us whether or not it was correct. I am now in receipt of a letter from Mr. Kahn's office and that letter is as follows [reading]:

KUHN, LOEB & CO.,
New York, January 6, 1932.

Hon. HIRA W. JOHNSON,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR JOHNSON: Referring to Mr. Otto H. Kahn's letter to you of the 5th instant, wherein he stated that he would send Congressman LaGuardia's address of December 11, 1931, to this office in order to have the prices of the securities mentioned therein checked in accordance with your request, I now beg to return to you herewith that address and to advise you that, so far as we have been able to ascertain them, and this covers the bulk of the quotations contained therein, they appear to be correct as of the time indicated in that address.

Referring to the postscript of Mr. Kahn's above-mentioned letter and to his testimony before your honorable committee, I also beg to inclose herewith a memorandum written by our firm some years ago, entitled "The Marketing of American Railroad Securities," exemplifying the risks and responsibilities taken by bankers and underwriting syndicates, together with a few examples of more recent date on the same subject.

Believe me, dear sir,

Yours faithfully, BANJAMIN J. BUTTERNIESER.

The CHAIRMAN. Is that all, Senator Johnson?

Senator JOHNSON. Now I offer as well the statement of Congressman LaGuardia to which that letter refers, which appeared in the Congressional Record of December 11, 1931, and ask that it be made a part of this record..

The CHAIRMAN. That is all right.

EXAMPLES OF SECURITY OFFERINGS WHERE THE UNDERWRITING SYNDICATE WAS CALLED UPON TO PAY FOR A SUBSTANTIAL PART UNSOLD TO THE PUBLIC

NEW YORK, N. Y., *March 11, 1929.*

To the Stockholders of the Southern Pacific Company:

Pursuant to a resolution of the executive committee of the board of directors, adopted March 7, 1929, but subject to approval of the proposed issue by the Interstate Commerce Commission, the privilege will be given to the holders of the stock of the company to subscribe, at 94 per cent and accrued interest, upon the terms and conditions hereinafter stated, before 3 o'clock p. m. (New York time), May 15, 1929, for an amount of the bonds hereinafter described, equal to 17½ per cent of the par value of the stock of the company registered in their respective names on its books at 3 o'clock p. m. (New York time), April 8, 1929. The bonds referred to will be 40-year 4½ per cent gold bonds of 1929 of an authorized issue not exceeding $65,166,000. The bonds will be issued in the denomination of $1,000 each. Each $1,000 bond will have attached thereto a warrant, nondetachable until exercised, entitling the bearer thereof to purchase, at any time on or before May 1, 1934, three shares of common stock of the company at $145 per share, plus accrued dividend at the then current rate. Provision will be made in the indenture under which the bonds will be issued for appropriate adjustment of the purchase price of the stock, in case of the issue of additional common stock at less than $145 per share, or as a stock dividend, but in no event will the purchase price be less than the par value of the stock.

Messrs. Kuhn, Loeb & Co. have agreed to underwrite the subscription of stockholders for these bonds. Application will be made to list these bonds on the New York Stock Exchange.

In order to insure the necessary funds to provide for its requirements the company requested its bankers to underwrite the above offering and the bankers formed a syndicate therefor.

Stockholders of the company subscribed for only approximately 20 per cent of the above bonds and the bankers were forced to call on participants in the syndicate to take up the remaining 80 per cent of the issue.

During the interval from March to June the bonds sold as low as 89¾.

PHILADELPHIA, PA., OCTOBER 8, 1929.

To the holders of voting trust certificatees for common stock of The Pennroad Corporation:

The board of directors of The Pennroad Corporation has decided to issue and sell 3,025,000 additional shares of its common stock without par value. Holders of voting trust certificates for common stock of the corporation will have the right to purchase on or before November 19, 1929, at $16.50 per share, upon the terms and conditions stated in the accompanying letter from the treasurer, voting trust certificates for a number of shares of said additional common stock equal to one-half of their respective holdings as registered on the books at the close of business on October 18, 1929.

Messrs. Kuhn, Loeb & Co. have agreed to underwrite the subscription of voting trust certificate holders to voting trust certificates for this additional stock.

Kuhn, Loeb & Co. as bankers for The Pennroad Corporation formed a syndicate to underwrite the above offering. The offering to stockholders was only about 50 per cent subscribed thus making it necessary for the syndicate participants to take up and pay for 50 per cent of their participation.

When the above offer was originally made the stock was selling around $23 per share but had declined to around $15.50 per share prior to the time when the syndicate had to take over the unsold portion.

NEW YORK, SEPTEMBER 10, 1929.

To the stockholders of Chicago & North Western Railway Co.:

The Board of directors of Chicago & North Western Railway Co. (hereinafter called "the company") has by resolution authorized an increase of the authorized capital stock of the company from $200,000,000, par value, to $300,000,000.

par value, by increasing the authorized common stock of the company by $100,000,000, par value, and has called a special meeting of the stockholders of the company to be held November 18, 1929, for the purpose, among others, of obtaining the approval by the stockholders of such proposed increase.

The board of directors of the company has also determined, subject to approval of the Interstate Commerce Commission and to the approval by the stockholders of the company of such proposed increase of the authorized capital stock, to issue $72,335,000, principal amount of 20-year 4¾ per cent convertible gold bonds, series A, and to offer to the holders of stock of the company, both preferred and common, the privilege of subscribing, at their principal amount and accrued interest, upon the terms and conditions hereinafter stated, before 3 p. m. eastern standard time, November 25, 1929, for a principal amount of said 20-year 4¾ per cent convertible gold bonds, series A, equal to 40 per cent of their respective holdings of the stock of the company as registered on its books at 3 p. m. eastern standard time, September 24, 1929.

Messrs. Kuhn, Loeb & Co., have agreed to underwrite the subscription of the stockholders for the bonds of series A.

The Chicago & North Western Railway Co. arranged with its bankers to form a syndicate to underwriter the above offering. In November, 1929, the syndicate was called upon to take up approximately 50 per cent of the issue, stockholders having subscribed to only 50 per cent.

EXAMPLES OF SECURITY OFFERINGS NOT UNDERWRITTEN BY A BANKING SYNDICATE WHERE ISSUE HAD TO BE CANCELED BECAUSE THE PUBLIC SUBSCRIBED FOR ONLY A NEGLIGIBLE AMOUNT.

NORTHWEST BANCORPORATION 175,000 SHARES COMMON STOCK

On October 10, 1929, common stockholders of this company offered right to purchase additional stock at $72.50 per share in ratio of 1 new share for every 10 shares held. The offering was underwritten by a syndicate.

At the time of offering stock selling around 94. Final subscription date advanced from November 15, 1929, to December 16, 1929. Stockholders subscribed for only about 10 per cent of the offering so syndicate participants requested to take up remaining 90 per cent. At the time the stock was paid for by the syndicate the stock was selling for around 63.

Syndicate received as compensation $1 per share and an additional $1 per share on all shares purchased at $72.50 per share.

BETHLEHEM STEEL CORPORATION 800,000 SHARES COMMON STOCK

Stockholders of record September 20, 1929, were offered right to subscribe to the above stock at $110 per share. At the time of the offering the stock was selling at $140 per share. The offering was underwritten by a group of bankers. The result of the transaction was that stockholders subscribed to only 50 per cent of the offering and the syndicate was called upon to take up the balance at $110 per share although the stock had dropped to $90 per share.

For this service the underwriting syndicate was paid $1 per share on the 800,000 shares and an additional $1 per share on all shares not subscribed for by stockholders.

STOCK OFFERINGS NOT UNDERWRITTEN BY BANKERS

North American Co. stockholders of record October 16, 1929, were offered the right to subscribe to New stock at $100 per share in the ratio of 1 new share for each 10 shares held; the rights to expire November 15, 1929. Inasmuch as the company had outstanding approximately 5,600,000 shares as of the date of issue of the rights, the total dollar amount which the company would have received had all rights been exercised, would have been about $56,000,000.

On November 14, 1929, the board of directors of the company decided that in view of the decline in the market price of the common stock of the company from a high of $186 per share to a low of $69 per share, the rights were valueless and should be canceled, which was subsequently done. The price of the rights declined from a high of $7⅛ to a nominal quotation of ⅛.

American Rolling Mills common, stockholders of record October 25, 1929, were given the right to subscribe until June 16, 1930, for 285,867 additional shares at $104 per share on the basis of 1 new share for each 5 shares held. The total amount which the company would have received had all rights been exercised in $29,501,000. Only three shares of stock were subscribed for. The price ranged during June, 1930, from a high of $70⅝ to a low of $51⅛.

The Marketing of American Railroad Securities

[In the matter of terms and conditions to be prescribed by the commission in connection with the issuance of securities under section 20a of the interstate commerce act, as amended]

INTRODUCTION—THE PROBLEM

No more important problem to-day challenges the skill and wisdom of American railroad managements—and the public authorities charged with the function of regulation—than that of how to obtain the capital necessary to provide the facilities required to transport the commerce of our growing country.

It has been estimated by several high authorities that in order to meet with any degree of adequacy the requirements for new construction, for additional main tracks, sidings, and yards, for equipment and terminal facilities, for elimination of grade crossings, especially in the larger cities, for block signaling and other safety appliances, and the requisite general strengthening and improvement of existing properties, expenditures are called for, aggregating as much as $1,000,000,000 a year for a series of years to come.

There is a never-ceasing demand in the United States for more and better railway services. Unless this demand is to remain unsatisfied the railway management must find some way to attract to the railway industry an uninterrupted and steadily augmenting flow of new capital.

The problem is no less vital to the public whose prosperity and convenience so largely depend upon the adequacy of its transportation service. At the same time, the public which pays the rates providing the return earned upon capital invested in railroads, has a clear interest in having the railroads sell their securities—and obtain their new capital—upon terms which involve no burden upon rates beyond that actually necessary to attract the required capital.

Capital already invested in railroad facilities is irrevocably committed, but any and all new capital must be attracted from the investing public upon terms and under conditions which appear to that public.

It is thus of essential importance that the following purposes be accomplished:

(1) Obtain the capital.

(2) Attract it upon fair and reasonable terms.

(3) Have a broad and stable market for railroad securities and a favorable disposition on the part of investors toward such securities.

Generally speaking, the existing method of disposing of railroad securities is by three processes:

(1) Offering stock pro rata to existing shareholders, the issue usually being underwritten by bankers;

(2) Selling bonds at a fixed price to bankers, who through the medium of a syndicate and with the cooperation of distributing houses throughout the country, market them to the public; and

(3) Selling an issue through a banker to the public, with a commission to the banker for his services. (This method is very rarely employed.)

The question is now raised whether it would be well that the existing practice be changed and that railroad securities hereafter be sold by one of the following methods, viz:

(1) Unrestricted public bidding; or

(2) Competition among bankers.

Such a change would, of course, involve the abandonment of the heretofore prevailing method, under which a railroad company usually selects a banking house of high standing and, so long as the services of that banker are satisfactory, makes its issues of securities customarily through or with the aid of that house.

The suggested change contemplates that the relationship between the railroad and the investment market shall be similar to that between American municipalities and the investment market, wherein issues of securities are usually sold by competitive bidding.

In considering this problem, the paramount question is: How can it be made certain hat the vast amounts of new capital required by the railroads, year in and year out, shall be forthcoming upon the most advantageous terms?

I. The Existing Practice of Dealing Through Bankers

A. WITH AMERICAN RAILROADS

As a rule, railroad companies of the United States, like those of other countries. market their bonds by selling them either to or through bankers. In cases where securities are offered for pro rata subscription to stockholders it is customary for the corporation to protect itself by arranging with bankers to underwrite, or to form a group to underwrite, their sale; that is, to agree to purchase such of the securities as are not taken by the stockholders.

Most of the important railroad companies, as well as industrial corporations, make a practice of dealing with a particular banking house or a particular group of bankers in marketing securities. This relationship rarely rests on formal contract. As a rule, the relationship is informal and tacit and its duration, as will be developed in detail further on, depends wholly upon the satisfaction of the railroad with the services rendered. A railroad company gradually comes to recognize a particular banking house as its banker.

The existence of such a relationship means that the railroad has at its disposal continuously the services, skill, standing, experience, advice, and financial influence and capacity of the banker.

Among the banker's functions are to keep track of the financial situation and requirements of the railroad, to assist in the preparation, in advance of the need, of a proper and serviceable system for financing such requirements; to advise as to the class, kind, and denomination of securities to be issued and as to the best time for selling them, so that his clients may not miss an opportune moment for meeting their requirements; to indicate from his survey of the markets of the world his judgment as to the amount of securities which could be absorbed in one or the other market; to scrutinize the mortgages and deeds of trust under which securities are to be issued, with a view to their provisions being, on the one hand, carefully protective of the investor, and, on the other hand, sufficiently broad and elastic not to hamper and restrict the corporation unduly in respect of its future requirements.

The terms of a negotiation are by no means imposed by the banker, for it is easily within the means, and is recognized as an important and responsible duty, of those conducting negotiations on behalf of the railroad company, to acquaint themselves with the reasonable market value of the securities which it desires to sell and to insist upon obtaining a fully adequate price.

The railroads for whom bankers act nowadays can have no inducement to continue that affiliation except satisfaction with the services rendered.

A railroad company generally is, and always ought to be, free to terminate its relationship with its bankers at any time and entirely within its own discretion.

That changes in the relationships between railroads and bankers do occur is indicated by the variations which take place in the course of time, in the connections, and the relative influence and position of the prominent banking firms which deal in railroad securities.

The relationship between the railroad and its bankers is one which, whilst not limiting the railroad's freedom of action according to its own judgment of its best interest, does involve upon the part of the bankers certain definite and continuous duties and obligations, more fully referred to later on.

B. WITH INDUSTRIAL CORPORATIONS

Industrial corporations, unlike railway companies subject to public regulation, are entirely free to sell their securities in whatever way they deem most advantageous. Their managers, or presidents, are very frequently among the larger stockholders, and indeed, in numerous cases, are the principal stockholders, of the respective concerns, and therefore have a more direct and important pecuniary stake in their enterprises than can be the case with the chief executives of our large railroad corporations, the ownership of which is scattered in the hands of several hundred thousand shareholders.

Yet, there are hardly any industrial concerns either here or in Europe which dispose of their securities by competitive bidding among bankers or by direct offering to the public. Practically all such corporations pursue the course of negotiating with one particular banker or group of bankers and entrusting the handling of their security issues to such banker or group of bankers so long as their services prove satisfactory. Their action is conclusive evidence that the system of competitive bidding is found unsuitable and disserviceable by the consensus of opinion of those in charge of industrial affairs, here and in Europe.

II. How Railroad Securities Are Placed With the Public

The great complexity involved in the sale of securities will readily be seen from a brief outline of the methods usually adopted in marketing a large issue of bonds. The railroad, in the first instance, sells the issue to a strong banking firm at a price mutually agreed upon through negotiation. That firm then associates with itself a syndicate consisting of many (usually hundreds) of other banking, brokerage, investment, and distributing houses throughout the country, each having its clientele of investment customers.

Bankers, of course, do not buy securities for permanent investment by themselves. If bankers or syndicates permanently kept the securities which they bought from the railroads their capacity to undertake such transactions would be exhausted very soon.

If securities are to be placed, they must ultimately find lodgment with investors, and, while the amounts of securities taken by large investors, such as the life insurance companies, savings banks, and capitalists, appear large, their aggregate, especially since the advent of the high surtaxes, is small compared with the investments of the rank and file of small investors.

Pending the formation of a syndicate, the firm which has contracted with the railroad stands in the breach, and is responsible to the railroad whether or not it succeeds in forming the syndicate. Even after the formation of the syndicate, the practice is that the responsibility of the contracting firm continues and it remains liable to the railroad for the due fulfillment by each syndicate member of the obligation undertaken by him.

Then begins the laborious process of selling securities to ultimate investors, through advertising, letters and circulars, and presonal presentation, and in this labor are engaged large numbers of dealers in securities, each with his own clientele. In time, if the issue is a success, the securities are absorbed.

If the issue is not a success the participants in the syndicate must either sell the securities at a loss or carry them along until the advent of propitious times enables them to dispose of them.

The selling of securities to the public has in recent years undergone a radical change. Formerly, the principal buyers of railroad bonds were wealthy individuals and large corporations, especially insurance companies and savings banks. The former, owing to the surtaxes, have practically been eliminated as absorbers of railroad bonds and confine their investments very largely to tax-exempt securities, while the insurance corporations and savings banks do not invest as largely as before the war in railroad securities.

It has therefore been found necessary to discover new channels for the absorption of railroad bonds. This has been accomplished within the past few years by a most intensive campaign of education and distribution among the rank and file of investors.

The result has been exceedingly gratifying in that a vast army of small investors has been developed. The achievement is of great public consequence from the social and economic point of view.

III. The Proposal to Market Railroad Securities by Competitive Bidding

It is now urged in certain quarters that railroad companies would do better if they should discontinue dealing habitually with particular banking houses, and, whenever they have securities to sell, would offer them for sale by competitive bidding among bankers, regardless of past affiliations.

Some even go so far as to advocate that bankers, as such, should not be used at all, not even upon a competitive basis, but that the railroad companies should sell their securities directly to their own stockholders or to the public at large, preferably offering them for public tender and accepting the proposals of the highest bidders.

If rairoads offered bonds direct for public subscription in limited amounts, the result might be fairly satisfactory in good or normal times, although even then, deprived of the facilities, the skill, and the sponsorship of responsible bankers, the prices obtained would probably be lower than those which would have been realized by dealing with a banker, and that consideration takes no account of the uncertainty in which the railroad would necessarily find itself as to what portion of the funds it required would be in fact realized as the result of the public offering.

Moreover the public demand would naturally concentrate itself upon the issues of the best known and most prosperous railroads, making it very difficult for railroads not enjoying high credit to obtain necessary funds—all the more difficult, as the system of competitive bidding would offer no inducement to bankers to take upon themselves the risk and responsibility of acquiring such issues.

Under that plan there would likewise be less assurance of the pursuance by railroads of a sound and consistent financial policy such as a prudent and conservative banker requires as a basis for commending securities to the confidence of the investing public which looks to the banker for advice and leadership.

In unfavorable times, of course, the public's response to an offering of securities is small, at times exceedingly small. It occurs frequently that bankers or syndicates have to carry issues of bonds, which they have purchased, for many months or even years, until investment demand revives. If an issue of bonds offered by a railroad for competitive bids on direct public subscription resulted in non-success, the issue, if saleable at all, could only be disposed of at a very heavy sacrifice.

The failure of a public offering and the consequent public knowledge that the railroad had been unable to obtain the funds it requires, would cause grave damage to a railroad's credit, if it did not for the time entirely destroy it, would cause alarm amongst investors, and in not a few cases might cause bankruptcy.

That is the vital and fundamental difference between the risk incurred by municipalities and that incurred by railroads in the disposal of their bonds by public bidding. If a municipality fails to dispose of its bonds, the situation thereby created, though embarrassing, does not ordinarily involve grave harm, and can be dealt with. If a railroad fails, however, the damage done is exceedingly grave at best—and may be irremediable.

THE "PUBLIC" DOES NOT BID

As a matter of fact, unrestricted public competition does not in practice mean what the term implies, because all experience has shown that the public does not care for such bidding and actually refrains from participating therein to any appreciable extent. Even in the case of municipal securities, it is amply demonstrated that the offerings are not taken by the public in the process of competitive bidding, except in a very limited measure. The successful bidders both as to quantity and price are almost invariably bankers or banking syndicates, who buy for resale to the investor.

The public wisely requires, even in the case of municipal securities, the advice and moral responsibility of bankers. They want to be sure that all legal matters have been properly looked into by somebody, not the seller, and that the soundness and validity of the security is vouched for by a competent and reliable firm.

If, as experience has shown, the public can not be depended on to cover the offering even of municipal bonds by competitive bidding, this would be so in a still more pronounced degree in the case of railroad securities. It follows that public competition would really mean not offering securities to the public, but offering them to the bankers.

The banker, if he were—as he would be in this case—entirely free to bid or not bid, to pick and choose, to take the best and leave the less good alone, would actually leave the less good alone, with the result that many railroads would find themselves faced with the grave consequences of the failure of public offerings.

Municipal and State securities possess the immense advantage of being tax free. Yet it has happened, in the past quite often, and even not unfrequently of more recent dates, that such issues were not covered when offered for public bidding, the failure, entire or partial, being due usually to their being unsuited to the market or because of some doubt as to their legality. Can it be doubted that the same result would occur much more frequently in the case of railroad securities if offered for public bidding?

THE EXPERIENCE OF CITIES

It is true that Government and municipal securities in this country are usually offered for competitive bidding, but Government, State, and municipal financing is not comparable with corporation financing. In the former case the securities based upon the taxing authority are in the simplest form—generally little more than a plain promise to pay—and in recent years, since the advent of high surtaxes, a ready market is usually assured by the tax-exemption feature.

Nevertheless, public officials usually deem it wise to consult bankers before determining their financial policies and particularly before issuing large loans, and at times have sought and obtained in advance informal guarantees from bankers that offerings will be covered. They can, of course, rely upon bankers rendering assistance as a matter of civic duty. In the case of railroads, with the element of habitual clientage between railroad and banker eliminated, it would naturally be impossible to count upon any such uncompensated advice and assistance.

As illustrating the point that the financing of State and even the highest grade municipal bonds has not always been successful in spite of the tax exemption feature, it may be mentioned that in June and August, 1907, the city of New York offered two issues of bonds of $29,000,000 and $15,000,000, respectively, for which bids of only $2,100,000 and $2,700,000, respectively, were received. The issues were sold by private sale to bankers a few months later.

About the same time a small offering of bonds by the State of New York met with a similar result.

In 1914, shortly after the outbreak of the war, the city of New York, finding itself in immediate need of $100,000,000 of gold to pay notes maturing in England and France, turned to J. P. Morgan & Co. and Kuhn, Loeb & Co., who, without compensation, as a matter of public duty, undertook to organize, and in the midst of conditions of unprecedented difficulty, did organize a syndicate to provide the necessary funds.

In more than one instance in the years preceding that occurrence, the city was compelled, in order to avoid failure of an issue offered for public tender for the purpose of meeting pressing requirements, to have recourse to one or the other of the leading banking houses. In numerous cases, it was only large subscriptions by such banking houses—made often without any expectation of profit and resulting none too rarely in losses—which avoided the, at least partial, failure of public offerings of the bonds of the city of New York.

There is no reason to believe that the cities have been better off under the practice of selling bonds at public offering to the highest bidders than they would have been had they been permitted to deal privately with the bankers as do the railroads. But, even if it were otherwise, it is manifest that railroad companies could not possibly expect to fare as well as do the municipalities if they had to depend upon the uncertain and fluctuating public demand when they attempt to sell their securities at public offering to the highest bidder.

Especially does this hold true in the case of the less strong railroads, where a careful analysis and study of the condition of the company and sometimes even an auditor's or an expert's report is required before a conservative banker will stand sponsor for the company's securities. The investing public will neither take the trouble, nor does it possess the qualifications, to analyze for itself the position of the securities of the less well-known properties and to form a reasoned estimate as to their degree of safety, based, as such estimate must be, upon the compilation and study of statistical and other data, which it is among the functions of the banker to gather and to make available to his investment clients in convenient and easily understood form.

In this connection it is significant that the Farm Board Bureau of the United States Treasury has found it advantageous to issue the bonds of the farm-loan banks not by competitive bidding but through a group of bankers selected by the bureau whom it may at all times feel free to consult and who watch the markets in the interest of the bureau.

EUROPEAN PRACTICE

In not a single European country does the system prevail of competitive sale, either general or limited, of securities on the part of corporations. Moreover, many, even of the governments and municipalities in placing their loans, have recourse not to competitive bidding but to regularly established and continuous connections with a banking house or a group of banking houses. Not one of the foreign governments, belligerent or neutral, which during the European war have found access to the American investment market for the securities of their respective countries, has recourse to competitive bidding among bankers or otherwise. In each instance the government concerned has dealt with some one particular banker or group of bankers whom it selected as efficient and worthy of confidence.

A cabled inquiry addressed within a week to eight different countries in Europe, and also to Japan, to find out whether, since the war, the practice has been modified in those countries of dealing with selected bankers for the sale of public service and other corporate securities and even, in numerous cases, governmental or municipal bonds, elicits the information that no reason has been found to change that practice and that it continues to prevail.

IV. The Present Method of Underwriting the Sale of Stocks to Shareholders

Under the laws of most States the charters of most corporations, it is necessary that new issues of stock, or of bonds carrying the privilege of conversion into stock, must first be offered for pro rata subscription to the corporations' stockholders. In such cases the banker's knowledge of markets is valuable to advise the corporation of the character of securities which its shareholders are likely to accept or for which the subscription rights would command a market value.

When an offering of new stock is made to shareholders of a corporation it creates a technically weak market position, inasmuch as both the existing stockholder and the speculator know that there is a mass of new stock about to issue, and the market must absorb it. Consequently the speculator is apt to incline towards rushing into the market, arguing to himself: "I will sell that stock. I will get it back cheaper. The market must absorb such and such a number of millions of new stock, and it can not do that without going down. I am quite safe in selling some."

Experience has shown that in many cases the stockholder to whom the so-called right to subscribe for new stock is offered, does not exercise that right. He is not always prepared to put up additional cash. He frequently sells his "rights" for whatever may be their market value.

Consequently, by the very issue of additional stock, offered to existing stockholders, there is created an unfavorable and somewhat hazardous market condition. Naturally, the tendency invariably is for the offering of stock to depress the existing level of the stock. That may go so far as to remove any inducements to the stockholder to subscribe for the new stock, and to render "rights" valueless. An unprotected offering, that is, an offering not protected by underwriters, is a target for selling.

Moreover, not to mention the damage to its credit in case of the failure of such an offering, the railroad is uncertain pending the time in which the securities are under offer to the stockholders (usually not less than from 45 to 60 days whether or not, or to what extent, the stockholders will subscribe, and is, conseuqently, in doubt whether, at the end of the subscription period, it will come into possession of the funds it requires.

All of this is obviated by the formation of an underwriting syndicate inasmuch as it guarantees to take and pay for any part of the offering which the stockholders may not want to take. The existence of such a syndicate and the resulting guarantee of the success of the offering has a strong moral effect upon the stockholders in encouring them to subscribe, and an equally strong effect in discouring speculators from "short selling" while an unprotected offering invites such selling.

It follows that a railroad can safely afford to offer securities at a much higher price when underwritten than they would risk fixing when not secured and protected by an underwriting.

A characteristic illustration of the foregoing is furnished by the experience of the Pennsylvania Railroad Co., than which there is no stronger railroad corporation in the country, when in 1903, it without underwriting, offered $75,000,000 of its stock for subscription by its stockholders at 120 per cent. The market price of the stock at the time was, and for some time had been, around 145 per cent. Owing to the large difference between the market price and the price of the offering, the officers and directors of the railroad deemed it unnecessary to insure success by an underwriting.

As a result of changes in market conditions, sales of rights by stockholders, and selling by speculators, it being known that there was no underwriting syndicate, the market value of the stock rapidly declined. When the price in its descent had reached 125½, and the failure of the offering appeared imminent, the railroad finally called upon its bankers to form a syndicate to underwrite the issue, which was promptly done. The reassuring effect of the mere public announcement that a syndicate had guaranteed to take and pay for any part of the offering which was not subscribed for by the stockholders, was such as to arrest immediately the selling on the part of alarmed stockholders as well as by speculators. The decline in the market stopped, and a threatened failure, which might have involved serious consequences and affected railroad credit generally, was turned into a complete success.

Even after taking into consideration the expense of an underwriting syndicate, a railroad will usually obtain materially higher net proceeds from an underwritten offering, than from one not underwritten, in addition to the advantage of being certain of securing the required funds.

Manifestly, it is more advantageous to a railroad's financial position and the maintenance of the price level of its securities to offer a security, even to its stockholders, at say 110, and pay a reasonable underwriting commission, rather than to offer it at par without an underwriting.

The cases in which railroad companies or other corporations have successfully sold their securities direct to the investor are exceedingly rare, and even then usually at prices below what could have been obtained from bankers.

To quote only one example of nonsuccess in the case of direct dealing with the public, the Vermont Valley Railroad in 1914 offered for competition by sealed tenders an issue of $2,300,000 of its 6 per cent 1-year notes. Although the Vermont Valley Railroad was a very prosperous concern, having a record at that time of having paid dividends at the rate of 10 per cent per annum for nine years, and the notes had the additional security of being guaranteed by the Connecticut River Railroad Co., the offering resulted in complete failure, practically no bids having been received.

On the other hand, the case of the American Telephone & Telegraph Co. which recently sold a large issue of stock at par directly to its stockholders, without the intermediation of bankers, has been cited as significant and indicative of the possibilities of effectve results without the cooperaton of bankers. The real significance in that case, however, lies in the patent fact that had that issue been underwritten by bankers a considerably higher price for the company could have been obtained. The security sold by the American Telegraph & Telephone Co. was seasoned stock paying 9 per cent dividends. It was offered at par. Bankers, in consideration of a reasonable commission, would gladly have underwritten the offering at a considerably higher price. It should be understood that this does not imply any suggestion of criticism as to the course pursued by the company. There were valid considerations of broad policy which guided the decision of those in responsible charge, to give to the vast body of its stockholders the benefit of a stock offering at a particularly attractive price.

V. Effective Competition Prevails Under Present Methods

There are ever-present elements of actual or potential competition which assure favorable terms to a railroad company dealing habitually with the same bankers.

The price and the margin of profit or commission at which a banker concludes a negotiation with a railroad company for its securities is necessarily in competition with the terms upon which other bankers negotiate with other railroad companies for their securities.

The prices at which railroads sell their securities are now matters of public record. Moreover, the terms of a contract between the railroad and the banker are subject to the approval of the Interstate Commerce Commission. No banker expecting to maintain his regular connection with a railroad company can do otherwise than pay full and fair value for the securities which it has to sell. It is a matter of necessity and self-interest for him to do so.

Railroad companies, through various means, are well able to place an accurate estimate upon the market value of securities which they have for sale, and no board of directors could afford to incur the opprobrium and responsibility of selling securities to their regular banking connections otherwise than on the basis of what they are reasonably and fairly worth, considering the time and the conditions.

The prevailing market prices of existing issues fix very closely the prices at which new securities can be sold to investors. The banker who would make a practice of marketing the securities of his clients at prices materially below the prevailing prices, for issues of similar character and quality would soon lose his clients.

In isolated instances, for the purpose of obtaining advertisement or position, or even, in certain instances, for reasons of a less legitimate kind, others than the regular banking connections of particular railroads may conceivably be willing to pay a somewhat higher price for an issue of securities than such regular connections; but there is no reason whatever to think that such "occasional" bidders would be able or willing to do better for the railroads, year in and year out, than the bankers usually acting for those railroads. On the contrary, there is every reason to expect the reverse.

Whether through a system either of unrestricted public bidding or of competitive bidding limited to banks, the railroads year in and year out would obtain higher prices for their securities than have been and are being realized under the existing time-tested system, is a matter of opinion and can not be anything else. Whether that opinion is pro or con, there can be no question that as against gaining a wholly problematical and uncertain benefit the railroads stand to lose the certain, well-established and weighty advantages which now accrue to them through the responsibility and moral and practical obligations toward them of the bankers with whom they habitually deal.

To market railroad securities on a large scale requires a combination of skill, experience, capital, reputation, and connections that, from the nature of the case, can be possessed by only a limited number of concerns at any one time, because only the test of time will produce most of these necessary qualities.

That skill, experience, and reputation it is the business of the banker to make available to his clients, together with his financial potency and relationships.

A banker of long experience with a record of success, conservatism, and integrity, develops a power to place securities that is of great value to his clients, cumulatively so the longer the relationship is maintained.

RESULTS MUST BE JUDGED OVER PERIOD COVERING BOTH RISING AND DECLINING MARKETS

The question of the best and most serviceable method of selling railroad securities must be determined not from the wholly exceptional and fortuitous circumstances which have prevailed during the last year, but in the light of the experience of the longer past and the needs of the future.

In the marketing of securities, as in other businesses, there are occasional periods of excessive activity, usually of comparatively short duration, occasional periods of acute depression and longer periods of normal activity.

It happens that this year has been a period of unparalleled activity in the marketing of securities of domestic issues, simultaneously with, and partly caused by, growing reluctance to invest in issues of European countries. There has been a vast and almost insatiable demand for new domestic securities, particularly bonds, an almost uninterrupted decrease in interest rates and a corresponding increase in the market value of securities.

The result has been that bankers and syndicates have been much more than usually successful in marketing the domestic security issues which they have purchased and that as a rule new security issues have advanced in the market and reached prices in excess of the issue price. The upward trend of security values is illustrated by the fact that in the last 10 months the average market price of 10 standard railroad bond issues taken at random has increased about 13 points.

It has been a time when it was possible to indulge in improvident bidding or "spite bidding," without being deterred by the swift penalty of nonsuccess in marketing, which follows such practices under normal circumstances.

Under these conditions, it is easy for critics who consider only recent experience, and whose knowledge does not carry them back to the pre-war years (which, after all, furnish the best standards for judging the future), to jump at the conclusion that the railroads have not been receiving the best possible prices for the securities they have marketed and that higher prices would have been realized if the sale of railroad securities had been opened up for competition.

Criticism has been especially easy and abundant on the part of those who have little or no background of experience in the marketing of railroad securities to guide them, who have not had to bear the responsibility of financing the requirements of great railroad properties in normal times and during periods of depression and who do not realize the necessity of looking ahead to the future periods of depression or of more normal demand for securities when the railroads of the country will have the same need for new capital as now.

VI. Present Procedure Has Proved of Advantage to the Railroads

To deal through bankers in accordance with present practice, has actually proved itself a source of distinct financial advantage to railroads—even the most prosperous and soundly financed companies.

A few conspicuous cases may be cited here to illustrate the point:[1]

1. In March, 1905, the Pennsylvania Railroad arranged with its bankers to form a syndicate to underwrite the offer to its shareholders at par of $100,000,000 Pennsylvania Railroad 3½ per cent convertible bonds (convertible into stock at 150 per cent). The stockholders subscribed for less than 10 per cent of the offering and, consequently, the underwriting syndicate had to take and pay for about $90,000,000 of the bonds. The bonds within the year declined to 97½ per cent and never again reached par, the price at which they were first offered.

If it had not been for the underwriting syndicate, the situation, resulting from the failure of the stockholders to subscribe and thus provide the money needed by the railroad, would have been very embarrassing to the railroad and very serious in its effect upon the general financial and investment situation of the country.

2. In 1908, a situation had arisen which had brought the market for railroad bonds in this country to a complete standstill. Railroads for many months were unable to obtain funds, except, to a limited extent, by means of the costly and dangerous expedient of selling short-term notes. The effect was cumulative and far-reaching and threatened to bring about serious consequences. At this juncture the bankers of the Pennsylvania Railroad succeeded in inducing the two foremost banking houses in England, Messrs. N. M. Rothschild & Sons, and Messrs. Baring Brothers & Co. (Ltd.) (the former of whom had not issued an American security for many years), to purchase and bring out jointly with them at 96 per cent an issue of $40,000,000 Pennsylvania Railroad 4 per cent consolidated bonds.

Largely in consequence of the prestige and placing power and investment following of the issuing houses, the public offering was a complete success and its effect, as recognized by many published comments here and abroad, was to break the deadlock which had existed, and to cause capital to flow again freely into the investment market.

3. In August, 1913, bankers formed a syndicate to underwrite the offer to Union Pacific stockholders of $88,000,000 Southern Pacific stock trust certificates at 92 per cent. The effectuation of that sale was of very great importance as, failing it by a certain very near date, the Southern Pacific stock in question would have been placed, under a court decree, in the hands of a receiver, the sentimental and actual effect of which course would have been grave.

In the face of many predictions that a syndicate to guarantee the sale of so vast an amount of stock could not be formed under the then prevailing generally disturbed and unfavorable conditions, the bankers, with the aid of their connections throughout America and Europe, succeeded in the undertaking, the syndicate as finally made up consisting of nearly a thousand participants. It is entirely safe and well within bounds to say that if that mass of stock had been offered without guarantee and protection of an underwriting syndicate, it would not have been sold—if at all, within the time limit set by the court—at a price averaging better than 80 per cent.

4. In connection with the first plan for the dissolution of the Union Pacific-Southern Pacific combination approved by Attorney General Wickersham (which

---

[1] A number of additional instances of a similar value to the railroads will be found on pages 33 to 37.

failed of adoption because of the refusal of the California railroad commission to approve certain of its features), he imposed the condition that the sale of the Union Pacific Co.'s holdings of Southern Pacific stock (which would be offered for pro rata purchase to the stockholders in the Southern Pacific Co.) should be underwritten by a syndicate.

He imposed that condition for the manifest reason that the sale of the stock, however attractive the price to the stockholders might be, could be insured only in case definite arrangements were made for a sale of the stock that might not be taken by the stockholders upon the offering.

None of the aforementioned transactions, under the circumstances of the cases and the times, could have been effected equally well, if at all, by any method of competitive negotiating or bidding.

VII. The Payment to the Banker is for Assuming a Substantial Risk and Performing a Valuable Service

The risk taken by the banker and the syndicate he may organize is always a real and at times a very great one. There is widespread misapprehension as to the profits made by bankers and syndicates upon the underwriting and purchase of securities of railroad companies.

There is also a frequently encountered misconception to the effect that the railroads are in the habit of paying a commission to the banker when selling securities to him.

When the banker forms a syndicate to underwite an offer of securities to shareholders a fixed commission is naturally stipulated, commensurate with the advantage secured by the railroad company in obtaining through the underwriting the certainty of the success of its offering, and with the risk incurred by the banker and the syndicate affiliated with him.

On the other hand, in the case of the sale of railroad securities to or through bankers without an offering to stockholders, it is very unusual for the sale to be on a commission basis. As a rule, the procedure is that the banker makes a firm bid to the railroad for such securities at a fixed price, said price with the addition of a reasonable standardized percentage for his own compensation being the figure at which he expects to be able to form a syndicate. That compensation is in return for his preparatory work, his moral and actual responsibility and risk and his services in managing the syndicate. It is a charge made by the banker to the syndicate.

The compensation of the banker and the anticipated profit of the syndicate are practically a fixed percentage. The banker's method is not, to buy low and sell high. In fixing the selling price to the public, he merely adds to the purchase price a certain percentage to cover his own and his syndicate's compensation and expenses, and that percentage does not vary materially irrespective of whether the purchase price was say 90 per cent or 95 per cent or 100 per cent.

His aim and inducement are to buy at a price which will enable the securities to be sold to the public after adding to that price the customary compensation. He has no inducement whatever to buy at a lesser price, because his compensation would not be increased thereby, but on the other hand the good will and approval of the railroad concerned would be jeopardized.

When a syndicate is formed the banker's financial risk is by no means ended, as, in practically all cases, he is himself a large participant in the syndicate—is, in fact, expected to be. Moreover, generally, he remains financially responsible to the railroad for the commitment of each individual syndicate participant. The railroad looks to him for the due performance of the contract, and not to the hundreds of syndicate members.

Again, his moral risk and responsibility towards the syndicate is great, inasmuch as he is relied upon by its members to have examined carefully into the soundness of the security, to have scrutinized the mortgage, to have taken competent legal advice, to have correctly gauged the moment and estimated the price at which the securities can be advantageously placed with the public, to do the principal work in marketing them, and to guide the work done by others.

If the banker is found wanting in any of these respects, or his judgment proves to be faulty, he loses the confidence of those who habitually participate in syndicates, and with it, his capacity to engage in financial transactions on a large scale, as it is only with the cooperation, financial or otherwise, of syndicates that large transactions can be carried through.

The spread on which the syndicate figures as between the purchase price and the price of resale to the public is not more than sufficient to cover the expense of "overhead," the outlay for advertising, circularizing, and counsel fees, and reasonable compensation divided over hundreds of syndicate participants and distributing houses for their risk and their work in placing the securities with the public. In view of the change which has taken place, as previously referred to, in the clientele for railroad bands (owing to the preference of large investors for tax-exempt bonds) the selling of railroad securities has become both a more laborious and intensive and a more costly process than formerly. In addition to a highly trained and expensive office staff, bondhouses nowadays must employ an army of traveling salesmen.

In order to get issues of railroad securities well placed among, and absorbed by, bona fide investors, it is necessary, under the conditions created by the advent of high surtaxes, to employ retail distributing houses throughout the country to a far greater extent than used to be the case. The margin upon which the calculations of the syndicate and its managers are based, must therefore be sufficient to enable reasonable compensation to be afforded to such retail distributing houses so as to give them a fairly adequate inducement to put forth their efforts in placing the securities.

If, through an excessive narrowing of the margin, whether due to vagaries of competitive bidding or to other causes, such adequate inducement can not be given to that nation-wide force of distributing houses in the case of railroad securities, the inevitable result would be that these houses would more and more relinquish that field and devote their principal attention to pushing the distribuion of industrial and other securities, of which a constantly growing supply is available.

Under the methods now prevailing, it is wholly impossible that the originating banker, the syndicate participants, and the distributing houses can make an undue profit as between the railroads and the public. The expected compensation for their respective services is expressed in practically standardized percentages, varying somewhat in accordance with the quality of the security and the risk and difficulty of the business. There can be no profit to bankers, syndicates, or distributors over and above these percentages, but of course there can be a loss if the banker's judgment as to the price which a given security is worth or as to the general condition of the investment market is at fault, or if a sudden change occurs in that market owing to unforeseen events. The limit of possible profit is fixed, the limit of possible loss is indeterminate.

It is worth mentioning in this connection that the banker in England does not render the same measure of service to the corporations whose securities he sells to the public, as does the American banker. It is the practice of the London banker, immediately after the public issue has taken place, to dissolve his syndicate, distribute amongst the syndicate participants any bonds remaining unsold, and leave it to them to sell at the best price they can get. He does not usually consider himself responsible to endeavor to protect the stability of the issue price.

The practice of the American banker, on the contrary, in cases where a public issue has not resulted in placing with the public the entire amount offered, is to keep his syndicate together for a certain length of time (sometimes for a great length of time), to retain charge of the disposal of the unsold balance and to continue his efforts to place the same with the investing public at the original issue price—a practice fairer and more serviceable both to the railroads and to the public. Even in the case of wholly successful issues, it is the usual practice here to keep the syndicate together for from two to three months, so as to be ready to "protect" the market, as more fully explained later.

SOME INSTANCES OF SYNDICATE RISKS TURNED INTO LOSSES

The following actual cases which are by no means exhaustive, indicate the risks incurred by banking syndicates, and illustrate the losses and vicissitude to which they are subject:

(1) In September, 1905, the Erie Railroad arranged with its bankers to form a syndicate to underwrite the offer to its shareholders at 100 per cent of $12,000,000 convertible 4 per cent bonds, series B (convertible into common stock at $60 per share). The result of the offering was that the stockholders subscribed for only 18 per cent and, consequently, the syndicate had to take and pay for $9,840,000 of the bonds. The syndicate was dissolved in Decem-

ber, 1906, none of the bonds taken by it having been disposed of. The bonds were listed on the stock exchange in February, 1907, when they sold at 85 per cent.

(2) In January, 1906, The Missouri, Kansas & Texas Railway arranged with its bankers to form a syndicate to underwrite the offer to its shareholders at 87½ per cent of $10,000,000 general mortgage 4½ per cent bonds. The stockholders subscribed for only 50 per cent of the offering and the syndicate had to take $5,000,000 of the bonds. The syndicate was dissolved in December, 1907, only a few of the bonds taken by it having been disposed of.

(3) In May, 1907, the Union Pacific arranged with its bankers to form a syndicate to underwrite the offer to its stockholders at 90 per cent of $75,-00,000 4 per cent convertible bonds (convertible into stock at 175 per cent). The stockholders subscribed for barely 5 per cent of the offering and, consequently, the syndicate had to take and pay for about $70,000,000 of the bonds. The bonds in the course of the following six months declined to 78¼ per cent.

(4) In January, 1913, the Baltimore & Ohio Railroad Co. arranged with its bankers to form a syndicate to underwrite the offer to its stockholders at 95½ per cent of $63,000,000 4½ per cent convertible bonds (convertible at 110 per cent). The stockholders subscribed for barely 30 per cent of the offering and, consequently, the syndicate had to take and pay for about $44,000,000 of the bonds. In the course of a few months the bonds declined to 88½ per cent.

(5) In April, 1906, the Wisconsin Central Railway arranged with bankers to form a syndicate to underwrite the offer to its shareholders at 89 per cent and interest, of $7,000,000 Superior & Duluth Division & Terminal first mortgage 4 per cent bonds. The stockholders subscribed for only 1 per cent of the offering and the syndicate had to take $6,930,000 of the bonds. The syndicate expired by limitation July 1, 1908, none of the bonds taken by it having been disposed of in the interval.

(6) In March, 1910, the Atchison, Topeka & Santa Fe Railway Co. arranged with its bankers to form a syndicate to underwrite the offer to its shareholders at 102½ per cent of $43,686,000 convertible 4 per cent bonds due 1960. The stockholders subscribed for only about 12½ per cent of the offering, leaving about $38,000,000 of the bonds to be taken by the syndicate.

(7) In February, 1906, the Southern Railway sold to its bankers $20,000,000 development and general mortgage 4 per cent bonds at 89 per cent less commission. The syndicate formed by the bankers to handle this transaction remained in existence for nearly two and one-half years, i. e., till July 1, 1908, at which time the syndicate members had to take up 68 per cent of their participations. The market price of the bonds at that date was 74 per cent.

(8) In January, 1909, the Western Maryland Railroad sold to bankers $6,500,000 first mortgage 4 per cent bonds. On January 18, 1909, about 90 per cent of the bonds had to be taken up by syndicate participants. No bonds were disposed of by the syndicate until September, 1910, and from then on, at various dates up to February 28, 1911; thus the syndicate lasted more than two years.

(9) In June, 1909, the Seaboard Air Line arranged with bankers for the formation of a syndicate to guarantee the sale of $18,000,000 adjustment bonds at 70 per cent. November 1, 1909, syndicate members took up about 90 per cent of the bonds, which were disposed of in small lots between February, 1910, and November 30, 1910, the syndicate thus lasting about one and one-half years.

(10) In January, 1910, bankers purchased $22,000,000 Chicago City & Connecting Railways collateral trust 5 per cent bonds, and formed a syndicate at 91 per cent. The syndicate expired in February, 1912, leaving syndicate members with almost 90 per cent of the total amount unsold in their hands.

It will be observed that all the above examples, the list of which could be considerably prolonged, relate to the period preceding the war. The selection has been so made purposely, because ever since the beginning of the war the conditions of the investment market have not been normal. During the greater part of that period they were abnormally adverse, while since the beginning of the present year they have been abnormally favorable. Therefore, the war and postwar periods offer no basis upon which to found permanent conclusions. However, a few examples from these periods, which might be greatly multiplied, may be inserted here:

(11) In March, 1916, bankers formed a syndicate to underwrite the offer to stockohlders of $40,180,000 Chesapeake & Ohio Railway Co. 30-year 5 per cent secured convertible gold bonds at 97½ per cent and accrued interest. The stockholders subscribed for but slightly over 5 per cent of the offering and the

syndicate had to take and pay for $38,047,500 of the bonds, equal to 94¾ per cent of the issue. At the time when the syndicate was called upon to make good its obligation, the bonds were selling in market at 94⅞ per cent.

(12) In January, 1917, the Chicago, Milwaukee & St. Paul Railway sold to its bankers at 93½ per cent $25,000,000 general and refunding mortgage 4½ per cent bonds, series A, due January, 2014. On April 24 the syndicate was dissolved, the members having to take up 43 per cent of their participations. The bonds at that time were selling in the market at 88½ per cent.

(13) In June, 1919, the Baltimore & Ohio Railroad Co. sold to its bankers at 93½ per cent $35,000,000 of 10-year 6 per cent secured gold bonds. The syndicate remained in force until January 30, 1920, when the members had to take up 23 per cent of their participations. The bonds were then selling in the market at 83⅝ per cent.

(14) In July, 1919, the Cleveland, Cincinnati, Chicago & St. Louis R. R. Co. sold to its bankers at 95½ per cent $15,000,000 6 per cent bonds. On December 1, 1919, the syndicate was dissolved, the members having to take up 11 per cent of their participations. The bonds were then selling in the market at about 86 per cent.

VIII. The Nature and Value of an Established Banking Relationship

The considerations which make a system under which railroads would offer their securities direct for public bidding, precarious, hazardous, and futile are so patent and so conclusive that it may well be assumed that no reasonably informed person will contend seriously that it would be either advantageous or safe for railroad companies to pursue the course of attempting to market their securities without the trained cooperation of bankers.

The question remains to be discussed whether it is in the public interest that a railroad company should habitually deal with a particular banker and give that banker the preference when it has securities to be sold or underwritten as long as—and only so long as—it is satisfied with his services. The following considerations are offered in support of this, the existing practice:

(1) The present plan enables a railroad to be certain of its ability to secure the necessary funds for its commitments.

It is of the greatest importance for a railroad, when making commitments for expenditures for improvements, new construction, equipment, etc., to be certain that it will be able to sell the requisite securities when such commitments come due and must be met. That is a fundamental principle of sound railroad financing.

In dealing regularly with a banking house of ample financial strength and wide connections, the railroad company is assured that it will be able to obtain the requisite funds, even in unfavorable times, because the banking house, in order to insure the continuity of the connection and the solvency of the railroad, can not do otherwise than use to the utmost the resources and the facilities of connections and credits at its disposal, to provide for the requirements of the railroad.

If, on the other hand, the railroad had been in the habit of selling its securities on a competitive basis, it would have no such friend in need, and the various bond and banking houses would naturally buy its securities only as it suited their own purposes. The strongest railroads have found themselves in the situation where large sums of money have been imperatively needed in most unfavorable times and where only their claims upon their regular bankers have enabled them to obtain the necessary funds.

It has of late years been a matter of not infrequent occurrence that during the pendency of applications for the removal by a public service commission of proposed bond issues, railroads have found themselves in need of temporary financial accommodation. For such accommodation, if not readily or opportunely obtainable from the railroad's banks and trust company connections, the railroad would turn to its banker.

Furthermore, in the case of bonds, the application for the issue of which is pending before a public service commission, it is not unusual for the banker, at the railroad's request, to obligate himself to purchase such bonds, subject to the approval of their issue by such commission, so that the railroad is protected against an unfavorable change in the investment markets while its application is being considered and is certain of obtaining the needed funds as soon as the application is granted.

The temporary financial accommodation previously referred to, and the definite sale of bonds in advance of, and subject to action by public service commissions, have at times been of great service and value to railroads. It is doubtful whether either expedient would be at the service of a railroad if securities were sold by competitive bidding among bankers.

There have also been numerous instances when railroads which found themselves confronted with grave financial purposes have applied to bankers to evolve plans and inaugurate measures for dealing with these problems comprehensively, for strengthening their credit, or for their financial rehabilitation without the expense and detriment of a receivership. The accomplishment of this task on the part of the banker involves much time, thought and study as well as a degree of financial risk and the assumption of great moral responsibility toward investors who, following the banker's advice, may aid in furnishing the requisite funds and who look to the banker to safeguard such investments.

Last April, for example, the New York, New Haven & Hartford Railroad Co. was faced with the maturity of $28,000,000 of debentures of which one-half were held in France and one-half in this country. The company's credit was not sufficient to make a new issue of securities possible. Failure to meet or extend the debentures at maturity would have meant bankruptcy.

With the active aid of banking houses through whom the debentures had been placed originally and with whom the company had been in consultation many months in advance, a voluntary extension of the debentures was secured. The negotiations involved a great deal of time, thought, skill, and effort, and, it is fair to say, could not have been successfully concluded, except through the influence, prestige, skill, and activity of the banking houses concerned.

It is a significant fact that most of the railroads which have gone into receivers' hands in recent years had followed the practice of selling their securities to different bankers at different times, and for the financing and support of, and advice to, such railroads, and the preservation of their solvency, accordingly, no single banking house felt itself responsible.[a]

(2) A railroad's financial requirements must be foreseen and assured long in advance of the actual need, and the present practice makes that possible.

In July, 1921, when investment conditions had not yet become propitious an issue of the combined bonds of the Northern Pacific and Great Northern Cos. aggregating $200,000,000 fell due. The refunding of this vast amount of bonds was successfully accomplished with the aid of the bankers who had been concerned in their issue originally. The preparations for this refunding operation had been in progress for the best part of a year and were necessarily of the most elaborate character.

Manifestly, this immense operation could have been successfully carried through on an acceptable basis only by experienced bankers of high standing and nation-wide connections, who were familiar with the history of the transaction and the manner in which the securities to be refunded were held, and who had adequate inducement to give to this complex and difficult negotiation the time and thought and the painstaking effort which its preparation required.

In June, 1906, when the investment market in this country was practically at a standstill, American bankers placed an issue of francs 250,000,000 Pennsylvania Co. 3¾ per cent bonds in France; in February, 1907, an issue of francs 145,000,000 New York, New Haven & Hartford Railroad Co. 4 per cent bonds in France and Germany; in March, 1910, an issue of francs 150,000,000 Chicago, Milwaukee & St. Paul 4 per cent bonds in France and England; and in February, 1911, an issue of francs 250,000,000 Central Pacific Railway Co. 4 per cent bonds in France and England.

All of these loans were negotiated at times when it was of great advantage to the railroads as well as to the general financial situation to obtain money abroad. They took many weeks for preliminary negotiations and complex arrangements and could not possibly have been negotiated on a competitive basis.

One railroad company alone must provide for $130,000,000 of maturities in 1925—and another for $50,000,000 the same year. It will inevitably be necessary for these companies to consult with bankers a long time before the maturity date, and devise plans for refunding, and obtain competent advice as to the best moment and method for carrying out these large transactions.

No banker could reasonably be expected to undertake the task and assume the responsibility of building up a railroad's credit, of studying and advising

---

[a] (Examples: Wabash, Western Maryland, Wheeling & Lake Erie, Kansas City, Mexico & Orient, St. Louis & San Francisco, Norfolk & Southern, Chicago Great Western, Chicago, Rock Island & Pacific, etc.)

upon financial policies and methods, and putting his skill and placing power and sponsorship at its disposal if he had to expect that after having devoted his time, effort and reputation to the work, the security issues of the railroad would be thrown open to competitive bidding, whether general or confined to bankers, regardless of whether or not his own services were faithful and efficient and satisfactory to the board of directors and management.

(3) The technical advice and the assistance growing out of the practical experience of the banker are of great value to the railroad.

A. IMPORTANCE OF ADVICE AS TO THE BEST TIME TO ISSUE SECURITIES

In dealing regularly with one banking house, a railroad obtains the benefit of expert advice (and that from some one thoroughly familiar with, and interested in, its affairs) as to financial policy, as to the best and most opportune time for selling securities, and for providing for its financial requirements, as to the class and kind of securities best suited to conditions prevailing and to be anticipated, and as to the best method of offering them to the public.

The element of the selection of time is of much importance in itself, for it happens not infrequently that the lapse of a single week or less measures the difference between reasonably favorable and unfavorable or even totally forbidding conditions.

The ebb and flow of the currents in the investment markets depend on many and complex conditions and considerations, and it is one of the functions of the competent banker to keep himself posted as to affairs, aspects, and prospects in America, Europe, and elsewhere, and to anticipate in his judgment and advice their results and their effects upon the money and investment markets.

The advice and cooperation of the banker are especially important to railroad companies during periods of declining security values with which the Interstate Commerce Commission has not yet had occasion to deal, inasmuch as during the more recent past there has been an almost continuous upward trend of prices. In times of declining markets for securities, quick action and sound advice are particularly essential. Premature publication of a company's intention to issue new securities must be guarded against. Apart from other considerations, holders of its securities already outstanding might hasten to sell their holdings without waiting for full information. Such premature selling might so affect the market as to make the new transaction more costly or perhaps impossible.

Furthermore, public knowledge that one or more issues of railroad securities are contemplated, might cause industrial concerns or foreign governments or municipalities to hasten offerings of their own securities, as indeed has occurred in the past, so as to anticipate the railroads' offerings and get prior access to the investment market. The supply of available investment capital has, of course, its limitations, and in normal times the rule "first come, first served" does apply to a certain degree.

If a sale by public tender or by competitive negotiating or bidding among bankers were required, no one would be interested in supporting the market for a company's outstanding securities; in fact, prospective bidders would be benefited by a decline. On the other hand, with bankers having a continued interest in its welfare and a publicly recognized moral responsibility for its securities, the situation is quite different.

In this connection the question may be pertinent as to the relative desirability of the practice of selling securities before (or simultaneously with) the application to the Interstate Commerce Commission for approval, the transaction being made subject to the commission's subsequent approval, or of delaying the offering until the commission's approval has actually been obtained. On the whole, the first method, although not free from objection, would seem to be the safer and more desirable from the point of view of the railroads. It is quite impossible for any banker to definitely advise a corporation, with any degree of positiveness, as to the price its securities will command several weeks later. Too many elements of uncertainty are involved. The publication, weeks in advance of the actual consummation of the transaction, of the intention of railroad companies to make issues of securities might prove seriously detrimental as indicated in the preceding paragraph.

Everything considered, it would seem best that the companies should be accorded discretion to exercise their own best judgment in each instance whether they should sell subject to subsequent approval by the commission, or should first obtain the commission's leave for selling, at a price not below a stated minimum.

E. IMPORTANCE OF ADVICE AS TO TECHNICAL DETAILS SURROUNDING ISSUANCE OF SECURITIES

It is of great importanuce that care should be taken that new issues of bonds should comply with the statutory requirements of various States respecting legal investments of insurance companies, savings banks, and other fiduciary institutions. Whether or not a given issue of bonds meets these requirements will often make a difference of several points in their value.

Investors attach considerable importance to knowing that the mortgages, trust deeds, etc., and all legal steps relating to the issue of securities which they are asked to buy have been carefully examined by bankers of repute and experience and their counsel, with a view to safeguarding the interest of the holders of the bonds as distinguished from those of the railroads, the makers of the bonds.

The mortgages and trust deeds under which the securities are to be issued, before being put in final shape, are carefully gone over by the banker, and his advice is given with the view to creating the best and most salable instrument satisfactory both to the public and to the railroad company, and having due regard both for the protection of the investor and for the future financial requirements of the railroad. Such advice is frequently, especially in the case of large refunding mortgages which are meant to be the principal means of raising money for the railroads for years to come, of very great utility. It is likewise greatly valued by the investor who has come to rely upon the tried and tested thoroughness and competence of experienced and highly reputed bankers to protect the interests of the investing public in respect of not only the intrinsic goodness of a security for which they become sponsors, but also in respect of the provision of the mortgage or trust deed appertaining to such security

(4) The bankers' dual obligation to the investing public on the one hand and on the other to the corporations whom he serves, constitutes a protection to both.

The leading bankers could not maintain their position as such, if they did not have the confidence of the investing public and a large following amongst investors, large and small, both here and abroad.

Careful analysis, continuous and watchful scrutiny, in respect of securities issued by him and of the companies concerned, are essential functions of the banker. In buying securities and offering them for sale, he gives public notice, so to speak, that he has examined into, and satisfied himself as to, their safety and merit.

The banker does not safeguard merely the technical and, to the best of his ability, the intrinsic soundness of the securities he issues; it is alike his duty and to his own self-interest to protect and stand behind the securities for which he is recognized as sponsor, just as it is his duty and to his own self-interest to satisfy himself by careful investigation as to the soundness of such securities, because the banker whose clients suffer loss through following his advice will very soon lose his reputation and the confidence and patronage of his clients.

The banker knows well that such reputation and confidence are the mainstays of the prosperity and success of his own business and, once forfeited, are exceedingly difficult to regain.

"PROTECTING" THE MARKET

The function of the banker in "protecting" the market for securities issued through his house is of peculiar importance.

Reference has been made to the altered character of the investment market, in which a great army of small investors has come into existence to take the place of the larger investors who because of preference for tax-exempt securities, can no longer be counted upon to be a considerable factor in absorbing railroad securities.

If that army, so important and desirable from the social and economic viewpoint, and created at such great cost and effort, is not to disintegrate again, it is absolutely indispensable that the market for the securities which they have bought, be "protected" at least for a reasonable length of time after the offering (barring exceptional economic or financial changes)—which protection is one of the useful and legitimate functions of leading issuing houses and has no relationship whatever to what is usually termed manipulating or "rigging" the market.

It must be made somebody's business to see to it that if the investor wishes to sell within a reasonable time after having bought, he can, under normal conditions, find a market at or near the price at which he bought.

To provide such a market by being able and willing to a reasonable extent to repurchase bonds sold by him, is part of the business of the banker who made the public offering—provided that he has a definite and acknowledged relationship toward the company whose bonds he has offered. If he has no such relationship, if the public offering is simply the result of competitive bidding, either general or limited, the banker may be expected to be apt to feel that his functions are completed when he has marketed the securities.

The result would be that the immensely valuable work which had been done lately of popularizing railroad bonds might be largely undone, the vast clientele which had been created for railroad bonds might be materially curtailed, and the resulting diminished demand for railroad bonds could not fail to be reflected in the price level which they would command.

The continuing responsibility of the banker for bonds which he has offered and sold under the existing system of dealing between bankers and railroads is an exceedingly valuable element from the point of view of the small investor and a strongly steadying factor in the market for railroad securities. That responsibility would be jeopardized by competitive bidding, whether general or limited.

It is interesting to note in this connection that even so eminently successful a public offering as that of the recently issued United States Government 4¼ per cent bonds was followed by a substantial decline in the market price of those bonds below the price of issue. There being no one responsible for the "protection" of the market for those bonds, the price declined quickly from the issuing price of 100 to 98.90 per cent, which in the case of the world's premier government security has considerably greater significance than a like decline would have in the case of a corporate issue.

It is to the interest of a railroad company that its securities should be absorbed by the investing public and that their market value should be maintained, under normal conditions. It is more important to the railroad industry at large that a favorable reputation, the good will of the investing public and a broad, steady demand for its securities should be preserved than that in every instance the very top-notch price should be obtained to which, through taking advantage of fortuitous circumstances, the purchasing banker may be driven. To disappoint and disgruntle the investor by selling him securities at unduly high prices which will not stand the test of the workings of ordinary supply and demand is, in its ultimate consequences, to be "penny wise and pound foolish," especially since railroad securities are more and more coming into competition for public favor with industrial securities.

The end the railroad company should always have in mind is to maintain a broad and stable market for its securities, and to that end wise direction in the interest of railroad credit generally and of the particular borrower may even make it desirable, in given instances, under all the surrounding circumstances of the case, to accept an offer which would enable resale to the public under tested and responsible auspices at a fair and reasonable price, rather than an offer of an extreme price with the resulting consequence of the resale to the public being attempted necessarily at an unduly high level.

It may safely be said that such railroad issues as are known to be under the habitual sponsorship and consequent moral responsibility of well-known and strong bankers have a wider and steadier market and command better prices amongst investors than those which are not under such auspices and responsibility.

If the sale of securities were thrown open to competitive negotiating or bidding, either general or limited, the possession of large capital would tend to become the prime requisite for dealing in securities, and the financier or combination of financiers controlling the largest amount of capital would have a much more potent advantage over others than under now existing conditions.

The exercise of care, skill, industry, scrutiny and the sense of moral responsibility toward clients, which now are and always have been the prerequisite for acquiring the reputation and the public-confidence upon which an investment bankers position depends and without which it can not be maintained for any length of time, would no longer be essential.

IX. Summary and Conclusion

(A) The vital necessity is to obtain for the railroads the assurance of adequate capital upon favorable terms.

(B) The existing practice of selecting, and dealing with, a particular banking house as long as its services give satisfaction, is an outgrowth of actual experience in the effective marketing of securities.

(C) In dealing with so delicate a matter as security markets it is of primary consequence that any plan adopted for the sale of securities shall command the utmost confidence on the part of investors.

(D) The existing practice has proven itself, in numerous instances, of the greatest utility to railroad corporations, and actual experience demonstrates that the remuneration to bankers and syndicates is but a fair equivalent for very real services actually performed and risks assumed, and that the average of such remuneration, over a term of years, has afforded no more than a reasonable return upon the capital involved, and due compensation for the work rendered.

(E) The existing practice has been found effective by industrial corporations not subject to public regulation, and it is the method employed by many foreign governments and municipalities in the issuing of securities.

(F) Some of the advantageous characteristics of the present practice are:

1. The relationship between railroad and banker is wholly informal and continues only as long as it is deemed advantageous to the railroad by its officers and directors.

2. The relationship, while in no way limiting the railroad's freedom of action, does impose upon the banker definite and continuous duties and obligations.

3. The bankers have no power to determine the decision of railroads in such matters.

4. The banker is not only the distributor of and propagandist for railroad securities, but he fulfills, at his own risk and cost, the important and valuable function of steadying and protecting the market for such securities.

5. The railroad receives continuously the knowledge, services, skill, standing, financial advice, and financial potency of the banker in both good and evil times.

6. The banker advises as to the financial situation and policy of the railroad, prepares plans for meeting requirements, recommends the kind and character of the security to be created, scrutinizes mortgages and trust deeds, and indicates the best moment at which to sell.

7. The bonds of the corporation represent a promise to pay. The value of that promise depends not merely upon the tangible security offered, but also upon excellence and fidelity of management. While strictly refraining from any attempt to influence the operating and tariff policies of the railroad, it is the banker's duty and self-interest, to the best of his ability, to promote wise and sound management and safe financial policies on the part of the corporation, the securities of which he has issued and for which he has consequently assumed moral sponsorship before the investing public.

8. Even where affiliations between particular bankers and railroads avoid nominal competition, there is a potential competition which operates powerfully in the following particulars:

(*a*) The fact that complete publicity is by law enforced as to the terms upon which security issues are obtained by bankers naturally causes both the banker and the railroad to seek to give, on the one hand, and to obtain on the other, the best terms which conditions and circumstances warrant.

(*b*) The fact that the terms involved in a contract between the railroad and the banker must be approved by public authority is a moral guarantee that such terms will be proposed as will stand well-informed scrutiny.

(*c*) If railroads find that other companies are securing better terms through other bankers, it is inevitable that other bankers will ultimately obtain the business.

(*d*) If railroads can not obtain what they consider satisfactory terms from their regular bankers, they are entirely free to terminate the negotiations and do business with others.

(G) There is no reason to think that, year in and year out, railroads would obtain higher prices for their securities under any form of competitive negotiating or bidding than under the present practice. There is every reason to think that the stability and broad receptiveness of the market for railroad securities would be lessened and the interests of the investors less carefully and responsibly safeguarded.

(H) Many, if not all of the effective values of the advantages (both to the railroads and to the investing public) inherent in the present practice, would be eliminated by competitive negotiating or bidding, whether unrestricted or confined to bankers. No banker could be expected to give his time, effort, reputation, and responsibility, material and moral, to the financial affairs of a corporation if he is wholly uncertain whether he will reap any return for his services, as must necessarily be the case in the event of competitive negotiating or bidding.

(I) To change the prevailing practice would mean to give up definite and tested benefits, alike to the railroads and to the public, for the sake of one wholly problematical advantage.

(J) Practical experience shows that the operation of the present method under public supervision and with full publicity attending it, assures more success than any other plan yet proposed or practiced in obtaining the necessary capital for the railroads upon favorable terms.

(K) To the extent that the terms upon which securities are sold have a bearing upon the rates paid by the public for railroad service, the present method secures to the public, insofar as that item is concerned, the lowest burden upon the rates and the greatest assurance of the railroads being able to obtain the capital to provide necessary facilities.

CONCLUSION

To compel railroads to have recourse for the sale of their securities to competitive negotiating with or bidding on the part of bankers and brokers, or to direct offerings to the public, would be to run counter to the practice and experience of every country in the world.

It would confuse and trouble the investing public and destroy elements and features of evident and proved value for public protection.

It would tend to make the possession of capital the sole requisite for dealing in securities, irrespective of skill, care, reputation, and the confidence of investors.

It would limit, hamper and restrain the flow of capital into American railroad securities and cause delay, uncertainty, risk, and damage to railroad corporations.

Railroads and other corporations should be left free, under the responsibility of their board of directors, and subject to such authority over the issue of their securities as is now exercised by the Interstate Commerce Commission, to deal with whatever banking houses they deem it in their best interest to employ.

They should neither be bound by contract or control to deal with any one banking house exclusively, nor forced by statute or regulation to take the chances involved in competitive negotiating or bidding among bankers or of direct dealing with the public.

Respectfully submitted.

KUHN, LOEB & CO.

OCTOBER 25, 1922.

WAR DEBTS AND REPARATIONS—EXTENSION OF REMARKS OF HON. FIORELLO H. LAGUARDIA, OF NEW YORK, IN THE HOUSE OF REPRESENTATIVES FRIDAY, DECEMBER 11, 1931

ARTICLES FROM THE NEW YORK AMERICAN CONCERNING INVESTMENTS OF AMERICANS IN FOREIGN SECURITIES

Mr. LAGUARDIA. Mr. Speaker, the New York American has published figures indicating the extent to which Americans have invested in securities of foreign countries.

It is evident from these articles that a thorough search was made for facts. The results of the New York American's survey were published in a series of articles.

In view of the widespread interest in this subject, with Congress considering the war debts owed the United States by foreign nations, I believe the articles from the New York American will be of great assistance to Congress and the country.

The articles are as follows:

[No. 1, November 8, 1931]

BILLIONS OF DOLLARS LOSS TO AMERICAN PRIVATE INVESTORS IN FOREIGN SECURITIES IS DISCLOSED IN A SURVEY JUST COMPLETED BY THE NEW YORK AMERICAN

The survey, covering the entire field of the American public's foreign financing since the war, reveals enormous depreciation in at least 90 per cent of the foreign bonds, and stocks sold to the American public during the hectic period facetiously characterized as "America's attainment of its financial majority."

What this achievement has cost America's private investors is tragically portrayed in facts and figures which will be presented in a series of articles of which this is the first.

COST ENORMOUS

What the cost of the foreign financing folly has been indirectly can only be approximated. How serious an influence the phenomenal losses in foreign securities have been on the American securities market can only be surmised.

Suffice to accept as probably enormous the pressure which the huge losses have exerted upon banking and private loans secured in large part by the supposedly safe foreign securities. With the rapid shrinkage of their value the effect undoubtedly has been to force heavy dumping of our own American securities with disastrous consequences to the American markets.

The survey includes only those securities actually publicly offered in the United States and, presumably, bought by the public in firm conviction that they were participating in sound investments, as represented by the Nation's leading bankers.

SCOPE LIMITED

No account is taken of the enormous aggregate of short-term credits, central bank credits, etc., running upward of a billion dollars, and advanced in great part out of public funds placed with the Nation's banking community. Nor is Canada's vast borrowings included in the survey.

The story of America's private foreign "investments" is one of simple faith and bitter disillusionment.

It is a tale of violent depreciation, of virtual cancellation of invested funds. It is written across the boundaries of virtually all nations, great and minor, of Europe, and through the whole of South America. Other parts of the world contribute to the tragedy, but these two continents—Europe and South America—absorbed the greatest proportion of America's private foreign lending of the postwar and war periods.

America's private foreign financing is a portrait of a nation following blindly the dictates of a banking community suddenly become international-minded getting into "foreign entanglements" in a financial sense, and running amuck on misguided conception of foreign "investing" or lending, extension of loans with a colossal ignorance of prospects, and with a prodigality unequaled in the economic history of the world.

The American private investor's experience in foreign financing has become a nightmare, and hundreds of thousands of our investors have suffered therefrom.

In all, the world at large during the period of 1914–1930 came to the United States for a total of $15,000,000,000 in loans.

This is wholly exclusive of the billions advanced directly by our Government to Europe's governments as "war loans" and which the debtor countries to-day are seeking to have canceled.

Funds for those loans, too, came from the American investor via the Liberty and Victory loans, but for the purpose of the present survey they are entirely ignored. As a matter of fact, these government loans have at least the United States Government's backing and as such presumably are subject to protection by Uncle Sam.

But what of the private "investor"?

THREE CLASSIFICATIONS

There are three classes of foreign financing:

1. Government loans—by the United States Government to foreign governments (the war loans).

2. Private credits—extended by banks and banking houses out of funds in their control.

3. Public loans—advances by American banks and bankers to foreign governments and corporations and municipalities, the funds being derived from sale to American private investors of the bonds and stocks of the foreign governments or corporations.

It is with the latter class of financing alone that the American's survey is dealing.

From an insignificant annual lending of a comparatively few millions, or better still, from being itself a borrower, the United States following the war became the great supplier of capital for the entire world.

QUESTION OF PRIORITY

Naturally, in view of the difficulties which since have become publicly known, the major question becomes—

Which class of loan shall have priority, government-to-government, private credits, or loans made by private American investors? This is a matter of prime importance to the private investor, especially in view of the violent campaigns now engaging the financial world with respect to priority of loans. For a great many investors the question already has been answered by reason of the virtual wiping out of their investments.

Our annual private lending abroad bounded forward with amazing rapidity, until it finally crossed the billion-dollar mark in 1924. Then followed a remarkable era of billion-dollar years, during which governments, corporations, municipalities, churches, and almost every other conceivable enterprise or element the world over drew upon the seemingly endless American reservoir of capital.

NO DEFINITE POLICY

And borrowing was easy. The American investor was relying upon the bankers. And faith in the banker was virtually the only measuring rod for the investor, for the bankers themselves were subjected to virtually no restriction.

The State Department at Washington, which conceivably is the proper safety valve for such activities has never had a definite policy regarding private loans to foreigners or foreign issues floated in the United States. From Washington comes this explanation of the State Department attitude:

"There is an understanding between financiers and the department by which all such loans are submitted informally to the State Department before any action is taken in order to secure State Department approval.

"This has been the practice for some time now dating back to the Coolidge administration. In general, loans are approved if for constructive purposes rather than for military purposes."

LITTLE RESTRAINT

Actually the State Department control over foreign issues has been perfunctory. Its restrictive powers were exercised, if at all, in exceptionally few instances on record.

No official restraint was practiced anywhere in the United States with respect to foreign loans being sold to American private investors. Not even the blue-sky control which frequently detects and prevents fraudulent or suspicious domestic financing was effective in stemming the tide of foreign loans.

The sellers of these foreign securities enjoyed an absolutely free hand in their foreign-issue offerings in the American market, even securing listing on the New York Stock Exchange and other American exchanges by the mere formality of presenting an innocuous document prepared by the minister of finance or treasurer of the foreign nation, municipality, or enterprise.

No check-up was made by the stock exchange to ascertain the accuracy of the statements therein made, and no recourse is left to the American investor but to sit idly by while his investment suffers untold shrinkage.

NO RECOURSE

For to what source is the American private investor to appeal for aid in providing suspicions of fraud or immorality in the financing? At least the great banks of the country and the banking houses now worried by their "frozen credits" in foreign nations can demand Government support to their attempts to recuperate their losses.

But the individual private investor has nothing but a vicious loss to record his participation in the Nation's rise to "world banking leadership."

How great an outpouring of public offerings of foreign securities was experienced during the last eight years alone is graphically evidenced in the following table:

1923	$497,000,000
1924	1,217,000,000
1925	1,316,000,000
1926	1,288,000,000
1927	1,577,000,000
1928	1,489,000,000
1929	705,000,000
1930	1,087,000,000

What amazing influence had stretched itself over the United States sufficient to induce such prodigal lending? True, the Nation emerged from the war powerful in resources, and its material wealth, aside from loss of man power, was tremendously increased.

But why the staggeringly immense foreign lending?

SECRET GUARDED

Representative McFadden, chairman of the Congressional Banking and Currency Committee, has publicly declared that international bankers reap commissions or profits of 8 to 10 per cent on foreign financing.

The exact figures of commissions or profits are closely guarded secrets. The New York American attempted to ascertain the figures from New York bankers, from Washington, Paris, London, Berlin, and elsewhere, but all to no avail. They may hold the secret for the great banking flotations! There has lately arisen a growing demand for congressional investigation of the whole sordid story of American foreign financing spree.

Representative McFadden's assertions, if they can be accepted, would place a possible profit to the bankers on their foreign financing operations at from twelve hundred million to fifteen hundred million dollars. At 5 per cent the profits to the security dealers would be $750,000,000.

But whatever the inducement for the great flood of foreign financing, the American investor is paying the fiddler.

SOUTH AMERICA HIT

What is the record? Only facts and figures are presented.

In the course of the American's survey a compilation became available from a seemingly unprejudiced source. It is a table presenting details of the United States public's "investing" record in South America. The source is the Latin-American Bondholders' Association (Inc.), an organization formed, incidentally, because of the tragic depreciation in our investments on that continent.

The losses suffered in South American investments are fantastic.

The association's compilation relates that approximately 80 per cent of American investments in that continent had been wiped out by reason of the depreciation in market values of the "dollar loans" sold to the United States public!

Here are the association's figures:

One hundred and twenty-two South American dollar loans have shrunk in value an aggregate of $1,100.000.000.

Their aggregate par value is only $1,531,000,000.

WORTH ONLY 10 PER CENT

For some countries the bonds sold to American private investors dropped to an average of less than 10 per cent of their par value. Peru's bonds were selling this year at 6.8 per cent of par!

Nor was this an isolated case.

Bolivia's bonds were quoted at but 7.7 per cent of par.

But why take individual instances for recording? Here is the association's compilation, country by country:

	Amounts issued	Approximate principal amounts outstanding	Approximate market value at 1931 low		Contraction in values from par
			Dollars	Per cent of par	
Argentina	$420,418,500	$389,414,000	122,035,000	31.4	$267,379,000
Bolivia	65,653,500	59,293,000	4,521,000	7.7	54,772,000
Brazil	414,130,000	359,745,000	63,035,000	18.1	206,710,000
Chile	296,112,000	282,935,000	33,947,000	12.0	248,988,000
Colombia	170,335,000	154,358,000	28,781,000	18.7	125,577,000
Peru	94,500,000	90,950,000	5,152,000	6.8	84,798,000
Uruguay	67,757,000	59,490,000	14,272,000	24.0	45,218,000
Total	1,531,906,000	1,396,185,000	272,743,000	......	1,123,442,000

One of the Peruvian National Government issues sold at 5¼. The interest alone called for 6. The bonds were sold at 91½.

The association estimates that 200,000 investors and millions of other people in the United States are directly involved in these loans. The chairman of the association remarks:

"It is too much to hope that all of these issues will ever be paid 100 per cent."

Chile, Bolivia, and Peru already have defaulted on their bonds.

EXACT STATUS VAGUE

Brazil, while not actually in default, has made an arrangement whereby its obligations are paid by coupons of interest-bearing scrip. Considerable mystery still surrounds the actual disposition of the Brazilian debts.

The scrip policy has been official adopted by the Government of Brazil through an arrangement with creditors, but as yet the Brazilian States and municipalities have not announced their status regarding their securities.

(The New York American's next article in this series, to be published tomorrow, will deal with the individual records of the various South American dollar loans sold to the American investor. Subsequent articles will deal with the European phase of the foreign-securities spree.)

[No. 2, November 9, 1931]

FINANCING COMPLETED MAINLY THROUGH SALE OF "DOLLAR BONDS"

(Following is second article in the New York American series on foreign securities publicly sold in the United States. First article disclosed billions of dollars loss to American private investors who bought foreign securities. It related a loss of $1,100,000,000 in American purchases of South American "dollar loans.")

During the period 1914–1930, inclusive, $2,238,000,000 South American government and corporate bonds and stocks were sold to private investors in the United States.

The total borrowings were divided as follows:

Argentina	$924,740,000
Chile	514,652,000
Brazil	448,667,000
Colombia	219,774,000
Peru	103,710,000
Bolivia	72,930,000
Uruguay	53,918,000
Venezuela	42,892,000
Paraguay	2,272,000

The greatest portion of South American financing in this market has been through sale of "dollar bonds" to the American private investor. There are still outstanding, at par value, $1,396,000,000 of such bonds.

VALUE AT LOW PRICES

Their value, however, at the 1931 low prices, approximated $272,000,000, a depreciation of 80 per cent.

The above table of South American "investments" sold to American investors entirely excludes whatever credits have been advanced to South American governments, business enterprises, municipalities, and others, where the funds were not obtained through direct sale of securities to the American public.

It is understood that the aggregate of such credits is enormous. There has also been a huge total of offerings to the American public of securities representing United States or semi-United States companies operating in South America, but which also has been excluded from the present study.

BIR SHRINKAGE

The record of the "dollar loans" of South America bought by American private investors is dramatic evidence of the phenomenal shrinkage in values. The complete record of each "dollar loan," as compiled by the Latin-American Bondholders Association (Inc.), is shown in the following table:

Complete record of "dollar loans"

Borrower	Amount issued	Coupon per cent	Year	Price	Approximate		
					Amount outstanding	Low, 1931	Market value, low, 1931
ARGENTINA							
National Government	$40,000,000	6	1924	96½	$35,938,000	35½	$12,758,000
	30,000,000	6	1924	95	27,657,000	35½	8,918,000
	45,000,000	6	1925	96	41,818,000	35½	14,845,000
	29,700,000	6	1925	96½	27,605,000	35½	9,800,000
	20,000,000	6	1926	98	19,008,000	35½	6,748,000
	16,900,000	6	1926	98¼	15,942,000	35½	5,659,000
	27,000,000	6	1927	98¼	25,650,000	35½	9,106,000
	21,200,000	6	1927	99	20,268,000	35	7,195,000
	40,000,000	6	1927	99½	38,227,000	35	13,571,000
	20,000,000	5½	1928	97	19,217,000	31	5,957,000
Buenos Aires Province	14,472,000	7½	1926	99	12,588,000	25	3,147,000
	10,600,000	7	1926	96½	8,978,000	23½	2,110,000
	41,101,000	6	1928	96½	39,496,000	19½	7,702,000
	11,675,000	6½	1930	95½	11,500,000	18¼	2,099,000
Buenos Aires City	8,490,000	6½	1924	96½	7,676,000	30½	2,341,000
	3,396,000	6	1927	97½	3,221,000	28	902,000
	3,396,000	6	1928	98½	3,242,000	28	908,000
Cordoba Province	5,943,000	7	1925	95	4,743,000	41	1,945,000
Cordoba City	4,669,500	7	1927	98¾	4,414,000	16	706,000
	2,547,000	7	1927	97	1,750,000	30	525,000
Mendoza Province	6,500,000	7½	1927	98¾	5,000,000	18	1,062,000
Santa Fe Province	10,188,000	7	1925	96	7,734,000	30	2,320,000
Santa Fe City	2,122,500	7	1927	94½	1,795,000	25	449,000
Tucuman Province	2,122,500	7	1927	94½	1,897,000	25	474,000
Tucuman City	3,396,000	7	1928	96½	3,150,000	25	788,000
Total for Argentia	420,418,500	......	......	......	389,414,000	......	122,035,000
BOLIVIA							
National Government	2,400,000	6	1917	97½	1,279,000	7	90,000
	21,000,000	8	1922	101			
	3,065,000	8	1924	93	22,074,000	10	2,207,000
	2,188,500	8	1924	93			
	14,000,000	7	1927	98½	13,380,000	6½	870,000
	23,000,000	7	1928	97½	22,560,000	6	1,354,000
Total for Bolivia	68,653,500	......	......	......	59,293,000	......	4,521,000

Complete record of "dollar loans"—Continued

Borrower	Amount issued	Coupon per cent	Year	Price	Approximate		
					Amount outstanding	Low, 1931	Market value, low, 1931
BRAZIL							
Federal Government	$50,000,000	8	1921	98	$32,546,000	20	$6,509,000
	25,000,000	7	1922	96½	17,881,000	15	2,682,000
	60,000,000	6½	1926	90½	56,121,000	17	9,541,000
	41,500,000	6½	1927	92½	39,477,000	18	7,106,000
Rio de Janeiro City	12,000,000	8	1921	97¾	8,295,000	14¼	1,182,000
	30,000,000	6½	1928	97	30,000,000	10	3,000,000
	1,770,000	6	1928	99	1,770,000	20	354,000
Ceara State	2,000,000	8	1921	99½	1,980,000	15	297,000
Maranhao State	1,750,000	7	1928	94	1,702,000	10	170,000
Minas Geraes State	8,500,000	6½	1928	97½	8,128,000	12	975,000
	8,000,000	6½	1929	87	7,812,000	12	937,000
Parana State	4,860,000	7	1928	98	4,642,000	9¼	429,000
Pernambuco State	6,000,000	7	1927	97¾	5,218,000	7	367,000
Rio de Janeiro State	6,000,000	6½	1929	91½	6,000,000	12½	750,000
Rio Grande do Sul State	10,000,000	8	1921	99½	6,000,000	25	1,500,000
	10,000,000	7	1927	98	9,748,000	12	1,170,000
	23,000,000	6	1928	94¼	23,000,000	10	2,300,000
Cons. Municipal	4,000,000	7	1930	97	3,893,000	12	467,000
Porto Alegre City	3,500,000	8	1922	99	3,105,000	12	372,000
	4,000,000	7½	1926	96	3,664,000	10	366,000
	2,250,000	7	1928	97½	2,097,000	8	168,000
Santa Catharina State	5,000,000	8	1922	101	4,705,000	12	565,000
Sao Paulo State	10,000,000	8	1921	97½	4,950,000	28½	1,411,000
	15,000,000	8	1925	99½	15,000,000	12¾	1,912,000
	7,500,000	7	1926	96½	6,914,000	10	691,000
	15,000,000	6	1928	94½	14,698,000	10	1,470,000
	35,000,000	7	1930	96	31,489,000	47	14,800,000
Sao Paulo City	8,500,000	6	1919	95½	5,706,000	19	1,084,000
	4,000,000	8	1922	100	3,174,000	14½	460,000
Total, for Brazil	414,130,000				359,745,000		63,035,000
CHILE							
National Government	18,000,000	7	1922	96½	15,100,000	18	2,718,000
	42,500,000	6	1926	93¼	40,413,000	10	4,041,000
	27,500,000	6	1927	93¼	26,004,000	10	2,600,000
	16,000,000	6	1928	94	15,577,000	12	1,869,000
	45,912,000	6	1928	93½	44,152,000	12	5,298,000
	10,000,000	6	1929	93½	9,790,000	12	1,175,000
	25,000,000	6	1930	91½	24,875,000	11	2,736,000
Mortgage Bank of Chile	20,000,000	6½	1925	97¾	18,700,000	12	2,244,000
	20,000,000	6¾	1926	99¼	18,623,000	23½	4,376,000
	10,000,000	6	1926	98¾	10,000,000	12	1,200,000
	20,000,000	6	1928	95¾	19,237,000	10	1,924,000
	20,000,000	6	1929	92	19,797,000	7½	1,485,000
Chilean Cons. Mun	15,000,000	7	1929	94	14,767,000	12¼	1,809,000
Santiago City	4,000,000	7	1928	100¼	3,722,000	8	298,000
	2,200,000	7	1930	96½	2,178,000	8	174,000
Total, for Chile	296,112,000				282,935,000		33,947,000
COLOMBIA							
National Government	25,000,000	6	1927	92½	23,750,000	20	4,750,000
	35,000,000	6	1928	95	33,500,000	19	6,365,000
Agricultural Mortgage Bank	3,000,000	7	1926	94	2,200,000	21¼	467,000
	3,000,000	7	1927	97⅝	2,600,000	20½	533,000
	5,000,000	6	1927	92	4,250,000	20	850,000
	5,000,000	6	1928	93½	4,250,000	21½	914,000
Antioquia Department:							
A	3,000,000	7	1925	90	5,200,000	16½	858,000
A	3,000,000	7	1926	93			
B	6,000,000	7	1926	91½	5,100,000	16½	842,000
C	2,500,000	7	1927	96½	2,000,000	16¼	325,000
D	3,750,000	7	1928	95½	5,000,000	16¼	813,000
D	1,750,000	7	1929	93			
1st	4,000,000	7	1927	93	3,716,000	14	520,000
2d	4,000,000	7	1927	94¼	3,670,000	13	477,000
3d	4,350,000	7	1928	96½	4,121,000	13	536,000
Interest	900,000	8	1926	96½	800,000	17	136,000
Medellin City	3,000,000	7	1926	93¼	2,600,000	22	572,000
	9,000,000	6½	1928	93¼	8,350,000	14¾	1,232,000
Caldas Department	6,000,000	7½	1926	95½	8,500,000	20½	1,721,000
	4,000,000	7½	1926	98			
Cauca Valley Department	2,500,000	7½	1926	96½	3,500,000	20	700,000
	1,500,000	7½	1927	98			
	4,500,000	7	1928	96	4,125,000	17	701,000

Complete record of "dollar loans"—Continued

Borrower	Amount issued	Coupon per cent	Year	Price	Approximate		
					Amount outstanding	Low, 1931	Market value, low, 1931
COLOMBIA—continued							
Cali City	$2,000,000	7	1927	93	$2,600,000	22	$572,000
	635,000	7	1928	97			
	250,000	7	1930	97			
Cundinamarca Department	12,000,000	6½	1928	93½	11,500,000	15½	1,783,000
Bogota City	6,000,000	8	1924	98	4,900,000	25	1,225,000
	2,700,000	6½	1927	91	2,250,000	20½	461,000
Santander Department	2,000,000	7	1928	94	1,927,000	25	482,000
Tolima Department	2,500,000	7	1928	93½	2,112,000	23	486,000
Barranquilla City A	500,000	8	1925	99	190,000	25	48,000
B	500,000	8	1925	100	305,000	25	76,000
C	500,000	8	1927	101	423,000	25	106,000
D	500,000	8	1928	102	450,000	25	113,000
E	500,000	8	1930	99	469,000	25	117,000
Total for Colombia	170,335,000	......	......	......	154,358,000	......	28,781,000
PERU							
National Government	15,000,000	7	1927	96½	14,400,000	10	1,440,000
	50,000,000	6	1927	91½	48,000,000	5¼	2,520,000
	25,000,000	6	1928	91	24,400,000	7	1,708,000
Callao Province	1,500,000	7½	1927	99	1,250,000	10	125,000
Lima City	3,000,000	6½	1928	93	2,900,000	13¾	399,000
Total for Peru	94,500,000	......	......	......	90,950,000	......	6,152,000
URUGUAY							
National Government	1,505,000	5	1915	90	1,293,000	20	259,000
	7,500,000	8	1921	98½	3,500,000	30	1,050,000
	30,000,000	6	1926	96½	28,026,000	25	7,007,000
	17,581,000	6	1930	98	17,304,000	25	4,326,000
Montevideo City	6,000,000	7	1922	97	4,500,000	16¾	754,000
	5,171,000	6	1926	93¼	4,867,000	18	876,000
Total for Uruguay	67,757,000	......	......	......	59,490,000	......	14,272,000

(Next article in the American series will be devoted to a study of European government bonds sold to American investors. It will be another story of enormous losses for American investors.)

[No. 3, November 10, 1931]

More Than Six Billion Borrowed Here From Public Investors

(Following is third article in the New York American survey on American private investors' losses in foreign-security investments. Previous articles detailed the enormous aggregate depreciation in such investments in South America. More than a billion dollars' shrinkage in "dollar loans" to South America alone were disclosed in yesterday's article.—Editor's note.)

European governments and semigovernmental agencies, when they sought loans in this country in recent years, found the American investor's pocketbook wide open.

Advised by American bankers that they were making sound and safe investments, American private investors absorbed a staggering amount of European securities.

The price they have paid for their error is colossal.

The New York American's survey discloses a depreciation of almost $800,000,000 has taken place in American private investors' holdings of European government and quasi-government securities.

What the American private investor has lost in European corporate securities as distinguished from government and government-guaranteed issues is another story, but equally tragic.

Since 1914 Europe as a whole obtained upwards of sixty-seven hundred million dollars from American private investors in the form of loans or through sale of stocks in this country.

This is 40 per cent of all foreign investments made by American private investors during the period 1914–1930, inclusive. In all, fifteen billions of foreign offerings were floated in the American market to private investors.

Emphasis is placed on private investors throughout the present series so that there will be no misconception of the field covered.

This series deals only with foreign bonds and stocks actually sold to the private American investor through public offering by American bankers. It ignores entirely the billions lent directly by the United States Government to Europe's governments as "war loans."

Twenty-six European nations and political subdivisions dipped into the American private investor's funds at some time or other during the last 17 years. And where the government or municipality of a country or region for some reason or other failed to float an American loan, its corporations borrowed in the United States.

Governments, however, accounted for approximately five-sixths of the total borrowings.

The complete record covering the 17-year period 1914–1930 for every European country or division will be found at the right.

Not all of these securities still are outstanding. Some have been retired, and a great number of "refunding" operations have been effected whereby new securities were issued, almost invariably through the American market, to substitute for or retire issues previously outstanding.

There still are outstanding in excess of $2,40[illegible] of such European government and government-guaranteed issues, at par value. This is the total now owned by American investors.

The current market value of these issues is $1,[illegible],000.

Their depreciation from par value is $772,[illegible].

(How this enormous loss is divided among the different European nations will be disclosed in the next article in the New York American survey.)

European securities publicly offered in the United States, 1914-1930

	Government	Corporate	Total
England	$1,470,287,000	$97,628,000	$1,568,915,000
France	[illegible]	21,950,000	1,179,245,000
Germany	[illegible]	[illegible]	1,380,637,000
Italy	410,797,000	206,837,000	617,632,000
Belgium	[illegible]	34,130,000	339,475,000
Norway	[illegible]	26,515,000	211,140,000
Switzerland	[illegible]	12,480,000	117,802,000
Sweden	25,000,000	142,846,000	167,846,000
Netherlands	96,451,000	18,947,000	115,398,000
Austria	99,111,000	15,009,000	114,120,000
Poland	[illegible]	39,250,000	171,325,000
Denmark	215,077,000	7,164,000	222,241,000
Danzig	3,000,000	....	3,000,000
Saar Territory	11,500,000	....	11,500,000
Hungary	[illegible]	40,293,000	88,913,000
Russia	75,000,000	....	75,000,000
Rumania	9,169,000	....	9,169,000
Finland	70,000,000	7,000,000	77,000,000
Estonia	4,000,000	....	4,000,000
Spain	....	44,400,000	44,400,000
Luxemburg	....	7,500,000	7,500,000
Greece	29,000,000	600,000	29,600,000
Czechoslovakia	53,750,000	5,500,000	59,250,000
Bulgaria	13,500,000	....	13,500,000
Ireland	15,000,000	875,000	15,875,000
Yugoslavia	64,285,000	....	64,285,000
Total	5,548,200,000	1,159,000,000	6,708,000,000

[No. 4, November 12. 1931]

Here is the fourth article in New York American survey of foreign securities sold to American private investors. Thus far the following facts have been shown:

First. Some fifteen billions of foreign government and foreign corporation securities have been floated in the United States since 1914.

Second. Eleven hundred million dollars' depreciation has taken place from par in American private investors' holdings of South American "dollar bonds."

Third. European government and semigovernment issues of European countries sold to American private investors have shrunk in value almost $800,000,000.

Fourth. The list of American citizens' investments in the government bonds of the 16 European countries shows a loss of 43 per cent from par value at a recent figure, which was not the low figure of the European debacle.

Fifth. Banking commissions on the sale of the fifteen billion of foreign securities floated in the United States since 1914 would amount to $750,000,000 if 5 per cent can be accepted as a fair average commission.

These bankers' commissions, however, sometimes greatly exceed 5 per cent, so that an estimate of $1,000,000,000 in commissions would not be excessive.

Sixth. None of the foregoing figures have anything to do with United States Government loans direct to European nations during and immediately following the war.

Securities of 16 European governments and government agencies have shrunk in value more than 43 per cent since they were sold to American private investors.

Total depreciation from par value of these European securities amounts to more than $700,000,000.

And still this enormous loss excludes entirely the vast amount of European corporation securities which also were sold to American investors.

LOSSES TO INVESTORS

For the purpose of ascertaining the status of American private investment in European government and semigovernment enterprises the New York American survey was divided into two parts. The part dealt herewith covers those countries where the decline has been bigger than 10 per cent.

Losses to American investors run into staggering amounts. The $75,000,000 old Russian loans, for example, have been completely wiped out.

Depreciation of 50 per cent or more are frequent.

Accompanying compilation reveals the tragic consequences of America's liberality in lending billions of dollars to Europe, over and above the billions advanced by our Government as war loans.

Every country in Europe availed itself of the American liberality.

Germany was a particular beneficiary. That nation's government and semigovernment units now owe to American private investors over $700,000,000.

CURRENT VALUE

How the market rates this debt is exemplified by the current value of only $277,000,000.

Depreciation in German Government and semigovernment securities alone approximates 57 per cent.

It is a sad commentary on the German lending that some of the nation's outstanding citizens now complain that they were virtually implored by American bankers to accept loans. The proceeds in a great many instances, notwithstanding the supposedly dire needs of the country, were utilized for the construction of bathing facilities, parks, playgrounds, and similar developments.

The bankers' funds for making those loans of course came from the private American investor who bought the German bonds offered by the bankers.

But even this isn't the worst experience for the American investor, forgetting the Russian loan folly.

Bulgarian securities sold to the American private investor have dropped in value 62 per cent.

Hungarian issues have slumped 60 per cent. Yugoslavian securities are available now for 45 per cent of par, a depreciation of 55 per cent. Poland's securities have slumped 43 per cent. And so on down the line for the entire 16 nations of Europe.

Czechoslovakia, Italy, and Normay, along among the 16 countries surveyed to-day, show depreciation of 20 per cent or less. Norway's securities have slumped 10 per cent.

These facts are reflective of aggregate totals for each nation.

Individual issues have slumped as much as 75 per cent.

The table gives in detail the experiences of the average American investor in the 16 countries.

(Next article in New York American survey will deal with German Government issues sold to United States private investors.)

Enormous depreciation shown in American holdings of European government issues

Country	Par value of offerings now whole or in part outstanding	Actual cash invested by public of United States	Par value of outstanding issues	Current value of outstanding issues	Depreciation from par	Depreciation (per cent)
Austria	$135,611,000	$127,273,900	$132,426,000	$91,520,130	$40,905,870	−30.3
Bulgaria	13,500,000	12,870,000	13,348,537	5,209,605	8,138,932	−62.6
Denmark	151,977,500	146,190,540	149,216,750	114,940,310	34,276,440	−22.1
Estonia	4,000,000	3,780,000	4,946,500	2,967,900	1,978,600	−40
Finland	70,000,000	65,225,000	62,948,260	36,564,370	26,383,890	−41
Germany	711,192,600	656,239,950	649,089,110	277,413,160	371,675,950	−57
Greece	26,000,000	23,330,000	25,603,000	14,985,480	10,617,520	−41
Hungary	44,650,000	43,606,100	42,599,300	13,911,530	28,687,770	−60
Ireland	15,000,000	14,550,000	3,612,500	2,709,375	903,125	−25
Italy	187,150,000	176,150,000	171,610,655	137,386,302	34,224,353	−20
Norway	170,500,000	165,002,325	166,343,000	135,322,146	31,020,854	−10.8
Poland	122,075,750	114,718,250	108,280,030	61,052,800	47,227,230	−43.9
Rumania	5,419,500	4,769,160	5,419,500	3,251,700	2,167,800	−40
Russia	75,000,000	73,687,500	75,000,000	750,000	74,250,000	−99
Saar Territory	11,500,000	11,052,500	7,834,000	5,481,170	2,352,830	−30
Yugoslav	49,286,400	45,992,200	49,285,000	22,092,000	27,192,000	−55
Total	1,792,872,000	1,684,437,000	1,667,562,000	925,559,000	742,003,000	−43

[No. 5, November 14, 1931]

(Following is fifth article in New York American survey of foreign securities sold to private investors in United States, aggregating $15,000,000,000 since 1914. Previous articles disclosed eleven hundred million depreciation in South American "dollar bonds" held by Americans. Eight hundred million decline in European government and semigovernment securities sold to American private investors also has been disclosed. Decline of 43 per cent has taken place in value of 16 European countries' securities sold here. Bankers' commissions on the fifteen billion foreign financing in the American market has netted them at least a billion dollars, it is estimated. This series ignores the European "war debts" to the United States Government.—Editor's note.)

1. Four hundred and fifty million dollars depreciation has taken place in value of German Government and semi-Government securities sold to American private investors.

2. American investment losses in German securities are the largest in any foreign nation.

3. There is outstanding to-day and owed to American investors more than $700,000,000 of German Government and semi-Government loans.

4. Germany has been the most prodigious European postwar borrower from the United States. Her aggregate borrowings from private investors in this country have exceeded thirteen hundred millions, almost all advanced during the period 1924–1930, inclusive. Our international bankers sold these securities to American investors, thereby earning large commissions.

5. Germany for years used her American borrowings to meet her reparations debts.

6. The ogre of a possible moratorium for Germany hangs over all her obligations.

For seven years, 1924–1930, inclusive, Germany indulged in the greatest borrowing spree the world has ever witnessed.

In that period the Reich and its political divisions and German corporations marketed in the United States more than thirteen hundred million dollars of their securities.

Liberality with which American investors' funds were advanced to Germany embodied all of the ignorance and amazing lack of foresight which characterized the whole postwar foreign financing era in the United States.

As a result American investment losses in German securities are the largest in any foreign land.

57 PER CENT DEPRECIATION

Of the thirteen hundred and seventy-two million dollars total German financing in the United States, there still is outstanding $780,000,000 of Government and semi-Government issues at par value.

Market value of these securities to-day is $320,000,000.

Depreciation totals $450,000,000, or 57 per cent.

And even this enormous shrinkage is totally exclusive of losses suffered in German corporate securities floated to an aggregate above $400,000,000.

Successful flotation of the Dawes plan loan in the international capital markets opened the eyes of Germany to the vast possibilities for enticing foreign capital into that country. There followed then a period of foreign financing for Germany which has no duplicate in world history.

From years of absolutely no German financing in the American market there developed an amazing growth of German security sales here. The United States, then in the supposedly endless era of prosperity at home, absorbed hundreds of millions in German securities.

Germany, to her amazement, found the American money markets actually eager to secure her bonds and stocks. And Germany finally discovered some embarrassment in using these foreign funds.

For several years during the fantastic era Germany utilized the proceeds of her foreign financing, chiefly from American investors, to meet her reparations requirements.

USE OF LOANS

Furthermore, German recipients of American investors' liberality deemed it advisable to build up their industrial machinery to compete once again in the world's markets. Proceeds of loans were also used in the construction of public conveniences above and beyond necessities. Playgrounds, home developments, public parks, and similar undertakings were all financed with the inflowing foreign capital.

How freely the American market absorbed German securities is evidenced in the following table. It presents yearly totals of German Government and semi-Government securities publicly sold to American private investors:

[Thousands omitted]

Year	Government	Corporate	Total
1924	$110,000	$8,000	$118,000
1925	158,750	59,500	218,250
1926	151,138	143,108	294,245
1927	150,405	80,120	230,525
1928	186,370	106,106	292,476
1929	21,476	10,149	31,625
1930	143,308	23,510	166,818
Total	941,846	430,793	1,372,639

The aftermath of this fantastic era of foreign lending by the American investor is chilling. To-day the world is rife with ugly rumors concerning Germany's capacity to pay, her inclination to meet her obligations, and similar doubts questioning the safety of all foreign investments in Germany. And the United States investor has the biggest stake of any nation's private investors. This, of course, excludes the political and intergovernmental debts.

The dollar-and-cents story of American loans to German Government and semigovernment bodies is graphically told in the accompanying table.

(Next article in this series will deal with American private investors' losses in European corporate securities.)

German State issues publicly sold in United States and now outstanding

Borrower	Amount issued	Interest		Amount current		Current value	Depreciation from par
		Rate per cent	Issue price	Outstanding	Quotation		
Free State of Anhalt	$1,750,000	7	98⅞	$1,400,000	25	$350,000	$1,050,000
Free State of Bavaria	15,000,000	6½	88½	11,250,000	35	3,837,000	7,412,000
	8,000,000	6½	92¾	7,838,000	35	2,743,000	5,094,000
Bavarian Palatinate Consolidated Cities	3,800,000	7	93⅜	3,385,000	25	846,000	2,539,000
Berlin City Electric Co	15,000,000	6½	93½	14,288,000	40	4,715,000	8,572,000
	9,651,000	6½	93½	9,541,000	41	3,912,000	5,629,000
	12,778,000	6½	90½	12,778,000	35	4,472,000	8,305,000
Berlin Elevated Underground R. R. Co.	9,681,000	6½	94½	9,681,000	44	4,025,000	5,123,000
Brandenburg Electric Co	5,000,000	6	93½	4,765,000	29	1,381,000	3,383,000
Brown Coal Industrial Corporation	2,000,000	6½	93½	2,000,000	40	800,000	1,200,000
City of Berlin	13,000,000	6½	89	11,579,000	37	4,284,000	7,295,000
	178,000	6	75	133,000	25	33,000	100,000
	1,190,000	5	91⅝	671,000	65	436,000	234,000
	15,000,000	6	95	14,616,000	29	4,238,000	10,477,000
City of Cologne	8,000,000	6½	87½	7,014,000	34	2,385,000	4,629,000
German consolidated municipal loan of German savings banks and clearing house associations	17,500,000	6	94½	16,433,000	32	5,258,000	11,174,000
Central Bank of Agriculture	19,000,000	7	93	17,300,000	51	8,823,000	8,477,000
	19,000,000	6	95	18,385,000	50	9,192,000	9,192,000
	43,405,000	6	95½	14,130,000	49	20,153,000	20,976,000
	26,000,000	6	95½	24,963,000	52	12,970,000	11,992,000
Central Bank of German State and Provincial Banks (Inc.)	3,500,000	6	95	3,340,000	31	1,035,000	2,305,000
	10,000,000	6	95	9,275,000	33	3,060,000	6,214,000
Central German Power Co. of Madgeburg	2,430,000	6	98¼	2,430,000	89	2,162,000	267,000
Consolidated Agricultural Loan of German Provincial and Communal Banks	21,000,000	6½	97½	20,200,000	38	7,710,000	12,579,000
Consolidated Hydroelectric Works of Upper Wurtemburg	4,000,000	7	93	3,778,000	40	1,515,000	2,273,000
Consolidated Municipalities of Baden	4,500,000	7	93	4,135,000	30	1,240,000	2,894,000
Consolidated municipal loan of German savings banks	19,950,000	7	93¾	18,385,000	35	6,434,000	11,950,000
Dortmund Municipal Utilities	3,000,000	6½	91½	3,000,000	45	1,350,000	1,650,000
City of Dresden	3,750,000	7	94	3,174,000	32	1,015,000	2,158,000
City of Duisburg	3,000,000	7	98⅝	2,250,000	25	562,000	1,687,000
City of Dusseldorf	1,750,000	7	93⅞	1,312,500	80	1,050,000	262,500
Electric Power Corporation	5,000,000	6½	87	5,000,000	38	1,900,000	3,100,000
	2,500,000	6½	87	2,500,000	38	950,000	1,550,000
	5,000,000	6½	90½	5,000,000	35	1,750,000	3,250,000
East Prussian Power Co.	3,500,000	6	91	3,426,000	30	1,027,000	2,398,000
City of Frankfort on the Main	2,800,000	7	94	2,800,000	40	1,120,000	1,680,000
	6,250,000	6½	90½	6,062,000	29	1,758,000	4,304,000
German Building & Land Bank	5,250,000	6½	98½	5,070,000	30	1,523,000	3,565,000
Government of Germany	110,000,000	7	92	83,791,000	64	53,731,000	30,060,000
	98,250,000	5½	90	98,250,000	38	37,335,000	60,915,000

Hamburg Electric Co.	1,000,000	7	95¼	3,000,000	84	2,520,000	480,000
Hamburg Elevated, Underground & Street Rys. Co	6,500,000	5½	92¼	6,293,000	50	3,146,000	3,146,000
City of Hamburg	10,000,000	6	91¾	10,000,000	39	3,900,000	6,100,000
City of Hanover	3,500,000	7	98	3,459,000	35	1,210,000	2,248,000
City of Heidelberg	1,500,000	7½	98½	1,401,000	32	488,000	912,000
Province of Hanover Harz Water Works	1,000,000	6	95	1,000,000	35	350,000	750,000
	3,725,000	6½	94½	3,725,000	26	968,000	2,756,000
City of Leipzig	3,750,000	7	94¾	3,339,000	35	1,168,000	2,170,000
Leipzig Overland Power Co.	2,425,000	6½	92½	2,101,000	30	630,000	1,370,000
Luneburg Power, Light & Waterworks (Ltd.)	1,100,000	7	98	1,087,000	40	434,000	652,000
Free State of Oldenburg	3,000,000	7	93⅞	2,403,000	45	1,081,000	1,321,000
Manheim & Palatinate Electric Co.	2,675,000	7	96½	2,675,000	46	1,230,000	1,444,000
City of Munich	8,700,000	7	93½	6,525,000	34	1,631,000	4,893,000
Municipal Bank of State of Hessen	3,600,000	7	93⅜	2,700,000	30	810,000	1,890,000
Municipal Gas & Electric of Recklinhausen	1,500,000	7	98	1,384,000	25	346,000	1,384,000
Nassau Land Bank	3,000,000	6½	97½	3,000,000	45	1,350,000	1,650,000
City of Nuremberg	5,000,000	6	94	4,660,000	26	1,211,000	3,448,000
Oberpfalz Electric Power Corporation	1,250,000	7	97½	1,077,000	35	377,000	700,000
Free State of Oldenburg	3,000,000	7	93⅞	2,403,000	45	1,081,000	1,321,925
Pomerania Electric Co.	3,500,000	6	92½	3,427,000	29	993,000	3,427,000
Provincial Bank of Westphalia	3,000,000	6	97¾	3,000,000	25	750,000	2,250,000
Free State of Prussia	17,500,000	6½	95	17,500,000	35	6,125,000	11,375,000
	24,500,000	6	96½	23,078,000	35	8,077,000	15,000,000
Prussian Electric Co.	4,000,000	6	91	4,000,000	30	1,210,000	2,790,000
Rhine Main Danube Corporation	6,000,000	7	96	5,414,000	43	2,328,000	3,085,000
Rhine Ruhr Water Service Union	7,500,000	6	93	7,070,000	29	2,050,000	5,019,000
Rhine Westphalia Electric Power Corporation	10,000,000	7	94	8,510,000	62	5,276,000	3,223,000
	10,500,000	6	95½	10,098,000	49	4,948,000	5,150,000
	14,850,000	-------	93	14,850,000	50	7,425,000	7,425,000
	12,500,000	6	94	12,168,000	49	5,962,000	6,208,000
Saxon Public Works	15,000,000	7	92	15,000,000	45	6,750,000	8,250,000
	11,000,000	6½	91½	10,698,000	38	4,065,000	6,633,000
	10,000,000	5	97½	10,000,000	43	4,325,000	5,675,000
Saxon State Mortgage Institutions	2,000,000	6	95	1,849,000	25	462,000	1,386,000
	5,000,000	7	93½	4,346,000	50	2,173,000	2,173,000
	4,000,000	6½	97	3,579,000	42	1,503,000	2,075,000
State of Bremen	11,250,000	7	94	10,019,000	45	4,508,000	5,510,000
Stettin Public Utilities	3,000,000	7	94½	2,400,000	30	720,000	1,680,000
Unterelbe Power & Light Co.	4,250,000	6	93	4,097,000	34	1,392,000	2,704,000
United Industrial Corporation	6,000,000	6½	97½	6,000,000	36	2,160,000	3,840,000
Vesten Electric Rys.	1,750,000	7	98	1,614,000	25	403,500	1,210,000
Westphalia United Power Corporation	20,000,000	6	92½	20,000,000	34	6,975,000	13,025,000
State of Wurttemberg	8,400,000	7	93⅞	6,300,000	25	1,575,000	4,725,000
Total	845,088,000	-------	-------	780,226,000	-------	329,536,000	450,375,000

Current quotations of above table represent either last sale, last bid, or nominal price.

[No. 6, November 15, 1931]

1. Thirteen hundred million dollars have been raised by European corporations through sale of their securities to American private investors since 1914.
2. Eight hundred millions of such securities still are outstanding and held by American investors.
3. Four hundred and sixty million dollars depreciation has taken place in these securities. This represents 56 per cent loss from par value. By countries, the depreciation runs as high as 83 per cent.
4. Much of this money raised in America has been used in improving and strengthening the competitive position of foreign industries.
5. Value of many foreign corporate securities can not be ascertained because of absence of quotations.
6. German corporations securities represent almost half all American holdings of European securities. Loss in German corporate issues alone totals $210,000,000.
7. Bankers' commissions on European corporate securities ranged from 5 per cent up to several times this rate.

Through sale of their securities to American private investors Europe's corporations raised an aggregate of $1,134,000,000 new capital during the period 1914–1930, inclusive.

The American investor, through American bankers who sold them these securities, have become (*a*) creditor of European corporations through purchase of their bonds and notes, or (*b*) partner by buying their stocks.

Either "investment" has proved extremely expensive.

The American private investor still holds $826,956,000 of European corporate securities. This is entirely distinct from European government and semigovernment issues publicly floated in the United States during the same period. These latter, as disclosed in previous articles in the New York American survey, represent an aggregate loss of about $800,000,000 to the American investor.

Those American investors who bought European corporate securities have been equally unfortunate.

Depreciation of $464,398,000 has taken place in these corporate issues.

The shrinkage represents 56 per cent of their par value.

And still this stupendous loss excludes millions more lost in securities for which no present value can be established, or which represent enterprises which have virtually disappeared in recent years.

Corporations of all Europe dipped into the American investment funds for new capital, but German corporations obtained almost half the total for the entire continent.

In these German corporate issues American investors now suffer a depreciation of $210,000,000, equal to 60 per cent.

Accompanying table discloses the experiences of the American investor in Europe's corporation issues sold in this country.

The shrinkage, by countries, runs from 9 per cent for Denmark all the way up to 83 per cent for British corporate flotations in the United States.

Besides Britain and Germany, decline of 60 per cent or more is shown in corporate securities of the following countries: Belgium, 62 per cent; Luxemburg, 63 per cent; Poland, 63 per cent; Netherlands, 70 per cent.

Almost invariably the American investor's money placed in European corporate issues was used to modernize, strengthen, or otherwise improve the competitive position of the corporation. In some instances the American capital provided the wherewithal to build new plants in foreign lands. It would not be a far exaggeration to say that American private investors capitalized the postwar industrial revival of Europe.

(Next article in this series will deal with another interesting phase of American foreign investments.)

VALUE OF UNITED STATES INVESTORS' HOLDINGS OF FOREIGN STATE ISSUES DOWN $2,000,000,000

Two billion dollars loss to American private investors who bought European and South American Government securities sold in the United States since 1914 has been disclosed to date by the New York American. These losses, covering only government and semigovernment securities, are divided as follows:

(*a*) Eleven hundred millions depreciation in South American "dollar bonds," which have dropped 80 per cent in value; and

(*b*) Eight hundred millions decline, from par, in European government and semigovernment issues sold to private American investors.

Europe and South America combined have taken the bulk of the $15,000,000,000 raised from the American private investor through sale in the United States of foreign securities during the last 17 years.

To-day's article, sixth in the series, is devoted to another phase of the foreign financing era: Sales of European corporation securities to the American public by American bankers, who, it is estimated, profited $1,000,000,000 through selling foreign government and corporation securities in the United States during the period covered by this survey, 1914–1930, inclusive.

Enormous depreciation shown in American holdings of European corporate issues

Country	Par value of offerings now in whole or in part outstanding	Actual cash investments by United States public	Par value of outstanding issues	Current value of outstanding issues	Depreciation from par	Depreciation
						Per cent
Austria	$11,400,000	$10,758,000	$8,927,000	$2,988,000	$4,939,000	55
Belgium	14,130,000	13,989,000	14,130,000	4,239,000	9,891,000	62
Denmark	7,000,000	6,672,000	4,004,000	3,647,000	357,000	9
France	17,700,000	17,350,000	17,675,000	13,685,000	3,990,000	22
Luxemburg	7,500,000	6,937,000	6,946,000	2,570,000	4,376,000	63
Norway	24,715,000	23,749,000	23,593,000	16,749,000	6,840,000	28
Poland	35,250,000	34,425,000	30,691,000	11,322,000	19,368,000	63
Switzerland	10,480,000	10,480,000	10,480,000	4,243,000	6,236,000	59
Netherlands	7,360,000	6,918,000	6,918,000	2,602,000	4,857,000	70
Sweden	131,446,000	130,924,000	131,446,000	52,713,000	78,733,000	52
Germany	380,265,000	365,759,000	349,758,000	139,464,000	210,294,000	60
Italy	153,510,000	146,193,000	144,019,000	83,826,000	60,193,000	41
Hungary	40,428,000	39,140,000	35,822,000	16,618,000	19,264,000	56
Great Britain	42,674,000	42,674,000	42,547,000	7,487,000	35,060,000	83
Total	883,856,000	855,068,000	826,956,000	363,053,000	464,398,000	56

[No. 7, November 19, 1931]

Following is seventh article in the New York American survey of foreign securities sold to American private investors since 1914. The survey has disclosed to date:

1. Approximately $15,000,000,000 of such securities have been sold to the American private investors.

2. Losses on such purchases run into billions of dollars. Nearly two and one-half billion depreciation has already been proven in three classes of foreign issues held by American investors:

(*a*) Eleven hundred million in South American "dollar bonds."

(*b*) Eight hundred million in European government issues.

(*c*) Four hundred and sixty-four million in European corporation issues.

3. Probably a billion dollars in commissions were made by America's international bankers in selling these foreign securities to the United States investor.

4. Depreciation of some issues run above 90 per cent; not a few issues have been entirely wiped out.

5. Above figures have nothing whatever to do with United States Government loans direct to European nations during and immediately following the war.

Capital issues of all foreign countries of the world publicly offered in the United States, 1914–1930, inclusive

Country	Government	Corporate	Total
EUROPE			
England	$1,470,287,000	$97,828,000	$1,568,915,000
France	1,1[illegible],295,000	21,950,000	1,179,245,000
Germany	949,842,000	430,794,000	1,380,637,000
Italy	410,795,000	206,837,000	617,632,000
Belgium	305,545,000	34,130,000	339,675,000
Norway	184,625,000	26,515,000	211,140,000
Switzerland	105,322,000	12,480,000	117,802,000
Sweden	25,000,000	142,846,000	167,846,000
Netherlands	96,451,000	18,947,000	115,398,000
Austria	99,111,000	15,009,000	114,120,000
Poland	132,075,000	39,250,000	171,325,000
Denmark	215,077,000	7,164,000	222,241,000
Danzig	3,000,000		3,000,000
Saar Territory	11,500,000		11,500,000
Hungary	48,650,000	40,293,000	88,943,000
Russia	75,000,000		75,000,000
Rumania	9,169,000		9,169,000
Finland	70,000,000	7,000,000	77,000,000
Estonia	4,000,000		4,000,000
Spain		41,400,000	44,400,000
Luxemburg		7,500,000	7,500,000
Greece	29,000,000	600,000	29,600,000
Czechoslavakia	53,750,000	5,500,000	59,250,000
Bulgaria	13,500,000		13,500,000
Ireland	15,000,000	875,000	16,875,000
Yugo-Slavia	64,285,000		64,285,000
Total	5,548,200,000	1,159,000,000	6,707,000,000
NORTH AMERICA			
British West Indies		1,500,000	1,500,000
Canada (including Newfoundland)	2,353,880,000	1,238,847,500	3,592,727,000
Costa Rica	10,820,000		10,820,000
Cuba	137,300,000	472,092,000	609,392,000
Dominican Republic	17,300,000	2,250,000	19,550,000
Guatemala	550,000	18,900,000	19,450,000
Haiti	16,000,000	21,765,600	37,765,000
Honduras	500,000	13,192,500	13,692,000
Mexico	5,796,288	44,082,900	49,879,000
Nicaragua		1,000,000	1,000,000
Panama	26,800,000	940,000	27,740,000
Salvador	7,520,000		7,520,000
Total	2,576,460,000	1,814,570,000	4,391,030,000
SOUTH AMERICA			
Argentina	824,421,000	100,313,000	924,734,000
Bolivia	63,230,000	9,700,000	72,930,000
Brazil	423,682,000	24,985,000	448,667,000
Chile	325,692,000	189,000,000	514,692,000
Colombia	172,588,000	47,186,000	219,774,000
Paraguay		2,272,249	2,272,000
Peru	95,710,000	8,000,000	103,710,000
Uruguay	53,918,000		53,918,000
Venezuela		31,923,750	31,923,000
Total	1,959,241,000	413,379,000	2,372,620,000
AUSTRALIA			
Australia	269,188,000	7,750,000	276,938,000
FAR EAST			
China	10,752,000	50,000,000	60,752,000
Japan	177,667,000	193,574,000	371,241,000
Netherland East Indies	153,290,000	27,136,000	180,426,000
Palestine	350,000		350,000
Total	342,059,000	270,710,000	612,769,000

World totals (1914–1930), $10,695,154,000 and $3,665,410,000	$14,360,364,000
International loans [1]	260,047,000
1931 foreign issues in United States	263,222,000
Grand total	14,883,633,000

[1] Flotations which can not be charged to any specific nation.

Relatively few countries in the world passed up the opportunity to take advantage of American liberality with respect to purchases of foreign securities publicly offered in the United States during the last 17 years.

Nearly $15,000,000,000 of such securities were sold to American private investors in this period.

Of this aggregate, foreign governments received more than ten billion, or two-thirds.

Foreign corporations raised $3,665,000,000 through sale of their securities to American private investors.

The $15,000,000,000 total referred to is exclusively proceeds of the sale of foreign securities direct to American private investors.

It does not include the billions of dollars advanced by our Government to European governments as "war loans." Neither does it include the billions which have been invested abroad by American corporations.

The New York American survey is concerned only with foreign securities sold to the American private investor.

European governments and other political divisions and corporations have taken upwards of 40 per cent of the total American "investments" in all foreign securities. Three of her nations, England, France, and Germany, have taken upward of a billion dollars each.

Largest of all countries' security sales to Americans, however, is the Canadian total, $3,592,727,000. Argentina's total comes close to a billion. Other large foreign totals are Italy, with $617,000,000, Chile with a half billion, and Cuba, $609,000,000. By continents, the totals are:

	Government	Corporate	Total
Europe	$5,548,200,000	$1,159,000,000	$6,707,000,000
North America	2,576,466,000	1,814,570,000	4,391,036,000
South America	1,959,241,000	413,370,000	2,372,620,000
Australia	269,188,000	7,750,000	276,938,000
Far East	342,059,000	270,710,000	612,769,000

Senator KING. Mr. Kahn, in view of your statement let me ask you: Isn't one of the reasons for the decline in American bonds, and I am not speaking now of Government bonds, but of corporate bonds, the result of a belief on the part of many people that corporations have unloaded upon investors not only stock but bonds at higher prices by far than the conditions of the corporations warranted? In other words, taking advantage of the inflated condition brought about largely by brokers and speculators and by banks that contributed to it, corporations unloaded upon the investing public millions and hundreds of millions of dollars of bonds and hundreds of millions of dollars of stock at prices far beyond their intrinsic value.

Mr. KAHN. As a general proposition, I very respectfully beg to differ, Senator, though I admit that errors have been made and that in some respects ground for criticism does exist. The price at which a bond is sold is determined not by the banker, as no banker has the power to do that, and no combination of bankers or of corporations has the power to do that, but is determined by supply and demand. If the people want to buy bonds or are in a mood to buy bonds, if the market conditions and the monetary conditions of the time are such that bonds are in great demand, the bankers' job, among other things, is to form an estimate as to what is the market price at which a bond that they believe to be good, intrinsically, according to their investigations, can be sold, according to their best judgment. It is not correct, with all due respect to you, Senator

King, to say that reputable bankers are unloading bonds upon the public. They are finding out what is the demand; they are finding out what is the supply; and they just seek to adjust the price to that situation. And I wish to point out that they are not making 1 cent more in the way of commissions if they sell a bond at 100 than if they sell at 90. They have no interest to sell at a high price. Their profit or spread or margin is no different, as a general proposition, in the case of a bond that they sell at a high valuation than in the case of a bond that they sell at a low valuation.

Their interest is to find what is the correct market at the time, at what price can and should these bonds be sold. Their first duty, of course, before offering any bonds to the public, is to find out by careful investigation if such bonds are intrinsically sound and if they are justified in taking the responsibility of inviting the public to subscribe. I repeat that no banker or combination of banks or corporations has the power to create investment conditions. They do not make the market. They do not——

Senator KING (interposing). Mr. Kahn, of course, I respectfully dissent from the last expression, but that is immaterial. Isn't it a fact that many investment bankers and brokers, the National City Bank among the number that I now have in mind, carried on a very active campaign to unload upon the investing public not only stocks but bonds at very high values, and that they made the market by their improper advertising and by their high-powered salesmanship.

Mr. KAHN. Senator King, I would respectfully suggest that the National City Bank speak for itself. Mr. Mitchell was here and no doubt you have asked him whatever questions you thought appropriate. I can only speak for my house, and I can say for my house that for every issue that we made we declined six others, or probably more, because we always want to be sure that what we offer is intrinsically sound, and that it is offered at a price justified by what in our best judgment is its real value and by the then existing conditions of demand and supply. Perhaps I may repeat that only one of the borrowers whose bonds my house issued, of the whole list of bonds that I have here, and going back 12 years, is in default. As to the matter of high-powered salesmanship to which you have referred, that is a practice which has been exaggerated and overdone. There may be two opinions, but my personal opinion is that it has been greatly overdone.

Senator KING. And when $8,000,000,000 of brokers' loans——

Mr. KAHN (interposing). I say, Senator King, my opinion is that it has been distinctly overdone.

Senator KING. Too much high-powered salesmanship?

Mr. KAHN. Yes; and I agree with you as to the deserved criticism of such exaggerated proceedings and methods in the way of high-powered salesmanship, and I feel sure that it would be desirable and called for that greater self-restraint be practiced in that field henceforth.

Senator KING. I think that is a very wise admission which you have made. It does not go quite far enough, but I do not want to project, Mr. Chairman and members of the committee, into this discussion on foreign bonds a discussion on domestic stocks and bonds. But if we were permitted to go into that matter at this time I think we would perhaps have some pertinent questions to propound in regard to it.

Senator JOHNSON. Mr. Kahn, do you know whether or not there was keen competition among the various houses to obtain South American securities and float them in this country?

Mr. KAHN. Yes; among many of them.

Senator JOHNSON. Could you name the houses that were competing, literally competing, in the South American countries to obtain securities there in order that they might be sold in this country?

Mr. KAHN. Yes; I think so. Perhaps I may mention that it is a strict tradition of my house not so to compete, either in South America or elsewhere.

Senator JOHNSON. What houses were they?

Mr. KAHN. Many houses. Some of them were rather novices in the field of the issuing business. I think if you will give me a little time I can probably give you a list of not less than 25 or 30 corporations or houses.

Senator JOHNSON. That is, you mean that the representatives of a particular house in New York would be in Peru, Bolivia, or the Argentine, and the like, there seeking to obtain the floating of a loan?

Mr. KAHN. So I am informed.

Senator JOHNSON. And that was so in the case of many houses, was it?

Mr. KAHN. I believe that was so in the case of many houses.

Senator JOHNSON. Will you now take a specific loan in order that we may have it on our record and in order that the committee may follow it, and let us go through with it. For instance, take the second French loan that was floated in this country in 1924 by the house of Morgan. Do you recall it?

Mr. KAHN. Yes.

Senator JOHNSON. It is in testimony here that J. P. Morgan & Co. bought that loan outright of $100,000,000; is that a fact?

Mr. KAHN. Yes; as far as I know.

Senator JOHNSON. And that immediately J. P. Morgan & Co. sold it to a very small syndicate for an advance of 1 per cent. That is, that they bought it at 94 and sold it at 95; is that correct?

Mr. KAHN. I could not tell you about that without having the record before me, but I have no doubt what you state is taken from the testimony of Mr. Lamont.

Senator JOHNSON. I am speaking, I think, from the record. My intention is to be accurate in that regard, of course.

Mr. KAHN. I assume that all those facts are of record.

Senator JOHNSON. If J. P. Morgan & Co. purchase a loan like that of $100,000,000 from France, and take into partnership as it were in the flotation of it three or four houses at 1 per cent advance, who obtains that 1 per cent?

Mr. KAHN. There would be an originating group formed usually, who, together with Morgan & Co., would share in the commission, which is measured by the degree of responsibility that the originating group enters into.

Senator JOHNSON. Do you recall the other two or three who were interested, or perhaps four, as the case may be, with Morgan & Co. in that French loan?

Mr. KAHN. I should not like to guess, Senator Johnson, but I will say that I have a general idea.

Senator JOHNSON. Well, Kuhn, Loeb & Co. were one of them?

Mr. KAHN. Yes; I believe.

Senator JOHNSON. Was the National City one?

Mr. KAHN. My associate here calls my attention to the fact that he doubts whether we were one of them.

Senator JOHNSON. You were interested in it at one stage, were you not?

The CHAIRMAN. Senator Johnson, are you speaking of the Argentine loan now?

Senator JOHNSON. No; I am speaking of the second French loan, in 1924.

Mr. KAHN. I can tell you, I think, in a second by referring to some papers I have here.

Senator JOHNSON. All right. I just want to follow through with one of these so as to indicate to the committee what transpires.

Mr. KAHN. No; we were not interested in that French loan.

Senator JOHNSON. So much the better, for you can testify without being interested in that particular loan.

The CHAIRMAN. I notice here the first French loan, and I do not know which one it is that you are referring to, Senator Johnson.

Senator JOHNSON. It is the second French loan, in 1924, purchased by J. P. Morgan & Co. outright for 94.

Mr. KAHN. No; my house was not interested in that loan.

Senator JOHNSON. We will assume a hypothetical case. Suppose one of the banks purchased a loan at 94 from a foreign country, and then formed a syndicate, composed of 2, 3, or 4 other houses, as the case may be, to whom is the loan transferred at 95?

Mr. KAHN. All right.

Senator JOHNSON. You say that 2, 3, or 4 houses are thus acting in conjunction with the one house, and participate in the 1 per cent increase?

Mr. KAHN. Yes; usually.

Senator JOHNSON. I do not quite fathom how that can be, but I have no doubt you are correct in it. Then assume, or is it the practice to form another syndicate of a little larger number to whom may be transferred a particular loan of this character?

Mr. KAHN. Yes, Senator Johnson.

Senator JOHNSON. Now, in this particular instance my recollection of the testimony is that the little larger syndicate received the loan at 96.

Mr. KAHN. I have no doubt your recollection is accurate, but I do not know.

Senator JOHNSON. I think it is accurate, but we will call it a hypothetical case if you wish so that we can follow the matter on through. Here is a loan that first came at 94 and upon which somebody received 1 per cent, and it is then taken by a small syndicate, composed of 2, 3, or 4 members, at 95, and then a syndicate of 15 or 20 members of New York, to whom the loan is given at 96.

Mr. KAHN. Not necessarily of New York.

Senator JOHNSON. Well, you may take in one or two others like Lee, Higginson & Co., or some Chicago house, but it would be limited to a few, who subsequently then allocated the loan to many banks throughout the country at 100. Is that right?

Mr. KAHN. May I say, Senator Johnson, first of all, that a spread of 6 per cent is not a usual spread, and that generally it is not a question as between 94 and 100. It is usually a question, as you will see from the statement I am going to read later on, as between 94 and 97 or 97½. Secondly, if I may repeat the testimony already given by me on December 21, the justification for the originating group's commission is that that group stands in the breach, and says:

> All right, we will take your $100,000,000 of bonds. They are sold. Whatever may happen we are responsible for that $100,000,000. You want to be sure that you will get the money for your loan and we guarantee that you shall have it.

Then, that originating group having taken that responsibility, they turn around and form what is called an underwriting group to relieve themselves as far as they think appropriate or as far as possible and as quickly as possible of that responsibility. That underwriting group, for the responsibility which it takes, is entitled to a commission.

Senator JOHNSON. You have testified as to the modus operandi of such a transaction, and I am seeking to get that modus operandi into the record, whether justified or not you and I may subsequently discuss, but I am perfectly willing that your views justifying it may be put into the record. However, I want to get the mode by which the action is taken clearly stated in the record.

Mr. KAHN. All right.

Senator JOHNSON. We have the purchase at 94, and then the sale to the small syndicate at 95, and then the sale to the little larger syndicate for 96, and then to the bankers generally, to be sold at 100.

Mr. KAHN. May I say that it is not to the bankers generally, but to a very large distributing group which is not generally composed of banks, and only to a certain extent of large bankers. It is composed of a very great number, sometimes as many as 1,000 or even 1,500 distributors, large or small, some of them of very small size, people that make their living by buying bonds in limited quantities and selling them at retail.

Senator JOHNSON. Exactly.

Mr. KAHN. Of which banks and bankers are really a minority, the bulk of them being distributing houses all over the country.

Senator JOHNSON. All right. We will say that there are houses engaged in receiving bonds and selling them.

Mr. KAHN. Yes, sir.

Senator JOHNSON. That is their business?

Mr. KAHN. Yes, sir.

Senator JOHNSON. And their business is to get what they can out of the bonds?

Mr. KAHN. Yes, sir.

Senator JOHNSON. And the banking houses in New York that form the original underwriting syndicate of course know that fact, and know exactly what is to be done with the bonds ultimately, isn't that true?

Mr. KAHN. They know what they plan to do with the bonds ultimately, but whether they succeed or not depends upon conditions.

I have heard of numerous cases where they did not succeed in completing their syndicates or groups; where they did not succeed in carrying out their plans; where they were, to use a common term, stuck with the bonds and had to sit on them.

Senator JOHNSON. You justify the particular mode that we have just been talking about upon the theory that the original house that takes the bonds assumes the liability in respect of them.

Mr. KAHN. Yes.

Senator JOHNSON. Now, is that so generally?

Mr. KAHN. Yes.

Senator JOHNSON. So that generally when bonds are taken by one of your houses for the purpose of sale in this country, you underwrite them and you assume the responsibility in relation to them?

Mr. KAHN. Yes.

Senator JOHNSON. Well then, that justification extends to every sale, doesn't it; that is, to substantially every sale?

Mr. KAHN. To substantially every sale; yes.

Senator JOHNSON. What was the use, then, of saying that the justification in this particular instance was the liability that would be incurred by the original house?

Mr. KAHN. I did not mean to say in this particular instance, except that you asked me as to a particular instance and I answered you as to that instance, but it holds good generally.

Senator JOHNSON. But you say as to the 6 per cent spread.

Mr. KAHN. No; I beg pardon. I did not refer to the spread of 6 per cent except when I said it was an unusual spread.

Senator JOHNSON. And you justified it because, as you said, of the liability which was undertaken by those who took the bonds for sale?

Mr. KAHN. Again I say that I did not enter into the question of the justification for that large margin. That must depend upon the circumstances of a particular case, as to the times which then prevailed and the difficulties which existed, the amount involved, and the work that had to be done. I did not enter into the question of either justification or criticism.

Senator JOHNSON. And I am doing neither, but simply trying to develop the facts. We may take now as settled that a particular transaction of that sort, at 94, is transferred at 1 per cent increase, or 95, to two or three others, and is transferred at a 1 per cent increase by the two or three who were joined with the original purchaser of the bonds, to a larger syndicate of 15 or 20 as the case may be, at 96.

Mr. KAHN. Probably a great many more.

Senator JOHNSON. And possibly more. All right. And then by these underwriting houses transferred to bond houses in the United States. You object to using the word "bank" and we will therefore omit the use of that word, but to the various bond houses, whose sole business is selling at a profit the bonds entrusted to them, is that right?

Mr. KAHN. Yes.

Senator JOHNSON. That knowledge being held, of course, by all of those who were dealing with that particular issue.

Mr. KAHN. Yes.

Senator COUZENS. If I might interrupt at that point I should like to ask, at what price are those bonds sold at retail?

Mr. KAHN. I beg your pardon?

Senator COUZENS. May I ask at what price those bonds Senator Johnson is referring to were sold at retail. Were they sold at 100?

Mr. KAHN. Senator Johnson tells me that they were sold at 100.

Senator JOHNSON. That is my understanding, Senator Couzens.

The CHAIRMAN. That is what the record shows.

Senator COUZENS. I think Senator Johnson in pointing out the steps has overlooked one step, that second large group that he refers to, and then the retail group, that sold at a price between 96 anc 100, did they not?

Mr. KAHN. The chairman has stated that the record so shows.

Senator COUZENS. What would that spread be?

Mr. KAHN. It depends upon the circumstances of the case.

Senator COUZENS. So that as a matter of fact the difference between the 96 that Senator Johnson refers to and the 100 is divided between the wholesalers and the retailers, is it not?

Mr. KAHN. It depends upon the question to what extent the wholesalers participate or are able to participate in the retail distribution. Perhaps I can give you something that is not guessing, and it is not taking the practice of another house but my own.

Senator COUZENS. Well now, we were speaking about a hypothetical case. Assuming for instance that the second underwriting group paid 96 for them.

Mr. KAHN. All right.

Senator COUZENS. What would be the usual difference between the 96 and the 10 0that would be the cost to the retailer?

Mr. KAHN. The usual spread for the retailer would be from one and one quarter to one and three quarters per cent.

Senator COUZENS. So that the difference between 96 and 100, a part of that goes to the large underwriting group that Senator Johnson refers to, and a part of it goes to the man who does the retailing.

Mr. KAHN. No——

Senator COUZENS. (continuing). You did not understand my question, I take it, because you have just said yes.

Mr. KAHN. I beg your pardon, but I said to the extent that the underwriter participates or is in a position to participate in retail distribution. To that I have said yes. But few houses are in that position except to the extent that they may be able to place bonds with a few particular clients. Generally speaking, the spread between the underwriting syndicate and the distributing syndicate goes to the hundreds or thousands of retailers throughout the country; except that to the extent that any individual members of the underwriting group are capable or have an organization to participate in retail selling or distributing they would naturally be in the same position that any other distributor is, and they would participate to that extent in that spread that the distributing group has.

Senator COUZENS. And the National City are both wholesalers and retailers?

Mr. KAHN. Yes, sir.

Senator COUZENS. And they would participate in the spread between the underwriting and the retail sales because they would participate not only in the underwriting but in the retail sales proper?

Mr. KAHN. Yes.

Senator COUZENS. So they are in a different category from you?

Mr. KAHN. Yes, sir.

Senator COUZENS. And in a different category from J. P. Morgan & Co.?

Mr. KAHN. Yes.

Senator COUZENS. Because neither you nor J. P. Morgan & Co. participate in retail sales, as I understand?

Mr. KAHN. That is generally correct.

Senator COUZENS. So that the 4 per cent spread is divided in some cases differently than in others; in one case exclusively to the retailer, and in another case it is divided between the wholesaler and the retailer?

Mr. KAHN. That is quite correct to the extent that the wholesaler can and does participate in retailing.

Senator JOHNSON. The big houses in New York have typical syndicates, have they not? That is to say, there is a typical Morgan syndicate, and a typical Kuhn, Loeb & Co. syndicate, and the like? They are substantially the same people, however?

Mr. KAHN. To a large extent the same people, yes.

Senator JOHNSON. There has been furnished to me in writing a statement that a typical syndicate in the case of a Morgan issue is of this sort, and if you can state the fact I would be very glad if you would, and if you can not, very well: J. P. Morgan & Co., Kuhn, Loeb & Co., First National Bank, National City Bank, Guaranty Trust Co., Bankers Trust Co., Kidder, Peabody & Co., Lee, Higginson & Co., Harris, Forbes & Co. Is that a typical syndicate?

Mr. KAHN. You are referring to a Morgan underwriting syndicate, I take it?

Senator JOHNSON. Yes.

Mr. KAHN. Well, again I can only answer for our own house.

Senator JOHNSON. And there has also been given to me information that a typical Kuhn, Loeb & Co. syndicate is this: Kuhn, Loeb & Co., National City Bank, Guaranty Trust Co., First National Bank, Brown Bros., Kidder, Peabody & Co., Chase National Bank, Lee, Higginson & Co., Continental & Commercial Trust & Savings Bank of Chicago, Union Trust Co., and Mellon National Bank of Pittsburgh, these two last are of Pittsburgh, and First National Bank of St. Paul, and Blair & Co.

Mr. KAHN. I do not recognize that as a close family resemblance.

Senator JOHNSON. Can you give me the family, then?

Mr. KAHN. I shall be very glad to give you not only a guess at it generally, but I shall be very glad to give you in any case you may ask about in regard to our house, the details of the underwriting syndicate and of the distributing syndicate, so that there may be no guessing about it.

Senator JOHNSON. I prefer that there should be no guessing about it.

Mr. KAHN. I shall be gladly at your disposal to give you the facts in any case.

Senator JOHNSON. You would not say, then, that that is a typical Kuhn, Loeb & Co. syndicate?

Mr. KAHN. No.

Senator JOHNSON. Do you answer that you do not know or do you answer that that is not a typical Kuhn, Loeb & Co. syndicate?

Mr. KAHN. I beg your pardon.

Senator JOHNSON. I asked, do you say that you do not know or that that is not a typical Kuhn, Loeb & Co. syndicate?

Mr. KAHN. I say I do not recognize it as a close family resemblance.

Senator COUZENS. Doesn't the size of the family depend upon the size of the loan?

Mr. KAHN. To a large extent, yes.

Senator COUZENS. So that the family is larger when the loan is larger.

Mr. KAHN. Yes.

Senator JOHNSON. That syndicate which I mentioned, it has been asserted to me, distributed the Swedish $30,000,000 loan of 1924. Do you recall it?

Mr. KAHN. There was a Swedish loan in 1924 but I could not from recollection tell you who were the members of that syndicate. But I will gladly ascertain it if you so wish.

Senator JOHNSON. I will ask you for more of those details subsequently.

Mr. KAHN. Perhaps I might now complete the answer which I tried to make to Senator Couzens's inquiry. I can only speak as to the spread or margins in cases within my own knowledge, or which relate to my own firm. According to this precise list which I have here the complete compensation, the gross compensation from all sources which went to my house, is slightly above one-half of 1 per cent, in the case of issues of our own, in which connection it may be appropriate to consider the fact that my firm has a number of partners, at present ten. I should say that the average compensation which went to the underwriting syndicate and to the distributing syndicate together would be slightly above 3 per cent. I should say that the average for the whole thing, the average spread, and I mean by that the gross margin, from which must be deducted overhead, taxes, and so on, the gross spread I should say would be about 3¾ per cent, out of which the share of my firm is slightly above one-half of 1 per cent. And perhaps I might say in this connection that a real estate broker, who is not called upon to take any risk or responsibility whatever, gets a commission or spread varying from 1 to 6 per cent; that a trustee or executor gets a compensation in my State of 2 or, if he acts as both executor and trustee, 4 per cent, without having to take any responsibility in the way of putting up his own money whereagainst a banker does take a very large financial responsibilty and may well find himself hung up in the case of bonds which have been contracted for or purchased by him in the belief that they can be sold and as to which he finds that circumstances have changed or that his judgment was at fault.

Senator JOHNSON. Do you think it perfectly fair to make a comparison between the charges of executors or administrators with the amount received as a profit by a banking or investment house for the sale of bonds to the public?

Mr. KAHN. I think it more than fair, because in the case of a banker there enters the elements of the responsibility which he takes, the risk which he assumes, the correctness of his judgment, his inevitably high overhead and the instances where he finds that circumstances have changed, that his original estimate of values is no longer applicable to existing conditions, and that he may find himself with bonds on hand which he is unable to dispose of, except at a considerable loss.

Senator JOHNSON. Has that occurred frequently with you house?

Mr. KAHN. I am happy to say it has not occurred frequently, because as I have been perhaps immodest enough to mention before, our house is one of great conservatism. But it has occurred.

Senator JOHNSON. And when it does occur, what do you do with the bonds that you have?

Mr. KAHN. We sit on them as long as we have to.

Senator JOHNSON. What do you do with them ultimately?

Mr. KAHN. Ultimately, if conditions make it possible to dispose of them, we dispose of them as best we can.

Senator JOHNSON. Have you done that in every instance?

Mr. KAHN. Whenever we could; yes.

Senator JOHNSON. Well, has it been done in every instance?

Mr. KAHN. No. I am sorry to say there are some bonds we still have and in regard to which it has not been possible.

Senator JOHNSON. Does that exist to any considerable extent?

Mr. KAHN. With your leave, Senator, I do not wish to reflect upon our judgment by answering that question.

Senator JOHNSON. And I am the last one who would reflect upon your judgment, Mr. Kahn.

Mr. KAHN. Thank your very much.

Senator JOHNSON. But the fact of the matter is that when you are stuck, if you will permit my use of the expression, with any bonds you get rid of them as best you can, do you not?

Mr. KAHN. As best we can, yes; and when we can, without affecting the market to an extent which would be unfair to those to whom we have sold bonds.

Senator JOHNSON. You have not found that essential in the last few years, have you?

Mr. KAHN. We have found it essential in some cases; yes.

Senator JOHNSON. If in the statement you have before you you reach any particular bond issue where you have been stuck for the bonds will you please state that fact, and then state how ultimately you disposed of them and at what price you disposed of the bonds for which you were then stuck?

Mr. KAHN. Senator, I shall be quite willing to state in which cases the bond issues were not wholly successful, but I respectfully ask to be excused from saying at what price we sold such bonds, as we may have bought in the market subsequent to the issues, when we sold, and what loss we incurred, because I do not believe that that is something which ought to be made public property.

Senator GORE. Mr. Kahn, you stated that you usually purchase these bonds, that the originating house or managing house purchases them, and that the price at which purchased is controlled by supply and demand.

Mr. KAHN. By supply and demand?

Senator GORE. Yes; I understood you to say that.

Mr. KAHN. Yes.

Senator GORE. The next step is for the managing house to organize an underwriting syndicate?

Mr. KAHN. Yes.

Senator GORE. An underwriting group or syndicate. Does the underwriting syndicate pay a price based on their conception of the ratio between supply and demand?

Mr. KAHN. Yes; because they are at entire liberty to decline the offer which comes to them from the originating house, and if they think the originating house has paid a price which is excessive they do not hesitate to decline.

Senator GORE. Yes. Now, the next step is the distributing group or the retailers. Do they take those bonds at a price which they think reflects the ratio between supply and demand?

Mr. KAHN. The price naturally is fixed by the manager's judgment. If the distributor does not think that the price is reasonable he simply does not go along.

Senator GORE. Now, then, the next step is for the retailer to sell to the private investor. Do you think the private investor bases his purchase price on a ratio between supply and demand?

Mr. KAHN. The private purchaser would probably base his action upon two things: First, his need or desire to make an investment. Secondly, his belief as to the merit and attractiveness of the offering, influenced, probably, though I hope, generally, to a lesser and lessening extent, by the persuasiveness of the salesman.

Senator GORE. Do you think that the private investor has any conception at all about the ratio between supply and demand in the case of bonds of that particular type?

Mr. KAHN. He has it in this way, Senator, in the prevailing quotations for bonds and other securities, which are of course available to him, and in his own case he knows whether he has money for investment or not, and if so what he can get for that money.

Senator GORE. Do you think that the distributing house took into consideration the ratio between supply and demand when they undertook to sell these bonds?

Mr. KAHN. They undoubtedly did, in making up their own mind whether they wished to go along with a syndicate or not. If they think that the price put upon certain bonds is not in accordance with their conception of supply and demand, they do not go along.

Senator GORE. You stated two reasons why a private investor was induced to take these bonds. I had here the other day an address by Dwight Morrow who was enumerating the different things that induced them to take bonds. He mentioned first and primarily the faith in the banking house handling the bonds. Would you mention that as the first consideration?

Mr. KAHN. I should hardly describe it, Senator, as a first consideration at all times. I hope that it is an essential consideration, and I hope henceforth increasingly so.

Senator GORE. Take a private investor in Texas or Oklahoma; when he goes to buy a foreign bond, do you think he knows anything at all, I mean, anything in an accurate way, about the credit or the resources of the government issuing those bonds?

Mr. KAHN. I do not think he does, very much, Senator; no.

Senator GORE. He has got to put faith in somebody else?

Mr. KAHN. Yes, Senator.

Senator GORE. I was down in Waco, Tex., last summer, and they were telling me down there about a big house in New York that had floated a great many sugar bonds all over the State, and the banks took them, and the bonds were practically worthless. Those bonds were bought by Tom, Dick, and Harry, I suppose, without any reference to the solidity or the solvency of the bonds or the concern issuing them, but entirely on the faith of the house issuing them in New York.

Mr. KAHN. I suppose, Senator, you are right; and that only intensifies my own very strong conviction that a banker, as I have stated before, must be ever and conscientiously mindful of his great moral responsibility toward those who buy securities from him.

Senator GORE. Exactly so. You say the originating or managing house takes these bonds from the issuing government at a fixed price?

Mr. KAHN. Yes, Senator.

Senator GORE. He stands in the breach; he takes the loss if he is stuck?

Mr. KAHN. Yes.

Senator GORE. Does not that put him under pretty strong pressure to resort to high-power salesmanship methods to get rid of those bonds whether or no, whether they really reflect the ratio of supply and demand or not?

Mr. KAHN. Not if he is a banker who, first of all, knows his own business and, secondly, is conscious of the call of his integrity, his moral responsibility and, above all, his enlightened self-interest. The banker's prosperity, indeed his very existence, depends on the confidence of the public. If he has not got that, he lacks in the very essential of his calling, his business will shring to negligible proportions, if not fail completely. Confidence can not be bequeathed: it is not like money that you can give to your descendants. It must be acquired every day by the way you conduct your business and the way you conduct yourself and the principles you adhere to, and by the good opinion which you reap from those with whom you are dealing.

Senator GORE. There is no doubt about that. But when the originating house closes a deal it has two situations confronting it: Either to be stuck with those bonds or to dispose of them to somebody else, and if there is any sticking, to let somebody "hold the bag," if I may use that phrase.

Mr. KAHN. Is not that more or less the same thing with everybody who buys anything from anybody? If I am a wholesale house and I lay in a stock of dresses and the ladies determine that they are going to wear their dresses shorter or longer than I thought they were, I am stuck.

Senator GORE. But the women can look at fashion plates and see whether skirts are to be longer or shorter.

Senator SHORTRIDGE. I would not go into that, Senator, if I were you. Let us stick to the subject of bonds.

Senator GORE. My point is this, that private investors in California and Oklahoma, for instance, have taken a lot of worthless bonds. I do not think the investor is in exactly the same attitude as the woman who is buying a dress. She passes on the length of her own skirt and gets the length that she wants, and that is not a matter of speculation, entirely.

Senator JOHNSON. You say, entirely?

Senator COUZENS. Is it not true that investment bankers are no different from merchants, like Wanamaker or Marshall Field, or the fruit peddler, who buy goods and find that there is not a sufficient market for them and they are anxious to get rid of them?

Mr. KAHN. Yes, Senator.

Senator COUZENS. In other words, there is nothing sacrosanct about a banker that makes him any different from a merchant who sells clothes, or bananas, or apples, or boot and shoes; if he has not properly exercised his judgment, he gets rid of the goods as quickly as possible.

Mr. KAHN. Yes; except that I think the banker is called upon to exercise a greater degree of care than pretty nearly any one else who is dealing with the public, because he is dealing in a commodity as to which he is considered to be an expert adviser and as to which many people rely on his integrity——

Senator JOHNSON. And judgment?

Mr. KAHN. His integrity and judgment. His adherence to worthy ethical standards. He is called upon to use his utmost endeavors to see to it that what he offers to the public warrants their confidence in him. He must see to it that he offers only securities which, as far as he can ascertain from diligent, painstaking research, are intrinsically sound and which he feels justified in selling to the public with the consciousness that his moral trademark, his moral responsibility goes with them. He must resolutely decline, whatever be the monetary inducement, to attach that trademark and that responsibility to any securities as to the soundness of which there is, or ought to be, any doubt in his own mind. If he does not do all that, he is not the kind of banker that deserves to live.

Senator COUZENS. That raises a question of the exact accuracy of a previous statement of yours to the effect that some subunderwriter has the freedom to say yes or no to an offering of yours. You said he was entirely free.

Mr. KAHN. Yes, Senator.

Senator COUZENS. I think that is not quite accurate. Perhaps you think it is accurate, but it is not, as a matter of fact, because these dealers, most of them, or subunderwriters, knowing the reputation that you have built up, and to which you have just referred, accept offerings at times because of the fact that they do not want to lose their connection and making it impossible to get into "soft things" that may be offered from time to time in the way of securities.

Mr. KAHN. Your statement is quite correct, Senator, but the distributor is still free to decline or not to decline. As a rule, he would not——

Senator COUZENS. He is just as free as our seven or eight million unemployed are free to either work or not work. But in practice they are not free. They are subject to economic conditions; and so are these dealers or subunderwriters only theoretically free, because, as a matter of fact, their subsistence would be cut off if they, in practice, did not follow along with the offerings made by these big houses in New York who have the good securities or whatever kind of securities you choose to call them, to offer to the public from time to time.

Mr. KAHN. I can not altogether differ from you, Senator, and yet, on the other hand, I can not altogether agree with you, because to my own knowledge it has happened more than once that offerings from my own house have been declined by this or that distributor, because he thought that we were making a mistake as to the price at which we were seeking to place the bonds. That does not mean that next time we will have nothing to do with him. If he did it persistently, instead of in rare instances, we would say to ourselves, "Well, evidently that fellow does not care to deal with us, and so we do not care to deal with him"; and his name would go off our list.

Senator JOHNSON. That is an important subject that has been raised by Senator Couzens, and I should be very glad if any member of the committee would pursue it further.

Senator SHORTRIDGE. I wish to pursue it just for a moment. You have told us, as I understand your testimony, that you are a merchant-banker or banker-merchant?

Mr. KAHN. Yes, Senator.

Senator SHORTRIDGE. You buy and dispose of and sell bonds?

Mr. KAHN. Yes, Senator.

Senator SHORTRIDGE. Bonds issued by private corporations, by municipalities and by governments?

Mr. KAHN. Yes, sir.

Senator SHORTRIDGE. You probably have answered this question, but I would like to have you advise us further. Before you buy bonds from either a private corporation, a municipality or an established government do you make careful inquiry as to the validity of the bonds?

Mr. KAHN. We make the most careful inquiries that we are capable of, Senator; yes.

Senator SHORTRIDGE. In the making of that inquiry how far do you go?

Mr. KAHN. I have furnished a statement, Senator, at the request of one of your colleagues who is not here to-day, giving the precise process by which we investigate securities that are offered to us before we in our turn conclude the transaction and offer them to the public. That includes investigation; it includes legal opinions as to the validity of the issues; it includes, in many cases, accountants' reports; it includes going back over a series of years as to the credit and standing and reliability of the particular corporation or government concerned. The statement that has been furnished the chairman——

Senator SHORTRIDGE. Your answer is really a response to another question which I was about to put. My first question, you observe, was whether you make inquiry as to the validity of the bonds, the steps taken by the corporation, the municipality or the Government, in and about the issuing and putting forth of the bonds?

Mr. KAHN. Yes, Senator.

Senator SHORTRIDGE. Do you make inquiry as to the ability and resources of the issuing house, company, municipality or government, with respect to its ability to meet the payments of dividends called for or ultimately to pay at maturity?

Mr. KAHN. The most careful inquiries, Senator, that we are capable of; yes.

Senator SHORTRIDGE. That is a fact?

Mr. KAHN. That is a fact; and I have here the statement, if you would like to read it, which I furnished to your chairman, setting forth the steps which we take before we handle any security which we offer to the public.

The CHAIRMAN. You had better put it into the record at this point.

(The statement referred to and submitted by the witness is here printed in full as follows:)

MEMORANDUM TO THE UNITED STATES SENATE COMMITTEE ON FINANCE, FROM KUHN, LOEB & CO., REGARDING FOREIGN FINANCING

Our primary consideration in any foreign loan, as it would be in any domestic loan, is to endeavor to appraise from the facts obtainable the intrinsic merit of the bonds to be issued and consequently estimate the assurance of their principal and interest and sinking fund, if any, being punctually paid when due.

(a) In the case of a governmental issue this would involve a careful analysis of—

1. Purpose of the loan.

2. Its past debt record and its credit standing as indicated by the market price of its outstanding securities and the level at which its currency is quoted in the American and other world markets.

3. Its record of income and expenditures for a period of from five to ten years preceding the time at which the loan is being considered and its budget for the succeeding year or two years.

4. Its import and export statistics for the past five or ten years and an analysis of its "invisible" trade, if any.

5. Its national debt, both on a total and a per capita basis.

6. Its natural wealth.

7. Its fiscal position as to its holdings of gold or the gold holdings of its central bank in relation to its outstanding currency.

8. Analysis of whether or not the Government has given special security for previous loans or whether it has merely issued its loans on the so-called "negative pledge" basis. In the former case, we form independent judgment whether the situation of the Government requires insistence upon special security. By "negative pledge" is meant that while no specific lien or security is given for a loan, the borrower pledges that if, while any of the bonds of the loan in question are outstanding, the borrower should create or issue or guarantee any indebtedness or obligations secured by specific lien or security, the bonds of the loan in question will be secured equally and ratably with such other indebtedness or obligations or such guarantee.

9. Its political stability.

10. Value of its actual or potential trade with the United States.

11. Whether a sinking fund should be required, and, if so, whether the sinking fund should be of such size as to retire the entire loan or only a part of the loan by maturity.

In some countries the Government owns and operates the railroads, telegraph systems, tobacco monopolies, salt monopolies, etc., and in such cases we would analyze the income therefrom and the asset value of these holdings.

(b) In the case of a State, city, or other political subdivision of a foreign country we would consider—

1. Purpose of the loan.
2. Its past debt record and its credit standing as indicated by the market price of its outstanding securities.
3. Its record of income and expenditures for a period of from 5 to 10 years preceding the time at which the loan is being considered and its budget for the succeeding year or two years.
4. Its debt both on a total and a per capita basis.
5. The value of the property owned by the borrower, together with an analysis of how much of this property is revenue producing.
6. Analysis of whether or not the borrower has given security for previous loans or whether it has merely issued its loans on the so-called "negative pledge" basis. In the former case, we form independent judgment whether the situation of the borrower requires insistence upon special security.
7. Whether a sinking fund should be required, and if so, whether the sinking fund should be of such size as to retire the entire loan or only a part of the loan by maturity.

In a general way, all of the matters analyzed in considering a governmental loan would be considered in relation to the country in which the borrower is located so as to ascertain whether, if the borrower itself is intrinsically sound, it would be in a position to obtain the foreign exchange necessary with which to meet the dollar obligation incurred.

(c) In the case of a foreign corporation we would consider—

1. Purpose of the loan.
2. Its past debt record and its credit standing as indicated by the market price of its outstanding securities.
3. Its profit and loss account and balance sheet for a period of from 5 to 10 years preceding the time at which the loan is being considered.
4. The nature of its business and general condition of the industry in which it is engaged.
5. A general appraisal of its management both as to ability and standing.
6. Analysis of the type of loan which would best suit its purposes and yet be salable and whether or not specific security for the loan should be required or whether it need merely be issued on the so-called "negative pledge" basis. In the former case, we form independent judgment whether the situation of the borrower requires insistence upon special security.
7. Appraisal of the market equity of the securities junior to the loan to be issued.
8. Whether a sinking fund should be required, and if so, whether the sinking fund should be of such size as to retire the entire loan or only a part of the loan by maturity.
9. Whether, in our judgment, an independent audit of the company's accounts should be made by accountants other than the company's own accountants and whether, in our judgment, the nature of the company's business makes it advisable to have an independent engineering or other expert survey of its situation.

The reference made in subheading (b) to the general analysis of the country in which the borrower is located would, to some similar extent, likewise apply to the case of a corporate borrower.

DECEMBER 28, 1931.

Senator SHORTRIDGE. Having then acquired the bonds, you dispose of them in the manner developed by the several questions and answers?

Mr. KAHN. Yes, Senator.

Senator SHORTRIDGE. Do you regard yourself as legally responsible up to and including the purchase of the bonds by the public?

Mr. KAHN. We consider ourselves and we are legally responsible to the corporation, municipality, or government from whom we bought the issue. The moment we have attached our signature to the contract, we are legally responsible to that government, municipality, or corporation, and we are responsible irrespective of whether we are able to form a syndicate and irrespective of the solvency of any individual members of that syndicate.

Senator SHORTRIDGE. I am reminded that you have covered that. Thank you.

Senator JOHNSON. Is that done by contract?

Mr. KAHN. Yes, Senator.

Senator JOHNSON. Duly executed by the government in question and by yourself?

Mr. KAHN. Yes, sir.

Senator JOHNSON. And a copy of such a contract, if desired, could be furnished the committee?

Mr. KAHN. Yes, sir.

Senator JOHNSON. You have just handed to the reporter for insertion in the record considerations which actuated you in the matter of the making of a foreign loan and the investigations that you make in regard to any such foreign loan?

Mr. KAHN. Yes, Senator.

Senator JOHNSON. The first subdivision that you make of your statement is in the case of a governmental issue, as to which you say, "This would involve a careful analysis of, first, purpose of the loan"?

Mr. KAHN. Yes.

Senator JOHNSON. Do you make that analysis?

Mr. KAHN. Yes.

Senator JOHNSON. If the loan were for military purposes, for arms and the like, would the loan be made?

Mr. KAHN. We have declined such loans, Senator.

Senator JOHNSON. And would a house such as yours, doing business in the fashion that you do, decline loans of that character?

Mr. KAHN. We have done so, and we should do so again unhesitatingly.

Senator JOHNSON. And that ought to be the case in relation to foreign loans?

Mr. KAHN. In my opinion, unqualifiedly so.

Senator COUZENS. Have you any way of following the funds up after having made a loan to a government like the French Government?

Mr. KAHN. I am afraid, Senator, that that is a physical impossibility.

Senator COUZENS. Certainly. So that, as a matter of fact, no matter how carefully you may go into a government's request for money and into its purpose, as a matter of fact, when it gets into the general fund, you are unable to follow to see what they do with it?

Mr. KAHN. That is correct, sir.

Senator SHORTRIDGE. Does a given government indicate specifically the purpose of issuing the bonds?

Mr. KAHN. Yes, Senator.

Senator SHORTRIDGE. And the need for the money to be secured by their sale?

Mr. KAHN. Yes, Senator; and, of course, there goes with that a moral responsibility on the part of such government. To what extent that moral responsibility is in every instance strictly followed is beyond our power or anybody else's power to control.

Senator COUZENS. As a matter of fact, even though they were entirely sincere and faithfully carried out their promises, they might use those funds for that purpose and use other funds for the purpose of building up their armaments?

Mr. KAHN. Unquestionably.

Senator JOHNSON. From your knowledge of the amount of loans that have been floated in the United States from foreign governments or foreign corporations in the last few years and the manner in which they have been floated, would you not say that there ought to be some legal curb upon the indiscriminate sale of foreign securities?

Mr. KAHN. If I were a legislator, Senator, I should probably have asked that same question and the subject would probably worry me considerably.

Senator JOHNSON. It worries us.

Mr. KAHN. I fully understand that it would; and yet I do not see how it is possible to deal with it in a way that is effective and that is not likely to do more harm than good.

If I may explain myself a little more fully: There are certain things which can not be covered by the statute book, but which must be covered by the force of public opinion and by the sense of decency of the people who have responsibility. If you set up on organization of the kind to which your question alludes, you would to that extent relieve the individual investor from exercising his judgment, which by all means he ought to be educated and made responsible to exercise. I think that, if there is anything more needed in that field than another, it is to make it plain to the individual investor that he must seek to educate himself and practice care and discrimination before he parts with his investment funds. If there were to be set up in this connection a governmental body, however informal or limited, the result would be that he would be apt to rely to a, perhaps, undue extent upon what would not be meant to be a government moral guarantee, but which he would probably look upon as such.

Secondly, in the case of the existence of a governmental body of the nature indicated, there can be little question that, as to any borrowings passed by such body, the prospectus by which such securities are offered to the public would carry the legend, so to speak, or at least convey the impression, "approved by the United States censor," just as the movies do in the case of State censorships. Of course, it would not be really correct, but the fact would be that foreign borrowers would assume that loans having been passed upon by some authority in the United States, charged with some kind, however safeguarded, of supervisory, regulating, or restraining function, they would be at liberty to say so.

That would be very apt to imply to the investor the assumption of a certain moral responsibility on the part of some governmental or semigovernmental agency in the United States.

Senator COUZENS. Does not our experiences with the State "blue-sky" commissions justify your statement?

Mr. KAHN. It does justify it. If there were any way in which this thing could be done without causing, in my opinion, more harm than good, or without further strengthening that paternalism and that reliance upon bureaucracy, of which I think we have enough in this country, and without weakening the individual reponsibility of every one to look after his own, to inform himself as carefully as he can, to seek advice from sources of proven integrity and sound judgment rather than from such as hold out the lure of "get rich quick," and not to be led either by some kind of governmental say so or by the persuasion and insistence of high-power salesmen, and if, furthermore, it would not tend to diminish the moral responsibility of the banker, if there were any such way, I should say, let us try some such method. But I do very sincerely believe after full consideration of the subject that there is no way in which what you have in mind, Senator, can be accomplished other than by educating public opinion and by emphasizing again and again the moral responsibility resting upon the banker.

Senator JOHNSON. Your whole argument goes to the fundamental that in a democracy education ought to be the appropriate and the prime object. But admitting that that be so, that you are to educate your public as best you can, you have an obligation as well to protect your public, have you not? And your public has not been adequately protected in this regard?

Mr. KAHN. I think the public is as adequately protected in this regard as it seems to me possible to do without creating more likelihood of harm than of good.

Senator CONNALLY. As a matter of fact, your house has asked the State Department's judgment and permission to circulate lots of these loans?

Mr. KAHN. Senator, it was not the judgment or permission of the State Department that we asked. We merely followed the request by the late President Harding that the bankers enter into the practice of submitting an informal inquiry to the State Department as to whether it saw any objection to such and such a foreign loan being made by American bankers.

Senator CONNALLY. Whenever the State Department said it had no objection, you took that as an approval, did you not?

Mr. KAHN. Only from the political point of view. We took it as a statement that the United States Government saw no political reason why such a loan should not be made.

Senator CONNALLY. Has it been your custom to submit all these bond issues to the State Department?

Mr. KAHN. Every one; yes.

Senator CONNALLY. Of corporations as well as governments?

Mr. KAHN. Every one relating to a foreign country; yes.

Senator CONNALLY. So that every bond issue you have made since President Harding instituted that policy has had the confirmation of the State Department that there was no reason why you should not proceed to sell the bonds?

Mr. KAHN. The State Department emphasizes particularly that such permission does not relate to the intrinsic value of the loan.

Senator CONNALLY. Oh, yes; I understand. But your firm and these other firms had been doing, in a way, so long as it was approved, exactly what you are protesting against as suggested by Senator Johnson?

Mr. KAHN. May I say, Senator, that I think there is a basic difference between Senator Johnson's suggestion, the motives of which I fully respect, and what has been done heretofore. In compliance, I understand, with a specific request of the State Department, nothing has ever been said in any prospectus or other literature issued in connection with any foreign loan as to its having been submitted to, or passed upon by, the State Department.

Senator CONNALLY. No; but it has been generally known over the country that you do submit these matters to the State Department, and the State Department has made no objection. That is known generally over the country, is it not?

Mr. KAHN. To what extent it was generally known, I do not know. It is now generally known, because it has been brought out here before this committee.

Senator CONNALLY. But during all these sales by these distributing retailers of these bonds—they all knew that?

Mr. KAHN. I doubt it.

Senator CONNALLY. In your correspondence with them did you not advise them of that?

Mr. KAHN. No; it was never mentioned in any prospectus or letter. It was never given any kind of publicity; and it was particularly insisted by the State Department that it must not be put in a position where its attitude may be held to imply any kind of moral responsibility as to the intrinsic value of the loans.

Senator CONNALLY. Oh, I understand that, of course. As a matter of fact, has the State Department declined permission to issue any of these bonds?

Mr. KAHN. In no instance of my own knowledge. There was a case or two cases where the State Department did object——

Senator CONNALLY. Do you recall those?

Mr. KAHN. There was one German loan connected with the potash monopoly.

Senator CONNALLY. That was for political reasons. What was the political reason?

Mr. KAHN. I could not tell you precisely. We had nothing to do with it, and it would only be hearsay if I did repeat it.

Senator GORE. It was based on economic objections, was it not?

Mr. KAHN. Yes, Senator, I believe.

Senator CONNALLY. You stated a while ago that the only reason the State Department assigned was that for political reasons certain issues could not be circulated——

Mr. KAHN. The only reasons we understood why the department wished to be consulted were of a political character.

Senator GORE. In that case the State Department objected on request of the Department of Commerce.

Senator KING. For my own information, while it is not germane, Mr. Chairman, why did the Department of Commerce get into that matter? Did they want to protect some monopoly?

Senator GORE. They thought this was a part of the monopoly, the international cartels over in Europe, and they objected to it on that ground.

Senator JOHNSON. I think, Senator King, to do the Department of Commerce justice, that before we conclude this hearing we will see that there has been a marked tendency on the part of the Department of Commerce to discourage various foreign loans, and that there has been some—I will not say " friction," but difference of opinion, between the State Department and the Department of Commerce upon these matters. I say that in justice to the Department of Commerce, which I think was entirely right in the matter of the discouragement.

Senator GORE. It was an economic objection.

Senator JOHNSON. Do you recall a letter by S. Parker Gilbert in the latter part of 1927 in which he said in very vigorous language that Germany was overborrowed?

Mr. KAHN. Yes, Senator.

Senator JOHNSON. And that was given wide publicity, was it not?

Mr. KAHN. Yes, Senator.

Senator JOHNSON. And subsequently German loans were made just the same, were they not?

Mr. KAHN. Yes, Senator.

Senator JOHNSON. The German loans were floated in this country by institutions, notwithstanding what he said?

Mr. KAHN. Yes, Senator; and not one of those loans is in default.

Senator JOHNSON. They are running from 12 to 30 years yet, are they not?

Mr. KAHN. I assume that is correct. I do not know the exact dates. But they are paying punctually their sinking fund and their interest.

Senator JOHNSON. You did not believe Mr. Gilbert at that time, in the views that he expressed publicly?

Mr. KAHN. I did not believe him, you say?

Senator JOHNSON. In the views that Mr. Gilbert then expressed.

Mr. KAHN. I thought that his views were extreme, Senator, but to a considerable extent I agreed with him. My own firm originated only two bond issues by German borrowers; but were for strictly productive purposes.

Senator JOHNSON. Do you recall that he said in substance, in the letter that he then published, that if the policy of loaning money to Germany continued the world would face a terrific financial depression?

Mr. KAHN. I do not recall the exact words.

Senator JOHNSON. I do not claim them to be exact, but I claim them to be in substance what he then wrote. Do you recall that he said in substance that there would be a great financial depression if the policy of loaning money to Germany was continued?

Mr. KAHN. I do not recall the exact language; no, sir.

Senator JOHNSON. The letter I will obtain and put in evidence subsequently, so far as that is concerned.

Senator GORE. You stated a while ago that two years ago there was considerable competition between some 20 or 30 banking houses to obtain business with South American governments issuing bonds, in order to handle and float their bonds.

Mr. KAHN. Yes, Senator.

Senator GORE. Did your house take any part in any of those flotations?

Mr. KAHN. To a restricted extent. The only issues we floated were of two South American governments or governmental institutions, both of leading countries, that is, Argentine and Chile.

Senator GORE. Are any of those in default now?

Mr. KAHN. The bonds of one institution, issued by us, are in default, being the Mortgage Bank of Chile.

Senator GORE. A number of South American issues are in default, are they not?

Mr. KAHN. Yes.

Senator GORE. They were handled by other houses than yours?

Mr. KAHN. Yes, Senator.

Senator GORE. So in spite of their foresight their bonds have gone bad?

Mr. KAHN. Yes. At that time the general atmosphere was one of great encouragement as to the future of South America. It was considered at that time, as I believe it still is, our economic duty and to our political advantage to do everything that could be done to further cement the bonds of friendship and commercial intercourse between the United States and the South American countries. There was considerable sentiment at the time to the effect that South America had entered a new era. That became fashionable at that time, as you remember, Senator.

Senator GORE. Yes; I remember.

Mr. KAHN. And it was generally believed that South America had passed the stage of those defaults which too often had occurred in the past, and had now come to be stable and sound business risk.

Senator GORE. It was a new era, but in exactly the opposite sense from what the public thought?

Mr. KAHN. Yes. Unfortunately that has turned out to be so. But I have confidence that as time goes on South America will come into its own and will reestablish itself and become a thoroughly solvent and financially sound part of the world again.

Senator GORE. Everybody shares that wish, of course.

Mr. KAHN. After all, the same thing has been gone through by the English who long before we had any financial dealings with South America to any great extent, advanced very large amounts of money to South American states, many of which later on came to default, and many of which, in fact, most of which, in the course of time became good again.

Senator JOHNSON. You are looking for changing conditions in the world constantly, are you not?

Mr. KAHN. Yes, Senator.

Senator JOHNSON. Who could tell 10 years ago that France would be to-day sitting on top of the world?

Mr. KAHN. No one could, as far as I know.

The CHAIRMAN. When these loans were made and were handled by your house or other houses, did you know of any American or anybody else in the world that thought or had an idea or expressed an idea or opinion that within a period of 10 years the world financially would be in the horrible condition that it is to-day?

Mr. KAHN. I know of none, Senator, and none of us believed that such a nightmare as we are now facing would possibly confront us.

Senator COUZENS. Is it not true that S. Parker Gilbert said it in 1927?

Mr. KAHN. He said it in relation to Germany only and as a warning not to overdo the loaning of funds to Germnay.

Senator COUZENS. I understand that he went further than that, and said there would be a crisis if this thing continued.

Mr. KAHN. I do not recall his precise language, Senator. I have no doubt that Senator Johnson quoted it as it was written.

Senator COUZENS. I think that answers the chairman's point, that there was a warning issued within the 10-year period.

The CHAIRMAN. Senator, did you read that statement?

Senator JOHNSON. Yes.

The CHAIRMAN. At the time it was issued?

Senator JOHNSON. I did, but I have not it before me now. I have not read it of late. I will have it here for presentation to the committee.

It is recalled to me, also, that John Maynard Keynes, British economist, in 1922 said substantially the same thing.

Mr. KAHN. John Maynard Keynes has been a Cassandra ever since 1918 when he left the British Commission for Negotiating Peace and threw up his job, for good reasons in my opinion, which do him credit. Since then he has held that the world was going to the dogs, unless his formulae, his private and patented formula, as they formed themselves in his brilliant mind from time to time, were adopted. He is a very able man, an exceedingly able man, for whose opinions I have great respect; but like many economists he is swayed by his own mental eloquence into taking rigid attitudes as to present and future and persuade himself of things of his conviction, perhaps to a greater extent than nonprofessionals would be able to persuade themselves as to the indisputableness of their views and forecasts.

Senator SHORTRIDGE. Let me recur to the South American defaults. Has any one of the now existing governments repudiated its debts, or is it a mere case of temporary default?

Mr. KAHN. It is a case of temporary default or moratorium. None of them has repudiated at all.

Senator SHORTRIDGE. There has been no repudiation of a given issue?

Mr. KAHN. No, Senator.

Senator JOHNSON. It is a case of moratorium?

Mr. KAHN. It is a case of moratorium in some cases, and, of course, of plain default in other cases.

Senator JOHNSON. The moratorium, in the cases where it exists, we will grant next week, then.

Senator GORE. Does anybody underwrite this temporary proposition? You are not underwriting that or certifying that it is temporary?

Mr. KAHN. As a member of a conservative banking house, may I say that the underwriting of such contingencies is not within the lines of our business?

Senator GORE. That protects the record.

Senator KING. You mentioned Mr. Keynes a few moments ago and said that he was lost in his own verbosity. You recall that he was for many years a strong devotee of gold and denounced the use of silver, particularly bimetallism?

Mr. KAHN. Yes.

Senator KING. But in his recent book, in two volumes, in the last volume he has repudiated those earlier views and said that gold is a parvenu, and that it becomes necessary, or at least that is the implication, that we should have the restoration of silver to a monetary status in order to avert these catastrophes to which we have referred. Would you agree with that view?

Mr. KAHN. Senator, I have read his book, though not very thoroughly, but I have read it, and I have also read various other recent articles of his. They are all tinged of late with the color of the tail of the fox which was no longer in the place where nature intended it to be. The fox, in the fable to which I refer, had lost his tail and therefore he wanted everybody else to lose his tail. Some of the European governments would like the United States to lose its tail; but I am wholly convinced that the United States is going to do no such thing to accommodate them.

Senator GORE. The United States lost its head instead of its tail?

Mr. KAHN. I think, Senator, that in 1929 there was a general brainstorm. "Let him who is without sin first cast the stone."

Senator SHORTRIDGE. What does the metaphorical phrase mean that you gave?

Mr. KAHN. I mean that England has not by its own choice but by necessity gone off the gold standard; and that is true of several other countries.

Senator KING. But his book was written two years ago. That was before Great Britain had abandoned the gold standard. You are not insisting, are you, that Mr. Keynes predicated his book upon the assumption that Great Britain had lost her tail or her head and was going off the gold standard?

Mr. KAHN. I rather think, Senator, he did, because he at that time was already urgently in favor of a so-called managed currency which he has preached ever since. Winston Churchill in 1926 brought the gold standard back to England, and ever since then Maynard Keynes has preached the unwisdom of that action and the inevitable necessity of introducing what is generally termed "managed currency." I do not understand that at present he is in favor of bimetallism. He is now, I believe, wholly in favor of managed currency and is convinced that the world has got to come ultimately to follow Great Britain in the formula of a managed currency.

Senator GORE. Do you think that is feasible?

Mr. KAHN. He thinks it is feasible——

Senator GORE. Do you think so?

Mr. KAHN. I do not Senator. At least, it has never been proven that it is feasible. I believe I said on the last occasion when I had the honor of testifying before this committee that the main purpose of gold currency is to put certain restraints upon the potential excesses of inflation, because your money is gauged and measured by a metal which it is not within the province of man either to increase or decrease at his own choosing, but which nature allots to the world within a certain definite measure. Its supply does not vary excessively, taking it over a long range of time, and it has other qualities making it particularly suitable as a basis for currency, though I do believe that the fluctuations of its value in relation to prices, wages, and living costs are a problem which calls for searching study and, if feasible, for correction. In any event, it is beyond our power to increase or decrease, and therefore as long as we maintain a certain relationship between——

Senator GORE. Do you think the gold standard can be maintained if countries who control embargoes and control foreign exchange accept the international free use of gold?

Mr. KAHN. I believe it can be maintained by the United States and I think it should be so maintained, while at the same time means should be sought to bring its fluctuations as a measure of value under better control. There is no scarcity of gold at present. The total supply of gold in the banks of the world is twice as great as it was in 1913. I can see no reason why the United States should permit itself to be affected in its own best judgment by the currency policies of other countries.

Senator GORE. This is a little afield, Mr. Chairman, but it is a subject in which I am very much interested.

Mr. Morgan was in England at the time England went off the gold standard, and he said it was an encouraging rather than a discouraging sign.

Mr. KAHN. I think it was not only an encouraging sign, under the then prevailing circumstances in England, but it was an absolute necessity, because they had come to the point where the maintenance of the gold standard had become impossible.

Senator KING. So with Japan and the Scandivanian countries, and more than 17 of the countries of the world.

Senator GORE. Would the same advantages inure to the United States if it should go off the gold standard?

Mr. KAHN. Those advantages, in my opinion, are liable to a large extent to prove illusory and even disadvantageous. How serious the disadvantages will turn out to be the future only can tell. That will vary in different countries. No one can foretell what is the degree of abuse of the printing press which would or might occur when you remove the limitation that you have imposed upon yourselves by making your currency hold a definite relation to a definite metal. There is nothing of proved reliability then that stands between you and the use of the printing press for currency. You must depend mainly, then, upon your own self restraint, the wisdom of your people and the power of the government to withstand popular pressure. Precisely what will be the course of events in the case of countries who, not by their own choice but because they could not help themselves, were taken off the gold standard, is beyond any man's wisdom to foretell. But the fact is that if they did not have had to get off the gold standard there is no reason to think that they would have got off.

Senator KING. Is it not a fact that Paul Warburg and some of you bankers who suffer from the gold mentality, instead of standing by a gold reserve of 40 per cent have advocated and are advocating not only a redistribution of gold, but a reduction of the reserves down to 10 or 20 per cent, on the theory of a managed currency, so that you would have more paper money without gold reserve than you would have if you had bimetallism with silver behind your issue?

Mr. KAHN I do not know what Paul Warburg stands for. I have never expressed myself in public on the subject except to say, as I am saying now, that in my opinion the United States is amply capable of maintaining the existing gold standard, or any standard which, in its own discretion, from its own choice, uninfluenced by any other country, it elects to maintain. Whether that ultimately be the gold standard just as it is now or any modification thereof, is not, as I understand, now in question. I feel quite certain that there is not any doubt whatsoever that the United States is amply capable of continuing the existing gold standard; and if France chooses to withdraw all the gold that it now has here, the United States is still amply capable of maintaining the gold standard. What it chooses to do thereafter, at its own time and of its own free choice in making currency conditions——

Senator GORE. How much gold has France here now?

Mr. KAHN. Roughly speaking, I should say the equivalent of something in excess of $500,000,000; and I should say she is welcome to it.

Senator GORE. Do you think the gold standard can be maintained in a true sense unless it is allowed to flow freely in the settlement of international balances?

Mr. KAHN. I am entirely convinced that there is no power on earth that can get the United States off the gold standard by anything which any other nation may do or which all of them combined may do, except the United States itself, if and when it so chooses. I can see no reason whatever why the United States should so choose.

Senator GORE. The gold standard would lose a great many of its advantages if embargoes were placed on it, and it is not allowed to flow freely where it is demanded in the settlement of international balances. If you isolate the United States and just have a gold standard here, it is almost as bad as the other situation.

Mr. KAHN. I do not see that it would lose any of its essential advantages to us. It might lose advantages to those who, not by their own choice, have been driven off it; but there is an immense advantage to the country which is able to say that it has maintained, year in and year out, through good and evil times, its record for monetary integrity. That kind of virtue ultimately finds its reward. It is the same reward which you get for gaining the confidence of the people in whatever line of business you may be engaged in. Confidence pays. It is a paying asset; and the confidence of the people, our own people and those of the outside world, in the monetary integrity of the United States, in many years to come, will pay us—by which I do not mean to say, Senators, that there are not certain things which could and should, with advantage, be done now, in this particular emergency, to deal with the extreme deflation which prevails.

The CHAIRMAN. Mr. Kahn, will you at this point give for the record your definition of "controlled currency"? I want to know how far you would go.

Mr. KAHN. My definition of what, Senator?

The CHAIMMAN. Controlled currency. I want to know how far your thoughts or your beliefs go as to that form of circulation.

Mr. KAHN. I had hoped to get some light here as to what "controlled currency" really means.

The CHAIRMAN. I think perhaps there are half a dozen different opinions as to what controlled currency means, and I wanted you to put your idea at this time into the record, as to what it really is.

Senator SHORTRIDGE. What he considers it to be.

Mr. KAHN. Senator, that means explaining something which, so far as I know, has never been defined accurately by those who have advocated it—which is one of the reasons why it is easy to advocate it. I know of no one whose voice has claim to authoritative utterance who has precisely said what he means by it in practical and feasible application.

The CHAIRMAN. I was aware of that, and I thought perhaps I was mistaken on it. I wanted to know whether you had come to a conclusion as to just what it was.

Mr. KAHN. I have never come come across any responsible personage who advocaied it who was able or willing to define to me, in precise words, how it is to be worked, except in the main, by the old process of setting the printing presses to work whenever and to the extent that it seemed expedient. I know of nothing more dangerous. I know of nothing more disastrous in its potentialities than setting the printing presses to work for currency purposes.

The CHAIRMAN. That would be uncontrolled.

Senator COUZENS. Oh, no.

Mr. KAHN. The people of the United States fought that fight at the time of the greenback craze, and they have made it plain, beyond peradventure of doubt, that they do not mean to have a depreciated and fluctuating currency.

Senator JOHNSON. Is Kuhn, Loeb & Co. a copartnership or a corporation?

Mr. KUHN. A copartnership.

Senator JOHNSON. Would you please state for the record the names of the partners?

Mr. KAHN. I have furnished those in the statement that I sent to your chairman.

Senator JOHNSON. I had not seen the statement. I did not know that.

Senator KING. They are in the record, Senator.

Mr. KAHN. The names are Felix M. Warburg, Otto H. Kahn, Jerome J. Hanauer. George W. Bovenizer, Lewis L. Strauss, Sir William Wiseman, John M. Schiff, Gilbert W. Kahn, Frederick M. Warburg, and Benjamin J. Buttenwieser.

Senator JOHNSON. Are any of these gentlemen members of any other houses that deal in like fashion to Kuhn, Loeb & Co.?

Mr. KAHN. No, sir.

Senator JOHNSON. Have you directorates upon various banking institutions? Are there, among your partners, directors in various banking institutions?

Mr. KAHN. Two of my partners are directors in banks. John M. Schiff is a director in the Chemical Bank & Trust Co. and Felix M. Warburg is a director in the Manhattan Co. (which owns the Bank of Manhattan Trust Co.) and in the International Acceptance Bank.

Senator JOHNSON. Any others?

Mr. KAHN. None other.

Senator JOHNSON. What is the Bond Mortgage & Guaranty Co.?

Mr. KAHN. I beg your pardon. I did not recall that. It is a mortgage and guaranty company, as its name indicates, of which Felix Warburg is still a director, I believe, as he has been for many years.

Senator JOHNSON. You are a director in the Morristown Trust Co.?

Mr. KAHN. No, Senator. For a long time I have not been a director in that company. I am a director in no bank or trust company.

Senator CONNALLY. Is Felix Warburg a director of the International Acceptance Bank (Inc.)?

Mr. KAHN. The International Acceptance Bank (Inc.) is a subsidiary of the Manhattan Co., which I have mentioned.

Senator JOHNSON. Do the Manhattan and the International Acceptance Bank deal in securities, too?

Mr. KAHN. The International Acceptance Bank does not. The Manhattan itself does not. They have an affiliate called the International Manhattan Co., which is just about to go out of business, as a number of other bank affiliates have gone out of business lately.

Senator JOHNSON. You have branch houses outside of New York City?

Mr. KAHN. No, Senator.

Senator JOHNSON. None at all?

Mr. KAHN. None at all.

Senator JOHNSON. Neither in the Americas nor in Europe?

Mr. KAHN. Nowhere.

Senator JOHNSON. Nowhere at all?

Mr. KAHN. Nowhere.

Senator CONNALLY. May I interrupt you right there? The other day I believe you said none of your firm had anything to do with the political organizations.

Mr. KAHN. Yes, Senator.

Senator CONNALLY. Is Mr. Lewis L. Strauss a member of your firm?

Mr. KAHN. Yes.

Senator CONNALLY. Is he the same Mr. Strauss who is vice treasurer of the Republican National Committee?

Mr. KAHN. I did not even know it. He may be, Senator, I do not know.

Senator CONNALLY. If he is, then you were in error the other day in making that statement?

Mr. KAHN. Not as I understood the question.

Senator CONNALLY. I understood that. Can you not verify that, as to whether he is or not?

Mr. KAHN. I do not believe that was my expression, but I can easily verify whether he is or not.

Senator CONNALLY. I do not mean to catch you on your expression.

Mr. KAHN. While I said the firm or the individuals connected with it had nothing to do with political organizations—or whatever may have been my precise expressions—I hope every member of my firm does his duty as an American voter.

Senator CONNALLY. To be sure.

Mr. KAHN. Either in the Democratic or the Republican ranks.

Senator CONNALLY. Is he, or not, vice treasurer of the Republican National Committee?

Mr. KAHN. Frankly, I do not know.

Senator CONNALLY. Is he the same Mr. Strauss who was private secretary to Mr. Hoover when he was Food Administrator, during the World War, in 1917, 1918, and 1919?

Mr. KAHN. Yes.

Senator CONNALLY. And a member of the American Relief Administration?

Mr. KAHN. Yes, I believe.

Senator CONNALLY. The Russian relief, and so forth?

Mr. KAHN. Frankly, I do not know.

Senator CONNALLY. Chairman of the Joint Distribution Committee on Russian Relief?

Mr. KAHN. That I do not know, Senator.

Senator JOHNSON. Do you know whether or not the State Department at one time wrote a letter against further German loans?

Mr. KAHN. Not to my knodwledge, Senator. If it did, it has not come to my knowledge, or I fail to recall it. The German loans, taken all together, are really only a relatively moderate part of the total loans made by America since 1918. As I figure it, these total loans are about $10,000,000,000, and as I figure it the German loans made in America are about 13 per cent of that—about $1,300,000,000. So I do not believe, even if Mr. Parker Gilbert was right, that the injection into the totality of our loans of $1,300,000,000, could have been of so vital an effect as some people are apt to think.

Senator GORE. Do you include both long and short term loans in that?

Mr. KAHN. I include only the long time loans. The short term loans, I believe to about $600,000,000, roughly speaking.

Senator King. Mr. Kahn, if the papers state—and my recollection is not very clear—that the loans to Germany, long and short—and when I say Germany I mean, of course, private institutions, cities, provinces, and some of the industries—amount to $4,000,000,000, would that be excessive?

Mr. KAHN. In my opinion, yes. I am speaking of American loans to Germany.

Senator King. That is what I am speaking of. Do you know what the loans are to private corporations and individuals, and to the industrialists of Germany, made by the United States?

Mr. KAHN. I think all that is included in the total of $1,300,000,000. I think, in addition to that——

Senator KING. There is one other question I wanted to ask you, if I may. In 1920, 1921, 1922, and 1923, particularly in 1922 and 1923, Germany emitted large issues of paper marks, and large quantities of those marks were unloaded upon the American public. I was wondering if any of the banks, to your knowledge, were instrumental in unloading those marks upon the American public.

Mr. KAHN. So far as I know, none of them were. If I may say so, Senator, is it not rather a reflection upon the mental capacity of the American people to speak of " unloading " in this connection? A great many people in numerous countries at that time believed that the mark ultimately would be all right; and without any agitation on the part of anybody, of their own volition and as a result of their own judgment, a great many of them bought marks.

Senator KING. I know that.

Mr. KAHN. But I do not believe anybody " unloaded."

Senator KING. Strike out the word "unloaded" if that does not express the view to you, to meet your understanding; did any of the banks become the conduit by which those marks, whether they were bad or whether they were good, were sold to the American public?

Mr. KAHN. To the best of my knowledge, no.

Senator KING. Do you know how many marks, during all periods after the war, were sold to the American public, to the banks, or to individuals?

Mr. KAHN. I do not know, Senator.

Senator KING. You know that large quantities were disposed of in the United States.

Mr. KAHN. Yes.

Senator KING. And that it was reported in the papers that Germany had obtained, by the sale of those marks, considerably more than $1,000,000,000 from the United States, and more than $1,000,000,000 dollars from France, Great Britain, Holland, Switzerland, and some of the Scandinavian states? When I say "Germany," I mean, of course, the banks and the people, the government, and the provinces.

Mr. KAHN. I could not give you a competent answer to that, Senator, without attempting to make an investigation from sources that may be available in Germany. I suppose it would only be known in Germany itself.

Senator KING. It was generally known, was it not, so as to become, really, a matter that was accepted as a fact, that Germany did obtain from various countries a large amount of money by the sale of marks to those countries?

Mr. KAHN. Yes.

Senator KING. And those marks afterwards, of course, were entirely repudiated?

Mr. KAHN. They were entirely repudiated, or practically so.

Senator SHORTRIDGE. Were they, Senator, repudiated by governmental action?

Senator KING. Yes.

Senator SHORTRIDGE. I merely wanted it for the record.

Senator KING. They were repudiated by governmental action, and the rentenmark was issued after the reorganization.

Mr. KAHN. They called it by the euphonious name of "revalorization," instead of "repudiation." They were "revalorized by governmental action.

Senator GORE. Can you tell us where we can find out to what extent money borrowed in the United States by Germany was used to pay reparations to France, either directly or by substituting and releasing other money for such payments?

Mr. KAHN. Of course, this question enters into the field to which Senator Couzens has very correctly called attention, namely, that no one can say to what extent money that goes into the pockets of a government finds itself in its waistcoat pocket, its trousers pocket, or its hip pocket, or what precisely it does with any particular portion of that money.

Senator GORE. We constantly see the statement—I saw it yesterday—that Germany borrowed money from the United States to make her reparations payments. I do not know whether it is the truth or not, and I do not know how to find out whether it is true or not, if there is any way.

Mr. KAHN. I do not believe, Senator, that even Germany would know that, because a government can not earmark money which it has and spends out of its total resources. There is no doubt that if Germany had not been able to borrow money it would have been unable, long since, to pay reparations, and therefore, to that extent, it is a generally correct statement to say that out of the money which Germany borrowed it did pay reparations. On the other hand, Germany could probably prove, by its statistics and figures, that all the money it borrowed was spent for social purposes, for erecting workingmen's dwellings, for creating opportunities to make life, which was difficult enough, more bearable for the masses of the people, for the dole, for artistic, cultural, and other efforts, which benefited the German people, for reconstructing, as they did to a very large extent, factories. and so forth. I think Germany, by a clever statistician, could prove that not one dollar of borrowed money has been spent for reparations. I am equally sure that the reverse can be proved.

Senator GORE. I understand the technical difficulties. If a revolution should come in Germany and it should be followed by repudiation of these debts, Germany has the improvements and we have the bonds.

The CHAIRMAN. If there are no other questions to be asked the witness, he may be excused. We thank you. Mr. Kahn.

Senator JOHNSON. Wait a moment. Mr. Chairman. I have many questions, and particularly concerning the statement that Mr. Kahn has. He might put it in the record. I have not had the opportunity to look at it yet. You are going to adjourn until 2 o'clock, are you not?

The CHAIRMAN. Yes.

Senator JOHNSON. Very well. I shall not take very long with him then, but there are quite a few questions I desire to ask then.

The CHAIRMAN. You will return at 2 o'clock, then. Mr. Kahn.

(Whereupon, at 11.50 o'clock a. m., the committee recessed until 2 o'clock p. m.)

AFTER RECESS

The committee resumed at 2 o'clock p. m. at the expiration of the recess.

The CHAIRMAN. If the committee will come to order we will proceed with our hearing. Mr. Kahn, understood that that you wanted to make a further statement before concluding your testimony.

Mr. KAHN. Yes, if you will permit.

TESTIMONY OF OTTO H. KAHN, A MEMBER OF KUHN, LOEB & CO., NEW YORK, N. Y.—Resumed

Mr. KAHN. Unless Senator Johnson or any other Senators wish to ask further questions, I will proceed, as there are a very few things I should like to clear up.

Senator JOHNSON. Would you rather leave that to the end of your testimony?

Mr. KAHN. Yes.

Senator JOHNSON. Do you know anything about Canadian loans made in this country?

Mr. KAHN. Yes; in a general way.

Senator JOHNSON. Were you interested in them or in any of them?

Mr. KAHN. The only ones, Senator Johnson, in which we were interested were loans made to certain Canadian Provinces, to the Provinces of Ontario and Alberta.

Senator JOHNSON. Will you tell us about those, please?

Mr. KAHN. The loan to the Province of Ontario, $20,000,000. 20-year, 5 per cent gold loan. That was bought at 97.67 and the price to the public was 99¼, leaving a spread of 1.58 per cent.

The next one was in 1926, a loan of $6,000,000 to the Province of Alberta, 30-year, 4½ per cent gold debentures, due in 1956. The purchase price was 92¾ and it was sold to the public at 94½, the spread being 1¾ per cent.

Senator JOHNSON. Are those the only Canadian loans in which you have participated?

Mr. KAHN. Yes, sir.

Senator JOHNSON. Are you familiar at all with other Canadian loans that have been made?

Mr. KAHN. Only in a general way. We were not in any of the other syndicates.

Senator JOHNSON. Do you know who made them?

Mr. KAHN. Various concerns made them. I think, Dillon, Read & Co. made some of them, if I recall correctly; and J. P. Morgan & Co. made some of them. And I believe the National City Co. made some. I do not recall exactly who made them.

Senator JOHNSON. Do you recall whether the Pittsburgh banks made any of them?

Mr. KAHN. I do not.

Senator JOHNSON. You have no recollection of them at all?

Mr. KAHN. No.

Senator JOHNSON. Do you know anything about loans that were made to Cuba?

Mr. KAHN. Yes, Senator Johnson; in some of them we participated. I have on this list of mine two loans made to the Republic of Cuba, one of them in 1927, 5½ per cent, due in 1928 to 1937, a serial loan, $9,000,000. The price paid was 100, and the price sold to the public was 101⅛. This loan was made under the leadership of J. P. Morgan & Co., but we participated in it, I mean in the originating group. I might mention that in regard to that loan $3,600,000 has been retired.

The next loan in which we participated likewise that was made to the Republic of Cuba, under the leadership of J. P. Morgan & Co., but we being members of the originating group, was an external loan, 30-year, sinking fund, 5½ per cent gold bonds, due in 1953. The amount was $50,000,000. The purchase price was 96.77. The issue price to the public was 99¼, leaving a spread of slightly less than 2½ per cent. $23,000,000 of that loan has been retired.

Senator JOHNSON. Did you participate in any loans made to any sugar corporations in Cuba?

Mr. KAHN. No, sir; we did not.

Senator JOHNSON. You had nothing to do with them?

Mr. KAHN. No, sir.

Senator JOHNSON. And I assume that you know nothing about them.

Mr. KAHN. No, sir.

Senator JOHNSON. Will you state whether or not any proceeds of bond issues that you have referred to, or of security issues to which you have adverted, were left on deposit with the banking house or with those who dealt with the loans?

Mr. KAHN. That varies.

Senator JOHNSON. Oftentimes it is the case, is it not?

Mr. KAHN. Sometimes it is the case, according to the convenience of the borrower.

Senator JOHNSON. Does that make an indirect profit to the house that is dealing with the proposition?

Mr. KAHN. Well, if that house judges the market correctly and is able to loan out the money on deposit with it at a better rate than that which it has agreed to pay to the depositor, naturally it makes a profit.

Senator JOHNSON. Would you say that that means a considerable sum?

Mr. KAHN. The amount deposited might mean a considerable sum. The percentage of profit could be only a quite moderate one.

Senator JOHNSON. Well, that is comparative and relative.

Mr. KAHN. I will admit that it is relative.

Senator JOHNSON. Speaking from the standpoint of the debtor class it would be one thing, and speaking from the standpoint of the banking fraternity it would be quite another perhaps.

Mr. KAHN. I think we can to a certain extent agree on the amount of profit; if it would be one-half of 1 per cent per annum it would be a moderate profit.

Senator JOHNSON. In the matter of loans that you have made in the fashion you have indicated, has a very considerable sum of money been left on deposit with you?

Mr. KAHN. A very considerable sum, hardly, but again that is relative. We are not a house of deposit in the general sense. On the other hand, if some of our clients have money left over which they desire us to administer for them, as a depositary for the time being or for a specified length of time, of course we do it. But we do not look upon that primarily as a source of revenue. It is more or less a service we are rendering because of our connection with them, but we are not generally looking for deposits, and we are not a bank of deposit in the general sense of the word.

Senator JOHNSON. That often happens with various institutions that float loans, does it not?

Mr. KAHN. It would happen if a loan is floated and the institution for which we float it should say: We have no use for that money until say the first of next July. Will you keep it for three months and give us the best rate of interest you can? In which case we say, yes; we will gladly do so. But it does not amount to sums of great significance. In our case, it is rather unusual than usual.

Senator JOHNSON. Might that be said of any sums left with you on any loans?

Mr. KAHN. My description of the size, do you mean?

Senator JOHNSON. Yes. Very considerable portion, according to the information that has been given me, are left with those by whom loans are floated.

Mr. KAHN. It would depend entirely upon the requirements of the corporation, government, or municipality that was borrowing the money. In some cases they want the money even before it is subscribed or paid for by the public. In other cases it suits them better to leave it for a certain length of time. That situation varies, and it is a matter of their own convenience.

Senator JOHNSON. Is a charge made at any time by any institutions you are familiar with acting as fiscal agents?

Mr. KAHN. We are not fiscal agents for any government, except to the extent of cashing coupons in a few instances, and of paying off the principal, when due, in a few instances. For that service a small charge is made.

Senator JOHNSON. You are familiar with the fact that a charge has been made, or is made, that it is not uncommon, for acting as fiscal agent, are you not?

Mr. KAHN. The practice of being formally designated as fiscal agent is not so much in vogue nowadays.

Senator JOHNSON. Well, I will change the characterization if you desire.

Mr. KAHN. But in the matter of paying coupons when due, and paying off principal when due, that does usually involve a small charge.

Senator JOHNSON. Exactly what I am driving at is this: There is the profit that the house makes that sells a security, first of all. You may call it the spread. I think that is the characterization used by the house of Morgan, that it is a spread rather than a profit. I am not quarreling with the terminology in the slightest degree because that is a matter of computation, I think of accurate computation. In addition to that there is an indirect profit made out of money that sometimes is held.

Mr. KAHN. Yes.

Senator JOHNSON. And in addition to that there is an indirect profit that is made as fiscal agent at times as well.

Mr. KAHN. For services rendered from time to time, but that has nothing to do with the original issue.

Senator JOHNSON. I realize that. While it has nothing to do with the original issue, yet out of the issue comes the particular profit that I have referred to.

Mr. KAHN. Out of that connection there may come a continuing service, and that is compensated for in some way.

Senator JOHNSON. Those things are looked forward to, I presume, as not only appropriate but as valuable things for the particular house to have, are they not?

Mr. KAHN. Valuable, to use your own words, is a very relative term.

Senator JOHNSON. But valuable, either relatively or otherwise, that is correct, is it not?

Mr. KAHN. Yes.

Senator JOHNSON. Now, do you know how much short-time loans of Germany are outstanding at the present time?

Mr. KAHN. I should say, roughly, $600,000,000.

Senator JOHNSON. Where are those short-time loans held?

Mr. KAHN. They are held as far as I am aware and of course I am not speaking of my own positive knowledge, mainly by banks and trust companies more or less throughout the country.

Senator JOHNSON. When you speak of $600,000,000 of short-time loans that are held, you mean $600,000,000 held in this country?

Mr. KAHN. Yes.

Senator JOHNSON. There is a vast sum held by other countries as well?

Mr. KAHN. Yes, and relatively—I mean in proportion to their resources—a larger sum is held by other countries than by America.

Senator JOHNSON. $600,000,000 of short-time loans of Germany are held in this country.

Mr. KAHN. Yes, in my judgment. I have not the exact figures.

Senator JOHNSON. And those are held by the banks?

Mr. KAHN. Mainly by banks and trust companies.

Senator JOHNSON. They are held mainly by what banks and trust companies?

Mr. KAHN. I could not give you the precise percentage or the precise amounts in each instance.

Senator JOHNSON. I did not expect that, Mr. Kahn, but are they held principally in New York City?

Mr. KAHN. Again I do not wish to give this committee anything that I do not know about of my own knowledge. I know that a certain percentage, and naturally a considerable percentage, is held in New York City.

Senator JOHNSON. Your very knowledge of the situation would demonstrate to you, wouldn't it, that the majority of the short-time credits are held in New York City?

Mr. KAHN. I am not prepared to say that the majority is but it may be so. I do not like to guess, Senator Johnson, in my responses to questions.

Senator JOHNSON. Do you know by what banks or houses these short-time credits are held?

Mr. KAHN. Again I do not know, and I question whether it would be proper for me to give you an answer which is not based upon knowledge on my part.

Senator JOHNSON. I do not wish anything that is not fairly within your knowledge. But isn't it a matter that is fairly within your knowledge where the short-time credits are held; I mean in New York City, and by whom?

Mr. KAHN. As to some of them I would know, and as to others again I would not know. But I think I could say in a general way that as compared to the undivided profits surplus, capital, and other assets of the banks, the total of the German open credits would not be an exorbitant amount. I am comparing it to the total sums which they have at their disposal, and it would not give any cause whatsoever for concern.

Senator COUZENS. Mr. Kahn, that was not what Senator Johnson asked for.

Senator JOHNSON. No; I am not talking about any concern. I am not assuming that there is any matter of concern so far as the solvency of any institution is concerned.

Mr. KAHN. I fully agree with you.

Senator JOHNSON. I did not ask you about that. But I do want to know, if it be possible to find out, where the bulk of these short-time credits are; whether they are held in New York City.

Mr. KAHN. I could mention a few names, but I could not guarantee that they would be complete or anywhere near complete. However, I understand that the Federal Reserve Bank in New York City has the precise figures and the precise names of the institutions that hold those advances.

Senator JOHNSON. Do you mean short-time credits?

Mr. KAHN. Yes, sir; and I feel sure that the Federal reserve bank could give you that information accurately and quickly.

Senator JOHNSON. Well, give the names of three or four institutions that hold relatively large sums of short-time credits in New York City.

Mr. KAHN. To the best of my knowledge, even though I am not a director and have had no occasion to examine their portfolios, the Chase National Bank and——

Senator JOHNSON (interposing). Is the Chase National Bank the institution with which Mr. Alfred Wiggin is connected?

Mr. KAHN. Yes, sir.

Senator JOHNSON. What other institutions?

Mr. KAHN. Well, the National City Bank.

Senator JOHNSON. Yes?

Mr. KAHN. Also, I might mention as among those holding lesser amounts of such short-term credits, the Chemical National Bank, and——

Senator JOHNSON (interposing). With whom is the Chemical National Bank affiliated, if at all; I mean as to any large houses there are in New York City?

Mr. KAHN. I think all our banks pride themselves upon their independence, and the days when it was possible for any one bank or trust company to be designated as so and so's bank or so and so's trust company, are gone. They have grown too big, and their capital is much too large, and their stockholders much too diversified for anything of that kind. These banks to which you refer in New York City alone have probably from 250,000 to 300,000 stockholders.

Senator JOHNSON. Yes; I know.

Mr. KAHN. There is no longer any such thing as may have been referred to in past investigations as certain banks being the more or less exclusive affiliation of one group and other banks of another group.

Senator JOHNSON. Is there any member of your house a director in the Chemical National Bank?

Mr. KAHN. Yes.

Senator JOHNSON. Who?

Mr. KAHN. John Schiff.

Senator JOHNSON. Is there any member of the house of Morgan a director in the Chemical National Bank?

Mr. KAHN. No, sir.

Senator JOHNSON. Or any member of the National City?

Mr. KAHN. No, sir.

Senator JOHNSON. But Mr. Schiff of your house is a director in the Chemical National Bank?

Mr. KAHN. Yes, sir.

Senator JOHNSON. Is there any other member of your house a director in the Chemical National Bank?

Mr. KAHN. No, sir. By the way, my attention is called to the fact that the correct name of that concern is the Chemical Bank Trust Co.

Senator JOHNSON. Now, as to the these short time credits that we have referred to and of which there are $600,000,000 in this country from Germany, they run for about what length of time, please?

Mr. KAHN. That would be guessing, and I can only suggest again that if you want the exact facts I feel sure in twenty-four hours you could have them positively. I hesitate to try to give any of it to you by way of guessing.

Senator JOHNSON. Would you furnish that information exactly?

Mr. KAHN. I could not furnish you with that information, but the Federal reserve bank in New York City could no doubt give it to you.

Senator COUZENS. Why not get that data, Senator Johnson, from the Federal reserve bank in New York City?

Senator JOHNSON. We will try to do so. I will say that I wrote to the Comptroller of the Currency, and he sent me his report. However, that does not cover what I want. I have not gotten it from the Federal Reserve Bank of New York City.

Senator COUZENS. Let us call them down here.

Senator JOHNSON. I do not criticize the Comptroller of the Currency at all for not answering my question. But the information I received from the Comptroller of the Currency upon the subject was the report that he made as to the investments of national banks as of September 29, 1931. You are quite right, Senator Couzens, that we can likely get that by calling on the Federal Reserve Bank of New York City.

Mr. KAHN. I can not state, of course, to what extent, if any, the Federal Reserve Bank in New York City would hold that information as being confidential.

Senator JOHNSON. Permit me, please, Mr. Kahn, to suggest that you do not concern yourself with that matter, because if it is confidential we won't be able to get it, and if it is not confidential we will. So do not trouble yourself with whether somebody in New York City shall consider that it may or may not be confidential so far as that is concerned. Now, we had the Chase National Bank, the National City Bank. They were two that you named that hold short time credits. And the Chemical National Bank. What other banks or trust companies?

Mr. KAHN. The Guaranty Trust Co.

Senator JOHNSON. Is there any representative of your house upon the board of directors of the Guaranty Trust Co.?

Mr. KAHN. No, sir..

Senator JOHNSON. Is there any representative of the house of Morgan on the board of directors of the Guaranty Trust Co.?

Mr. KAHN. I believe so.

Senator JOHNSON. Who, if you please?

Mr. KAHN. I do not know what particular member of J. P. Morgan & Co. is on that board.

Senator JOHNSON. Could you give me the name of any other institution that holds these short-time credits?

Mr. KAHN. I should say that pretty nearly every important bank in New York would have some participation in these short-time credits. I think I might take a list of all the principal banks there and you would find there would be very few if any of them that are not in the list.

Senator JOHNSON. Mr. Kahn, you realize that the subject matter of controversy abroad at the present time is as to whether or not these short-time credits shall be first paid or the governmental obligations shall be first paid, do you not?

Mr. KAHN. May I answer that question by reading a very brief statement, only a page and a half, which I prepared in view of the fact that——

Senator JOHNSON (interposing). I have no desire to do otherwise than let you answer as you see fit.

Mr. KAHN. I should like to read it so as to get a correct presentation of the matter, because the last time I started to answer a question propounded by you on this subject, proctically at the same itme Senaor Reed of Pennsylvania asked a question, and I do not believe I made myself quite plain, as the two questions created a cross current that rather broke in on my trend of though. I should like to have the opportunity to state correctly what I meant to answer.

Senator JOHNSON. In respect to what question?

Mr. KAHN. In respect to this very question you have asked.

Senator JOHNSON. The one I asked just a moment ago?

Mr. KAHN. Yes, sir; and I will say that I anticipated that question.

Senator JOHNSON. All right.

Mr. KAHN. This is my statement: With your permission I should like to say a few words on the question asked me at the last hearing before your honorable committee (as to which my testimony was not completed) as to the relative position of German debts due to corporations or private citizens in the United States as compared to the debts due to the American Government on the part of foreign nations.

The elements entering into this question are threefold and separate:

1. Germany owes war reparations to European governments, which, rightly or wrongly, the overwhelming majority of her people look upon as unjust and oppressive, especially when considered in connection with certain provisions of the treaty of Versailles, and as imposed upon her under duress, and which they feel she ought not to be called upon to pay and believe she can not pay.

2. Germany also owes debts incurred by her government, by individual states, municipalities, corporations, firms, and individuals, which debts are held by corporations, firms, and individuals in foreign countries. The great majority of her people feel that such debts ought to be paid, as they realize that, for her commercial honor, for regaining prosperity, for the functioning of her economic machinery (including the ability to pay taxes for the necessary support

of her government), and for her world trade, the restoration of her business credit among the nations and confidence in her integrity in respect of obligations voluntarily entered into are indispensable essentials.

3. The allied nations owe to the United States certain amounts, repayable in instalments, as arrived at by settlement made several years after the termination of the war and based upon "capacity to pay."

As far as I am aware, this country has not been called upon thus far for a choice as to the relative position of German debts due to American corporations or private citizens, and debts due to the American Government on the part of European governments to whom we advanced funds during and after the war.

If and when that alternative does confront us, and, if and when we know the precise form which it will take, I shall then be quite prepared to express my personal opinion on the subject before your honorable committee, if so desired.

Meanwhile, I ask very respectfully to be excused from replying categorically to a question which is now hypothetical and may remain so.

Senator JOHNSON. With all due deference, Mr. Kahn, I do not think that has anything to do with the question I asked. The question I asked was: Whether or not you were aware that the controversy now existing in Europe among those who were investigating Germany's capacity to pay and what should be done, was as to whether short-time credits should be paid first; that is, whether private obligations should be paid first, or whether governmental obligations should be paid first. That is the controversy that is existing abroad at this time, is it not?

Mr. KAHN. I am not sure that is so, Senator Johnson. I know that we have heard a great deal about it in reading the newspapers but I am not sure it is a fact that that controversy does exist. And with all due respect I should rather know whether it exists, and whether and in what way it will confront us if it ever does confront us, before I attempt to make any answer.

Senator JOHNSON. All right.

Senator COUZENS. Mr. Kahn, will you define who the makers of these short-time securities are?

Mr. KAHN. The makers of short-time securities?

Senator COUZENS. Yes.

Mr. KAHN. German industrial corporations, and German firms of various kinds, and German banks to a large extent.

Senator COUZENS. Well, then, as a matter of fact there is no difference between those obligations and the obligations of the Government. Is that a fact?

Mr. KAHN. Pardon me, I did not quite catch that question.

Senator COUZENS. Isn't it true that we often have a conflict in our own minds, and that the American public have a conflict in their minds of the difference between governmental loans or debts and private obligations?

Mr. KAHN. Yes.

Senator JOHNSON. And you don't care to answer that question until you are more fully advised?

Mr. KAHN. Until I know precisely what confronts us. I know there are a lot of rumors, but they are very indefinite.

The CHAIRMAN. What is your judgment as to the private debts? Are they as secure as the national debts, and would you consider those private debts as good collateral for a bank as a Government debt?

Mr. KAHN. I was asked a somewhat similar question this morning, and I took refuge behind my firm's conservatism. I should like again to take such refuge.

The CHAIRMAN. All right.

Senator SHORTRIDGE. Mr. Kahn, can not you express an opinion without embarrassment?

Mr. KAHN. I do not believe it is possible to express an opinion on a question of that nature, in a general way, without some embarassment, or at least an opinion that would be worth anything.

Senator JOHNSON. Mr. Kahn, will you state what loan it was from Chile that you floated in this country?

Mr. KAHN. Yes. It was a series of loans of the Mortgage Bank of Chile: Guaranteed sinking fund $20,000,000, 6½ per cent gold bonds first. Followed by another loan of 6¾ per cent sinking fund gold bonds of $20,000,000. Followed by another loan of 5-year 6 per cent notes of $10,000,000. Another loan of sinking fund gold bonds 6 per cent, $20,000,000. Another loan of guaranteed sinking fund 6 per cent gold bonds of $20,000,000. The total being $90,000,000, all having been issued between the years 1925 and 1929.

Senator COUZENS. And are they all in default?

Mr. KAHN. They are all the same series of loans. They are all loans of the Mortgage Bank of Chile, unconditionally guaranteed by indorsement by the Republic of Chile as to principal, interest, and sinking fund. And I might add that Chile for over 70 years has had a record of no loan being overdue and no sinking fund overdue.

Senator COUZENS. But they are all in default now.

Mr. KAHN. Yes, sir.

Senator COUZENS. As to interest only, or as to both principal and interest?

Mr. KAHN. Both principal and interest and sinking fund. In other words, they are in complete default.

Senator JOHNSON. What were they sold for?

Mr. KAHN. For the first loan we paid 93 per cent and sold them for 97⅜ per cent, the spread being 4⅜ per cent.

Senator JOHNSON. Now, in the beginning who were the ones interested——

Mr. KAHN (continuing). I might mention, Senator Johnson, that in the case of these loans the Guaranty Trust Co. was our partner.

Senator JOHNSON. Just the two of you?

Mr. KAHN. The Guaranty Trust Co. were our original partner, and then we formed an underwriting group and a participating group.

Senator JOHNSON. Let us follow that out: You and the Guaranty Trust Co. first undertook to float the Mortgage Bank of Chile 6½, being a 1925–1937 loan.

Mr. KAHN. A 1925–1957 loan. Yes, sir.

Senator JOHNSON. That was a $20,000,000 loan.

Mr. KAHN. Yes, sir.

Senator JOHNSON. You undertook to take that at 93, did you say? You were to take them at 93?

Mr. KAHN. We paid 93.

Senator JOHNSON. Now, then, you formed, that is, the Guaranty Trust Co. and Kuhn, Loeb & Co. formed a syndicate or second organization for the purpose of disposing of those bonds?

Mr. KAHN. Yes.

Senator JOHNSON. Who were in that second organization?

Mr. KAHN. I have not the precise names here but will be glad to furnish them.

Senator JOHNSON. Well, about how many of them were there?

Mr. KAHN. Probably 30 or 40. No, my associate says there were probably more than 100 in the underwriting group.

Senator JOHNSON. In the group you mean that you immediately formed?

Mr. KAHN. Yes, sir.

Senator JOHNSON. And did you transfer to that underwriting group the mortgage bonds for a specific sum?

Mr. KAHN. Yes.

Senator JOHNSON. For what sum?

Mr. KAHN. The spread between the sum paid and the sum at which the underwriting group participated was 1½ per cent, in which originating group again others participated.

Senator JOHNSON. First now as to the originating group: You have told me they were Kuhn, Loeb & Co. and the Guaranty Trust Co.?

Mr. KAHN. Yes, sir; and there may have been, although I have no precise names with me, a few others in the originating group.

Senator JOHNSON. Can your associate tell you who they were? You have told me once that there were only two in the originating group, being Kuhn, Loeb & Co. and the Guaranty Trust Co. Can he say whether there were any others in that group?

Mr. KAHN. Neither he nor I have the exact names, but there may have been, and there were one or two more in the originating group he thinks.

Senator JOHNSON. But you can not recall them.

Mr. KAHN. No, not precisely.

Senator JOHNSON. You have said that they were taken at 93 and then transferred to the next group at 94½.

Mr. KAHN. Yes, sir.

Senator JOHNSON. And the next group was composed of how many?

Mr. KAHN. The next group being the underwriting group that you refer to, do you?

Senator JOHNSON. I don't know. I am taking them as they were given to me.

Mr. KAHN. There were three groups.

Senator JOHNSON. Here are two groups to begin with and we are agreed on that. The Guaranty Trust Co. and Kuhn, Loeb & Co. took them at 93.

Mr. KAHN. Yes, sir.

Senator JOHNSON. Now, they were transferred to somebody at 94½.

Mr. KAHN. To the so-called underwriting syndicate they were transferred at 94½. That consisted of more than 100 firms.

Senator JOHNSON. And that underwriting syndicate transferred them to somebody else, didn't they?

Mr. KAHN. That underwriting syndicate then did not transfer, but offered the bonds which they had underwritten to the distributing syndicate, and the distributing syndicate receive the commission of 1¾ per cent.

Senator JOHNSON. Now, let us get our figures right: 93, 94½, and then 1¾ more.

Mr. KAHN. It is 97⅜.

Senator JOHNSON. Which would be 96¼ as I make it.

Mr. KAHN. The first group had 1½ per cent, and the second group had 1⅛ per cent, and the third group had 1¾ per cent. That means the difference between 93 and 97⅜.

Senator JOHNSON. Then they sent them to the ultimate distributors who sold them for 100.

Mr. KAHN. Oh, no. The ultimate distributing group sold them to the public not at 100 but at 97⅜ net. The compensation of 1¾ per cent, which that group received, was included in that public offering price of 97⅜ per cent, or, in other words, it came off that price.

Senator JOHNSON. They received 1¾ per cent?

Mr. KAHN. As a commission: yes.

Senator JOHNSON. And in all of these percentages the originating houses of course participated.

Mr. KAHN. No, sir. The originating group's compensation would be in the first commission; that is, in the originating commission.

Senator JOHNSON. In the 1½ per cent.

Mr. KAHN. Yes. The members of the originating group would also be free to share in the underwriting group's commission in precise proportion—and no more—to the amount in which they share in the risks and obligations undertaken by the members of the underwriting group. But the originating group would not participate ordinarily in the distributors' commission, which usually is the main commission, because, as a group, it would not have distributing facilities.

Senator JOHNSON. But the distributing group you have not reached as yet?

Mr. KAHN. Oh, yes.

Senator JOHNSON. You start out with the originating group?

Mr. KAHN. Yes.

Senator JOHNSON. That is your first group. And then you have your second group?

Mr. KAHN. Yes.

Senator JOHNSON. And in the percentages of these three the originating group participates, doesn't it?

Mr. KAHN. May I try to make it plain in my own language?

Senator JOHNSON. Certainly.

Mr. KAHN. There is first the originating group consisting of Kuhn, Loeb & Co. and the Guaranty Trust Co. and one or two other intimate friends, who got the bonds at 93, which is the price that we paid to the Chilean bank. For our risk, for our negotiations in the matter, and for our standing in the breech until the underwriting group is formed, we—that is, the originating group—received a commission of 1⅛ per cent. Therefore, the underwriting group receives the bonds at 94½.

Senator COUZENS. The point that Senator Johnson is trying to make is this: Did you participate in the difference there?

Mr. KAHN. We would not except to the extent that it may be expedient or necessary for us to join in the obligation of the second group.

Senator Couzens. That is what Senator Johnson is trying to find out. Was it necessary in this instance for you to participate with the second group?

Mr. KAHN. I can not recall, but I could very easily find out whether we participated in the second group or not.

Senator JOHNSON. When you got rid of the securities to the second group, did your responsibility and your service end?

Mr. KAHN. Our responsibility and our service do not end until the bonds are distributed and the money is paid over to our client.

Senator JOHNSON. Exactly.

Mr. KAHN. And we are responsible for the solvency of each member of the underwriting group, and we are responsible for the solvency of every distributor, until we pay the money to the Government concerned or to the corporation concerned.

Senator JOHNSON. In going through these separate stages there were certain percentages allowed or charged and I assume you participated in them.

Mr. KAHN. We share in the first; that is, the originating stage. If it is expedient or necessary, we also participate in the second stage—that is, the underwriting group—as I have tried to explain.

Senator JOHNSON. Well, was it necessary in the case of the Chilean mortgage bonds?

Mr. KAHN. I can not tell you without looking it up.

Senator JOHNSON. Very well.

Mr. KAHN. But I want to make it plain that there were really only two syndicate stages, namely, the stage of the originating group which received 1⅛ per cent, and there it ended. After that this underwriting group sends perhaps a thousand telegrams, or rather we sent them as managers in its behalf, to various distributors throughout the country, some of them banks, but the most of them not banks, some of them people who make a somewhat precarious living selling bonds at retail, sometimes in good times and sometimes in bad times, and those distributors received 1¾ per cent. There is no one else who received anything. Amongst these distributors we do not figure generally, as we are not a distributing organization. There were three commissions altogether which aggregated 4⅜ per cent. That percentage is the total margin or spread between the price which the wholesaler contracts to pay and the price at which the retailer or distributor sells to the public.

Senator JOHNSON. Without pursuing the subject any further, I will ask: You do not know whether you participated in any of these percentages or not?

Mr. KAHN. I know, as I stated this morning, that the total of our gross profits from all percentages or stages in all these loans covering 12 years is slightly more than one-half of 1 per cent.

Senator JOHNSON. That does not answer my question at all. If you do not know, I do not wish to prolong the discussion or ask you any further questions. If you do not know whether you participated in all three percentages, that ends it.

Mr. KAHN. I know that we do not generally participate in the last percentage, because we are not a distributing house, though it happens sometimes that we are in a position to sell to a few special clients.

Senator JOHNSON. Do you know that you participated in two percentages?

Mr. KAHN. I do not know offhand in what instances we participated in the underwriting commission. It would depend upon the circumstances.

Senator JOHNSON. Were those mortgage bonds of Chile bonds that were listed upon the stock exchange?

Mr. KAHN. Yes, sir.

Senator JOHNSON. And are they so listed now?

Mr. KAHN. They are now.

Senator JOHNSON. What are they worth now?

Mr. KAHN. They are listed now at from 10 to 20 per cent.

Senator JOHNSON. We will take the second issue of mortgage bonds of Chile, 6½ per cent, 1926–1961?

Mr. KAHN. They were purchased at 95⅝ and were sold at 99¼ per cent, the spread being 3⅝ per cent.

Senator JOHNSON. And I presume the same process was followed as you have shown in relation to the first issue?

Mr. KAHN. Except the division of the compensation was a somewhat different one. The originating group and the underwriting group were merged into one and received together 1⅜ per cent, and the distributors received 2¼ per cent.

Senator JOHNSON. And the originating group consisted of whom?

Mr. KAHN. The originating group consisted of the same group as before. That is, the Guaranty Trust Co., and ourselves, and one or two others whose names I do not recall.

Senator JOHNSON. Is that issue listed on the stock exchange now?

Mr. KAHN. Yes, sir.

Senator JOHNSON. What are they quoted at at the present time?

Mr. KAHN. Those five loans are quoted at from 10 to 20 per cent.

Senator JOHNSON. Now, take the third one, the Mortgage Bank of Chile, 6 per cent, 1926–1931?

Mr. KAHN. We purchased them at 95½ per cent and sold them to the public at 98¾ per cent, the margin or gross spread being 3¼ per cent.

Senator JOHNSON. They are already due and defaulted, as I understand?

Mr. KAHN. They are due and defaulted; yes.

The CHAIRMAN. You say they are quoted at from 10 to 20 per cent. Is that the percentage of the face value of the bonds?

Mr. KAHN. Yes.

The CHAIRMAN. In other words, a $100 bond is worth $10 or $20 as the case may be.

Mr. KAHN. Yes, sir.

Senator JOHNSON. With no purchasers.

Mr. KAHN. There are——

Senator SHORTRIDGE (interposing). May I ask you a question right there: Mr. Kahn, you say that you purchased or that your house purchased these bonds.

Mr. KAHN. Yes, sir.

Senator SHORTRIDGE. Did you pay for them?

Mr. KAHN. Yes, sir.

Senator SHORTRIDGE. When?

Mr. KAHN. I can not say in every instance the precise day when we paid.

Senator JOHNSON. Have you any of them now?

Senator SHORTRIDGE. Pardon me, Senator Johnson. Mr. Kahn, you did not pay for them until they were finally distributed and sold to the public, did you?

Mr. KAHN. That depends upon the nature of the contract. Some of the money may have gone out at once, but I do not know exactly. It is years back. It depends upon how soon the client wants the money. We are responsible for the money, i. e., the purchase price, not after the bonds are placed but the moment we affix our signature to the contract.

Senator COUZENS. Mr. Kahn, over your years of experience isn't it a fact that the most of these bonds are sold before you have to pay the money to the borrower?

Mr. KAHN. The most of them; yes. But there have been cases to the contrary.

Senator JOHNSON. As to any of these bonds of the Mortgage Bank of Chile, is it to the contrary? In other words, have you any of those bonds now?

Mr. KAHN. Senator Johnson, I do not think I ought to be called upon, with all due respect, to disclose what specific bonds my firm does or does not hold.

Senator JOHNSON. Very well, then, we will take it up in another way. When you form your syndicate in the fashion you have stated, your syndicate disposes of all the bonds, does it not?

Mr. KAHN. It does not succeed in doing so in all cases; no.

Senator JOHNSON. I am speaking of the Chilean bonds.

Mr. KAHN. Not in all of the Chilean bonds; no.

Senator JOHNSON. But your syndicates generally disposed of them?

Mr. KAHN. There are some cases where they did not.

Senator JOHNSON. Who would hold them then? Would it be the original parties who got them or the distributing agents?

Mr. KAHN. The distributing agents would attempt to sell them to their clients. If they do not succeed in selling them then after a certain length of time they are free to dispose of them in the market. In that case it is more or less a moral obligation on the part of the issuing houses to attempt to sustain the market so that those who in reliance not only upon their own judgment but upon the reputation of the issuing houses have bought the bonds either for distribution or otherwise, may have a market upon which to sell. That has been the fact in this case, and inasmuch as you have asked that specific question, I will say that we did go into the market, and we did buy bonds when distributors or the public found it difficult to sell them, and we did make a considerable loss on what we bought.

Senator JOHNSON. Will you state when you made your considerable loss on them?

Mr. KAHN. That was in the case of the last loan, and——

Senator JOHNSON (interposing). But I have not reached that loan as yet.

Mr. KAHN. It was in the case of the last loan. In the other cases we made no loss.

Senator JOHNSON. Of course, not. These other sales were made in 1925, 1926, again in 1926, and in 1928, were they not?

Mr. KAHN. Yes, sir.

Senator JOHNSON. All those sales were made by your distributing agents without any loss to anybody.

Mr. KAHN. Yes.

Senator JOHNSON. So far as the syndicate was concerned?

Mr. KAHN. Yes.

Senator JOHNSON. Or so far as the underwriters were concerned?

Mr. KAHN. Yes.

Senator JOHNSON. Now, the last issue that you had was 1929–1962 of the Mortgage Bank of Chile, 6 per cent.

Mr. KAHN. Correct, which we purchased at 89½ and offered to the public at 92, the spread being 2½ per cent gross. And as I have just reluctantly admitted in answer to a direct question, that loan did not go well and we purchased a considerable amount at our own risk, our own expense, and made a considerable loss on them.

Senator JOHNSON. Do you mean the house of Kuhn, Loeb & Co.?

Mr. KAHN. Yes, sir.

Senator JOHNSON. Did the syndicate join you in that purchase?

Mr. KAHN. No, sir; the originating group did join, I believe.

Senator JOHNSON. And that originating group is what?

Mr. KAHN. The Guaranty Trust Co. and I believe one or two others. Or, to be more exact, I will say that whenever I mentioned the name of the Guaranty Trust Co., in connection with this Chile business, I should have said Guaranty Co.

Senator JOHNSON. The Guaranty Co.?

Mr. KAHN. Yes, sir.

Senator JOHNSON. I believe in exactness, and both of us do in that regard I am sure.

Mr. KAHN. I am sure that we do.

Senator JOHNSON. Now, that disposes of the five issues of bonds of the Mortgage Bank of Chile.

Mr. KAHN. Yes.

Senator JOHNSON. And the last one was the only one that did no go well.

Mr. KAHN. Yes, sir.

Senator JOHNSON. The issue of 1929–1962. Do you know when it was that you put that issue into the hands of distributors?

Mr. KAHN. Yes, sir; on the 26th of June, 1929.

Senator COUZENS. When you sent out the telegrams with reference to that issue which you bought at 89 and a fraction, how many distributors did you send telegrams to?

Mr. KAHN. That depends upon the size and circumstances of the issue. It may be as many as a thousand. In the case of an issue of $20,000,000, being given the fact that the borrower was a Government concern which dealt only in first mortgages and had an excellent record, standing, and credit, we probably would not invite more than 300 or 400 concerns to participate.

Senator COUZENS. When you say that did not go well, you mean that those three or four hundred people whom you answered to participate, declined?

Mr. KAHN. Some of them declined.

Senator COUZENS. If they had not declined the issue would have gone well, would it not?

Mr. KAHN. That does not necessarily follow, Senator. The question of success or nonsuccess of an issue is one of the public's response. Though being relieved of our legal responsibility, the matter of our moral responsibility and of prestige and of interest as issuing house remains.

Senator COUZENS. Let us assume as to those three or four hundred people to whom you sent out telegrams inviting them to participate, most of them took their allotment. Where was your responsibility left?

Mr. KAHN. Our legal responsibility was completed the moment the underwriting syndicate was formed. Our moral responsibility, as I have tried to make plain, continues. We were trying to relieve distributors, as far as practicable, from having to shoulder the burden of liquidating in a difficult and unfavorable market. Therefore, in order to protect them and the public, in order to help them, we went into the market and bought bonds ourselves.

Senator COUZENS. In other words, with regard to these three or four hundred distributors whom you asked to participate in this last Chilean loan, you took back some of the bonds they subscribed for?

Mr. KAHN. Yes, sir.

Senator COUZENS. And you took them back at the price you had allotted them at?

Mr. KAHN. Generally, yes, sir.

Senator COUZENS. You did not take them back at the market?

Mr. KAHN. We would not take them back from the distributors direct; we would buy them in the market which would give the distributor an opportunity to dispose of bonds left on his hands.

Senator COUZENS. At what price?

Mr. KAHN. It depends on what the market was at that time. We would naturally try if possible to maintain the market to the extent that we legitimately could do so.

Senator COUZENS. That is only a moral obligation?

Mr. KAHN. Yes; a moral obligation.

Senator COUZENS. In other words, if those three or four hundred people had simply subscribed for this last Chilean loan and you did not relieve them of their responsibility and they took their chances of selling them, and if they had to sell them at less than cost they stood to lose?

Mr. KAHN. Yes, Senator.

Senator COUZENS. So, as a matter of fact, you do not assume any responsibility to these dealers, after having sold them, to take the bonds back?

Mr. KAHN. No legal responsibility; no.

Senator SHORTRIDGE. I have understood you to say that you purchased from the Chilean Government this last issue?

Mr. KAHN. From the Mortgage Bank of Chile.

Senator SHORTRIDGE. You bought those bonds?

Mr. KAHN. Which is a government institution.

Senator SHORTRIDGE. You bought those bonds?

Mr. KAHN. Yes.

Senator SHORTRIDGE. At what figure?

Mr. KAHN. At the figure which I have stated.

Senator SHORTRIDGE. Did your firm in purchasing those bonds pay 89 and a fraction for them?

Mr. KAHN. Yes.

Senator SHORTRIDGE. You paid it?

Mr. KAHN. Yes; we paid the price at which we contracted to buy the bonds.

Senator SHORTRIDGE. They got the money?

Mr. KAHN. Yes, sir.

Senator SHORTRIDGE. That is all; sir.

Senator JOHNSON. Perhaps my colleague is asking about the bonds which subsequently you bought upon the market. You do not mean to say that you paid 89 and a fraction for them subsequently upon the market?

Mr. KAHN. Very likely we did.

Senator JOHNSON. And very likely you did not, too.

Mr. KAHN. I think we did, Senator. I think the bulk of our purchase price would have been at, or close to the issue price.

Senator JOHNSON. When they were on the market?

Mr. KAHN. Yes.

Senator JOHNSON. I suppose you had distributed all these bonds to distributing agents?

Mr. KAHN. Yes; practically so.

Senator JOHNSON. They disposed of them in the market as best they could?

Mr. KAHN. Not in the market, sir. They were disposed of throughout the country.

Senator JOHNSON. Some of them, as you say, to quote your exact language, were eking out a precarious existence in selling bonds to other people?

Mr. KAHN. Yes, sir.

Senator JOHNSON. After they had exhausted their efforts do you mean to say that they had some of the bonds in their possession still?

Mr. KAHN. Yes.

Senator JOHNSON. And they had actually paid for those bonds?

Mr. KAHN. Yes.

Senator JOHNSON. The amount had been estimated for each bond that had been sent to these precarious bond salesmen; is that correct?

Mr. KAHN. Yes, sir; but I do not think that your sympathy need be quite as general as that; it is but a limited number to whom the term "precarious" applies ordinarily.

Senator JOHNSON. You sent the bonds with a bill of lading and a draft, and they paid the draft and got the bonds. Is that the system?

Mr. KAHN. The system, Senator, is that these houses, practically all of them, have either direct New York correspondents and accounts or they have banks in their vicinity which in turn have New York correspondents. They send an order to us to deliver to such New York correspondents the amount of bonds which they (those distributors) have subscribed for, and thus a New York bank pays for their account. To what extent and in what cases those payments are based upon loans which distributors have made from banks in their neighborhood we have no means of knowing.

Senator JOHNSON. Do you keep card indexes of your salesmen?

Mr. KAHN. We have no salesmen.

Senator JOHNSON. Of your distributing agents?

Mr. KAHN. Of the distributors throughout the country; yes.

Senator JOHNSON. Do you have allocated so much of the bond issue to those that you have card indexes of?

Mr. KAHN. It depends upon the nature of the bond issue. We either send telegrams or telephone messages saying that such and such a bond issue is coming out—"How much do you want?" Or we send messages saying "Such and such a bond issue is coming out. We can let you have so much. We have allotted you so much. Do you want to take it?"

Senator COUZENS. That is the majority way? You do that more times than the other way?

Mr. KAHN. My associate says that it is about 50-50.

Senator GEORGE. Several times we have reached this point, but have always been given to understand here by yourself and preceding witnesses that it is purely optional with those members of the distributing group whether they take those bonds or not?

Mr. KAHN. Yes, senator.

Senator GEORGE. As a matter of fact, it is quite a common practice simply to call up the member of the distributing group and say that so many bonds are allotted to that group and ask for and get an answer. Is not that true?

Mr. KAHN. It is true in about half the cases.

Senator GEORGE. You have already answered, but I wanted to get it clear in my own mind: In the matter of the Mortgage Bank of Chile bonds the distributing group is composed in part of banks, I believe?

Mr. KAHN. In minor part of banks; yes.

Senator GEORGE. Banks of deposit, of course?

Mr. KAHN. Yes.

Senator GEORGE. Is your underwriting group composed at all of banks?

Mr. KAHN. Our underwriting group may be in part composed of banks; yes.

Senator GEORGE. Your underwriting group of course varies; the membership in the group varies?

Mr. KAHN. Yes, Senator.

Senator GEORGE. It grows larger than your distributing group. Mr. Mitchell referred to his distributing group as a banking group, perhaps a technical designation. By reference to his testimony you will see that one issue of Swedish Government bonds was distributed to a banking group consisting of 422 members.

Mr. KAHN. Yes.

Senator GEORGE. That is rather large, but I am using it as an example. Mr. Mitchell answered specifically a question which I put to him that the 422 members of that banking group were in part at least deposit banks.

Mr. KAHN. Yes.

Senator GEORGE. The same general practice, Mr. Kahn, is followed in the case of domestic bonds?

Mr. KAHN. Yes, sir; it is.

Senator JOHNSON. Can you state whether or not any of the recent bank failures in New York or elsewhere have been caused by these failing banks holding foreign securities?

Mr. KAHN. I can not state of my own knowledge to what extent these failing banks were holding foreign securities. I know that domestic securities in many cases have suffered a fall at least as large as the fall suffered by foreign securities. They probably hold a great many more American securities than they hold of foreign securities. After all, of the total of foreign securities placed here since the close of the war only 8½ per cent are in default; 91½ per cent have not defaulted. How great the percentage is of foreign holdings by the banks as compared with domestic holdings I can not say, but I have not the slightest doubt that the domestic holdings are much greater than the foreign holdings.

Senator JOHNSON. That does not answer the question. I will grant all that you say. But my question is whether the holding of foreign securities has contributed in any degree to the failure of these banks.

Mr. KAHN. To answer that question in the direct way in which you ask it, Senator, I should have to know the case of each bank and precisely what the holdings were, which I do not know.

Senator JOHNSON. As to the proportion, I have before me a statement of the investment of national banks, September 29, 1931, handed me this morning by the Comptroller of the Currency. It shows in New York, of foreign securities, $119,992,000, and of domestic securities about $615,000,000 held. That is more than one-sixth.

Mr. KAHN. Or, to put it the other way, that they are holding nearly six times as many domestic securities as foreign securities.

Senator JOHNSON. Pretty nearly six times as many. But foreign securities, if there were no market for them at all at the present time, would have a great deal to do, would it not, with the standing of the company?

Mr. KAHN. There is a market for them.

Senator JOHNSON. A market of about 10 per cent.

Mr. KAHN. It depends, and it varies. In the case of a great many securities there is a vastly higher market than that.

Senator JOHNSON. Do you mean to say that the governmental securities of South American countries, and of Germany, and the like, are equal to-day to governmental securities of the United States?

Mr. KAHN. Oh, of course not.

Senator JOHNSON. Of course not. That is exactly what I am speaking to you about.

Senator COUZENS. I think the confusion between what you said——

Senator JOHNSON. If there was confusion, I beg your pardon. I am speaking of governmental securities, foreign and domestic.

Mr. KAHN. Oh. I beg your pardon. I did not catch the word "governmental."

Senator COUZENS I think that is true. You did not use the word "governmental" in your first question, Senator.

Mr. KAHN. Of course that makes a complete difference.

Senator JOHNSON. If there is one-sixth of these foreign governmental securities held by New York banks as against less than six times that much of United States governmental securities held by your New York bank, it would leave them in a situation quite different from that which you were speaking of, would it not?

Mr. KAHN. Senator, I did not understand, from the way you stated it, exactly to what the comparison embodied in your question related. But I do want to say that if our banks hold $116,000,000 of foreign governmental securities it depends upon what securities they are. Some of them are selling at par and higher. French securities are selling at par and higher. The Belgian securities are selling near par. The Italian securities are selling at about 85, and so on.

Senator JOHNSON. We will go into that by the appropriate official. I will let that pass.

Senator COUZENS. Have you examined the files or portfolios of any of these suspended banks?

Mr. KAHN. No, sir; I have not.

Senator BARKLEY. How does the amount of short-term securities, which I think you fix at somewhere near six hundred million, compare with the amount of domestic securities issued during the same period in the United States?

Mr. KAHN. It would only be a fraction of the domestic securities; but I am unable to give you any figure on the subject.

Senator BARKLEY. The amount of domestic securities which might be termed short-term securities in this country is considerably over $2,000,000,000, is it not?

Mr. KAHN. A great deal more, I should say, especially if you include municipal short-term loans.

Senator BARKLEY. I am including all sorts, domestic bonds, municipal, State, county, and industrial.

Mr. KAHN. There are surely more than $2,000,000,000.

Senator JOHNSON. Will you make a distinction between long-time credits, if you have a distinction, and short-term credits?

Mr. KAHN. Long-time credits are a rare thing, Senator, in normal times. Generally speaking, it is a question of long-term bonds or corporation notes, and of ordinary commercial credits which would run usually from three to six months.

Senator JOHNSON. But you understand that in speaking to you of short-time credits a brief period ago we referred to the latter?

Mr. KAHN. You referred to the short-term credits from three to six months.

Senator JOHNSON. Exactly. And that is what you referred to in answer, as well?

Mr. KAHN. Yes.

Senator JOHNSON. Do you know the bank with which Mr. McRoberts is connected?

Mr. KAHN. The Chatham and Phoenix Bank, which has now been merged with the Manufacturers Trust Co.

Senator JOHNSON. Do you know whether or not they held any loans of Germany?

Mr. KAHN. Not of my own knowledge, Senator.

Senator JOHNSON. You have a statement of the loans that have been made by your house, have you not?

Mr. KAHN. Yes; I have a statement here.

Senator JOHNSON. That has been put into the record, has it?

The CHAIRMAN. I think it has, but if it has not, it should go in at this point.

Senator GEORGE. It is in the record, Mr. Chairman.

Senator BARKLEY. What house participated in the Peruvian loan?

Mr. KAHN. My house did not.

Senator BARKLEY. Do you know what house negotiated or originated that loan?

Mr. KAHN. That was, if I remember correctly, originated by Seligman & Co.

Senator JOHNSON. J. & W. Seligman?

Mr. KAHN. Yes.

Senator BARKLEY. Your house in no way participated in it as an originating group or underwriting or distributing group?

Mr. KAHN. No, sir.

Senator BARKLEY. Do you happen to know the amount of that issue?

Mr. KAHN. I do not recall it; no.

Senator BARKLEY. Do you know what it is quoted at now?

Mr. KAHN. I have not the figures before me.

May I have a few moments in which to say a few things which I would like to refer to, mainly so as not to leave my testimony too fragmentary, or somewhat in the air, in certain respects?

The CHAIRMAN. Certainly.

Mr. KAHN. I should like to reiterate, with your permission, Senators, that the total gross profit made by my firm throughout these 12 years upon issues originated and handled by ourselves, including participation in any stages of the transactions, was slightly in excess of one-half of 1 per cent.

Senator COUZENS. Can you reduce that to dollars?

Mr. KAHN. Yes. Over a period of 12 years it is $3,109,000, or an average of about $260,000 a year. That is the gross profit from which we have got to deduct the proportionate share of our overhead, including the expenses of a highly trained personnel, and our taxes.

Senator COUZENS. At that point, would you mind saying why you operate as a partnership rather than as a corporation?

Mr. KAHN. It is a tradition, Senator. We have done it for 60 years and we hesitate to change it.

Senator COUZENS. As a matter of fact, is it not because you do not have to file a statement as a copartnership with the State secretaries, while you do if you are a corporation?

Mr. KAHN. No; that does not enter into it. We would be perfectly willing to file a statement. We have always felt that there is an element of additional strength in a copartnership because every single partner is liable with his whole fortune which, of course, is not so in the case of an incorporated concern. We have always looked upon that as an element which justifies additional confidence and also as an element, perhaps, which induces each partner to be particularly careful and conservative.

To continue my statement, Mr. Chairman, in addition to the profit which I have given as coming to us from foreign-bond transactions originated and managed by ourselves, we made on those offerings in which we joined with J. P. Morgan & Co. a gross profit of slightly less than one-fifth of 1 per cent calculated on the total amount in which we participated, which profit, in dollars and cents, aggregated $1,117,000. That, together with the figure I have previously given as to profits from transactions originated by ourselves alone or with others, accounts for our complete profits of all kinds upon issues of foreign bonds for the period in question.

I am emphasizing these figures because of the fantastic calculations which have been published in some of the papers as to the profits made on these transactions. They were, of course, very large in an absolute sense without measuring them by the vast total of the transactions to which they applied; but if you bear in mind that they relate to $10,000,000,000 or more of risk, of responsibility and of work, and compare them with the customary profits of spreads on other kinds of business, they are not, I venture to think, excessively large.

I am not saying this in self-defense. I am not saying it because I have any apology to make for being in business as an issuing house which, in my humble opinion, is as honorable a calling as any, fulfilling a necessary function, by no means an easy job, and resting upon the confidence of the public, without which it can not exist. I am saying it simply because I think at this particular time a certain amount of harm is being done by grossly exaggerated reports as to profits squeezed out of the public, through the offering of foreign bonds, many of which, unfortunately, have greatly declined in market value.

Senator JOHNSON. You do not think it is doing harm to spread the facts, do you?

Mr. KAHN. The facts, no. On the contrary, I think the bringing out of the truth on any matter in which the public is, or ought to be, concerned, is of distinct benefit to the community. Your committee has been elucidating the facts as to matters of public concern, about which there was much lack of authoritative knowledge, a good deal of misunderstanding, and as to which some reckless and ignorant reports were being spread, tending to intensify apprehension and bitterness of feeling at a particularly delicate time, which calls for calm thinking and reassuring action. I venture to say that your committee is doing a valuable service in producing authoritative and correct information.

The second item I should like to emphasize and to which I alluded this morning in response to a question, is to stress the sense of the moral responsibility of the banker as a highly important, indeed, indispensable, element in banking. Such practices as what you might term "strong-arm methods" of selling, making raids on rather unwilling buyers, exercising undue persuasiveness, tempting buyers by excessive facilities, inducements or expectations; in short, high-power methods of salesmanship, are against the dignity and the ethics of banking. They are not within the permissible functions of a bank or banker and, least of all, within the permissible functions of a bank of deposit.

Senator JOHNSON. You realize, do you not, that there are a great many small banks that have complained to many members of this committee?

Mr. KAHN. I assume so.

Senator JOHNSON. I will say to you that I am not bringing any small bankers here, because I do not want them to have to be submitted to any sort of irritation on the part of any of those with whom they have to deal: but not one but quite a number have stated to me in so many words that they have been compelled to take these securities, not because they wanted them, but because they felt that if they did not take them they would lose the opportunity for legitimate business, and they believed they were acting under coercion. I think you gentlemen ought to know that.

Mr. KAHN. Senator, human nature is human nature on the part of small bankers no less than on the part of big bankers. There is always the temptation to blame someone else or some outside circumstances for one's own decisions or actions, if they turn out disadvantageous. Frankly, and speaking, of course, in a general way, and admitting exceptions, and confining myself to bond syndicates, inasmuch as that is my general line of business, I do not believe that at the time those small bankers took those bonds they acted or felt they were acting under coercion. They were anxious to take them. They asked for them. At that period, say, from 1924 to and including 1928, the bond market was extremely eager and very receptive, for bonds, especially those yielding high rates of interest, a demand greatly exaggerated, as has since become apparent, and greatly beyond what it ought to have been. These little bankers wanted to be in bond syndicates just as the big bankers wanted to be, because 90 per cent and more of such syndicates at that time turned out to be profitable. The fact that bankers are little does not in itself make them any more virtuous than others who are less little.

I honestly believe, and indeed know from my own knowledge, that those people wanted to be in bond syndicates at that period and asked for them. I recall numerous applications on the part of small dealers who wanted to go into our syndicates and to whom we had to say, "We are very sorry, but our lists are completely filled and we can not handle any more."

Senator JOHNSON. But there were a great many of them that did not want them and felt that under the circumstances they were obliged to take them, and took them because they felt obliged to take them. You may call it moral suasion or whatever you wish to call it, but it existed nevertheless.

Senator GEORGE. May I not ask you this, if in your judgment the practice did not convert small banks of deposit—and I am not using that term as relating to virtue at all, and wholly aside from whether it was the fault of the bank or not—but did not this system that you have described and that other witnesses have described, the method of handling these securities, both the foreign and the domestic, tend to convert these banks of deposit that entered into this distributing group into brokerage houses, just to put it bluntly, and did not too many banks in this country become mere brokerage houses?

Mr. KAHN. Yes; emphatically yes.

May I have a few minutes more, Mr. Chairman?

The CHAIRMAN. Yes; go right along.

Mr. KAHN. I should like to bring out once more—with the purpose of making the fact generally known and not with the purpose of attempting to cover adverse happenings or circumstances with the cloak of soft-soap statements—that of the total of $10,000,000,000 issued in this country in foreign bonds since 1918 only 8½ per cent are in default; 91½ per cent are paying interest and sinking fund.

Senator JOHNSON. Yes; but what is their depreciation?

Mr. KAHN. Surely no one can be responsible for the market quotations which an emotionally disturbed and frightened public sentiment, for the time being, places upon intrinsic values. I have not the shadow of a doubt that those quotations are in many cases utterly unjustified, but no one can control them. I am simply pointing out the fact that in 91½ per cent of the cases of foreign bonds the debtor thus far has paid in full.

Senator JOHNSON. But they are not due yet.

Mr. KAHN. Surely, Senator, you can not expect the debtor to anticipate the due date of his loan.

Senator JOHNSON. Does not the depreciation in value measure the question rather than to say they are not in default when the due date has not been reached?

Mr. KAHN. No; Senator. I think the depreciation in value measures mainly the utter demoralization which unfortunately has taken hold of so many people.

Senator COUZENS. I think that may be said of many railroad securities. They are absolutely good.

Mr. KAHN. May it not be said in a general way that the two worst counsellors of any people or any individual are Greed and Fear? In 1929 Greed sat in the driver's seat, and now Fear sits in the driver's seat. They are the two worst drivers imaginable. Greed was primarily responsible for the excesses of 1929, just as Fear is primarily responsible for the almost unprecedented drop in values which have taken place in the markets for securities within the past few months.

Senator BARKLEY. Right in that connection, what practical suggestion have you to make that will get rid of both drivers for good?

Mr. KAHN. That is a big question I should be happy to try and answer it, but I should have to ask for a little time to mobilize and marshall my thoughts on the subject.

Senator BARKLEY. I will give you all the time you want.

Mr. KAHN. Without attempting now to answer your question adequately, I should say that one practical suggestion for the time being is the setting up as quickly as practicable of the Reconstruction Corporation which Congress now has under consideration, following the precedent of the War Finance Corporation. I think that would go a long way to diminish fear.

Another practical suggestion is to make it plain to the people that the United will not be driven off the gold standard. At the proper time, of our own volition, in our own way, if we so choose, and if we see good and sufficient reason after searching consideration, we will do what seems to us best in this as in other matters. But there is a lot of talk floating around, talk almost treasonable in these parlous times, as to our being pushed off the gold standard into some form of paper currency. Some one has said that "Confidence is merely suspicion asleep." Whether that be generally true or not, it certainly is as applied to a nation's currency and financial affairs. This surely is no time when any idea should be contemplated or discussed which would tend to awaken suspicion by introducing doubts or questions into the minds of the people as to the stability of their monetary standard. No one should be listened to—and the people should be so reassured authoritatively, and none is more authoritative than the Senate who, would give countenance to the idea of the United States having to slide off that standard which we have chosen for ourselves.

The CHAIRMAN. Senator Johnson, perhaps it may be stated that the low prices of these foreign bonds are in no worse condition than some of the stocks in the United States.

Senator JOHNSON. I am not comparing stocks abroad, but I am comparing Government securities abroad.

The CHAIRMAN. For instance. I know one or two concerns that have got enough money in their treasury to pay every single, solitary dollar. They have money enough in their buildings, machinery, and everything else——

Senator JOHNSON. I am not questioning that in the slightest degree. My comparison is between Government securities.

The CHAIRMAN. It is the same thing.

Senator JOHNSON. No; it is not the same.

The CHAIRMAN. Yes.

Senator JOHNSON. Pardon me. I disagree with you.

The CHAIRMAN. Of course you may; but government bonds are selling on the same basis that stocks are selling, not because of the fact that they will not ultimately be paid, but, I suppose, from the very fact that the owners of the stock, or the bond, are compelled to sell them to meet their obligations.

Mr. KAHN. I have two more points, Mr. Chairman, that will take about two minutes, and then I am through.

A point which I should like to bring out as bearing upon the functions and services of the so-called international banker is that during the period of this country's reconstruction, during the time of this country's great pioneering period, it was England, mainly, and also Germany, Holland, and, to a lesser degree, France, which loaned money in the United States, through the intermediacy of bankers, to an extent which in proportion to the then existing resources was greater than the amount which we have loaned Europe since the war. On those loans Europe had precisely the same experience, only more so, that we have now, in the case of the loans that we have made to Europe and other foreign countries. Our railroads went into receivership again and again. The bonds which European investors held——

Senator JOHNSON. What period are you referring to?

Mr. KAHN. To the period from the end of the Civil War to about 1900, mainly, and even after that, until the beginning of the World War. European investors had very much the same experience with their loans to us, as our investors are now having in respect to foreign loans, only more so.

Senator JOHNSON. But they got their money back.

Mr. KAHN. I hope we shall, too.

Senator JOHNSON. The lesson that you give to us from that is that we are going to get our money back from Europe?

Mr. KAHN. Far be it from me to be presumptuous enough to preach lessons here.

Senator JOHNSON. I thought you were.

Mr. KAHN. My moral is that the international banker was very helpful in bringing money to America when America needed money.

Senator JOHNSON. Let us concede that. Now will he get back the money that Europe owes us?

Mr. KAHN. He will do all he can.

Senator JOHNSON. Fine!

Mr. KAHN. Likewise speaking of the international banker, that much-maligned, or at least much-attacked calling, I should like to say as one of them that Europe's prosperity is as important to the international banker as it is to everybody else engaged in business in this country, but no more so. We are no more and no less part and parcel of American business than those engaged in other lines of trade and commerce. Europe's prosperity or adversity can not be a matter of indifference to America, because it is bound to have repercussions here. But the American banker's stake in America is immeasurably greater than any possible stake that he may have or ever did have in Europe. As a rough estimate, I should say that an advance of 2 points in the aggregate value of American bonds amounts to as much as all the money that we have loaned to Germany, and that an advance of 1 point in the aggregate value of American stocks amounts probably to as much as all the money that we have loaned to Germany.

While European prosperity is desirable for us——

Senator JOHNSON. Everybody's prosperity is desirable for us. I do not quite see the object of this, because you are reciting the obvious.

Mr. KAHN. Perhaps it has not always been so considered, Senator. What I meant to bring out is that whether a man is an international banker or engaged in any other business, as long as he resides and works in, and owes allegiance to America, his object is and must be beyond all other things America's prosperity, not merely from the point of view of a patriotic and decent citizen, but from the point of view of his own pocket. The international banker's profit, even in the case of foreign bonds, is made in this country and not abroad. European prosperity is desirable. America's prosperity is vital and indispensable.

Senator JOHNSON. And yet you told me this morning that you international bankers were down in South America competing for a lot of loans that are not worth the paper they are written on.

Mr. KAHN. May I be permitted to question the accuracy of that appraisal? At any rate, the bankers did not know at the time that the bonds, as you say, are not worth the paper they are written on, and they certainly would not have bought them if they had suspected such a thing.

Senator JOHNSON. They did not buy them; they passed them on.

Mr. KAHN. They bought them. After having bought them they passed them on, just as a wholesaler in any other line of business passes on goods which he has bought.

Senator BARKLEY. Referring to the international bankers as a group, what proportion of their business is in foreign loans as compared with the loans which they float in this country, domestic loans?

Mr. KAHN. Guessing rather roughly—of course since 1930, say, in the last 18 months, there has been hardly any foreign bond flotation consummated by American bankers—but generally speaking——

Senator BARKLEY. Take the period since 1918 if you can reasonably estimate it.

Mr. KAHN. From 1924 to 1928 there was very strong and widespread demand for European investments. Most people thought that Europe was on the road toward getting over its principal troubles, especially in the economic field, that with the Dawes plan, the various pacts and conferences, the intimate conversations between Briand and Stresemann, there was good prospect for a getting together of the European nations, and for the mitigation, at least of some of the fateful mistakes and the almost inconceivable economic short-sightedness of the treaty of Versailles and the other peace treaties, and that the thing that we in the United States had so strongly hoped for, namely, cooperation and better feeling between European nations and the burying of the age-old rancor between them gave promise of being at least striven for seriously and promoted. Thus feeling and hoping the American people became eager buyers of foreign securities. They had not been before and they have not been since, but from 1924, or even a little earlier, until the end of 1928 or even into 1929, there was that very large demand on the part of the American people for foreign securities, yielding as they did far higher rates of interest than American securities paid.

Therefore, if you confine your question to those few years only, I should say the proportion of foreign bonds as compared with domestic bonds would be a considerable one. Ordinarily I should say it would be an insignificant one.

Senator BARKLEY. In percentage what would it amount to as an average?

Mr. KAHN. I have asked my associate if he had any definite notion based upon statistical experience, but he has not. He tells me that he would not care to indicate a percentage ratio. I should be inclined to say that the offering of foreign bonds in America during the period which I have indicated would be about six times as much as in ordinary times.

Senator BARKLEY. My question was based on the idea that the relative importance of your foreign business as compared with your domestic business might determine an average, taking one year with another. I should like to know—and if you can not answer it, I shall not press it—whether your foreign business so predominates over your domestic business as to give you the character of an international banker in the sense that you are more interested in foreign governments than in the United States; and the percentage of such loans might have some bearing upon that. I do not mean you, individually, but the group that is ordinarily referred to as international bankers.

Mr. KAHN. Well, Senator, the mere imputation that bankers who are American citizens, who owe everything they have and everything they are to the protection and to the opportunities of this country, could be swayed in their attitude towards their own country by any foreign monetary interest——

Senator BARKLEY. I am not making such an imputation, of course,

Mr. KAHN (continuing). Is one which I do not believe I need to enter into. But leaving aside the moral wrong which any such attitude on the part of any American citizen, whatever his calling, would carry with it, and the condemnation which would be justly visited upon him, I would say that the percentage of European business done, for instance, by my own firm in years when European business with America was at its height, would certainly not be more than one-tenth, if that, of the domestic business which we are doing.

Senator BARKLEY. You spoke a while ago of the reverse situation prior to 1896 when our country and its industries were borrowers of money from Europe, largely from England. I will ask you how the methods of floating such loans in Europe at that time compared with the methods now used in floating European loans in this country, and how the compensation compared with that paid American houses at this time.

Mr. KAHN. In those days compensations were usually somewhat larger, partly because the amounts of the loans involved in individual cases were rather smaller. Compensations paid were relative to what was thought to be the risk of the business and the urgency of the demands for loans. Generally speaking, Europe was well paid for the accommodation which it extended to us, though its investors and bankers did go through several trying periods with their American holdings. Our underlying mortgage bonds were floated at prices and at interest rates comparable with the prices and interest rates at which foreign bonds were floated here since the World War. I should think that if you assumed, taking an average, that the situation was pretty nearly reversed, both as to compensation and as to interest rates, you would be about right.

Senator JOHNSON. Just because you have mentioned international bankers, and without any personal implication at all—I beg you to understand that—in your opinion, would they try to get back first the money Europe owes them, or the money that Europe owes our Government?

Mr. KAHN. I have tried to respond to that question, Senator, by saying, in the short statement which I made this morning relating to this subject, that I should have to know what is the exact situation or alternative which confronts us before I can express any definite view. As far as I am aware, there is not now any proposition before us which calls for the choice to which your question relates.

Senator JOHNSON. We will let it go at that, then.

The CHAIRMAN. We thank you, Mr. Kahn.

(Witness excused.)

TESTIMONY OF WINTHROP W. ALDRICH, PRESIDENT CHASE NATIONAL BANK

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. Aldrich, whom do you represent?

Mr. ALDRICH. Mr. Chairman, I am president of the Chase National Bank. I am vice chairman of the board of directors of the Chase Securities Corporation. The Chase Securities Corporation is owned by the stockholders of the Chase National Bank, each holder of a share of the stock of the Chase National Bank likewise being the holder of one share of Chase Securities Corporation stock, which is represented by the same certificate.

On May 31, 1930, upon the merger of the Equitable Trust Co. with the Chase National Bank, the securities activities previously carried on by the Equitable Trust Co. and the Equitable Corporation, which was a securities affiliate of the Equitable Trust Co., were merged, those of the Equitable Corporation into the Chase Securities Corporation and those of the Equitable Trust Co. of New York into the Chase National Bank.

In August of 1930, the Chase Securities Corporation acquired the stock of the Harris Forbes Co., which was a corporation holding the stock of the various companies which made up the Harris Forbes organization.

The CHAIRMAN. What year was that?

Mr. ALDRICH. In August of 1930. On July 1, 1931, the issue business of the Chase Securities Corporation and of Harris, Forbes & Co. was merged into one, and since that time the Chase Securities Corporation has done no issue business. The Chase National Bank has not at any time been engaged in the issuance of securities or flotation of securities.

The CHAIRMAN. That is, foreign securities, or any kind?

Mr. ALDRICH. Not of any kind. It is purely a commercial bank. I have been president of the Chase National Bank since a year ago last June.

Mr. Chairman, I have here the tables which show the various security issues of Chase Securities Corporation, the Equitable Trust Co., and Harris, Forbes & Co.

Senator COUZENS. For how far back?

Mr. ALDRICH. Going back to 1920, or 1917, or 1918. It goes way back. I can not answer that question offhand, but it covers the whole situation. I would like, if the committee would permit me to do so, before going into the question of the security issues, to take up with the committee the question of the short term debt, because that is the thing in which the Chase National Bank, as a commercial bank, is primarily interested.

I think that what was said at the hearing here, at the time Mr. Mitchell testified, is perfectly true. I think that it is very important that the banks should state with absolute frankness, and state publicly what their short-term commitments are, and what the character of those commitments is. I think it is essential from every point of view that should be done, and if you will permit me to do so, I would like to read a statement on that, simply because of the fact that it is the easiest way to make it coherent and give you the exact picture of what these short-term credits are.

The CHAIRMAN. I think there are no objections to that.

Senator COUZENS. Before you start, would you mind defining just what you interpret "short term security" to be?

Mr. ALDRICH. That is what this is all about. I am going to define that specifically and tell you exactly what they are. I am doing it from the point of view of the commercial banker, which is what I am. I never have had anything to do with the securities issued myself, at all.

The CHAIRMAN. How long have you been president of the Chase National Bank?

Mr. ALDRICH. Since a year ago last June.

Senator COUZENS. Were you employed in the bank before that?

Mr. ALDRICH. I was a lawyer. I was counsel for the Equitable Trust Co. prior to that time.

Senator COUZENS. You were not active in the Chase Bank before becoming its president?

Mr. ALDRICH. I never had anything to do with the Chase National Bank until we merged with the Chase National Bank. I became president of the Equitable Trust Co. about two years ago. Up to that time I had been a lawyer.

I will read this statement, although it is perhaps a little formal.

It has been brought out in previous testimony that the amount of foreign long term obligations which are now held by the issuing houses is very small. I think I can say, with a great deal of assurance, that the same thing is true of the large commercial banks. The foreign obligations which the commercial banks hold, because of the character of their business, are mostly short term.

The primary function which the commercial banks perform in granting short term credit internationally is, of course, in connection with the financing of American foreign trade. We find, for instance, that an important amount of such credit finances current shipments of cotton, which, of all commodities so financed, ranks first: then sugar, coffee, wheat, rubber, tobacco, wool, hides, copper, and so on.

In addition to financing American foreign trade the commercial banks have taken part in financing the foreign trade of other countries as well. In this connection, while the actual transaction in this second-class relates to the trade of other countries, the credits granted have an indirect relation to our own trade, and the stimulation of our foreign trade.

With respect to the short-term debt from German sources to American commercial banks, it appears from a reliable inquiry recently made among 100 leading American institutions that the total of the short-term commercial debt of German origin held by them on October 31, 1931, amounted to $415,000,000. In addition they held about $250,000,000 of other short-dated obligations, largely representing current loans to the German Government, States, municipalities, and publicly owned enterprises. This makes the total, as it stood on October 31 last, about $665,000,000. I assume this figure has been somewhat reduced in the meantime, but by what amount I am unable to say.

Senator KING. You mean the commercial banks exclusively?

Mr. ALDRICH. I am speaking entirely, Senator, of commercial banks, and commercial short-term debt.

Senator KING. You mentioned 100. Did you obtain that information from your own inquiry, or from reports that are made?

Mr. ALDRICH. That information was obtained by reason of the fact that we are obliged to get that information in connection with the German Stillhaltung. While I am very glad to give you all the information, which is general in its scope, that we have obtained from that source, I naturally am unable to give you the names of the specific banks, but that is the source of that information. It is information obtained in connection with the Stillhaltung agreement.

Senator KING. There has been no clearing house here in the United States which would indicate the aggregate of those loans?

Mr. ALDRICH. The only place in which that information has been collected is in connection with the committee of American bankers that is acting in connection with the Stillhaltung.

Senator COUZENS. The Federal reserve system has no record of that?

Mr. ALDRICH. Not that I know of. I am sure they have not.

I have before me, and will read in a moment, a full statement of the Chase National Bank's holdings of German obligations, both short and long term, as of December 31, 1931.

In making up this statement we have gone as far as we could into detail without stating specifically the business of our specific customers, which, of course, is a part of the confidential relations between a banker and his client. The statement will be of interest because it illustrates the kind of obligations which a bank actively engaged in financing trade and maintaining business relations with foreign countries ordinarily holds. The German borrowers who are obligated to us or to other American commercial banks represent very largely business concerns who, even under the present adverse conditions in world trade, are making their way, who have every will to pay their debts, who have enjoyed good credit for years and desire to maintain that credit as the essential basis for business progress in the future.

A list of the various classifications is as follows:

1. Acceptance credits to German banks. These have been utilized in the creation of bankers' acceptances, drawn, for the most part, to finance import and export trade. They are the unconditional joint obligations of German banks and of German commercial concerns, or have the guarantee of the German Government or the gold discount bank, $24,650,616.

Senator COUZENS. Do you mind an interruption at this point? Just at what point would the German Government guarantee a commercial credit, and at what point would it not guarantee a commercial credit?

Mr. ALDRICH. They have guaranteed the credit of certain German banks which have had difficulty during the past six or eight months.

Senator COUZENS. Do I understand that they have not guaranteed the credit of any commercial houses except banks?

Mr. ALDRICH. I think not; not that I know of. I think they have not at all. They have guaranteed the credit of one or more of the big German banks, the Darmstaedter, and I am not sure what other.

Senator COUZENS. Is the fact that they have guaranteed some of these bank credits responsible for the general public impression that there is a confusion or mixture between the governmental loans and the commercial loans?

Mr. ALDRICH. That might possibly be. If you will permit me, I am going into detail on the nature of these commercial loans, to show you exactly what the picture is.

Senator COUZENS. I see quite a difference between the generally understood commercial loans, on which you might expect the industry to pay, and a loan made with the guarantee of the government.

Mr. ALDRICH. The loans were not made with the government guarantee. They were made in the ordinary course of commercial trade, and the government, in the early stages of the Stillhaltung agreement between the banks of the world, the British, Dutch, and the other banks that are interested, including American banks, has guaranteed the obligations of certain of the German banks which were having difficulty.

Senator COUZENS. The reason I asked you that question is because the question has been raised here frequently as to whether or not the private debts should be paid ahead of the governmental debts.

Mr. ALDRICH. I am going to come to that in detail.

Senator KING. Just one question, if I may. Are you sure that the German Government has not guaranteed some of the obligations of the large cartels?

Mr. ALDRICH. Not as far as I know.

Senator KING. I mean the larger ones, if I may differentiate between the German cartels—those engaged in the manufacture of nitrates, chemicals, and so forth.

Mr. ALDRICH. No; I do not think so.

The amount of that particular type of obligation is $24,650,616.

Senator COUZENS. You mean that you hold?

Mr. ALDRICH. That we hold, yes, sir.

2. Acceptance credits to German banks, commercial concerns, or industries. The bankers' acceptances drawn under these credits serve generally the same purposes as the foregoing. They are not formally secured or guaranteed, but depend upon the good name of the borrower, $4,071,131. All this, you understand, is as of December 31.

3. Loans to German banks, commercial concerns, or industries. These loans are the joint obligations of German banks and commercial or industrial concerns or are guaranteed by the Gold Discount Bank or the German Government, or are collateraled by German securities or bills of exchange, $25,126,842.

I was going to say that those are not originally guaranteed by the German Government or by the Gold Discount Bank, but in connection with the credit crisis which has arisen in Germany in the last year, those guarantees have been given, and they are given, of course, to all the banks all over the world which are in the same position.

Senator COUZENS. Were those securities on hand at the time they were guaranteed by the German Government, or did you purchase them afterwards?

Mr. ALDRICH. These are not securities. These are short-term credits which, as a rule, revolve. The ordinary short-term credit which is involved in a commercial transaction runs from three to six months, and ordinarily, when the credit of a country is good. they simply turn over. They are liquidated as commerce goes ahead, and new bills take their place, new obligations. They are given usually in connection with an acceptance lien, so called.

Senator COUZENS. Did you have any case where they did not liquidate themselves?

Mr. ALDRICH. We have had cases; yes.

Senator COUZENS. When you came in contact with cases where they did not liquidate themselves, did the German Government then come along and guarantee them?

Mr. ALDRICH. It never got to that point. It was in connection with the attempt on the part of the Germans as a whole to prevent a complete flight of capital from Germany, that the Stillhaltung agreement was entered into by all the bankers who were engaged in current commercial transactions with Germany, to remain in there for a period of time and to grant renewals of these credits, and not all try to run out of the situation at one time.

In that connection these guarantees were given by the Gold Discount Bank. They have another bank which all the industries in Germany formed at the time of the Stillhaltung agreement, which took up the guarantees of various obligations, called the Guarantee and Acceptance Bank.

Senator COUZENS. There is still confusion in my mind with respect to your statement that these discounts or acceptances were self-liquidating. It was optional, then, whether you took some more guarantees that were self-liquidating or not?

Mr. ALDRICH. It was until the Stillhaltung came along. Then we agreed to continue the same amount of credit, in general, during the period of the Stillhaltung agreement, and all the other banks all over the world made the same agreement. In other words, we agreed that we would not, when a credit ran off and liquidated itself, withdraw that credit from Germany, but we would permit that to remain in there and be paid off again.

Senator COUZENS. By the same industry, in the same bank, or by another industry in another bank?

Mr. ALDRICH. By the same bank.

Senator COUZENS. And the same industry?

Mr. ALDRICH. Not necessarily. It might be another drawer. I can explain that better after I have explained the technique of these short term credits, if you would like to have me do that, because I have it all here, showing the actual technique of that operation.

Senator COUZENS. I can see a difference between one class of liquidating acceptances and another class of liquidating acceptances, and I was wondering whether the classification would change with the guarantee of the German Government.

Mr. ALDRICH. There are about a half a dozen different classes of self-liquidating acceptances. They take different forms. I have that all here, and I would be glad to give it to you.

Senator KING. Before you proceed with that, may I ask you a question? Can you give the aggregate of those guarantees that were made by those various banks here and throughout the world?

Mr. ALDRICH. You mean by the German Government on these obligations?

Senator KING. Yes.

Mr. ALDRICH. I do not believe I could, Senator. In order to do that I would have to know the aggregate obligations of the banks in Germany which the German Government guaranteed. Take the Darmstaedter Bank. I do not know what its total liabilities are. I might be able to find it, but I do not know off-hand what the total obligations of the Darmstaedter Bank, which have been guaranteed by the German Government, are, because they run all over the world. They run to bankers in every country in Europe.

Senator KING. Do you know the aggregate amount which the banks guaranteed that they would not withdraw—these self-liquidating obligations?

Mr. ALDRICH. The amount under the Stillhaltung agreement at the present time?

Senator KING. No; at the time the Stillhaltung agreement was entered into, what was the aggregate amount of the obligations due to the various banks?

Mr. ALDRICH. You mean American banks?

Senator KING. No; the entire amount. You stated these obligations were made by banks all over the world.

Mr. ALDRICH. Yes.

Senator KING. What is the entire amount of the obligations that were assumed by all the members of that Stillhaltung agreement?

Mr. ALDRICH. I can not answer that question offhand. Mr. Morgan says about $452,000,000 of that was American.

Senator KING. Yes. I understood that.

Mr. ALDRICH. The total was $1,294,000,000.

Senator SHORTRIDGE. Have you prepared a statement responsive to the resolution, giving us the information which is sought by the resolution?

Mr. ALDRICH. Yes, sir.

Senator SHORTRIDGE. I would like to hear the statement made, and then have the witness subjected to proper cross-examination.

Mr. ALDRICH. May I finish with this short-term situation? I have it all here.

Senator SHORTRIDGE. Proceed.

Senator JOHNSON. You were discussing loans to German banks and industries?

Mr. ALDRICH These loans are the joint obligations of German banks and commercial or industrial concerns, or are guaranteed by the Gold Discount Bank or the German Government, or are collateraled by German securities or bills of exchange—$25,126,842.

4. Loans to German banks. These loans directly to German banks are not formally secured, but depend upon the good name of the borrower—$1,339,326.

5. Loans and credits to the German Government and other public bodies. The largest single item of this classification represents a participation in the banking credit of 1930 to the German Government. The total of that item is $13,737,833.

The total of those short-term obligations held by the Chase National Bank, head office, is $68,925,748.

In addition to that, the London office holds some short-term German credits amounting to $1,580,000.

Senator COUZENS. So, in the aggregate, that is just about what the press has stated, namely, $71,000,000 held by the Chase National Bank.

Mr. ALDRICH. What the press has stated?

Senator COUZENS. Yes.

Mr. ALDRICH Yes. I have not quite yet finished with it.

With respect to long-term obligations, that is, bonds: we carried them on the books at the market value, to the extent of $607,781, for the Chase National Bank, head office.

Senator COUZENS. When you say "at the market," what would that be below par?

Mr. ALDRICH. I think the par value is $1,812,000. It is somewhat under half, but that is the amount at which we carry them on our books.

The Chase Securities Co. holds, in German long-term bonds, $1,118,774, at the market. I do not know what the par amount is. It is about $2,000,000.

Chase Harris Forbes Corporation holds long-term German bonds of $44,120.

Senator KING. Is that an affiliate?

Mr. ALDRICH. That is the corporation to which I referred first, which acquired the issuing business of the Chase Securities Corporation.

Senator KING. I was not here when you first took the stand, and I did not hear that statement.

Mr. ALDRICH. The Chase Securities Corporation stock is owned by the stockholders of the bank, and it, in turn, owns the Chase Harris Forbes Corporation.

The total German commitments of the Chase National Bank, including the commitment of the London office, are $71,127,981.

In order to make the record complete, although it has nothing to do with the bank specifically, I ought to say that we own the stock of an Edge corporation, a corporation organized under the Edge law, which is called the Chase Bank, which does business in the Far East and in Paris. That has short-term commitments—of course, that has separate capital, and all that sort of thing—of $2,353,000, and a bond holding of $5,000.

Senator KING. Is the capital subscribed by the Chase National Bank?

Mr. ALDRICH. As a matter of fact, the history of the thing is that it belonged originally to the Equitable Trust Co. A part of its capital was subscribed by the Chase National Bank, through the transfer of the Paris office of the Equitable Trust Co. to the Chase bank; afterward the Equitable Eastern Corporation, the institution operating offices in the Far East, and the Chase Bank were merged together. The Chase Bank is an entirely separate institution.

I think it would be of interest, particularly in view of the discussion that took place in the latter part of Mr. Kahn's testimony, to notice that 84 per cent of our commercial business is domestic. Sixteen per cent is foreign, and approximately a third of the foreign is German.

Senator COUZENS. When you say "business," you mean loans, or deposits, or what part of the business?

Mr. ALDRICH. I mean the loans that we make, the commercial loans we make. Eighty-four per cent of the commercial loans which the Chase Bank makes are domestic loans.

Senator COUZENS. When you make some 16 per cent foreign loans, do you require a deposit account?

Mr. ALDRICH. Yes.

Senator COUZENS. Usually of what per cent of the loan?

Mr. ALDRICH. These acceptance credits, of course, are not loans, in the sense that we pay out our own money in making them. We simply loan our credit. We accept the bills drawn, and if we are placed in funds to meet these bills, under the agreement, in accordance with the agreement, we never use any of our own money at all. So far as I know, there is no specific percentage required in deposits in connection with an acceptance line. I never have seen that happen, but, of course, we do have substantial deposits from all these banks, both domestic and foreign, in connection with the business that we do with them.

Senator COUZENS. When you talk about 16 per cent foreign business, what percentage of that is German or foreign shipments to America, and what percentage represents American shipments to foreign countries, do you know?

Mr. ALDRICH. About a third of it is German.

Senator COUZENS. I mean exports and imports. Is it all imports, or all exports?

Mr. ALDRICH. There, again, I have all this broken down to show you, but I can not tell you the percentage of the various kinds of bills in there.

The gross amount of our German obligations is about 37 per cent of all our foreign commercial business, and about 3½ per cent of our total resources.

Do you care to have me go into detail on the nature of these obligations? I have a very careful analysis of what each one is, in its technique.

Senator JOHNSON. Do you mean by classification?

Mr. ALDRICH. I give instances of transactions, and show exactly what they are.

Senator JOHNSON. Short-term credits?

Mr. ALDRICH. Yes.

Senator JOHNSON. Go ahead.

The CHAIRMAN. Would it take you very long to present it?

Mr. ALDRICH. Perhaps I might give you one, and then you can judge.

Senator SHORTRIDGE. Give one example.

Mr. ALDRICH. These figures are the commercial credits financed by the acceptances of which I gave the total a short time ago.

The CHAIRMAN. $24,000,000 and something.

Mr. ALDRICH. These credits may be divided into four main groups:

(*a*) Credits extended to finance exports from the United States to Germany.

The German buyer of cotton opens through his local bank a credit in United States dollars in favor of the American shipper. The German bank under its open credit line available at the American bank requests the latter to accept drafts drawn by the American shipper for the amount of his invoice provided the full shipping documents accompany the draft.

The American shipper forwards the cotton and negotiates his draft on the American bank with the shipping documents attached through his local bank.

Upon presentation at the offices of the bank which has opened the credit, and the shipping documents being found in order, the draft is accepted as a rule payable at the expiration of 90 days and the shipping documents are forwarded to the German bank for delivery to the German buyer in order that he may obtain title to the cotton.

The German bank agrees to remit cover to the American accepting bank at maturity of the drafts.

The German bank may either hold the cotton in warehouse or deliver it to the German buyer upon his promise to pay for the cotton prior to the maturity of the credit in New York or upon his delivering security to the German bank.

The American bank receives in addition to the guarantee of the German bank to pay at maturity, either the joint obligation of the customer agreeing to pay in case the bank should not pay, or the promissory note of the buyer of the cotton.

That is the ordinary transaction.

Senator COUZENS. Do you have any obligations of the seller?

Mr. ALDRICH. The seller draws a draft, and, as drawer of the draft, he is liable if there is a default in the payment of the draft.

Senator COUZENS. In other words, if the goods are not accepted, are not taken up on delivery, the seller is obligated to you, as the drawer of the draft?

Mr. ALDRICH. As the drawer of the draft he is obligated to us.

I have here the cost of that.

The cost of financing such a shipment of cotton is moderate. The usual commission of the American bank is one-fourth of 1 per cent for a period of 90 days. The total cost for the German bank at the present moment is 4⅛ per cent per annum, and for the German buyer of the cotton 5⅛ per cent or more according to the size of the commission charged by the German bank to its customer.

Do you care to have me go ahead with this?

Senator COUZENS. I am satisfied if Senator Johnson is.

Senator JOHNSON. I have no objection to your not continuing.

Mr. ALDRICH. There are a number of transactions, of course. They take varied forms, but they are all done by bill of exchange, and they are all done by the American bank being the acceptor, and having the obligation of the German bank to put it in funds to meet the acceptance at maturity.

Senator COUZENS. I understand you have no experience in the selling of any securities such as we have been discussing here.

Mr. ALDRICH. Personally, no, sir.

Senator SHORTRIDGE. You mean the bank you represent has had no such experience?

Mr. ALDRICH. Neither I nor the bank.

Senator SHORTRIDGE. That is what I wanted to know.

Mr. ALDRICH. The bank has never sold securities.

Senator SHORTRIDGE. When you say "I" you are speaking for the bank you now represent?

Mr. ALDRICH. I thought the Senator was speaking of me personally, but it is equally true of the bank. It has security affiliates that have done a security flotation business.

I have also here, if it interests you, an analysis of the short-term debt of Germany, and how it is held in this country. That is the matter that you were asking Mr. Kahn about. I do not think Mr. Kahn had the information, but I have.

Senator JOHNSON. All right, if you will present it.

Mr. ALDRICH. Would you like to have me read it?

Senator JOHNSON. Read it if you will.

Mr. ALDRICH. I have it in connection with the volume of long-term bonds.

During the four years from 1925 through 1928 long-term loans placed in foreign countries for German account were running at from $300,000,000 to $400,000,000 a year. Somewhat more than half were placed in the United States. Beginning with 1929, the foreign loans to Germany became less numerous, but some were important. The so-called Young plan loan of 1930 amounted to about $300,000,000, of which about one-third was placed in this country.

According to the latest figures produced by the German Government the total foreign funded debt as of July 28, 1931, with a maturity of more than one year from that date, amounts to between $2,865,000,000 and $2,985,000,000. This includes, besides foreign issues with a nominal value of $2,050,000,000, mortgage credits, German internal issues abroad, and various miscellaneous estimated items. The American share in the total figure can not be stated exactly, but it appears from the German figures that 55 per cent of the foreign issues namely, $1,127,000,000, are held in the United States. This compares fairly closely with the results of a careful survey published by the Department of Commerce in September, 1931, which covers a somewhat larger field of investments, and produces the slightly larger total of $1,177,000,000.

As to the German short-dated debt——

Senator KING. The German what?

Mr. ALDRICH. Short-dated debt, short-term debt. This is the commercial debt. As long ago as the end of 1926 the German banks owed $830,000,000 at short term abroad. These funds, in the form of bankers' acceptances were financing German imports and exports, and in these and other forms were performing other services including the financing of internal commerce. By the end of 1929 the short-term foreign debt of the German banks had risen to more than $2,000,000,000. Thereafter it began to go down. By the spring and early summer of 1931 the decline was precipitate, due to rapid withdrawals by foreign lenders during the acute period of the crisis.

According to the official census taken by the German Government, the amount outstanding on July 28, 1931, was about $1,294,000,000. By now there has been a further reduction of from 10 to 15 per cent, to a total below $1,050,000,000. These progressive reductions have brought the foreign short-dated debt of the German banks back to about where it stood in the early part of 1927.

The American share in these debts of German banks amounted to about $520,000,000 last July and to about $450,000,000 now. This is the short-term commercial debt.

The British share is about two-thirds as much as ours, and since it is denominated chiefly in sterling, its gold value has declined, in addition to the repayments effected, in proportion to the decline in sterling.

In addition to the short-dated commercial debt the Reichsbank has a debt of about $100.000.000 to foreign central banks and the Gold Discount Bank, which is owned by the Reichsbank and its stockholders, owes $50,000,000 to a group of American banks. Both of these loans were for the purpose of providing reserves against the German currency.

Senator JOHNSON. What was that?

Mr. ALDRICH. For the purpose of providing reserves against the German currency, to reestablish their gold.

Senator JOHNSON. Who has those loans?

Mr. ALDRICH. The $50.000.000?

Senator JOHNSON. Yes.

Mr. ALDRICH. More or less the same group of banks that hold the short-term credits. German States, cities, and other governmental units owed abroad on July 28 last $71,000,000, now somewhat reduced. In addition the German Government owes $125,000,000 to a group of foreign banks, which amount is not due until next fall, in which the American participation is somewhat over 60 per cent.

Outside of the foregoing, and very widely distributed, is a figure in the German census return, which is still provisional and contains duplications and offsets amounting to $1,240,000,000. We believe that that amount, if it were shorn of duplications and offsets, would probably be not more than $300,000,000.

That is the amount that has been discussed here, as amount which is the interindustry debt, as distinguished from bank debt—the short-term industrial debt.

We have in the foregoing a total short-dated foreign debt, as it stands at present, of about $1.700,000,000 in round figures of which the American share would be between $600,000,000 and $700,000,000.

As I stated before. our information is that the short-term commercial debt is held by about 100 American banks.

In addition to these items there is a third class of American interests in Germany, which is referred in the Government census and covers the foreign holdings of shares, real estate, and other values in Germany, which amounted, on July 28, 1931, to somewhere between $1,072,000,000 and $1.310,000,000.

Senator COUZENS. Have you any idea how many citizens that is divided among?

Mr. ALDRICH. No. We have no estimate as to the American share in that, except that the Department of Commerce estimates that at the end of 1930 Americans had direct investments of that general classification amounting to $243,000,000.

Senator JOHNSON. With respect to the 100 banks that you refer to, that have the particular portion that you have indicated, are they located mainly in New York?

Mr. ALDRICH. My information is that, in amount, about two-thirds in amount is held in New York and that about 40 per cent of the banks are in New York. I think that is correct.

Then, to summarize this, and adding together those figures I have just given you, the American participation in German debt is as follows:

In the long-term debt, as given by the Department of Commerce, $1,177,000,000.

Then, second, a figure for the short-dated debt, based on the German Government report and confirmed from American sources, approximately $700,000,000.

Third, the figure for direct investments given by the Department of Commerce, of $243,000,000, or a total amount of $2,120,000,000.

The short-term commitments to the American banks, as I have stated before, are somewhere in the vicinity of $650,000,000.

Senator JOHNSON. You have stated that you are interested to the extent of about $71,000,000 in those short-term credits. What, among the banks, may be interested to any considerable extent, can you state?

Mr. ALDRICH. Senator, I would not like to state the commitments of any other bank. I can state this to you, that before I came down here I went and talked to a number of the heads of the big banking institutions in New York and told them that I thought it was very important that I should come here and state specifically the commitments of the Chase National Bank; that the question had come up in the hearing, and that you and Senator Gore, I think it was, had said—and I agreed with you absolutely—that it was very important to have these figures brought out. All these presidents said to me that they thought it was important that they should be brought out. I can say this, that there is not any bank in New York that I know of that would not be very glad to give you the figures if you asked for them.

Senator JOHNSON. Can you not state approximately, then, inasmuch as they do not object, what institutions in New York City, in addition to yours, have the short-term German credits?

Mr. ALDRICH. In the first place, I do not really know the answer. I know approximately the answer.

Senator JOHNSON. That is all I am asking you.

Mr. ALDRICH. I am sorry, Senator. I do not think I ought to do that.

Senator JOHNSON. Can you not tell some other banks that hold them?

Mr. ALDRICH. I would not like to do that.

Senator COUZENS. Can you tell us the banks with whom you conferred?

Mr. ALDRICH. I would not like to do that either, Senator. I do not think it is a proper thing for me to discuss the obligations of other banks. I do not think you will have any difficulty in getting it.

Senator COUZENS. I do not ask you to discuss their obligations.

Mr. ALDRICH. I can say this, Senator, that I do not believe there are any of the larger financial institutions in New York, Chicago, Boston, or St. Louis, who do an international business at all, that have not got some of these German obligations.

Senator KING. Let me ask you one question right there. You are acquainted, of course, with the investment trusts which have been doing a good deal of business in the last few years, without any particular supervision—at least none by the Federal Government.

Mr. ALDRICH. Yes.

Senator KING. Do you know whether they hold any of these German obligations, long or short? When I say "German obligations," I mean of states, provinces, cities, municipalities, railroads, or private individuals, and corporations.

Mr. ALDRICH. I do not know that, except from reading the portfolios in the paper. But I have seen that they have them.

Senator KING. So that the figures which you have given, then, Mr. Aldrich, do not embrace any obligations which these investment trusts may hold?

Mr. ALDRICH. I think they embrace all the German obligations that are held in this country. Therefore I think they would include the holdings of those institutions, but I have no means of breaking the total down.

Senator SHORTRIDGE. I understand you to say that you have no objection to giving us full information touching the holdings of the bank you represent.

Mr. ALDRICH. I have just done it.

Senator SHORTRIDGE. Exactly. But you hesitate to speak of or concerning other banks, is that the idea?

Mr. ALDRICH. I do not think I have any right to think of what other banks hold at all.

Senator SHORTRIDGE. I merely wanted to understand what you said.

Mr. ALDRICH. In the first place, it would simply be gossip.

Senator COUZENS. I can not see any objection to stating the banks you conferred with, because we might be able to get them down here to tell us about it.

Mr. ALDRICH. I think, if you got any large bank down here, you would find they had German obligations.

Senator COUZENS. So, we might take the banking list, and subpœna them all if necessary.

Mr. ALDRICH. Yes, sir; or anywhere else, for that matter.

Senator JOHNSON. Perhaps I misunderstood you, Mr. Aldrich. If I did, please correct me. I understood you had conferred with various bankers in New York before you came down.

Mr. ALDRICH. Yes.

Senator JOHNSON. And that they agreed thoroughly with you that there should be a full disclosure of the short-term credits held by the banks in this country.

Mr. ALDRICH. Yes.

Senator JOHNSON. That is correct, isn't it?

Mr. ALDRICH. Yes.

Senator JOHNSON. And in pursuance of that you have come here and made your full disclosure of your holdings?

Mr. ALDRICH. That is right.

Senator JOHNSON. All right. I can not, for the life of me, see any reason why, if those gentlemen spoke in good faith to you,

you should have any hesitancy in saying with whom you talked, and who held these particular obligations.

Mr. ALDRICH. Simply because I do not want to discuss the obligations held by other banks.

Senator JOHNSON. I do not want you to discuss them, and I am not asking you the amount. I ask you what banks hold these short-term obligations which become, I think, of very great importance in this particular crisis that confronts us abroad.

Mr. ALDRICH. All I can say to that, Senator, is that I am sure that they will all be very glad to come down here and testify.

Senator JOHNSON. I have not any doubt about that at all. They are all very kind, and they are all very good, and they are all received with the utmost courtesy, as I trust they always will be, but I am utterly unable to understand the distinction that you draw. I do not wish to press you on if you do not care to say.

Mr. ALDRICH. I feel very strongly about it.

Senator JOHNSON. You feel very strongly about it?

Mr. ALDRICH. That I should not talk about other banks.

Senator JOHNSON. All right.

Senator KING. Mr. Aldrich, I have seen statements quite recently that the obligations due American banks and investment companies, corporations, and individuals by Germany—and when I say "Germany," I mean the Government, the Province, the municipalities, the railroads, corporations, and private individuals—exceed $4,000,000,000. Have you made sufficient investigation to determine whether those figures are accurate?

Mr. ALDRICH. I should say that they are certainly not.

Senator King. You think that they are——

Mr. ALDRICH. I think I have given you the correct figures.

Senator KING. Do you know what the basis of those claims is, that they exceed $4,000,000,000?

Mr. ALDRICH. No; I do not.

Senator KING. Have the banks here, before making the loans, attempted to ascertain the domestic obligations of Germany, and her obligations to Great Britain, France, Holland, Switzerland, and other European countries?

Mr. ALDRICH. I should say not. I should say that in granting a line of credit to a German bank, what you do is to look at the statement of the German bank, and that you would not go any further than that.

Senator KING. I do not want to repeat, but in order that I may not misunderstand you, the American bankers have loaned to Germany, or loaned in Germany, whether to the Government or to municipalities, corporations, or individuals, very large sums without knowing just what the obligations of Germany, including the organizations to which I have referred, were to their own citizens?

Mr. ALDRICH. I think that is probably true.

Senator KING. Do you know what the obligations of Germany are to her own citizens?

Mr. ALDRICH. No, sir.

Senator COUZENS. Is there anything more, Mr. Chairman?

Senator JOHNSON. Wait just a moment. Do you know, Mr. Aldrich, whether the Chase Securities Corporation disposed of any foreign obligations in this country?

Mr. ALDRICH. Yes. I have a complete statement of all that.

Senator JOHNSON. There is much more to it, you see.

Senator COUZENS. I understood somebody else was coming down to testify for them. Is that true?

Mr. ALDRICH. I am perfectly willing to go ahead with this.

Senator JOHNSON. Do you know whether Harris, Forbes & Co. disposed of any German securities in this country?

Mr. ALDRICH. Yes; they did.

Senator JOHNSON. A very large amount of them, didn't they?

Mr. ALDRICH. Yes; I have them right here.

Senator JOHNSON. You have all those there?

Mr. ALDRICH. Yes.

Senator JOHNSON. Have you the dates?

Mr. ALDRICH. Yes.

Senator JOHNSON. The amounts?

Mr. ALDRICH. Yes.

Senator JOHNSON. And the profit?

Mr. ALDRICH. Yes.

Senator JOHNSON. That is all in the statement?

Mr. ALDRICH. That is all here.

Senator JOHNSON. And by virtue of the fact that you are president, now, of the Chase National Bank, with the merger that has been made, you are prepared to testify in detail to the facts?

Mr. ALDRICH. I am prepared to testify in detail as to the facts. I am not personally prepared to testify as to how they did it, or why they did it, or anything of that sort.

Senator JOHNSON. Who, from Harris, Forbes & Co., then, which has become a part of your institution, would be the appropriate one to testify from his knowledge, or from knowledge of the facts?

Mr. ALDRICH. Mr. Addinsell is president of the Chase, Harris, Forbes Corporation; or Mr. Granberry. I am very glad to go ahead with this and give you all the information.

Senator JOHNSON. The reason I asked you was because your evidence, apparently, had closed, and I have a statement before me showing that Harris, Forbes & Co. disposed of $142,148,500 of German securities alone.

Mr. ALDRICH. I did not consider that the evidence of the institution was closed, or my own, either, for that matter.

Senator JOHNSON. That is all right. I am not complaining about that.

Mr. ALDRICH. I have it all here.

Senator JOHNSON. I have a note, as well, with respect to an issue of $20,000,000, 5½ per cent bonds of the Commerzund Privat Bank, with the Chase Securities Corporation.

Mr. ALDRICH. That is correct.

Senatof KING. Was the former correct?

Senator JOHNSON. Was the former correct? I am speaking only of German securities, now—Harris, Forbes & Co., $142,148,500.

Mr. ALDRICH. The principal amount is $159,000,000.

Senator JOHNSON. I was $17,000,000 off.

Mr. ALDRICH. It may be that of that, $24,260,000 has been retired.

Senator JOHNSON. That is among the possibilities. These loans relate to the Free State of Prussia, the city of Duisburg, the city of

Munich. German Savings Bank and Clearing institutions, the Provincial Bank of Westphalia, the East Prussia Electric Power, and the like—other loans of that character or bonds of that character that have been floated in this country. If I read you a list of them, will you correct me?

Mr. ALDRICH. Might I read you the list I have?

Senator JOHNSON. Read your list, and I will check with mine.

Mr. ALDRICH. These are the foreign bond issues in which Harris, Forbes & Co. had participation.

Senator JOHNSON. Yes.

Mr. ALDRICH. In the origination and/or management, with Germany:

City of Duisburg, 7 per cent serial bonds, dated November 1, 1925, due November 1, 1926–1945; principal amount $3,000,000; amount outstanding $2,000,000; purpose of issue, public works and improvements.

Senator JOHNSON. I had $2,250,000. I was $100,000 out of the way.

Mr. ALDRICH. These figures as to the amount outstanding are as of December 15.

Senator JOHNSON. That is 7 per cent.

Mr. ALDRICH. Seven per cent serial bond.

Senator KING. Mr. Aldrich, just speak a little louder.

Senator SHORTRIDGE. Why not put the whole statement in?

Senator JOHNSON. We will put the whole statement in, but I am gaing through it subsequently if the committee will permit me.

Mr. ALDRICH. I have a copy for each Senator. Would you like to have it read now?

Senator JOHNSON. Suit yourself; then we will go through it subsequently.

Senator SHORTRIDGE. Let us do that to-morrow, after you have checked them over.

Senator JOHNSON. That is satisfactory to me. I will be able to save time.

For the record, Mr. Aldrich, does this statement you have presented show the profit made by Harris, Forbes & Co.?

Mr. ALDRICH. Yes, sir; it shows the gross profit.

Senator JOHNSON. It shows the gross profit?

Mr. ALDRICH. Yes.

Senator JOHNSON. Does it then show their specific and particular profit?

Mr. ALDRICH. It shows their specific and particular gross profit.

Senator JOHNSON. Thank you. All right, sir. I will be very glad to go through this, and I will take only a little time with you in the morning. Let me call your attention to this one: Commerz und Privat, 5½ per cent bonds, $20,000,000, Chase Securities Corporation.

Mr. ALDRICH. $20,000,000?

Senator JOHNSON. That is right. What was the profit on that, unless it is in this list?

Mr. ALDRICH. It is in the list.

Senator JOHNSON. Then I will not ask you, and not trouble about it.

The CHAIRMAN. Mr. Aldrich, I want to ask you just one question. If the Chase Securities Corporation undertook to loan to Germany, or any other country, we will say, $40,000,000, or any other amount, and you then have affiliates to take part of that loan, do you require security from those who are affiliated with you?

Mr. ALDRICH. I do not think I understand the question.

The CHAIRMAN. In other words, take the whole loan, $40,000,000, say. There are other banks that are affiliated with you, which take, perhaps, half of that amount. If they take half that amount, do you require any security from those who affiliate with you in that loan?

Mr. ALDRICH. That is exactly the same situation that has been described by Mr. Lamont and Mr. Kahn, as to the manner in which securities are issued. There would be an originating group, an underwriting syndicate, and a distributing group, and it is exactly the same situation they described in detail.

The CHAIRMAN. You would carry on your loans exactly the same as they are carried on by the National City Bank?

Mr. ALDRICH. The Chase Securities Corporation would. That is not the Chase National Bank.

The CHAIRMAN. I said the Chase Securities Corporation.

Mr. ALDRICH. Yes, sir.

Senator KING. There could be no impropriety in giving to the press this statement concerning which you have testified?

Mr. ALDRICH. You mean the securities statement?

Senator KING. Yes.

The CHAIRMAN. I would not want to give the press anything that has not been presented to the committee.

Senator COUZENS. It has all been presented to the committee, and went in the record while you were out.

Senator JOHNSON. I have it before me, and am to go through it to-night and at a subsequent time take it up in detail with the witness.

Senator KING. I would like to ask just one question before we adjourn. Has your bank, or any other of the banks in the United States, used its influence with the administration or otherwise, to give a preferred standing to the private indebtedness over the reparations?

Mr. ALDRICH. Naturally I can only answer for our own bank, but the answer is absolutely not.

Senator KING. Were you interested in trying to secure a moratorium?

Mr. ALDRICH. No. We did not know that the moratorium was going to happen, Senator King.

Senator KING. But you have not attempted to secure any preference for the private creditors over the reparations?

Mr. ALDRICH. No. So far as I am concerned personally, I think that is a matter on which Congress has stated its position, and I think it would not be proper for us to try to do it.

Senator KING. One other question. I understood you a moment ago to state that you just looked at the statement of the bank and then made the loan—I am abbreviating your statement.

Mr. ALDRICH. It is not really a loan. It is an acceptance credit.

Senator KING. I am speaking of loans and acceptance credits too. Do you think that was quite fair—and I do not mean to imply that it was not—for the American bankers and those who loaned money to Germany, to make those stupendous loans without making full inquiry as to the solvency of the railroads, the States, the municipalities, and the corporations and trying to ascertain what their obligations were domestically?

Mr. ALDRICH. Senator, I have been a banker only for about two years. One of the things I have been very much interested in in the last year is to see the cooperation that is in existence now to ascertain the facts as to the economy of a country to which the banks are making loans.

Senator KING. I think that is very wise.

Mr. ALDRICH. I think it is a very constructive thing.

Senator KING. You mean to ascertain the economic condition?

Mr. ALDRICH. And to discuss with each other the general economic conditions of a country before the various banks make their committments in that country. Obviously, in the past the banks have competed with each other in making these loans, and the banking houses as well, without cooperation and without consultation. I think that has been a very harmful thing, because it has led to overloaning. But I hope that that is a thing that is very much in the past.

The CHAIRMAN. There was never a loan made but what every other bank in New York knew it was to be made, or was on the way to be consummated.

Mr. ALDRICH. I think that is true.

Senator SHORTRIDGE. Mr. Aldrich, you will note the question of Senator King. He asked you if you had sought to give a superior status to private loans, over reparations demands. We make no claim as to reparations. Do you know of any effort made by your institution or others to put these private claims—I will call them—or loans, above the government debt to us, the government debt of Germany, or of France, or of England, Italy, Belgium? I refer to Government debt pure and simple, not reparations.

Mr. ALDRICH. The same answer would apply. As a matter of fact, I understand the question to apply to Government debt. I did not get the fact that it applied to reparations.

Senator SHORTRIDGE. But the Senator did make use of the word "reparations" in several questions.

Mr. ALDRICH. I overlooked that. The answer to the question was in my mind, whether we had attempted to have the private debt have priority over the Government debt.

Senator SHORTRIDGE. That is what I wanted to develop.

Mr. ALDRICH. I misunderstood him. The answer is, no, I have not.

The CHAIRMAN. The committee will stand adjourned until 10 o'clock to-morrow morning.

Senator JOHNSON. Mr. Chairman, I was going to suggest, out of consideration for the witness, that perhaps he could be excused for to-morrow, and come back the day after. He told me that he had some sickness in his family, and inasmuch as we have somebody else to go ahead with to-morrow that will take the day, may he not see to his private affairs and return the subsequent day or the day after that? That is simply out of consideration for Mr. Aldrich.

Mr. ALDRICH. That is very kind of you, Senator. I think as a matter of fact, now that I have this in the record, it might be more helpful to you to have some of the men who are actually in those securities companies testify, when you go over it.

Senator JOHNSON. I want anybody who can respond to questions concerning it.

Mr. ALDRICH. I have no personal knowledge of this situation at all.

The CHAIRMAN. I can not hear what you are saying.

Senator JOHNSON. He was saying that he had no personal knowledge of this situation, and that he would send somebody else, some appropriate individual from Harris, Forbes & Co. and the Chase Securities Co. who could testify from personal knowledge of the situation.

Mr. ALDRICH. I would be very glad to come back myself, Senator, but the fact is that all these German issues of Harris, Forbes & Co. were issued before they were bought by the Chase Securities Co., and all the issues by Chase Securities Co. were prior to any connection of mine with the bank. While I would be very glad to come and testify, and it may be that you will prefer to have me, the information that I could give you would be only information that we have from the records, or information that was given to me by the officers of those organizations who were connected with the actual transactions.

The CHAIRMAN. Would you suggest, then, who should come here to answer those questions?

Mr. ALDRICH. Either Mr. Granberry or Mr. Addinsell of the Chase-Harris-Forbes organization.

I will either be here myself, Senator, or I will have some one here who can testify from personal knowledge of all these transactions.

The CHAIRMAN. By to-morrow or the next day?

Mr. ALDRICH. I am perfectly willing to stay on.

The CHAIRMAN. You can suit yourself about that. If you desire to go we will excuse you now.

Mr. ALDRICH. That is very kind of you.

The CHAIRMAN. And we may expect somebody to be here to-morrow?

Mr. ALDRICH. I will be here myself if I can not get some one else.

The CHAIRMAN. With that understanding, that is satisfactory.

Senator JOHNSON. Mr. Chairman, before we adjourn I would like to say this.

Mr. Kahn, may I hand you the Congressional Record, where you will observe Congressman LaGuardia put various tables in the Record. You were going to look at that for me and see whether or not you could check up on it and say whether it was accurate.

Mr. KAHN. You would like to have me write you on the subject?

Senator JOHNSON. At your convenience, as soon as possible, so that it may go into the record as quickly as it can. I am interested in the statement of quotations this year, as well as in the statement of sales, and the like.

Mr. KAHN. I will be glad to do that.

The CHAIRMAN. The committee will stand adjourned until 10 o'clock to-morrow morning.

(Whereupon, at 5 o'clock p. m., the committee adjourned until to-morrow, Tuesday, January 5, 1932, at 10 o'clock a. m.)

FOREIGN BOND ISSUES OF CHASE SECURITIES CORPORATION, THE EQUITABLE TRUST CO., AND HARRIS, FORBES & CO.

(NOTE.—All profits given in the following pages are gross profits.)

Summary of foreign bond issues in which Chase Securities Corporation, Equitable Trust Co., and Harris, Forbes & Co. participated in the origination and/or management and participated under management of others

	Originated and/or managed (1921-1930)			Participations with others (1917-1931)			Total principal amount our originations and participations with others	Total gross profits
	Principal amount	Retired	Gross profit	Principal amount	Participations	Gross profit		
Chase Securities Corporation:								
Canada	$526,200,000	$162,400,000	$727,000				$526,200,000	$727,000
Latin America	452,732,000	245,000,100	1,504,000	$130,122,500	$26,044,582	$479,823	582,854,500	1,983,823
Germany	39,400,000	13,520,000	181,000	138,250,000	16,871,250	258,977	177,650,000	439,977
Other European	4,500,000	146,500	17,000	405,900,000	84,971,458	1,203,383	410,400,000	1,220,383
Miscellaneous				200,000,000	18,687,500	195,848	200,000,000	195,848
Total	1,022,832,000	421,066,600	2,429,000	874,272,500	146,574,790	2,138,031	1,897,104,500	4,567,031
Equitable Trust Co.:								
Canada	376,200,000	162,400,000	270,000				376,200,000	270,000
Latin America	3,000,000	3,000,000	120,000	431,472,000	56,351,031	1,071,528	434,472,000	1,191,528
Germany	50,000,000	25,506,000	295,000	169,500,000	25,430,428	327,887	219,500,000	622,887
Other European				57,000,000	8,366,666	128,157	57,000,000	128,157
Miscellaneous	50,000,000	2,283,500	149,000				50,000,000	149,000
Total	479,200,000	193,189,500	834,000	657,972,000	90,148,125	1,527,572	1,137,172,000	2,361,572
Harris, Forbes & Co.:								
Canada								
Latin America	5,943,000	1,506,500	97,000	405,111,500	27,184,054	680,968	411,054,500	777,968
Germany	159,700,000	24,260,000	1,379,000	491,750,000	65,210,000	1,152,994	651,450,000	2,531,994
Other European				1,520,000,000	60,074,200	1,443,786	1,520,000,000	1,443,786
Miscellaneous	9,000,000	720,000	262,000	771,390,000	49,801,500	940,077	780,390,000	1,202,077
Total	174,643,000	26,486,500	1,738,000	3,188,251,500	202,269,754	4,217,825	3,362,894,500	5,955,825
Grand total							[1] 5,084,749,000	12,884,428
Canada	526,200,000	162,400,000	997,000					
Latin America	461,675,000	246,506,500	1,721,000	712,234,000	109,579,667	2,232,319		
Germany	249,100,000	40,780,000	1,855,000	531,750,000	107,511,678	1,739,858		
Europe	4,500,000	146,500	17,000	1,818,900,000	153,412,324	2,775,326		
Miscellaneous	59,000,000	3,003,500	411,000	721,390,000	68,489,000	1,135,925		
Total	[1] 1,300,475,000	478,342,600	5,001,000	[1] 3,784,274,000	438,992,669	7,883,428		

[1] After elimination of duplications.

Number of issues

	Originated	Participated
Chase Securities Corporation	38	54
Equitable Trust Co.	14	36
Harris, Forbes & Co.	20	91
Total	72	181

Canadian Government and Canadian National Railway issues in which Chase Securities Corporation–Equitable Trust Co. participated in the origination and/or management

Issue	Principal amount	Amount outstanding Dec. 15, 1931	Purpose of issue	Interest in original group	Our participation	Purchase price	Offering price	Gross spread	Profit
Dominion of Canada 1-year 4 per cent notes, Sept. 15, 1924–Sept. 15, 1925.	$90,000,000	(1)	Retirement of maturing treasury bills.	Chase Securities Corporation, 23.52 per cent.	$21,168,000	99¾	100	*Per cent* ¼	$38,000
				Blair & Co., 23.52 per cent.					
				Equitable Trust Co., 23.52 per cent.	21,168,000				38,000
				Others, 29.45 per cent.					
Dominion of Canada 1-year 4 per cent notes, Sept. 1, 1925–Sept. 1, 1926.	70,000,000	(1)	Payment, in part, of 1-year notes, maturing Sept. 15, 1925.	Chase Securities Corporation, 22.07 per cent.	15,449,000	99.52	99¾	.235	16,000
				Blair & Co. (Inc.), 22.07 per cent.					
				Equitable Trust Co., 22.07 per cent.	15,449,000				16,000
				Cassatt & Co, 7.36 per cent.					
				First National Corporation, Boston, 3 per cent.					
				Others, 23.43 per cent.					
Dominion of Canada 4½ per cent bonds, Feb. 1, 1926–Feb. 1, 1936.	40,000,000	$40,000,000	Refunding of 1-year notes, maturing Sept. 1, 1926.	Chase Securities Corporation, 21 per cent.	8,407,500	[2] 97.354	98¾	1.90	72,000
				Blair & Co. (Inc.), 21 per cent.					
				Equitable Trust Co., 21 per cent.	8,407,500				72,000
				Cassatt & Co., 7 per cent.					
				First National Corporation, Boston, 3 per cent.					
				Others, 27 per cent.					

[1] Retired.
[2] Flat.

Canadian Government and Canadian National Railway issues in which Chase Securities Corporation-Equitable Trust Co. participated in the origination and/or management—Continued

Issue	Principal amount	Amount outstanding Dec. 15, 1931	Purpose of issue	Interest in original group	Our participation	Purchase price	Offering price	Gross spread	Profit
								Per cent	
Dominion of Canada, 4 per cent bonds, Oct. 1, 1930-Oct. 1, 1960.	$100,000,000	$100,000,000	Refunding of retiring loans and for general purposes of the Dominion.	Chase Securities Corporation, 46.67 per cent.	$16,666,667	[2] 93.646	95¼	1.69	$376,000
				Bancamerica-Blair Corporation, 29.83 per cent.					
				First National Old Colony Corporation, 10 per cent.					
				Cassatt & Co., 7.50 per cent.					
				Harris, Forbes & Co., 6 per cent.					
Canadian National Railways 4½ per cent bonds, July 1, 1927-July 1, 1957.	65,000,000	65,000,000	To meet capital and other expenditures; refunding of notes maturing July 1, 1927, and for branch line and terminal construction.	Chase Securities Corporation, 11.35 per cent.	7,403,000	97.02	98½	1.48	31,000
				Blair & Co. (Inc.), 11.40 per cent.					
				Equitable Trust Co., 11.35 per cent.	7,403,000				35,000
				First National Corporation, Boston, 1.10 per cent.					
				Others, 64.80 per cent.					
Canadian National Railways, 4½ per cent bonds, Dec. 1, 1928-Dec. 1, 1968.	35,000,000	35,000,000	For branch line construction, additions, betterments and other corporate purposes.	Chase Securities Corporation, 12.7 per cent.	4,438,800	94.15	96	1.85	26,000
				Blair & Co. (Inc.), 12.7 per cent.					
				Equitable Trust Co., 12.7 per cent.	4,438,800				32,000
				First National Corporation, Boston, 4.2 per cent.					
				Others, 57.7					
Canadian National Railways 5 per cent serial trust certificates, series "K", May, 1929-May 1, 1930-1944.	18,000,000	15,600,000	Purchase of railway equipment.	Chase Securities Corporation, 15.95 per cent.	2,875,000	97.06	98.35	1.29	18,000
				Blair & Co. (Inc.), 15.95 per cent.					
				Equitable Trust Co., 15.95 per cent.	2,875,000				15,000
				Wood, Grundy & Co., 15.95 per cent.					
				First National Corporation, Boston, 10.0 per cent.					
				Other, 26.2 per cent.					

[2] Flat.

Canadian Government and Canadian National Railway issues in which Chase Securities Corporation–Equitable Trust Co participated in the origination and/or management—Continued

Issue	Principal amount	Amount outstanding Dec. 15, 1931	Purpose of issue	Interest in original group	Our participation	Purchase price	Offering price	Gross spread	Profit
								Per cent	
Canadian National Railways 5 per cent bonds, Oct. 1, 1929–Oct. 1, 1969.	$55,000,000	$55,000,000	Additions and betterments, acquisition of new lines, and refunding of temporary loans.	Chase Securities Corporation, 15.20 per cent.	$8,361,833	96.53	[3] 98½	1.97	$71,000
				Bancamerica-Blair, 15.20 per cent.			[4] 99¼		
				Equitable Trust Co., 15.20 per cent.	8,361,833				55,000
				First National Corporation, Boston, 5.08 per cent.					
				Others, 49.32 per cent.					
Canadian National Railways 5 per cent bonds, Oct. 1, 1929–Oct. 1, 1969 (additional issue of above).	3,200,000	3,200,000	(As above.)	Chase Securities Corporation, 23.46 per cent.	750,720	99.17	100	.83	7,000
				Bancamerica-Blair Corporation, 23.46 per cent.					
				Equitable Trust Co., 23.46 per cent.	750,720				7,000
				First National Corporation, Boston, 7.82 per cent.					
				Others, 22 per cent.					
Canadian National Railways 4½ per cent bonds, June 15, 1930–June 15, 1955.	50,000,000	50,000,000	Retirement of maturing obligations and temporary loans, and for construction and general betterments.	Chase Securities Corporation, 23.36 per cent.	11,680,000	97.31	99	1.69	72,000
				Bancamerica-Blair Corporation, 15.47 per cent.					
				Others, 61.17 per cent.					

Summary

	Principal amount	Amount outstanding	Amount retired	Profits	
				Chase securities corporation	Equitable trust
Dominion of Canada	$300,000,000	$140,000,000	$160,000,000	$502,000	$126,000
Canadian National railways	226,200,000	223,800,000	2,400,000	225,000	144,000
Total	526,200,000	363,800,000	162,400,000	727,000	270,000

[3] United States.

[4] Canada.

92928—32—PT 2——9

Foreign bond issues in which Chase Securities Corporation had a participation in the origination and/or management

Issue	Principal amount	Amount outstanding Dec. 15, 1931	Purpose of issue	Interest in original group	Our participation	Purchase price	Offering price	Gross spread	Profit
Latin America								Per cent	
Argentine Government 2-year 7 per cent notes, Oct. 1, 1921–Oct. 1, 1923.	$50,000,000	(1)	To pay Bank of Argentine Nation for advances made to the Government.	Chase Securities Corporation, 30 per cent.	$15,000,000	97	99⅝	2.625	$165,000
				Blair & Co. (Inc.), 30 per cent					
				Dillon, Read & Co., 20 per cent					
				Kuhn, Loeb & Co., 10 per cent					
				White, Weld & Co., 10 per cent					
Argentine Government 5-year 7 per cent bonds, Feb. 1, 1922–Feb. 1, 1927.	27,000,000	(1)	For repayment of floating debt.	Chase Securities Corporation, 50 per cent.	13,500,000	95	99	4.00	58,000
				Blair & Co. (Inc.), 50 per cent					
Argentine Government 6-month 6 per cent notes, Sept. 1, 1923–Mar. 1, 1924.	55,000,000	(1)	Applied to payment of maturing 2-year notes, due Oct. 1, 1923, and for other purposes.	Chase Securities Corporation, 30 per cent.	16,500,000	97.825	99½	1.675	87,000
				Blair & Co. (Inc.), 30 per cent					
				Kuhn, Loeb & Co., 30 per cent					
				Others, 10 per cent					
Argentine Government 6 per cent sinking fund gold bonds "A," Sept. 1, 1923–Sept. 1, 1957.	40,000,000	$35,759,500	Applied toward payment of short-term notes.	Chase Securities Corporation, 30 per cent.	12,000,000	92	96½	4.50	163,000
				Blair & Co. (Inc.), 30 per cent					
				Kuhn, Loeb & Co., 30 per cent					
				Others, 10 per cent					
Argentine Government 6-month, 5½ per cent notes, Feb. 25, 1924–Aug. 25, 1924.	20,000,000	(1)	Repayment of maturing notes issues.	Chase Securities Corporation, 30 per cent.	6,000,000	99¾	100	.25	11,000
				Blair & Co. (Inc.), 30 per cent					
				Kuhn, Loeb & Co., 30 per cent					
				Others, 10 per cent					
Argentine Government 5¼ per cent treasury notes, June 16, 1924–June 16, 1925.	10,000,000	(1)	General purposes of the Government.	Chase Securities Corporation, 42½ per cent.	4,250,000	99½	100¼	.75	14,000
				Blair & Co. (Inc.), 42½ per cent					
				Others, 15 per cent					
Argentine Government 6-month notes, Aug. 25, 1924–Feb. 25, 1925.	20,000,000	(1)	Payment of treasury notes maturing Aug. 25, 1924.	Chase Securities Corporation, 42½ per cent.	8,500,000	99⅝	100.49	.865	52,000
				Blair & Co. (Inc.), 42½ per cent					
				Others, 15 per cent					
Argentine Government 6-month 4 per cent notes, Sept. 1, 1924–Mar. 1, 1925.	5,000,000	(1)	To reimburse Government for purchases of agricultural materials made in United States of America.	Chase Securities Corporation, 40 per cent.	2,000,000	99½	100	.50	4,000
				Blair & Co. (Inc.), 40 per cent					
				Others, 20 per cent					
Argentine Government 6 per cent sinking fund bonds "B," Dec. 1, 1924–Dec. 1, 1958.	30,000,000	27,590,000	Payment of floating debt	Chase Securities Corporation, 26½ per cent.	7,950,000	92	95	3.00	18,000
				Blair & Co. (Inc.), 26½ per cent					
				Others, 47 per cent					

[1] Retired.

Foreign bond issues in which Chase Securities Corporation had a participation in the origination and/or management—Continued

Issue	Principal amount	Amount outstanding Dec. 15, 1931	Purpose of issue	Interest in original group	Our participation	Purchase price	Offering price	Gross spread	Profit
Latin America—Continued									
								Per cent	
Argentine Government 4¼ per cent notes, Feb. 25, 1925–Aug. 25, 1925, Mar. 1, 1925–Sept. 1, 1925.	$20,000,000 5,000,000	(1) (1)	Repayment of maturing note issues.	Chase Securities Corporation, 26¼ per cent. Blair & Co. (Inc.), 26½ per cent. Others, 47 per cent.	$6,625,000	99⅜	100	0.625	
Argentine Government 6 per cent sinking fund bonds, Sept. 1, 1927–Sept. 1, 1960.	40,000,000	$38,065,500	Funding of floating debt of Argentine State railways.	Chase Securities Corporation, 45 per cent. Blair & Co. (Inc.), 45 per cent. Tornquist, 10 per cent.	18,000,000	95½	99½	4.00	$89,000
Argentine Government 5½ per cent sinking fund bonds, Feb. 1, 1928–Aug. 1, 1962.	20,000,000	19,141,500	Funding of floating debt maturing in 1928.	Chase Securities Corporation, 45 per cent. Blair & Co. (Inc.), 45 per cent. Tornquist, 10 per cent.	9,000,000	94.40	97	2.60	56,000
Antilla Sugar Co. first mortgage 7½ per cent sinking fund bonds "A" Jan. 1, 1924–Jan. 1, 1939.	6,000,000	4,650,000	To provide for acquisition of Central Tacajo properties and for additional working capital.	Chase Securities Corporation, 33⅓ per cent. Blair & Co. (Inc.), 33⅓ per cent. Field, Glore & Co., 16⅔ per cent Peabody, Houghteling, 16⅔ per cent.	2,000,000	90	98	8.00	47,000
Buenos Aires, Province of 5½ per cent Treasury notes, Oct. 1, 1924–Apr. 1, 1925.	2,000,000	(1)	Tax anticipation notes.	Chase Securities Corporation, 45 per cent. Blair & Co. (Inc.), 45 per cent. Halsey, Stuart & Co., 5 per cent. Illinois merchants, 5 per cent.	900,000	98¾	100.48	1.73	4,000
Buenos Aires, Province of 5¼ per cent Treasury notes, Sept. 1, 1925–Mar. 1, 1926.	2,000,000	(1)	To finance railroad construction.	Chase Securities Corporation, 45 per cent. Blair & Co. (Inc.), 45 per cent. Halsey Stuart & Co., 5 per cent. Illinois merchants, 5 per cent.	900,000	99¼	100	.75	
Buenos Aires, Province of 5¼ per cent Treasury notes, Nov. 1, 1925–May 1, 1926.	3,600,000	(1)	Refunding of maturing Treasury obligations issued for railroad construction.	Chase Securities Corporation, 45 per cent. Blair & Co. (Inc.), 45 per cent. Halsey, Stuart & Co., 5 per cent Illinois merchants, 5 per cent.	1,620,000	99¼	100	.75	6,000
Buenos Aires, Province of 7½ per cent sinking fund gold bonds, Nov. 1, 1925–Nov. 1, 1947.	14,472,000	12,108,100	To refund $5,600,000 of externa Treasury obligations and to reimburse Province for expenditures on construction and acquisition of railroad properties.	Chase Securities Corporation, 45 per cent. Blair & Co. (Inc.), 45 per cent. Halsey, Stuart & Co., 5 per cent. Illinois merchants, 5 per cent.	6,512,400	91.464	99	7.536	199,000

Foreign bond issues in which Chase Securities Corporation had a participation in the origination and/or management—Continued

Issue	Principal amount	Amount outstanding Dec. 15, 1931	Purpose of issue	Interest in original group	Our participation	Purchase price	Offering price	Gross spread	Profit
Latin America—Continued									
								Per cent	
Buenos Aires, Province of: (*a*) 10-year 7 per cent sinking fund gold notes, Jan. 1, 1926–Jan. 1, 1936.	$4,200,000	(1)	To retire floating debt of Province.	Chase Securities Corporation, 45 per cent.	[3] $1,890,000	[2] 90	99	9.00	$343 000
(*b*) 26-year 7 per cent sinking fund gold bonds, Apr. 1, 1926–Apr. 1, 1952.	10,600,000	$9,485,300	To finance development of waterworks and sanitation systems of the Province.	Blair & Co. (Inc.), 45 per cent.	[4] 4,770,000				
				Illinois merchants, 5 per cent.					
				Halsey, Stuart & Co., 5 per cent.		85	96½	11.50	
Cuba, republic of, 5½ per cent serial certificates, July 1, 1928–December, 1931–June, 1932; Jan. 1, 1929–June, 1932, December, 1932, June, 1933.	20,000,000	16,290,000	To refund indebtedness incurred for work completed in accordance with public works law.	Chase Securities Corporation, 26⅔ per cent.	5,333,332	98.20	99¾	1.55	10,000
				Blair & Co. (Inc.), 26⅔ per cent.			100	1.80	11,000
				Equitable Trust Co., 26⅔ per cent.					
				Continental Bank & Trust, 20 per cent.					
Cuba, Republic of, 5½ per cent bonds, Jan. 1, 1930–Jan. 1, 1945.	40,000,000	40,000,000	Completion of Central Highway, and public works construction in accordance, with the public works law.	Chase Securities Corporation, 26⅔ per cent.	10,666,666	95	98	3.00	121,000
				Blair & Co. (Inc.), 26⅔ per cent.					
				Equitable Trust Co., 26⅔ per cent.					
				Continental Bank & Trust, 20 per cent.					
Parana, State of, 7 per cent sinking fund gold bonds "B," Mar. 15, 1928–Mar. 15, 1958.	4,860,000	4,642,000	Redemption of outstanding French franc loans and for construction of public works.	Chase Securities Corporation, 50 per cent.	2,430,000	[2] 93½	98	4.50	46,000
				Blair & Co. (Inc.), 50 per cent.					
Santa Fe, Province of, 1-year 6 per cent treasury notes, May 1, 1927–May 1, 1928.	1,500,000	(1)	General purposes of the Province.	Chase Securities Corporation, 45 per cent.	675,000	99¼	100	.75	
				Blair & Co. (Inc.), 45 per cent.					
				E. Tornquist & Co., 10 per cent.					
Santa Fe, Province of, 1-year 6 per cent Treasury notes, Apr. 1, 1928–Apr. 1, 1929.	1,500,000	(1)	Refunding of above notes, maturing May 1, 1928.	Chase Securities Corporation, 37½ per cent.	562,500	99¼	100	.75	
				Blair & Co. (Inc.), 37½ per cent.					
				Chatham-Phenix Corporation, 15 per cent.					
				E. Tornquist & Co. (Ltd.), 10 per cent.					

[1] Retired.
[2] Flat.
[3] Defaulted on interest payments, due Jan. 1, 1931; sinking fund requirements not met Jan. 1, 1930.
[4] Interest due Sept. 15, 1931, paid from reserve fund; sinking fund deferred.

Foreign bond issues in which Chase Securities Corporation had a participation in the origination and/or management—Continued

Issue	Principal amount	Amount outstanding Dec. 15, 1931	Purpose of issue	Interest in original group	Our participation	Purchase price	Offering price	Gross spread	Profit
Germany								*Per cent*	
Chemnitz, City of, 1-year 5½ per cent Treasury notes, Nov. 1, 1926-Nov. 1, 1927.	$2,000,000	(1)	Additions and improvements to income-producing properties owned by the city.	Chase Securities Corporation, 42½ per cent. Blair & Co. (Inc.), 42½ per cent. Darmstadter Bank (Berlin), 15 per cent.	$850,000	98½	99½	1.00	$2,000
Commerz-und Privat 5½ per cent bonds, Nov. 1, 1927-Nov. 1, 1937.	20,000,000	$20,000,000	Financing of exporting industrial corporations.	Chase Securities Corporation, 39 per cent. Blair & Co. (Inc.), 39 per cent. Halsey Stuart & Co. (Inc.), 19.5 per cent. Bankers Trust Co., 2.5 per cent.	7,800,000	91½	94½	3.00	44,000
East Prussian Landowners, Bank of, 6 per cent notes, Apr. 1, 1927-Apr. 1, 1930.	7,000,000	(1)	Granting the Landowners Association a 3-year 6 per gold mark loan, to be used for refunding purposes.	Chase Securities Corporation, 48.2 Blair & Co. (Inc.), 48.2 Deutsche Bank, Berlin, 3.6 per cent.	3,375,000	95¾	99¼	3.50	36,000
Hanover, City of, 5½ per cent notes, Oct. 1, 1926-Oct. 1, 1927.	2,000,000	(1)	Additions and improvements to income producing properties owned by city.	Chase Securities Corporation, 37½ per cent. Blair & Co. (Inc.), 37½ per cent. Darmstadter-Hanover, 25 per cent.	750,000	98¾	99½	.75	
Wurttemberg Consolidated Municipal, 7 per cent serial bonds, Nov. 1, 1925-Nov. 1, 1926, 1945.	8,400,000	5,880,000	Electric light and power plants, and other public works development.	Chase Securities Corporation, 50 per cent. Blair & Co. (Inc.), 50 per cent.	4,200,000	89¼	96.15	6.90	99,000
Miscellaneous: Danzig Port and Waterways, 6½ per cent bonds, July 1, 1927-July 1, 1952.	4,500,000	4,353,500	Enlarging harbor and construction of additions and improvements; refunding of an outstanding debt of city of Danzig.	Chase Securities Corporation, 44.44. Blair & Co. (Inc.), 44.44. Bankers Trust, 11.12.	2,000,000	84½	90	5.50	17,000

[1] Retired.

Summary

	Principal amount	Now outstanding	Retired	Profit
Latin America	$452,732,000	$207,731,900	$245,000,100	$1,504,000
Germany	39,400,000	25,880,000	13,520,000	181,000
Miscellaneous	4,500,000	4,353,500	146,500	17,000
Total	496,632,00	237,965,400	258,666,600	1,702,000
Defaulted issues	10,860,000	9,292,000	1,568,000	----------

Foreign bond issues in which Equitable Trust Co. had a participation in the origination and/or management

Issue	Principal amount	Amount outstanding Dec. 15, 1931	Purpose of issue	Interest in original group	Our participation	Purchase price	Offering price	Gross spread	Profit
German:									
Bavaria Free State of 6½ per cent serial bonds Aug. 1, 1925–Aug. 1, 1926–1945.	$15,000,000	$10,500,000	Public improvements and capital acquisitions.	Equitable Trust Co., 50 per cent. Harris, Forbes & Co., 50 per cent.	$7,500,000	[1] 89	[2] 92.95625	*Per cent* 3.95	$143,000
Bavaria Free State of 6½ per cent sinking fund gold bonds Aug. 1, 1925–Aug. 1, 1945.	10,000,000	9,511,000	Extension of hydroelectric properties.	Equitable Trust Co., 50 per cent. Harris, Forbes & Co., 50 per cent.	5,000,000	87¾	92.75	5.00	99,000
Bavaria, Free State of 1 year treasury notes June 10, 1927–June 10, 1928.	20,000,000	([3])	Refunding floating indebtedness of State.	Equitable Trust Co., 50 per cent. Harris, Forbes & Co., 50 per cent.	10,000,000	94.15	94.9664	--------	21,000
Nuremberg, city of, 6 per cent bonds Aug. 1, 1927–Aug. 1, 1952.	5,000,000	4,483,000	Improving and enlarging city-owned public works.	Equitable Trust Co., 100 per cent	5,000,000	90½	94	3.50	32,000
Latin America: Medellin, city of, 8 per cent sinking fund gold bonds Oct. 1, 1923–Oct. 1, 1945.	3,000,000	([3])	Repayment of maturing notes and public-utility improvements.	do	3,000,000	90	98	8.00	120,000

[1] Flat.
[2] Average.
[3] Retired.

Foreign bond issue in which Equitable Trust Co. had a participation in the origination and/or management—Continued

Issue	Principal amount	Amount outstanding Dec. 15, 1931	Purpose of issue	Interest in original group	Our participation	Purchase price	Offering price	Gross spread	Profit
								Per cent	
Miscellaneous:									
New South Wales, State of, 5 per cent bonds Feb. 1, 1927–Feb. 1, 1957.	$25,000,000	$23,868,500	Public-works construction	Equitable Trust Co., 33⅓ per cent.	$8,333,333	93.277	96¼	2.97	$94,000
				Harris, Forbes & Co., 33⅓ per cent.					
				First National Corporation, Boston, 20 per cent.					
				Estabrook & Co., 13⅓ per cent.					
New South Wales, State of, 5 per cent bonds, Apr. 1, 1927–Apr. 1, 1958.	25,000,000	23,848,000	do	Equitable Trust Co., 33⅓ per cent.	8,333,333	93½	96¼	2.75	55,000
				Harris, Forbes & Co., 33⅓ per cent.					
				First National Corporation, Boston, 20 per cent.					
				Estabrook & Co., 13⅓ per cent.					

Summary

	Principal amount	Amount outstanding	Retired	Profit
German	$50,000,000	$24,494,000	$25,506,000	$295,000
Latin America	3,000,000		3,000,000	120,000
New South Wales	50,000,000	47,716,500	2,283,500	149,000
	103,000,000	72,210,500	30,789,500	564,000

Foreign bond issues in which Harris, Forbes & Co. had a participation in the origination and/or management

Issue	Principal amount	Amount outstanding Dec. 15, 1931	Purpose of issue	Interest in original group	Our participation	Purchase price	Offering price	Gross spread	Profit
Germany:								Per cent	
Duisburg, City of 7 per cent serial bonds, Nov. 1, 1925–Nov. 1, 1926–1945.	$3,000,000	$2,100,000	Public works improvements.	Harris, Forbes & Co., 100 per cent.	$3,000,000	[1] 89½	[2] 95.95	[2] 6.45	$60,000
East Prussian Power 6 per cent bonds, June 1, 1928–June 1, 1953.	3,500,000	3,420,000	Retirement of current debt and for additions and improvements.	Harris, Forbes & Co., 75 per cent. International Acceptance Bank, 25 per cent.	2,525,000	88	91	3.00	10,000
Electric Power Corporation 6½ per cent bonds, Mar. 1, 1925–Mar. 1, 1950, (additional issue, September, 1925).	5,000,000 2,500,000	7,125,000	Development and enlargement of company's properties.	Harris, Forbes & Co., 100 per cent.	7,500,000	79½	87	7.50	81,000
				(Ceded at step-up: Lee Higginson, 25 per cent.		82	87	5.00	42,000
				Brown Bros., 20 per cent).					
Electric Power Corporation 6½ per cent bonds, Apr. 1, 1928–Apr. 1, 1953.	5,000,000	5,000,000	do.	Harris, Forbes & Co., 100 per cent. (Same participants on step-up basis as above.)	5,000,000	95½	99½	4.00	65,000
German consolidated municipal 7 per cent loan, Feb. 1, 1926–Feb. 1, 1947, (additional issue, August, 1926).	15,000,000 8,000,000	19,772,000	Construction and improvement of public works.	Harris, Forbes & Co., 46⅔ per cent.	10,733,333	89.4167	94¾	5.33	129,000
				Lee Higginson, 23⅓ per cent.					
				Guaranty Co., 13⅓ per cent.		93⅛	90	5.875	71,000
				Rollins, 8⅓ per cent.					
				Equitable Trust Co., 8⅓ per cent.					
German consolidated municipal 6 per cent loan, June 1, 1928–June 1, 1947.	17,500,000	15,850,000	do.	Harris, Forbes & Co., 100 per cent. Same purchase group as above at 0.125 step-up.	17,500,000	91½	94½	3.00	82,000
"Gesfurel" 6 per cent debentures, June 1, 1928–June 1, 1953.	5,000,000	4,700,000	Development of existing properties and for investment in other electric enterprises.	Harris, Forbes & Co., 80 per cent 5 per cent ceded to Disconto Bank, Berlin; Dresdner Bank, Berlin; Credit Suisse Harris Forbes (Ltd.), London.	4,000,000	96	100	4.00	102,000
Munich, City of, 7 per cent serial bonds Aug. 1, 1925–Aug. 1, 1926–1945.	8,700,000	6,090,000	Extension and improvement of public works.	Harris, Forbes & Co., 100 per cent.	8,700,000	[1] 88¼	[2] 96.1125	[2] 7.8625	217,000
Pomerania Electric 6 per cent bonds, May 1, 1928–May 1, 1953.	$3,500,000	3,314,000	Retire floating debt and for additions and improvements.	Harris, Forbes & Co., 100 per cent.	3,500,000	88	92½	4.50	55,000
				(Redmond and I. A. B. ceded 500M at 1 per cent step-up.)					

[1] Flat. [2] Average.

Foreign bond issues in which Harris, Forbes & Co. had a participation in the origination and/or management—Continued

Issue	Principal amount	Amount outstanding Dec. 15, 1931	Purpose of issue	Interest in original group	Our participation	Purchase price	Offering price	Gross spread	Profit
								Per cent	
Prussian Electric Co. 6 per cent debentures, Feb. 1, 1929–Feb. 1, 1954.	$4,000,000	$3,915,000	Construction and enlargement of company's plant and other corporate purposes.	Harris, Forbes & Co., 14 2/7 per cent.	$571,428	88½	91	2.50	$2,000
				Brown Bros., 14 2/7 per cent					
				Equitable Trust Co., 14 2/7 per cent.					
				New York Trust Co., 14 2/7 per cent.					
				Mendellsohn (Berlin), 14 2/7 per cent.					
				International Acceptance Bank, 14 2/7 per cent.					
				J. Henry Schroder, 14 2/7 per cent.					
Prussia, Free State of, 6½ per cent bonds. Sept. 15, 1926–Sept. 15, 1951.	20,000,000	20,000,000	Electric enterprises and harbor development.	Harris, Forbes & Co., 20 per cent.	4,000,000	90¾	95	4.25	92,000
				Brown Bros., 20 per cent					
				Equitable Trust Co., 20 per cent.					
				New York Trust, 20 per cent					
				Mendellsohn, 20 per cent					
Prussia, Free State of, participation certificates, May 24, 1927–Aug. 24, 1927.	5,000,000	[3]	Tax anticipation certificates.	Harris, Forbes & Co., 20 per cent.	2,000,000	98.6125	100	1.3875	2,000
				Same purchase group as above					
(Renewal) Aug. 24, 1927–Nov. 23, 1927.	5,000,000	[3]	To renew above	20 per cent	2,000,000	98.627	98.778	.151	
Prussia, Free State of, 6 per cent bonds, Oct. 15, 1927–Oct. 15, 1952.	30,000,000	27,608,000	Improvement of agriculture and enlargement of harbors and waterways.	Harris, Forbes & Co., 14 2/7 per cent.	4,216,000	93½	96½	3.00	80,000
				Brown Bros., 14 2/7 per cent					
				Equitable Trust Co., 14 2/7 per cent.					
				New York Trust Co., 14 2/7 per cent.					
				Mendellsohn & Co., 14 2/7 per cent.					
				International Acceptance Bank, 14 2/7 per cent.					
				J. Henry Schroder, 14 2/7 per cent.					
				(After cession of 500M to Reichs Kredit.)					
Silesia Electric Corporation 6½ per cent bonds, Feb. 1, 1926–Feb. 1, 1946.	4,000,000	3,400,000	Reimburse company for expenditures on property additions and improvements.	Harris, Forbes & Co., 100 per cent.	4,000,000	81	87⅜	6.375	98,000
Stettin Public Utilities Co. 7 per cent bonds, Apr. 1, 1926–Apr. 1, 1946.	13,000,000	2,400,000	Reimburse company for expenditures made on additions and improvements.	Harris, Forbes & Co., 75 per cent.	2,250,000	89¾	94½	4.75	45,000
				Redmond, 25 per cent					

Foreign bond issues in which Harris, Forbes & Co. had a participation in the organization and/or management—Continued

Issue	Principal amount	Amount outstanding Dec. 15, 1931	Purpose of issue	Interest in original group	Our participation	Purchase price	Offering price	Gross spread	Profit
								Per cent	
United Industrial Corporation 6 per cent debentures, Dec. 1, 1925–Dec. 1, 1945.	$6,000,000	$5,100,000	Enlargement and extension of properties.	Harris, Forbes & Co., 80 per cent. Reichs Kredit Gesellschaft, 20 per cent.	$4,800,000	79.70	84½	4.80	$72,000
United Industrial Corporation 6½ per cent debentures, Nov. 1, 1926–Nov. 1, 1941.	6,000,000	5,640,000	Repayment of indebtedness and capital improvements.	Harris, Forbes & Co., 70.8 per cent. Lee Higginson, 16.7 per cent. Brown Bros., 12.5 per cent.	4,250,000	93	97½	4.50	74,000
Latin America: Cordoba, Province of, 7 per cent bonds, Jan. 1, 1925–Jan. 1, 1942.	5,943,000	4,436,500	Construction of public works and buildings.	Harris, Forbes & Co., 33⅓ per cent. First National Old Colony, 33⅓ per cent. Kissel, Kinnicutt, 33⅓ per cent.	1,981,000	87	95	8.00	97,000
Miscellaneous: Nippon Electric Power Co. 6½ per cent bonds, Jan. 1, 1928–Jan. 1, 1953.	9,000,000	8,280,000	Capital improvements and additions.	Harris, Forbes & Co., 100 per cent.	9,000,000	86.70	94	7.30	262,000

[1] Retired.

Summary

	Principal amount	Outstanding	Retired	Profit
Germany	$159,700,000	$135,440,000	$24,260,000	$1,379,000
Latin America	5,943,000	4,436,500	1,506,500	97,000
Miscellaneous	9,000,000	8,280,000	720,000	262,000
Total	174,643,000	148,156,500	26,486,500	1,738,000

Foreign bond issues—Major participations taken by Chase Securities Corporation in issues originated or managed by others

Issue	Principal amount	Managers	Our participation	Amount of participation	Offering price	Profit	Remarks
Latin America:							
Antioquia, Department of, 7 per cent 1925, due 1945—							
Series A 1925	$3,000,000	Blair & Co. (Inc.)	33⅓ per cent in original purchase.	$1,000,000	90	$62,281	
Series A 1926	3,000,000			1,000,000	93	29,826	
Series B 1926	6,000,000			2,000,000	91½	49,450	
Series C 1927	2,500,000			833,333	96½		
Series D 1928	3,750,000			1,250,000	95½	34,722	
Series D 1929	1,750,000			583,333	93	25,179	
Brazil, United States of, 7 per cent 1922, due 1952.	25,000,000	Dillon, Read & Co.	4 per cent in purchase group.	1,000,000	96½	5,000	In default. Interest payable in scrip.
Brazil, United States of, 8 per cent 1921, due 1941.	25,000,000	do	do	1,000,000	98½	15,168	Do.
Caldas, Department of, 7½ per cent 1926, due 1946.	4,000,000 6,000,000	Blyth Witter & Co.	18.16⅔ per cent in original purchase.	726,666 1,090,000	98 95½	7,815 17,670	
Chile, Republic of, 8 per cent 1921, due 1926.	9,500,000	Blair & Co. (Inc.)	50 per cent in original purchase.	4,750,000	99	30,848	Retired.
Chile, Republic of, 8 per cent 1922, due 1947.	10,500,000	do	do	5,250,000	99½	183,246	Do.
Chile, Republic of, 6 months 5 per cent treasury gold notes, due Feb. 25, 1927.	10,000,000	do	27½ per cent in original purchase.	2,750,000	99⅞	1,391	Do.
Colombia, Republic of, 6½ per cent notes 1922, due 1927.	5,000,000	do	25 per cent in original purchase.	1,250,000	98	13,017	Do.
Rio de Janeiro, city of, 6 per cent 1922, due 1947.	13,000,000	do	3.846 per cent in special purchase group.	500,000	103	2,500	Do.
Santa Fe, city of, 7 per cent 1927, due 1945.	2,122,500	do	50 per cent in original purchase.	1,061,250	94½	1,710	
Germany:							
Berlin, city of, 6½ per cent 1925, due 1930.	15,000,000	Speyer & Co.	25 per cent in original purchase.	3,750,000	89	60,632	
Cologne, city of, 6½ per cent 1925, due 1950.	10,000,000	Blair & Co.	35 per cent in purchase group.	3,500,000	87½	48,443	
Dresden, city of, 7 per cent 1925, due 1945.	5,000,000	Speyer & Co.	4 per cent in original purchase.	200,000	94	2,846	
German Government, 5½ per cent 1930, due 1965.	98,250,000	J. P. Morgan & Co.	4½ per cent in original purchase.	4,421,250	90	80,579	
Hanover State Credit Institute 3½ year 6 per cent gold notes, due July 15, 1931.	4,000,000	Blair & Co. (Inc.)	50 per cent in original purchase.	2,000,000	98	303	Do.
Silesian Landowners Association, Bank of, 6 per cent 1927, due 1947.	6,000,000	do	50 per cent in purchase group	3,000,000	92½	66,175	

Foreign bond issues—Major participations taken by Chase Securities Corporation in issues originated or managed by others—Continued

Issue	Principal amount	Managers	Our participation	Amount of participation	Offering price	Profit	Remarks
Other European:							
Adriatic Electric Co. 6½ per cent notes 1926, due Dec. 15, 1928.	$2,000,000	Blair & Co. (Inc.)	35 per cent in original purchase.	$700,000	99½	$12,912	Retired.
Adriatic Electric Co. 7 per cent 1927, due 1952.	5,000,000	do	25 per cent in original purchase.	1,250,000	96	8,069	
Austrian Government, 7 per cent 1930, due 1957.	25,000,000	J. P. Morgan & Co	4½ per cent in original purchase.	1,125,000	95	21,110	
Belgrade, city of, 6 months, 6 per cent gold notes, due May 1, 1928.	3,000,000	Blair & Co. (Inc.)	50 per cent in original purchase.	1,500,000	100	5,203	Do.
Bergen, city of, 6 per cent 1924, due 1949.	2,000,000	Brown Bros	22½ per cent in original purchase.	450,000	95¼	4,457	Do.
Bulgarian Government, 7 per cent 1927, due 1967.	4,500,000	Speyer & Co	18¾ per cent in original purchase.	843,750	92	21,928	
Burmeister & Wain (Ltd.), 6 per cent 1925, due 1940.	2,000,000	Brown Bros	20 per cent in original purchase.	400,000	95¼	1,888	
Christiana Tramways Corporation 2-year 5 per cent gold notes, due Oct. 1, 1926.	1,400,000	White, Weld & Co	22½ per cent in original purchase.	315,000	100¼	734	Do
Denmark, Mortgage Bank of, Kingdom of, 5 per cent 1927, due 1972.	5,300,000	Brown Bros	16⅔ per cent in original purchase.	883,333	96½	4,994	
Hungarian Consolidated Cities, 7½ per cent 1925, due 1945.	10,000,000	Speyer & Co	20 per cent in original purchase.	2,000,000	89	36,082	
Hungarian Consolidated Cities, 7 per cent 1926; due 1946.	6,000,000	do	do	1,200,000	93½	1,080	
Hungary, Kingdom of, 7½ per cent 1924, due 1944.	7,500,000 1,500,000	do	13⅓ per cent in original purchase.	1,000,000 200,000	87½ 88	28,992 3,475	
Italian Public Utility Credit Institute, 7 per cent 1926, due 1952.	20,000,000	Blair & Co. (Inc.)	45 per cent in original purchase.	9,000,000	93	89,474	
Lombard Electric Co. 7 per cent 1926, due 1952.	6,000,000 4,000,000	do	50 per cent in original purchase.	3,000,000 2,000,000	94 96	74,655 49,705	
Meridionale Electric Co. 7 per cent 1927, due 1957.	10,750,000	Marshall Field, Glore Ward & Co.	23.1264 per cent in purchase group after withdrawal of $5,412,500 for sale abroad.	1,234,375	95½	26,723	
Norway, Kingdom of, 5½ per cent 1925, due 1965.	30,000,000	Blair & Co. (Inc.)	18 per cent in original purchase.	5,400,000	96¾	25,192	
Piedmont Hydro-Electric Co. 5½ per cent gold notes June 15, 1928, due June 15, 1929.	4,000,000	do	50 per cent in original purchase.	2,000,000	99¾	10,015	Do.
Piedmont Hydro-Electric Co. 6½ per cent 1930, due 1960.	15,000,000	Bancamerica Blair Corporation.	33⅓ per cent in original purchase.	5,000,000	91½	58,273	
Poland, Republic of, 7 per cent 1927, due 1947.	62,000,000	Bankers Trust Co	20 per cent in original purchase after $15,000,000 taken abroad.	9,400,000	92	189,412	

Foreign bond issues—Major participations taken by Chase Securities Corporation in issues originated or managed by others—Continued

Issue	Principal amount	Managers	Our participation	Amount of participation	Offering price	Profit	Remarks
Other European—Continued.							
Royal Dutch Co. 4 per cent 1930, due 1945.	$40,000,000	Dillon Read & Co.	12½ per cent in purchase group.	$5,000,000	89½	$56,519	
Roumania Monopolies Institute, Kingdom of, 7 per cent 1929, due 1959.	12,000,000	Blair & Co. (Inc.)	33⅓ per cent in original purchase.	4,000,000	88	223,035	
Sanda Falls Co. (Ltd.) 5 per cent 1925, due 1955.	4,000,000	do	15 per cent in purchase group.	600,000	98	6,333	
Serbs, Croats, and Slovenes, Kingdom of, 8 per cent 1922, due 1962.	15,200,000	do	10 per cent in original purchase.	1,520,000	95½		
Serbs, Croats, and Slovenes, Kingdom of, 6 per cent gold notes Sept. 1, 1924, due Mar. 31, 1925.	3,000,000	do	45 per cent in original purchase.	1,350,000	100	12,156	Retired.
Serbs, Croats, and Slovenes, Kingdom of, 6 per cent gold notes Mar. 31, 1925, due Sept. 30, 1925.	3,000,000	do	50 per cent in original purchase.	1,500,000	100	11,215	Do.
Serbs, Croats, and Slovenes, Kingdom of, 6 per cent gold notes Sept. 30, 1925, due Mar. 31, 1926.	3,000,000	do	45 per cent in original purchase.	1,350,000	100	9,556	Do.
Serbs, Croats, and Slovenes, Kingdom of, 6 per cent gold notes Mar. 31, 1926, due Sept. 30, 1926.	3,000,000	do	do	1,350,000	100	9,851	Do.
Serbs, Croats, and Slovenes, Kingdom of, 6 per cent gold notes Sept. 30, 1926, due Mar. 31, 1927.	3,000,000	do	do	1,350,000	100	9,805	Do.
Serbs, Croats, and Slovenes, Kingdom of, 7 per cent 1927, due 1962.	30,000,000	Blair & Co.	do	13,500,000	92½	133,452	
Switzerland, Government of, 3-year 5 per cent 1923, due Aug. 1, 1926.	20,000,000	J. P. Morgan & Co.	5 per cent in purchase group.	1,000,000	97.29	7,004	Do.
Switzerland, Government of, 5½ per cent 1944, due 1946.	30,000,000	do	do	1,500,000	97½	12,422	
Trondjehm, city of, 5½ per cent 1927, due 1957.	2,750,000	White Weld & Co.	20 per cent in original purchase.	550,000	97¾	16,663	
Warsaw, city of, 7 per cent 1928, due 1958.	10,000,000	Stone & Webster and Blodget, (Inc.).	15 per cent in original purchase.	1,500,000	89	20,999	

Foreign bond issues—Major participations taken by Chase Securities Corporation in issues originated or managed by others—Continued

Issue	Principal amount	Managers	Our participation	Amount of participation	Offering price	Profit	Remarks
Miscellaneous:							
Dutch East Indies, 6 per cent 1922, due 1947.	$40,000,000	Guaranty Co.	11.4375 per cent in original purchase.	$4,575,000	94½	$35,792	
Dutch East Indies, 6 per cent 1922, due 1962.	40,000,000	do	do	4,575,000	94¾	32,322	
	20,000,000		11.4375 per cent in original group.	2,287,500	96½	49,246	
Dutch East Indies, 5½ per cent 1923, due March, 1953.	25,000,000	do	11.96 per cent in original purchase.	2,990,625	88	23,737	
Dutch East Indies, 5½ per cent 1923, due November, 1953.	25,000,000	do	12 per cent in original purchase after withdrawal of $2,000,000.	2,759,375	90	23,501	
Japanese Government, 5½ per cent 1930, due 1965.	50,000,000	J. P. Morgan & Co.	3 per cent in intermediate group.	1,500,000	90	31,250	

Summary

	Principal amount	Participation	Profit
Latin America	$130,122,500	$26,044,582	$479,823
Germany	138,250,000	16,871,250	258,977
Other European	405,900,000	84,971,458	1,203,383
Miscellaneous	200,000,000	18,687,500	195,848
	874,272,500	146,574,790	2,138,031
Defaulted issues	50,000,000	2,000,000	

Foreign bond issues, major participations taken by Equitable Trust Co. in issues originated or managed by others

Issue	Principal amount	Managers	Our participation	Amount of participation	Offering price	Profit	Remarks
Latin America:							
Argentine Government, 6 months 6 per cent gold notes due Mar. 1, 1924.	$55,000,000	Chase Securities Corporation.	Special group	$2,000,000	99.50	$12,665	Retired.
Argentine Government, 6 per cent, 1924, due 1958.	30,000,000	do	5 per cent in original purchase.	1,500,000	95	11,310	
Argentine Government, 4¼ per cent gold notes—							
Feb. 25, 1925, due Aug. 25, 1925	20,000,000	do	do	1,250,000	100	1,562	Do.
Mar. 1, 1925, due Sept. 1, 1925	5,000,000	do					Do.
Argentine Government, 6 per cent, 1927, due September, 1960.	40,000,000	do	5 per cent in purchase group (after $4,000,000 ceded).	1,800,000	99.50	15,893	
Argentine Government, 5½ per cent, 1928, due 1962.	20,000,000	do	5 per cent in purchase group (after $2,000,000 ceded).	900,000	97	8,625	
Argentine Government, 5 per cent gold notes, Apr. 1, 1930, due Oct. 1, 1930.	50,000,000	Chatham Phenix Corporation.	Selling group	2,203,000	100	4,131	Do.
Bolivia, Republic of, 8 per cent, 1922, due 1947.	24,000,000	Spencer Trask & Co	33⅓ per cent in original purchase.	8,000,000	101	285,972	Additional bonds purchased from contractors at varying prices and sold at varying prices, bringing total principal amount issued to $29,000,000. In default.
Buenos Aires, Province of, 7½ per cent, 1925, due 1947.	14,472,000	Chase Securities Corporation.	10 per cent in banking group.	1,447,200	99	23,187	
Chile, Republic of, 6 months 5 per cent gold notes, due Feb. 25, 1927.	10,000,000	Blair & Co. (Inc.)	10 per cent in original purchase.	1,000,000	99.875	506	Retired.
Colombia Agricultural Mortgage Bank of, 6 per cent, 1927, due 1947.	5,000,000	W. A. Harriman & Co. (Inc.).	42½ per cent in original purchase.	2,125,000	92	57,900	
Colombia, Agricultural Mortgage Bank of, 6 per cent, 1928, due 1948.	5,000,000	do	do	2,125,000	93.50	38,865	
Cuba, Republic of, 5½ per cent serial certificates—							
July 1, 1928, due Dec. 31, 1931, and June 30, 1932.	10,000,000	Chase Securities Corporation.	26⅔ per cent in original purchase.	2,666,666	99.75	10,216	
Jan. 1, 1929, due June 30, 1932, to June 30, 1933.	10,000,000			2,666,666	100	18,105	
Cuba, Republic of, 5½ per cent 1930, due 1945.	40,000,000	Chase Securities Corporation.	do	10,666,666	98	197,309	
Rio de Janeiro, city of, 6 per cent serials 1919, due May 1, 1922-May 1, 1931.	10,000,000	Imbrie & Co	50 per cent in purchase group.	5,000,000	[1] 97.1625	151,143	Retired.

[1] Average.

Foreign bond issues, major participations taken by Equitable Trust Co. in issues originated or managed by others—Continued

Issue	Principal amount	Managers	Our participation	Amount of participation	Offering price	Profit	Remarks
Latin America—Continued.							
Rio Grande do Sul, Consolidated municipalities State of, 7 per cent 1927, due 1967.	$4,000,000	J. G. White & Co.	33⅓ per cent in original purchase.	$1,333,333	97	$20,503	In default.
Rio Grande do Sul, State of, 6 per cent 1928, due 1968.	23,000,000	White Weld & Co.	Special group.	1,000,000	94.25	11,781	Do.
Sao Paulo, city of, 6 per cent 1919, due 1943.	8,500,000	Imbrie & Co.	50 per cent in purchase group.	4,250,000	95.50	41,694	
Sao Paulo, State of, 6 per cent 1921, due 1936.	10,000,000	Speyer & Co.	19.305 per cent in original purchase.	1,930,500	97.50	88,603	Jan. 1, 1932, sinking fund partially paid.
Sao Paulo, State of, 8 per cent 1925, due 1950.	15,000,000	do.	6⅔ per cent in original purchase.	1,000,000	99.50	36,083	Nov. 15, 1931, sinking fund partially paid.
Sao Paulo, State of, 7 per cent 1926, due 1956.	7,500,000	do.	6.49⅓ per cent in original purchase.	487,000	96.50	18,295	Sept. 1, 1931, service paid partially from reserve fund.
Sao Paulo, State of, 6 per cent 1928, due 1968.	15,000,000	do.	6⅔ per cent in original purchase.	1,000,000	94.50	17,180	July 1, 1931, service paid from reserve fund.
Germany:							
Berlin, City of, 6½ per cent 1925, due 1950.	15,000,000	do.	25 per cent in original purchase.	3,750,000	89	67,667	
Berlin Electric Elevated and Underground 6½ per cent 1926, due 1953.	15,000,000	do.	23½ per cent in original purchase (after sale of $3,000,000 abroad.)	2,820,000	94.50	37,230	
Brandenburg Electric Power Co. 6 per cent 1928, due 1953.	5,000,000	E. H. Rollins & Sons.	50 per cent in original purchase.	2,500,000	93.50	17,601	
Deutsche Bank 6 per cent notes 1929, due 1932.	25,000,000	Dillon Read & Co.	8 per cent in banking group.	2,000,000	99.50	18,732	
Dresden, city of, 7 per cent 1925, due 1945.	5,000,000	Speyer & Co.	4 per cent in original purchase.	200,000	94	3,745	
German Consolidated Municipal Loan of German Savings Banks and Clearing Association 7 per cent 1926, due 1947.	15,000,000	Harris, Forbes & Co.	8⅓ per cent in purchase group.	1,250,000	94.75	34,389	
	8,000,000		do.	666,666	98	15,091	
German Consolidated Municipal Loan of German Savings Banks and Clearing Association 6 per cent 1928, due 1947.	17,500,000	Harris, Forbes & Co.	8⅓ per cent in purchase group.	1,458,333	94.50	11,307	
Prussian Electric Co. 6 per cent 1929, due 1954.	4,000,000	do.	14²⁄₇ per cent in original purchase.	571,429	91	2,250	
Prussia, Free State of, 6½ per cent 1926, due 1951.	20,000,000	do.	20 per cent in original purchase.	4,000,000	95	79,057	

[1] Average.

Foreign bond issues, major participations taken by Equitable Trust Co. in issues originated or managed by others—Continued

Issue	Principal amount	Managers	Our participation	Amount of participation	Offering price	Profit	Remarks
Germany—Continued.							
Prussia, Free State of, participation certificates—							
May 24, 1927 due, Aug. 24, 1927.	$5,000,000	Harris, Forbes & Co.	20 per cent in original purchase.	$1,000,000	100	----------	Retired.
Aug. 24, 1927 due, Nov. 23, 1927.	5,000,000			1,000,000	98.778	----------	Do.
Prussia, Free State of, 6 per cent, 1927, due 1952.	30,000,000	do	14 2/7 per cent in original purchase (after ceding $500,000 abroad).	4,214,000	96.50	$38,934	
Other European:							
Helsingfors, city of, 6½ per cent 1930, due 1960.	8,000,000	Brown Bros. & Co.	33⅓ per cent in original purchase.	2,666,666	95	25,930	
Hungary, Kingdom of, 7½ per cent 1924, due 1944.	7,500,000	Speyer & Co.	30 per cent in original purchase	2,250,000	87.50	66,347	
	1,500,000			450,000	88	11,668	
Royal Dutch Co., 4 per cent 1930, due 1945.	40,000,000	Dillon Read & Co.	7½ per cent in purchase group.	3,000,000	89.50	24,212	

SUMMARY

	Principal amount	Participation	Profit
Latin America	$431,472,000	$56,351,031	$1,071,528
Germany	169,500,000	25,430,428	327,887
Other European	57,000,000	8,366,666	128,157
Total	657,972,000	90,148,125	1,527,572
Defaulted issues [1]	51,000,000	10,333,333	----------

[1] Does not include $5,000,000 additional Bolivian bonds.

Major participations taken by Harris, Forbes & Co., in issues originated or managed by others

Issue	Principal amount	Managers	Our participation	Amount of participations	Offering price	Profit	Remarks
GERMANY							
Bavaria, Free State of:							
6½ per cent serial bonds 1925–1945	$15,000,000	Equitable Trust Co.	33⅓ per cent in original purchase	$5,000,000	[1] 92.96875	$144,234	
6½ per cent bonds 1925–1945	10,000,000	do	do	3,333,000	92¾	87,940	
Treasury notes, June 10, 1927–June 10, 1928	20,000,000	do	do	6,667,000	95.7234	17,635	Retired.
Berlin City Electric Co.:							
6½ per cent bonds 1926–1951	20,000,000	Dillon Read	5 per cent in purchase group	1,000,000	98	19,309	
6½ per cent bonds 1929–1959	15,000,000	do	do	750,000	93½	13,416	
6 per cent bonds 1930–1955	15,000,000	do	do	750,000	90½	14,360	
Dortmund Municipal Utilities, 6½ per cent bonds 1928–1948.	3,000,000	Field Glore	27.7 per cent in purchase group	833,000	91½	30,590	
German External, 7 per cent loan 1924–1949	110,000,000	J. P. Morgan & Co.	3⅓ per cent in banking group	3,667,000	92	144,466	
German Government, 5½ per cent loan 1930–1965.	98,250,000	do	do	3,000,000	90	86,697	
German Provincial and Communal Bank, 6½ per cent bonds 1928–1958.	25,000,000	Lee Higginson	20.83 per cent in purchase group	5,209,000	97½	44,205	
Rentenbank:							
7 per cent bonds 1925–1950	25,000,000	National City Co.	20 per cent in purchase group	5,000,000	93	128,054	
6 per cent bonds 1927–1960	30,000,000	do	do	6,000,000	95	60,318	
6 per cent bonds Oct. 15, 1927–Oct. 15, 1960.	50,000,000	do	do	10,000,000	95½	87,489	
6 per cent bonds, series A 1928–1938	25,000,000	do	16.67 per cent in purchase group	4,167,000	95½	36,903	
Westphalia United Electric Power Corporation:							
6½ per cent bonds 1925–1950	7,500,000	Speyer & Co.	33⅓ per cent in purchase group	2,500,000	87½	81,973	
6 per cent bonds 1928–1953	20,000,000	do	do	6,667,000	92¾	130,180	
Westphalia, Provincial Bank of, 6 per cent notes 1928–1933.	3,000,000	International Account Bank	22⅔ per cent in purchase group	667,000	97⅜	25,235	
OTHER EUROPEAN							
Austrian Government, 7 per cent loan 1930–1957.	25,000,000	J. P. Morgan & Co.	3.15 per cent in purchase group	787,500	95	20,523	
Belgium, Kingdom of;							
7½ per cent bonds 1920–1945	50,000,000	do	3⅓ per cent in purchase group	1,667,000	97¼	52,087	Do.
6 per cent notes 1920–1925	25,000,000	do	5.75 per cent in distributing group	1,437,000	95¾	13,290	Do.
8 per cent bonds 1921–1941	30,000,000	do	3⅓ per cent in purchase group	1,000,000	100	43,612	Do.
6½ per cent bonds 1924–1949	30,000,000	do	do	1,000,000	94	28,057	
6 per cent bonds 1925–1955	50,000,000	do	4 per cent in purchase group	2,000,000	87½	48,167	
7 per cent bonds 1925–1955	50,000,000	do	do	2,000,000	98	46,692	
7 per cent bonds 1926–1956	50,000,000	do	do	2,000,000	94	40,144	

[1] Average.

Major participations taken by Harris, Forbes & Co., in issues originated or managed by others—Continued

Issue	Principal amount	Managers	Our participation	Amount of participations	Offering price	Profit	Remarks
OTHER EUROPEAN—continued							
Bordeaux, Lyons, and Marseille, cities of, 6 per cent bonds 1919–1934.	$15,000,000	Kuhn Loeb & Co.	3⅓ per cent in original group	$1,500,000	92½	$23,204	
Danish Consolidated Municipalities, 8 per cent loan 1921–1946.	15,000,000	National City Co.	6⅔ per cent in distributing group	1,000,000	97¾	16,043	Retired.
Denmark, Kingdom of:							
8 per cent loan 1920–1945	25,000,000	do	3⅓ per cent in distributing group	833,000	100	30,955	Do.
6 per cent loan 1922–1942	30,000,000	do	2.77 per cent in distributing group	833,000	94½	21,288	
Great Britain and Ireland, United Kingdom of:							
5½ per cent notes, 1917–1929	250,000,000	J. P. Morgan & Co	2.3 per cent in distributing group	5,867,000	99¼	79,871	Do.
5½ per cent bonds 1919–1937	95,000,000	do	2.8 per cent in distributing group	2,667,000	101	27,054	
France, Republic of:							
8 per cent loan 1920–1945	100,000,000	do	4.66 per cent in original group	4,667,000	100	151,058	Do.
7½ per cent loan 1921–1941	100,000,000	do	4 per cent in original group	4,000,000	95	104,081	
7 per cent bonds 1924–1949	100,000,000	do	do	4,000,000	94	118,887	
Francamerican Industrial Development Co., 7½ per cent bonds 1922–1942.	10,000,000	do	12½ per cent in original group	1,250,000	99	33,128	
Italy, Kingdom of, 7 per cent bonds 1925–1951	100,000,000	do	2.6 per cent in offer in group	2,666,700	94½	89,040	
Netherlands, Kingdom of, 6 per cent bonds 1924–1954.	40,000,000	Kuhn, Loeb & Co.	2.1 per cent in distributing group	850,000	98½	25,439	Do.
Norway, Kingdom of:							
8 per cent bonds 1920–1940	20,000,000	National City Co.	6⅔ per cent in original group	1,333,000	100	31,460	Do.
6 per cent bonds 1922–1952	18,000,000	do	10 per cent in purchase group	1,800,000	100	21,329	
6 per cent bonds 1923–1943	20,000,000	J. P. Morgan & Co.	8⅓ per cent in purchase group	1,667,000	96½	32,138	
6 per cent loan 1924–1944	25,000,000	do	6 per cent in purchase group	1,500,000	97½	41,406	
Nord Railway Co., 6½ per cent loan 1924–1950	15,000,000	do	3⅓ per cent in purchase group	500,000	88½	18,100	
Paris, Lyon, and Mediterranean Railroad., 6 per cent bonds 1924–1958.	20,000,000	Goldman Sachs & Co.	2½ per cent in distributing group	500,000	93¼	16,373	
Royal Dutch Co., 4 per cent bonds 1930–1945	40,000,000	Dillon, Read & Co.	3½ per cent in distributing group	1,400,000	89½	19,253	
Rome, city of, 6½ per cent bonds 1927–1952	30,000,000	J. P. Morgan & Co.	2.2 per cent in distributing group	667,000	91	17,528	
Seine, department of, 7 per cent bonds 1922–1942.	25,000,000	Kuhn, Loeb & Co.	3 per cent in issuing group	750,000	90½	19,080	
Switzerland, Government of:							
8 per cent bonds 1920–1940	25,000,000	Lee Higginson & Co.	5.3 per cent in original group	1,333,000	100	35,512	Do.
5 per cent bonds 1923–1926	20,000,000	J. P. Morgan & Co.	4⅔ per cent in purchase group	933,000	97¼	11,010	Do.
5½ per cent bonds 1924–1946	30,000,000	do	do	1,400,000	97½	19,481	
Terni Hydro Electric Co., 6½ per cent bonds 1928–1953.	12,000,000	Harriman	35½ per cent in purchase group	4,266,000	90¼	149,496	

Major participations taken by Harris, Forbes & Co., in issues originated or managed by others—Continued

Issue	Principal amount	Managers	Our participation	Amount of participations	Offering price	Profit	Remarks
LATIN AMERICA							
Argentine Government:							
6 per cent loan 1925–June, 1959	$45,000,000	J. P. Morgan & Co.	3 per cent in distributing group	$1,333,000	96	41,691	
6 per cent loan 1925–Oct., 1959	29,700,000	do	2.2 in distributing group	667,000	96½	11,441	
6 per cent loan 1927–Feb., 1961	27,000,000	do	3.1 per cent in distributing group	833,000	98¼	12,529	
6 per cent loan 1927–May, 1961	21,200,000	do	2.4 per cent in distributing group	500,000	99	8,574	
Buenos Aires, City of, 6½ per cent loan 1924–1955.	8,490,000	Dillon Read	15.6 per cent in original group	1,330,555	96½	78,203	
Buenos Aires, Province of:							
7 per cent loan 1926–1957	24,121,000	First National Corporation, Boston.	5.5 per cent in distributing group	1,330,000	94¾	43,467	Retired.
7 per cent loan 1927–1958	10,613,000	Hallgarten & Co.	9.4 in distributing group	667,000	95	16,411	Do.
6½ per cent loan 1930–1961	11,675,000	First National Old Colony Corporation.	23⅓ per cent in purchase group	2,724,166	95½	65,914	
6½ per cent 6 month notes Jan. 1–June 30, 1930.	4,000,000	do	17.08 per cent in distributing group	683,333	93½	1,886	Do.
Baragua Sugar Co., 7½ per cent loan 1922–1937.	4,500,000	Hayden Stone & Co.	20 per cent in original group	1,350,000	100	62,771	In default.
Chile, Republic of:							
8 per cent loan 1921–1941	24,000,000	J. P. Morgan & Co.	12.6 per cent in original group	2,016,000	99	51,591	Retired.
7 per cent loan 1922–1942	18,000,000	National City Co.	8.33 per cent in orignal group	1,500,000	96½	32,901	In default.
6 per cent loan 1928–January, 1961	45,912,000	do	2.8 per cent in distributing group	1,333,000	93½	34,578	Do.
6 per cent loan 1928–September, 1961	16,000,000	do	3.1 per cent in distributing group	500,000	94	10,830	Do.
6 per cent loan 1929–1962	10,000,000	do	5.25 per cent in distributing group	525,000	93½	10,120	Do.
6 per cent loan 1930–1963	25,000,000	do	3.5 per cent in distributing group	875,000	91½	17,565	Do.
Cuba, Republic of:							
5½ per cent loan 1923–1953	50,000,000	J. P. Morgan & Co.	8.3 per cent in purchase group	4,167,000	99¼	22,851	
5½ per cent serial 1927–1931–37	9,000,000	do	6⅔ per cent in distributing group	600,000	101.122	2,498	
Cuban American Sugar Co., 8 per cent loan 1921–1931.	10,000,000	National City Co.	10 per cent in distributing group	1,000,000	100	14,479	Retired.
Francisco Sugar Co., 7½ per cent loan 1922–1942.	5,000,000	Bankers Trust Co.	35½ per cent in original group	1,775,000	100	88,345	
Sao Paulo, city of, 6½ per cent 1927–1957	5,900,000	First National Corporation, Boston.	25 per cent in original purchase	1,475,000	98	52,332	In default.
MISCELLANEOUS							
Australia, Commonwealth of:							
5 per cent 1925–1955	75,000,000	J. P. Morgan & Co.	4.4 per cent in purchase group	3,333,000	99½	41,546	
5 per cent 1927–1957	40,000,000	do	3.75 per cent in banking group	1,500,000	98	20,184	
4½ per cent 1928–1956	50,000,000	do	3.35 per cent in distributing group	1,667,000	92½	26,602	
Dutch East Indies:							
6 per cent 1922–1947	40,000,000	Guaranty Co.	6.8 per cent in purchase group	2,750,000	94½	70,018	
6 per cent 1922–1962	40,000,000	do	7.2 per cent in purchase group	2,917,000	94¾	59,644	
6 per cent 1922–1962	20,000,000	do	7.2 per cent in distributing group	1,458,500	96	40,495	

Major participations taken by Harris, Forbes & Co., in issues originated or managed by others—Continued

Issue	Principal amount	Managers	Our participation	Amount of participations	Offering price	Profit	Remarks
MISCELLANEOUS—continued							
Dutch East Indies—Continued.							
5½ per cent 1923–1953	$25,000,000	Guaranty Co	7.7 per cent in purchase group	$1,927,000	88	$31,410	
5½ per cent 1923–November, 1953	25,000,000	do	7 per cent in purchase group	1,773,000	90	27,876	
Great Consolidated Electric Power:							
7 per cent 1924–1944	15,000,000	Dillon Read	3⅓ per cent in banking group	500,000	91½	24,570	
6½ per cent 1925–1950	13,500,000	do	6.4 per cent in banking group	875,000	86	24,989	
Japanese Government:							
6½ per cent 1924–1954	150,000,000	J. P. Morgan & Co	3.5 per cent in original group	5,333,000	92½	132,452	
5½ per cent 1930–1965	50,000,000	do	4.2 per cent in intermediate group	2,100,000	90	39,842	
New South Wales:							
5 per cent, 1927–Apr. 1, 1958	25,000,000	Equitable Trust Co	22.2 per cent in original group	5,555,000	96¼	57,875	
5 per cent, 1927–Feb. 1, 1957	25,000,000	do	do	5,555,000	96¼	78,993	
Taiwain Electric Power, 5½ per cent 1931–1971	22,800,000	J. P. Morgan & Co	5.4 per cent in intermediate group	1,230,000	93½	12,997	
Toho Electric Power:							
7 per cent 1925–1955	15,000,000	Guaranty Co	4.4 per cent in banking group	667,000	90½	31,592	
6 per cent notes, 1929–1932	11,450,000	do	10.5 per cent in banking group	1,202,000	96¾	19,067	
Tokyo, City of, 5½ per cent 1927–1961	20,640,000	J. P. Morgan & Co	3.5 per cent in distributing group	734,000	89½	10,938	
Tokyo Electric Power Co.:							
6 per cent 1925–1928	24,000,000	Guaranty Co	5.2 per cent in distributing group	1,250,000	98⅞	31,447	Retired.
6 per cent, 1928–1953	70,000,000	do	8 per cent in purchase group	5,600,000	90½	83,638	
Ujigawa Electric Power, 7 per cent, 1925–1945	14,000,000	Lee Higginson	13.4 per cent in purchase group	1,875,000	91	73,902	

SUMMARY

	Principal amount	Participation	Profit
Germany	$491,750,000	$65,210,000	$1,152,994
Other European	1,520,000,000	60,074,200	1,443,786
Latin America	405,111,500	27,184,054	680,968
Miscellaneous	771,390,000	49,801,500	940,077
Total	3,188,251,500	202,269,754	4,217,825
Defaulted issues	178,412,000	7,558,000	

SUPPLEMENTAL STATEMENT OF THOMAS W. LAMONT, OF J. P. MORGAN & CO.

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, January 6, 1932.

Mr. ISAAC M. STEWART,
Clerk Committee on Finance,
United States Senate.

DEAR MR. STEWART: I have received the inclosed statement from Mr. Lamont which should accompany his testimony on Friday, December 18. It is in reply to a question I asked him about the retirement of the Chile bonds.

Sincerely yours,

HIRAM BINGHAM.

Memorandum.

$24,000,000 Republic of Chile 8 per cent bonds dated February 1, 1921, and due February 1, 1941.

The above bonds were publicly offered by a group headed by J. P. Morgan & Co. on February 15, 1921, at a public offering price of 99 per cent and accrued interest.

The Guaranty Trust Co., Trustee, advises that $8,112,000 principal amount of the issue was retired by operation of the sinking fund on or prior to August 1, 1928, on which date the remaining $15,888,000 principal amount of bonds outstanding were redeemed at 110 per cent of the principal amount ot the offices of Guaranty Trust Co. of New York.

On January 24, 1928, an issue of $45,912,000 principal amount of Republic of Chile Railway refunding sinking fund 6 per cent gold external bonds due January 1, 1961, was offered for public subscription at 93½ per cent and accrued interest by a group headed by the National City Co.

The circular descriptive of the issue states the proceeds from such issue would be applied to the extent of $16,830,000 to the redemption on August 1, 1928, of the outstanding Republic of Chile external loan 20-year sinking fund 8 per cent gold bonds dated February 1, 1921, and to the extent of $8,662,500 to the redemption on May 1, 1928, of the outstanding Republic of Chile external loan 25-year 8 per cent sinking fund bonds dated November 1, 1921, and for other purposes.

SALE OF FOREIGN BONDS OR SECURITIES IN THE UNITED STATES

TUESDAY, JANUARY 5, 1932

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met at 10 o'clock a. m., pursuant to adjournment on yesterday, in the committee hearing room in the Senate Office Building, Senator Reed Smoot presiding.

Present: Senators Smoot (chairman), Watson, Shortridge, Couzens, Jones, Metcalf, Harrison, King, George, Connally, Gore, and Hull.

Present also: Senator Johnson.

The CHAIRMAN. The committee will come to order. Mr. Dillon, if you will come forward and hold up your right hand. You do solemnly swear that the evidence you will give before this committee in the hearing under investigation will be the truth, the whole truth, and nothing but the truth, so help you God.

Mr. DILLON. I do.

TESTIMONY OF CLARENCE DILLON, A MEMBER OF THE FIRM OF DILLON, READ & CO., NEW YORK CITY

(The witness was duly sworn by the chairman of the committee.)

Senator JOHNSON. Mr. Chairman, just before Mr. Dillon begins his testimony may I ask, please, of the chairman and members of the committee, that the house of Morgan be requested to furnish us with the gross profits in dollars and cents derived from each particular issue, and then if they desire to state their net profits as well, all right. The statement furnished to us last night by Mr. Aldrich I spent some time upon later on in the evening, and I find that it is a very complete statement. I see no reason why if the Chase National Bank and its conferees can submit a statement of that sort we should not have a similar statement from the house of Morgan. But I am not asking for it in that detail. What I do ask is the house of Morgan be requested to send to us the exact data upon the gross profits received by that house upon each loan made by it as designated in the statement it did file. May I ask that?

The CHAIRMAN. Together with their net profits?

Senator JOHNSON. If they desire to state their net profits or any other information it will be all right.

The CHAIRMAN. I think that would be necessary in order to show the profits made.

Senator JOHNSON. It is immaterial to me. Let it be both gross and net. Also, if you will pardon me a moment, also in the same fashion that the statement furnished us last night shows, the originating or first syndicate in relation to the loan made. I do not know whether the members of the committee have read the statement furnished by Mr. Aldrich last night, but in each instance, the Chase establishment gives us the original group, and the percentage of each group. For instance, in order that I may illustrate and make plain: On the very first page of the statement, the first issue, Dominion of Canada 1-year 4 per cent note, September 15, 1924, and then the amount of that, the amount outstanding, the purpose of the issue, the interest then of the original group, the interest being the Chase Securities Corporation, Blair & Co., Equitable Trust Co., and others, with their percentages given, and then a statement of "Our participation" in it, stating the amount of their participation, with the purchase price, the offering price, the gross spread, and the profit. Now, if the Chase organization can furnish us a statement of that sort I think it is not inappropriate that the house of Morgan should be requested to furnish us a similar statement. Would you like to see Mr. Aldrich's statement, Senator George?

Senator GEORGE. I have looked at it.

Senator JOHNSON. You understand what I am driving at then?

Senator GEORGE. Yes.

Senator JONES. I should like to say that I would be more interested in the net profit.

Senator JOHNSON. Very well.

Senator JONES. It seems to me they would be glad to furnish that. We could draw all sorts of conclusions as to gross profit.

The CHAIRMAN. It won't hurt to have them both.

Senator JONES. I think we should have them both.

Senator JOHNSON. I thank you very much. Now, Mr. Dillon, I hope you have a statement for us like that.

Mr. DILLON. I think we have everything you will want. My associate here, who will follow me, will give all of the details.

Senator JOHNSON. All right.

Senator HARRISON. Before Mr. Dillon proceeds with his testimony I should like to say I am interested in a copy of a letter that was written by the Chemical Foundation to the chairman of this committee, which I think ought to go into the record. I move that it be incorporated in the record.

The CHAIRMAN. To follow the testimony given by Mr. Dillon to-day.

Senator HARRISON. All right.

Senator JOHNSON. Senator Harrison, might I inquire what is the nature of the letter?

Senator HARRISON. I do not think that Senator Johnson will raise any objection to it.

Senator JOHNSON. Oh, no, my inquiry was not with that idea. I would not have any objection anyway.

Senator HARRISON. It is in reference to foreign loans, and how they diminish the credit to Americans in this country, and how they increase the credit in foreign countries of foreign governments and their nationals.

The CHAIRMAN. It will be made a part of the record following the testimony given by Mr. Dillon to-day.

(A letter from the Chemical Foundation (Inc.), under date of December 31, 1931, addressed to Hon. Reed Smoot, chairman, Senate Finance Committee, will be found at the end of to-day's proceedings.)

The CHAIRMAN. Mr. Dillon, what company do you represent?

Mr. DILLON. I represent Dillon, Read & Co.

Senator GEORGE. At what location?

Mr. DILLON. New York.

The CHAIRMAN. Mr. Dillon, have you any statement you desire to make at this time?

Mr. DILLON. I have read the resolution authorizing the committee's investigation, and have prepared a brief statement and some figures which I think conform to what you want from me.

The CHAIRMAN. To begin with, we would like to have you read that statement if it is short.

Mr. DILLON. Very well. In considering this entire question of foreign loans I think we must realize that our transition from a debtor to a creditor nation came very suddenly as the result of the war, and the change in our mental outlook has taken time and requires more time for a corresponding adjustment. Over our history our needs have been such that all our surplus wealth has been needed to develop our own resources and pay interest and principal on our debts. Consequently we have had ingrained in us the attitude of a debtor nation but now we suddenly find ourselves a creditor nation, with our own resources—both agricultural and manufacturing—overdeveloped, producing far in excess of our own power of consumption. And as a creditor nation we are developing capital very quickly. In the past we could ship our surplus production to pay our debts. That we can no longer do. Also being a creditor nation, other nations are not taking our goods, but, in paying us, will be pressing us to accept their goods. So we must determine what we are going to do with capital—certainly not at the moment to further develop our own resources, now largely overdeveloped, but rather to get rid of our surplus production, agricultural, mineral, and manufactured. In order to do this we must take in exchange the products of other countries or make loans, or both. Otherwise we shall be forced to a curtailment of our own production with the corresponding lowering of our standard of living.

When we make a foreign loan, it very seldom results in the export of United States currency but is the means of payment of a debt to us or the transfer of goods somewhere. Again, we must determine what is the most advantageous use the United States can make of her surplus capital in her own (not anybody else's) interest, certainly not in further overbuilding and not in making bad loans but in making good loans to countries who are potential buyers. This means to Europe, who are potential buyers of our surplus in agriculture and minerals and to South American countries, who are potential buyers of our manufactured products, and to the extent that we make loans to South America we are going to be exporters of goods.

In considering foreign debts, I think they should be put into three distinct categories:

1. Those owed to institutions or individuals of one country by nstitutions or individuals of another country.
2. Those owed by governments or subdivisions of governments, such as municipalities, to institutions or individuals of another country.
3. Those owed by one government to another government.

As to the first category, I am certain the private debtors are going to pay unless extraordinary political or economic forces make it impossible. In every country the integrity of the individual still remains. The larger private corporations to whom we have loaned money are to-day solvent, and wherever there is any difficulty in meeting their foreign obligations as in the short-term credits to this country, it is a question of transfer, that is, their ability to get dollars rather than their solvency.

As to the second category, of course, these are more susceptible to political influences, but as to them I believe they will be paid. If you can not assume that, then there is no basis left for the continuation of our civilization.

As to the third, the debts between governments, these have always been in a different class. Nations have not paid nations so much from the sanctity of the obligation as from the expediency of the moment. Whether these debts are paid or not paid is largely a political question, primarily, in every country. If they are large enough they naturally have a reflex on other debts, and each country must consider what repercussions its handling of these debts will have on its own situation.

I have prepared a summary of the foreign financing that our house has done. In the period since the war the total amount of those issues that we have handled, that is, where we have handled the account, and I have not included issues where other banking houses or banks have handled the account and where we may have participated for small amounts; but I am giving you Senators the figures where we have handled the account.

The total of such issues amounts to $1,491,228,543.

Senator WATSON. Over what length of time?

Mr. DILLON. Since January 1, 1919.

Senator JOHNSON. Could you state, now, approximately how much you participated in in addition to that?

Mr. DILLON. Senator Johnson, I think if you would let me finish, if I may be allowed to?

Senator JOHNSON. Surely. Take your own way if you are going to reach that point.

Mr. DILLON. Thank you. Of that $1,491,228,543 we originally sold abroad, at the time of the offering of these securities in this country, $270,918,000. Since the offering of these securities there has been retired by sinking funds and calls $301,575,000. So that on January 1, 1931, and I have no more recent figure, there was outstanding less than $1,000,000,000; in fact, the figure would be about $900,000,000 of the total amount of $1,491,228,543. Of that amount it is difficult to say just how much is left in this country because very large amounts of these foreign loans have been bought back by the nationals of the issuing countries. For instance, the Dutch loan has been largely bought back, and many German obligations have been bought back by German nationals and German banks. The Dutch Government has called $35,000,000 of their loans now outstanding, for payment in April. The loans that we have made have been divided as follows:

The amount outstanding on January 1, 1931——

Senator JOHNSON (interposing). Do you mean 1931 or 1930?

Mr. DILLON. I mean 1931.

Senator JOHNSON. All right.

Mr. DILLON. There you have a total outstanding in round numbers $1,100,000,000 as against the original amount of $1,491,228,543. Canada has $499,000,000. And you gentlemen will understand that I am not now reading the odd hundreds of thousands of dollars. Germany, $252,000,000; Holland, $115,000,000; France, $22,000,000; Italy, $32,000,000; Poland, $27,000,000; South America, $209,000,000; and Japan, $30,000,000, making a total of $1,189,000,000, which was the amount outstanding on January 1, 1931.

Senator GORE. Were there any Cuban bonds?

Mr. DILLON. No Cuban bonds at all. We have not issued any Cuban bonds. Senator Gore, my associate tells me that there was a small issue of two million odd dollars for a sugar company, which is an American company, but which has properties in Cuba.

Senator WATSON. Of the $499,000,000 in Canada, does that mean in all the three categories that you have mentioned?

Mr. DILLON. Those are the totals of our loans.

Senator WATSON. Of all three categories in the way of loans to Canada?

Mr. DILLON. Yes, sir.

Senator WATSON. Could you segregate those or separate those so that we might have the information?

Mr. DILLON. My associate will have a complete list and will give you, as you will see when that is turned in, the details of every one of those, and just which were to municipalities, and which were to corporations. The majority of that amount was to corporations, but whose obligations were guaranteed unconditionally by the Canadian Government, both as to principal and interest.

Senator WATSON. Have there been any defaults whatever in the payment at the proper time of any of these loans in any of these countries?

Mr. DILLON. There have been no defaults whatever in the $499,000,000 to Canada; no defaults whatever in the $252,000,000 to Germany, no defaults whatever in the $115,000,000 to Holland; no defaults whatsoever in the $22,000,000 to France, no defaults whatever in the $32,000,000 to Italy; no defaults whatever in the $27,000,000 to Poland; no defaults whatever in the $30,000,000 to Japan. But in the South American loans of $209,000,000 there was as of January 1, 1932, $37,000,000 to Bolivia in default. As to $52,000,000 in the two Brazilian issues, the Brazilian Government has announced that it will fund them over a period of——

Senator WATSON (interposing). Were those Government loans?

Mr. DILLON. Those were Government loans. And they have announced that they will fund over a period not exceeding three years the interest on those bonds which they can not pay in dollars. This Brazil has done in the past. She did it in 1898 for a 3-year period, and she did it again in 1914 for a 3-year period. In both cases they resumed their payments at the end of the period, and the funding obligations which they gave over that period were good.

Senator KING. Was any part of the sinking fund in default ?

Mr. DILLON. Interest and sinking fund were both funded.

Senator KING. As to this large sum you have given, did any banks in the United States or elsewhere participate, or were the loans floated entirely by you?

Mr. DILLON. In the syndicates which we formed I should say that banks both in this country and possibly bankers abroad had interests in some of these totals.

Senator KING. Did the National City or the Chase or any of our larger banks in New York participate with you in these transactions?

Mr. DILLON. Yes; in some of these transactions they did.

Senator KING. But your company was the principal force or the paramount force in the taking of these loans and in allocating them and disposing of them, I mean of these securities.

Mr. DILLON. I did not hear the early part of your question.

Senator KING. Was your company the manager of these securities or of these loans that you have just indicated, amounting to, in round numbers, $1,400,000,000?

Mr. DILLON. We, in conjunction with our associates, took the accounts.

Senator KING. Who took the lead in them?

Mr. DILLON. We did.

Senator HARRISON. Mr. Dillon, you share the opinion, do you not, that one of our troubles to-day, is lack of credit in this country?

Mr. DILLON. Yes. that is one of our troubles.

Senator HARRISON. A great many banks have contracted their credits and it is difficult for persons or corporations to borrow even though they may have what appears to be good security, and that has rather slowed up industry in the United States. That is true, is it not?

Senator GORE. Senator Harrison, I did not understand the last part of your question.

Senator HARRISON. I asked Mr. Dillon if it were not true that because of the frame of the public mind or whatnot, there was a contraction of credit, and that it had had its influence in the slowing of the activities of industry, commerce or whatnot. That is true generally, is it not, Mr. Dillon?

Mr. DILLON. I do not know at the moment of any demand for money by borrowers for the development of industry, for the sale of their goods, that is not being met.

Senator HARRISON. It is your opinion then that in the various communities throughout the United States it is pretty easy for a fellow to go to a bank and borrow now if he has adequate security.

Mr. DILLON. That is not what I said.

Senator HARRISON. Well, I just wanted to put it the other way round, because I thought my question answered your answer, and very much so. There is a contraction of credit upon the part of banking institutions to-day, isn't there?

Mr. DILLON. My own institution, Senator Harrison, is not engaged in commercial banking, and I should rather not express an opinion on whether national banks or commercial banks are properly handling their business.

Senator HARRISON. I am not asking you about any particular bank but just generally speaking. I did not think that was a controverted question. I thought everybody was agreed that there was a little contraction of credit on the part of banks in the making of loans.

Mr. DILLON. It is difficult to sell securities to-day.

Senator HARRISON. And it is difficult to borrow money.

Mr. DILLON. On those securities do you mean?

Senator HARRISON. Well, what not. It may be that some witness has testified to this and I have not been able to be present all the time during these hearings, but when you make a loan in a foreign country, that forms a basis of credit, do not economists say, of about five times the amount of the loan?

Mr. DILLON. Are you asking me that question?

Senator HARRISON. I do not know. One economist might say five times and another a greater or lesser amount, and I do not know.

Senator HARRISON. What would you say as to a loan to Germany of a million dollars? Would that furnish a credit of several times a million dollars, or I mean a basis of credit of that amount for the people?

Mr. DILLON. I do not know that. I should not think so. If you loaned Germany a million dollars, then Germany has a credit of a million dollars in this country.

Senator HARRISON. Then do I understand you to say that economists so far as you know do not agree on a basis of the extent of credit resulting from a loan, that it is several times the amount of the actual loan?

Mr. DILLON. I do not understand that to be the case.

Senator HARRISON. But if that were true it would deprive us here in this country of American money of that amount and of a like credit, would it not?

Mr. DILLON. Senator Harrison, I should think if the credit were demanded and needed in this country it would be used in this country. The only credit that is available for foreign loans is the surplus credit in this country.

Senator HARRISON. Well, I will put it this way: In other words, if there was a demand for credit in the United States, a need for money, and we had loaned, say, in foreign countries a fixed amount, and economists generally thought that the credit augmented very greatly or was enlarged over the basis of the loan, that when we had loaned that money in foreign countries we had thus deprived to that extent American citizens of such basis of credit, do we not?

Mr. DILLON. No, I should not say so.

The CHAIRMAN. Mr. Dillon, while those foreign loans were being made do you know of any American who asked for credit and who had a proper standing for getting credit, who did not get that credit?

Mr. DILLON. No. The only loans made abroad were surplus credits in this country.

Senator HARRISON. Well, that was in normal times. That was, we will say, when we had prosperity.

Mr. DILLON. No; that is at any time a foreign loan is made.

Senator HARRISON. So you would say now, in these times, while we may differ as to contraction of credit upon the part of banking institutions, and the plentiful amount of credit that one can get——

Senator SHORTRIDGE (interposing). If he has securities to put up.

Senator HARRISON. Yes. The fact that we may have loaned $650,000,000 to Germany, and billions of dollars elsewhere, in prior years, when there was surplus credit, and now with this money being out, outside of the United States, would you say it was not having any effect or influence upon the ability of Americans to borrow money at this time?

Mr. DILLON. Do you say at this time?

Senator HARRISON. Yes.

Mr. DILLON. Senator Harrison, when that money was being loaned abroad, when you say that six billions of dollars——

Senator HARRISON (interposing). No; I said $650,000,000 to Germany.

Mr. DILLON. Oh, to Germany alone.

Senator HARRISON. Yes.

Mr. DILLON. But during the period when we were making foreign loans, over that period, foreign governments paid this Government something over two and a half billion dollars. They bought many billions of dollars worth of our goods. Whether they could have done any or all of that had we not been making those credits to my mind is very clearly answered; they could not. So if you want to go and unwind all this I do not know at what point you should start, or when the sale of our goods would have stopped, or when payments by foreign governments to us would have stopped.

Senator HARRISON. Mr. Dillon, let me get your views on this, because you have a great national reputation as an economist and financier.

Mr. DILLON. As an economist, sir?

Senator COUZENS. I hope not.

Mr. DILLON. Oh, no.

Senator WATSON. Senator Harrison, don't run him down that way.

Senator HARRISON. Suppose American money is loaned in foreign countries, be it in Canada or elsewhere, and this money is put into factories to make goods and to give employment to foreign labor in competition with our own, do you believe that is good business policy? Do you think that is helpful to the United States?

Mr. DILLON. I do not think your statement is a correct statement, sir, of the facts. I think the lending of money abroad for the developing of the resources of our potential customers, who are going to buy our goods, is very good business, not only good business but essential business if we are going to sell out surplus products.

Senator HARRISON. Then would you carry that out by putting a tariff wall so high that they could not sell us their goods?

Senator WATSON. I did not know that we had a tariff bill before us.

Senator SHORTRIDGE. That subject is not before this committee.

Senator HARRISON. That is true to some extent, but, Mr. Dillon, you do not want to qualify your statement with reference to the tariff at all, do you?

Senator COUZENS. I had not heard Mr. Dillon make any statement about the tariff.

Senator SHORTRIDGE. No, and I wonder if the gentleman from Mississippi wants cotton to come in free.

The CHAIRMAN. Senator Harrison, is your theory as follows: That when they had these billions of dollars more than they could possibly have loaned in the United States, with no demand for it in the United States, the banks ought to have kept all that money in their vaults thinking that perhaps some day in the future there might be a demand for it?

Senator HARRISON. I do not know that that is particularly my theory.

The CHAIRMAN. That is substantially your question.

Senator COUZENS. May I ask the chairman if Senator Harrison is a witness?

The CHAIRMAN. I do not know, but he has made certain statements.

Senator HARRISON. The chairman has asked me a question and I think I ought to be able to answer him on the proposition. I think the more money we are loaning in foreign countries the more money we take away from the credit in this country. And I think further if we did not have so much money loaned in foreign countries at this time we would have a little more money to loan to American citizens.

The CHAIRMAN. Yes, and hindsights are better than foresights.

Senator HARRISON. That is true. I think that is all I wish to ask.

Senator KING. Without desiring to controvert the position of our colleague I should like to ask Mr. Dillon: Assuming that we do loan a considerable amount of money abroad and that we get securities for those loans, and that those securities are gilt-edge, would they not be the basis for credit in the United States extended to Americans who may desire to borrow money? That is to say, supposing that I had purchased $50,000 of French bonds, or of German bonds, and now desired credit in the United States, could I use those bonds as a basis for credit at the banks?

Mr. DILLON. Yes. Those bonds are the same as any other collateral at the banks.

Senator KING. I could use those as collateral the same as I would use American bonds which I might have purchased, by way of getting money out of a bank, in place of using American securities.

Mr. DILLON. The question that you have asked is, could you use these bonds better than American bonds. It so happens that French bonds to-day are selling nearer the price you paid for them than some American bonds sell for.

Senator SHORTRIDGE. Do you mean Government bonds? Do you say that French Government bonds are better than American Government bonds?

Mr. DILLON. Oh, no, I did not say better, I said that on the French bond to-day Senator King, you could borrow probably better that you could on certain American security that you may have purchased. I supposed in my answer that you meant any sort of American bond, but not an American Government bond.

Senator WATSON. And they are not eligible for rediscount at the Federal reserve banks.

Mr. DILLON. And neither are our public utility bonds so eligible for rediscount.

Senator WATSON. You spoke of German loans. Of what did the loans consist? I believe you referred to $250,000,000.

Mr. DILLON. Will you let me finish my answer to the other question?

Senator WATSON. Certainly.

Mr. DILLON. The French bonds which you asked about using as collateral, my associate here calls my attention to the fact that they recently sold for 112.

Senator KING. The French bonds?

Mr. DILLON. Yes, sir.

Senator KING. What do our Government bonds sell for?

Mr. DILLON. Well, it is a question of the coupon. Our 3's were selling at 87 or 88, but the French bond calls for 7 per cent. You can not compare them. And I want to say that you can not compare the credit of any other country with the credit of the United States Government. The credit of the United States Government is pre-eminently in a class by itself. But unfortunately for the investor the United States is not in the market to use all the funds that are to be invested. Therefore, you must put funds into something else, and you must decide what is the next best thing to put your funds into when you can not loan them to the United States Government.

Senator KING. Perhaps this is not quite germane to the question, but was it dangerous to the United States a number of years ago when we were building our railroads and extending our industries to borrow, as we did, hundreds of millions of dollars from France and Germany and other countries to invest in the United States? Was it dangerous to us as well as to the lending countries?

Mr. DILLON. I should not think so, sir.

Senator KING. You know that many of our railroads were built with foreign money.

Mr. DILLON. Yes, sir.

Senator KING. And that many of our industries were built up with foreign money.

Mr. DILLON. Yes, sir.

Senator KING. And we profited and they profited. So generally speaking, without reference to any contention as to depriving solvent corporations of loans, the proper loaning of money to countries or corporations is advantageous. It brings nations closer together, and tends to promote trade and commerce, does it not?

Mr. DILLON. Yes.

Senator GORE. Mr. Dillon, several of these foreign issues floated in the last few years bear 7 per cent interest the same as the French issue.

Mr. DILLON. Over the period of the last 9 or 10 years we are talking about?

Senator GORE. Yes.

Mr. DILLON. Yes, I think probably there were a number of them.

Senator GORE. Did that rate of interest have anything to do with our money going abroad, regardless of whether there was a surplus of credits in this country or not?

Mr. DILLON. I should say not.

Senator GORE. And if you were offered a 5 per cent loan in this country and a 7 per cent loan abroad you accept the lower rate of interest unless there is a surplus to respond to the 7 per cent rate?

Mr. DILLON. If there is a demand for money in this country and you can get equally good security abroad at a higher rate, why, the demand in this country would probably have to meet that rate.

Senator GORE. So it is not always a question of surplus. It is somewhat a question of the rate.

Mr. DILLON. No, it is a question of surplus, because this country would use its own money.

Senator GORE. If you call any credit that goes abroad, regardless of circumstances or as to surplus, then of course that ends it. That is a mere matter of definition.

Mr. DILLON. I think it is, quite.

Senator GORE. That when it goes abroad in response to a higher rate than the local rate, it still reflects the surplus and bears the character of surplus.

Mr. DILLON. Or else we should keep it here.

Senator GORE. You would keep it here and lend it at a lower rate of interest unless it entered some sort of definition of surplus.

Mr. DILLON. I do not think you could get it here at a lower rate. I do not know how you would control that.

Senator GORE. That is the point.

Senator COUZENS. It would automatically raise the rate in this country.

Mr. DILLON. I think you will find that the money rates in the world are reflected from one market to another, because capital is mobile. A good deal of the capital invested in this country is from foreign countries.

Senator GORE. And money responds to the rate of interest.

Senator KING. Mr. Dillon, I want to ask you whether or not in 1926, 1927, 1928, and 1929, but more particularly in 1928 and 1929, during this gambling era, there were large sums of money, or any sums of money, from European or other nations lying here in America for call and used on call in the New York market.

Mr. DILLON. I should think that is a question to ask the commercial banks who handle that sort of business. They could give you the facts much better than I could.

Senator KING. Don't you know as a matter of common knowledge, being engaged in this business and selling securities during the years to which I have referred, that money was here from France and Germany and other countries abroad, and was invested through the banks and through brokers in New York?

Mr. DILLON. Certainly some money was, but I thought you wanted me to tell you the amounts, which I would not know.

Senator KING. Didn't your firm use some foreign money in the purchase of securities or lend some foreign money?

Mr. DILLON. For foreign account?

Senator KING. Yes.

Mr. DILLON. Only very small balances that we were carrying for foreign account were loaned on call.

Senator KING. Do you know whether Germany loaned on call in New York or in the United States during the period to which I have referred?

Mr. DILLON. They did not through my house. I do not know whether they did through other institutions or not.

Senator KING. You stated a moment ago that German nationals had purchased a considerable amount of bonds of their own issue.

Mr. DILLON. Yes, sir.

Senator KING. Where did they get the money with which to purchase? If Germany is hard up where did those nationals get the money with which to purchase their own bonds?

Mr. DILLON. I did not follow through and ask them. They paid us for the bonds they bought.

Senator KING. Do you know the amount of bonds that Germany has purchased in the United States during the past two years?

Mr. DILLON. No; I do not. The amount that we have bought for German account, of their own issues, I could tell you, but it is an immaterial amount, as I state here, $270,000,000 were sold abroad at the time of our offering.

Senator KING. Of German bonds.

Mr. DILLON. No; that is our foreign bonds. That would include the Germans and the Dutch and so on, at the time of our offerings. I do not know the percentage, but $270,000,000 were bought by foreigners.

Senator COUZENS. And not by Germany alone?

Mr. DILLON. No.

Senator COUZENS. You have not segregated the amount bought by German citizens?

Mr. DILLON. No. But we have been selling since then to foreign accounts.

Senator KING. Have you any way of determining whether the German bonds that were bought in Germany were acquired by individuals or by investment companies or by banks?

Mr. DILLON. They were acquired, I should think, by banking institutions and by the borrower buying back his own obligations to a certain extent.

Senator KING. Do you mean corporations?

Mr. DILLON. Yes. You see, Senator King, our loans to Germany have been largely, or entirely with the exception of possibly an item of $3,000,000, our whole $252,000,000 has been to corporations. We have made no long-term loans to the German Government as such or to municipalities or to subdivisions of the government. Our loans have been made to corporations and business organizations in Germany.

Senator KING. In view of a question answered yesterday by one of the witnesses I want to ask you, if you care to express an opinion about it: Did your company make an investigation in Germany as to the solvency, resources, potentialities, of the corporations whose bonds you floated in the United States?

Mr. DILLON. There are two sorts of investigations that we make: The legality of your issue, which was, I think, one of the questions you asked on yesterday; and the potential ability of the borrower to pay. These two investigations are made in a very thorough and exhaustive fashion. As to legality, we have that matter examined by foreign counsel, the authorization of the corporation to borrow. We have examined the statute under which the corporation enjoys its corporate entity. We examine the laws of the land that govern that. Then we have American counsel check through the opinion of foreign counsel, and give us a joint opinion on all that; first as to the legality as far as the authorization of the company itself is concerned, and then as to by-laws and the incorporation of the corporation; then as to the law of the land under which it was incorporated. That is a most exhaustive examination.

Senator KING. These are always matters that are inquired into, but I am more concerned about the matter of economic condition.

Mr. DILLON. Then economic condition is inquired into quite carefully, the history of the company is gone into from its inception. Their accounts, by their own accountants, are examined for years back. Then in addition to that, firms in America, firms other than German firms, are put on the books by us, and check their audits, and make their own independent audits, and report back over a period of years the operations of the corporation or company. We go further into the question of where their products are sold, particularly with the idea of their being able to pay in foreign exchange, in dollars. We check up the company and see what proportion of its product is sold abroad for which they are paid in foreign currency, and what part is sold in the country itself; the debts, if any, of the company, the record of dividends, and a complete and most thorough investigation is made from the inception of the company.

Senator KING. Then, you were convinced, from the examinations you made, as to the soundness of the economic condition of Germany?

Mr. DILLON. We are convinced, before we make a loan to any company, as to the soundness of that company and its ability to repay that loan.

Senator KING. That company; but, of course, being an integral part of the nation and of its economic structure, that bore some relation to it. Was it your opinion, then, that the loans which you made, or the securities which you sold here, were of companies which not only were sound, but that the economic structure with which they were connected was sound?

Mr. DILLON. The loans that were made at that time we felt were good. We thought that they would be repaid. To-day we are equally certain that they are good and will be repaid, unless some political or economic catastrophe which no man can foresee happens to prevent those individuals paying.

Senator SHORTRIDGE. There has been no default in the payment of interest?

Mr. DILLON. We have had no defaults in the payment of interest or sinking fund in the case of any loans in Europe.

Senator JOHNSON. In order to make it perfectly plain as to the investigations you made with reference to the particular loans which you have described as to Germany, such investigation as was absolutely essential to convince you of the validity of the loan and as to its appropriateness, and as to the ability of the debtor to pay, was made every instance by you where loans were managed by you?

Mr. DILLON. In every instance.

Senator JOHNSON. That applies to South America as well as to Europe?

Mr. DILLON. Yes.

Senator SHORTRIDGE. There have been no defaults in the payment of interest. You believe that the interest and the principal to become due will be paid in due course?

Mr. DILLON. Barring only, as I say, some extraordinary economic or political upheaval; I do, sir.

Senator SHORTRIDGE. Assuming that to be so, may I ask you what is the market value of these several securities which were acquired by you and distributed in the manner you have described? What is their present market value here in America?

Mr. DILLON. That would be a rather lengthy answer, going over them in detail, but I think, to satisfy your question, I can say the market value is low.

Senator SHORTRIDGE. Why is that? That seems a simple question, but it has been many times propounded, and I venture to propound it. If a stock is good, if a bond is good, if there has been no default in the payment, the company is solvent and going, how comes it that that bond, then, is selling way below par? What is the reason?

Mr. DILLON. I wish I could answer that; but the same thing that applies to these foreign bonds, whatever that influence may be, applies to our own local securities.

Senator SHORTRIDGE. Precisely. Why is it?

Mr. DILLON. I can not answer that.

Senator WATSON. That is what we call psychology, is it, or mental attitude?

Mr. DILLON. Possibly. I would really like to know that answer myself.

Senator WATSON. It is the mental attitude.

Mr. DILLON. That is it; but what brings about the mental attitude?

Senator SHORTRIDGE. Some economist might tell us. Perhaps Senator Harrison can explain it. I do not know.

Senator JOHNSON. Have you finished the statement you desire to make, Mr. Dillon? Had you concluded your preliminary statement entirely?

Mr. DILLON. Yes.

Senator GORE. Let me ask a question here, because it is appropriate at this point. I was not here when you began. Were you requested to place in the record a copy of a typical contract which your house enters into with a foreign government in preparing to float a loan?

Mr. DILLON. No, sir.

Senator GORE. Would you object to placing that in the record?

Mr. DILLON. No, sir.

Senator GORE. Would you also place in the record a typical contract between your house, as the managing house, and the underwriting syndicate?

Mr. DILLON. I shall be glad to.

Senator GORE. Does England have a law, order, or regulation requiring a managing house preparing to float a foreign loan to publish the contract with the managing house, or between the managing house and the borrower on the foreign loan?

Mr. DILLON. I am not familiar with the British laws.

Senator GORE. France does. The Minister of Finance in France has to visa any foreign security before it can be listed on their Bourse, or stock exchange.

Mr. DILLON. I do not know that.

Senator GORE. All right. Thank you.

Senator JOHNSON. Do you recall whether or not, in the latter part of 1927, the State Department addressed a letter to the houses that were engaged in dealing with foreign securities, suggesting that no further foreign loans should be made?

Mr. DILLON. I do not recall.

Senator JOHNSON. You do not recall any such letter?

Mr. DILLON. No, I do not.

Senator JOHNSON. Do you recall the time that the State of Prussia wanted to borrow $30,000,000, or float a $30,000,000 loan in the United States?

Mr. DILLON. They did not negotiate with us. I do not recall.

Senator JOHNSON. Did you participate in that loan at all?

Mr. DILLON. No, we did not.

Senator JOHNSON. Do you recall whether or not Secretary Kellogg at that time had anything to say in respect to that particular loan?

Mr. DILLON. I do not, sir.

Senator JOHNSON. Do you remember the statement that was made by S. Parker Gilbert in the latter part of 1927 regarding Germany being overborrowed?

Mr. DILLON. I heard you talk of it yesterday, sir.

Senator JOHNSON. I mean beyond that—not simply what I said yesterday, but are you familiar with the fact?

Mr. DILLON. I understand that he made some such statement: yes.

Senator JOHNSON. Do you recall having read it at the time that statement was made by Mr. Gilbert?

Mr. DILLON. I undoubtedly read it; yes.

Senator JOHNSON. Was it accurate?

Mr. DILLON. I do not know. I do not like to pass upon the accuracy of Mr. Gilbert's statement.

Senator JOHNSON. As to Germany being overborrowed in the latter part of 1927, do you know whether or not that was accurate?

Mr. DILLON. You mean the German Government?

Senator JOHNSON. Yes; and also German industrials.

Mr. DILLON. I do not think that any of the German industrials to whom we loaned money were overborrowed.

Senator JOHNSON. I am not speaking of those——

Senator WATSON. Let me ask a question right there. Have you loaned any money there since 1927?

Mr. DILLON. In Germany?

Senator WATSON. Yes.

Mr. DILLON. I can give you that exactly, sir.

Senator WATSON. You will pardon me, Senator.

Senator JOHNSON. Surely.

Mr. DILLON. In 1928 we loaned about thirty-odd million dollars to different German industrials.

Senator JOHNSON. Do you know when the last German governmental loan was floated?

Mr. DILLON. The Young bonds, I suppose you refer to?

Senator JOHNSON. $300,000,000, was it not?

Mr. DILLON. I do not remember the year.

Senator JOHNSON. Did you participate in that loan?

Mr. DILLON. Not as a principal.

Senator JOHNSON. I know; not as a principal, but did not all of you take part of the loan?

Mr. DILLON. I think probably we bought some of those bonds. I can let you know by looking that up.

Senator JOHNSON. You have before you, have you not, a statement of all the foreign loans that have been made by you?

Mr. DILLON. Yes.

Senator JOHNSON. That statement is in front of you at the present time, is it not?

Mr. DILLON. Yes.

Senator JOHNSON. Do you recall the Bolivian loans?

Mr. DILLON. Yes. There was a Bolivian loan in 1927.

Senator JOHNSON. How much was that?

Mr. DILLON. $14,000,000.

Senator JOHNSON. Were you the principal in that loan?
Mr. DILLON. We were.
Senator JOHNSON. Do you recall the subsequent loans to Bolivia?
Mr. DILLON. There was one in 1928?
Senator JOHNSON. How much?
Mr. DILLON. $23,000,000.
Senator JOHNSON. Were you the principal in that?
Mr. DILLON. We were.
Senator JOHNSON. What was the profit that you made out of that loan?
Mr. DILLON. The gross receipt was $255,000.
Senator JOHNSON. And of the first——
Mr. DILLON. When you say "profit," Senator, that is our gross receipt, before deducting any of our operating expenses.
Senator JOHNSON. Yes. We will consider that in reference to all those, that you speak of gross receipts, before deducting your operating expenses.
Mr. DILLON. That is correct.
Senator JOHNSON. All right. What was the profit in the first Bolivian loan, if you please?
Mr. DILLON. Not profit. Again, may I correct you, Senator.
Senator JOHNSON. Very well.
Mr. DILLON. Our gross receipt, before we deduct any of our expenses, which were very large, on the first Bolivian loan, was $500,000.
Senator JOHNSON. Was there a third Bolivian loan?
Mr. DILLON. No; that is all.
Senator JOHNSON. Just two?
Mr. DILLON. Just two.
Senator JOHNSON. What has become of those loans?
Mr. DILLON. They are both in default as to the payment of interest.
Senator JOHNSON. Do you know why?
Mr. DILLON. And sinking fund.
Senator JOHNSON. Do you know why?
Mr. DILLON. The resources of the country, its inability to collect taxes, which is largely dependent on the tin market.
Senator JOHNSON. Were all you gentlemen who were engaged in floating loans in South America competing in the South American capitals for the management of those loans?
Mr. DILLON. I think it is accurate when I say that in no instance did we compete for business. I mean, we negotiated with the Government direct, not at the same time as others.
Senator JOHNSON. Do you recall——
Mr. DILLON. We have declined to make bids for securities in competition with other people.
Senator JOHNSON. Do you recall whether you had any local representative in Bolivia at the time of the negotiations, or at any time during the negotiations in respect to those loans?
Mr. DILLON. The Bolivians came to New York in both those cases.
Senator WATSON. Senator, was that a governmental loan, or a loan to a corporation?
Mr. DILLON. A governmental loan.
Senator WATSON. In both instances to Bolivia?

Mr. DILLON. Both instances; and this is the first time, Senator, I might add, in that connection, that Bolivia has ever defaulted in recent history. I think, when you consider the repercussions on the revenue of a government due to the economic changes that have taken place, it is not surprising that a country like Bolivia, under these present conditions, is forced to suspend its interest payments, when you think of our own Government's revenues, in 1929 and 1930 we had a surplus, I think, of five hundred to eight hundred million dollars. One year later we have a deficit of two thousand million dollars, roughly. The revenue of a government is very sensitive to the economic structure of its country.

Senator JOHNSON. Do you recall, in conjunction with the Bolivian loan, that the Minister of Finance got into any difficulties?

Mr. DILLON. No, sir.

Senator JOHNSON. You have no knowledge on that subject at all?

Mr. DILLON. No.

Senator JOHNSON. You do not know that he was accused of having accepted a bribe of $40,000 in respect to that governmental loan?

Mr. DILLON. No, sir.

Senator JOHNSON. Do you recall making a loan to Milan, Italy?

Mr. DILLON. Yes: we did make a loan to Milan, Italy, in 1927.

Senator JOHNSON. What was the amount of that loan, please?

Mr. DILLON. $30,000,000. Our profit, as you call it, that is, our gross receipt, was $78,000.

Senator JOHNSON. Do you recall whether or not there were any court proceedings in Cremona with respect to that particular loan?

Mr. DILLON. My associate says there were.

Senator JOHNSON. Do you remember— if you do not recall it is not necessary for you to state—as to whether or not any particular official was charged, in regard to that loan, with having received some portion of it, or having received some money in respect to it?

Mr. DILLON. I do not know.

Mr. HAYWARD. I am not sworn, Senator. Perhaps I had better not say anything.

Senator JOHNSON. You may state it, if you know.

Mr. HAYWARD. I understand he was so charged, and that he was exonerated. We made no payment, of course. We had nothing to do with it.

Senator SHORTRIDGE. What was the charge?

Senator JOHNSON. Do you remember a loan of $25,000,000 to the Central Railroad of Brazil?

Mr. DILLON. There was a loan in 1922, Senator, to the Brazilian Government of $25,000,000. I think that may be the loan you refer to.

Senator JOHNSON. That is the loan, yes—$25,000,000.

Mr. DILLON. $25,000,000.

Senator JOHNSON. What was the amount that you received on that loan?

Mr. DILLON. Our gross receipts on that were $321,000.

Senator JOHNSON. Can you produce, please, the prospectus in relation to that loan that was sent out by your house?

Mr. DILLON. Yes.

Senator JOHNSON. Will you kindly do it at your convenience?

Mr. DILLON. Yes.

Senator JOHNSON. Do you recall that the prospectus there stated that it was for electrification?

Mr. DILLON. As I recall, it stated that part of it was for electrification.

Senator JOHNSON. That is now practically eight years ago. Do you know whether or not there has ever been any electrification of the railroad, for which the loan was made?

Mr. DILLON. I understand there has been no electrification done yet, but the Government has recently asked for tenders and proposals on the electrification.

Senator JOHNSON. Is that loan defaulted?

Mr. DILLON. Yes; that loan is now defaulted. They have funded, or announced their intention of funding, which is probably a technical difference.

Senator JOHNSON. That is a technical word for defaulting for the moment?

Mr. DILLON. No. The difference is this. They pay you the interest, but they pay it in their own obligations, which are interest bearing, rather than do nothing, you see, which is a default. Brazil has done that in the past on two different occasions, as I have said, and both times they have made good.

Senator JOHNSON. In this instance is there any interest in default?

Mr. DILLON. The 1st of December interest was not paid.

Senator JOHNSON. Do you know whether or not the sinking fund has been provided for?

Mr. DILLON. Again, on the 1st of December, it was not provided for.

Senator JOHNSON. So that, in relation to the electrification of that particular railroad in Brazil, that was to be electrified eight years ago, on a loan of $25,000,000, thus far there has been no electrification, and in December of last year, neither the interest was paid nor was the sinking fund provided for.

Mr. DILLON. Of that $25,000,000 loan, to the Brazilian Government at that time, only $8,000,000 was to be used for electrification, and they are now asking for tenders on that, and it is $8,000,000 of the $25,000,000 you are talking about, not the $25,000,000, when you speak of the electrification.

Senator JOHNSON. My interest in it arose from the fact of the investigation that was made originally in regard to these particular loans that you said had been made by you in each instance.

Mr. DILLON. That is correct, sir.

Senator JOHNSON. All right. In December both the interest was passed and the sinking fund was not attended to, either, is that correct?

Mr. DILLON. That is correct.

Senator JOHNSON. That is accurate?

Mr. DILLON. They were not paid or attended to because they had decided on a funding.

Senator SHORTRIDGE. Is it a Government-owned railroad?

Mr. DILLON. It is, a Government loan, to the Brazilian Government. It is not to the railroad. There was no loan made to any railroad. The loan was made to the Government.

Senator JOHNSON. Were you interested in the loan to Peru?

Mr. DILLON. No, sir.

Senator JOHNSON. That is, you had no portion at all of the interest?
Mr. DILLON. No.
Senator JOHNSON. That was J. & W. Seligmann & Co.?
Mr. DILLON. I do not recall.
Senator WATSON. Does the Government own the railroad in Brazil?
Mr. DILLON. It does.
Mr. HAYWARD. It owns it 100 per cent. It is operated by the Ministry of Railroads. It is not even a corporation.
Senator SHORTRIDGE. But the loan is for the railroad?
Mr. HAYWARD. Yes.
Mr. DILLON. It is just a department of the Government.
Senator JOHNSON. I do not know whether the Senator from Indiana was asking the question to demonstrate how poor the railroad was, or how ready our financiers were to lend to a government-owned enterprise outside the United States. I am not clear as to which was in his mind.
Mr. DILLON. Senator, we did not loan to a government-owned enterprise. We loaned to the government.
Senator JOHNSON. Yes.
Mr. DILLON. That enterprise is in the same relation to the government as our post office is to ours. That enterprise is not a separate corporation. It is operated as a department of the government.
Senator JOHNSON., But your loan related to the railroad.
Mr. DILLON. Eight million of the twenty-five million was to be used for the electrification, so they told us.
Senator JOHNSON. "So they told us," you say.
Mr. DILLON. Yes. That was at the time they made the loan, explaining what they were using it for.
Senator JOHNSON. You will furnish that prospectus, and that will enable us to see.
Mr. DILLON. Yes.

DILLON, READ & CO.,
New York, January 7, 1932.

The Hon. REED SMOOT,
United States Senate Office Building,
Washington, D. C.

MY DEAR SENATOR: During the course of Mr. Dillon's testimony before your committee on Tuesday, we were asked to submit three documents which I take pleasure in inclosing herewith: (*a*) A typical syndicate letter used in our office. (*b*) The original prospectus covering the United States of Brazil 7 per cent loan of 1922. (*c*) A typical foreign loan contract.
I trust the above will meet your requirements.
Very truly yours,

ROBT. O. HAYWARD.

$25,000,000 UNITED STATES OF BRAZIL (CENTRAL RAILWAY ELECTRIFICATION LOAN OF 1922) 30-YEAR 7 PER CENT GOLD BONDS

Dated June 1, 1922. Interest payable June 1 and December 1. Due June 1, 1952. Principal, interest, and sinking fund payable in New York City in United States gold coin at the office of Dillon, Read & Co., fiscal agents of Brazil in the United States. Coupon bonds of $1,000 and $500 denominations, with provision for registration of principal. Exempt from all Brazilian taxes present or future. Application will be made in due course to list these bonds on the New York Stock Exchange. Noncallable for 15 years. Callable thereafter only for the sinking fund at 102 and interest.
The Brazilian Government covenants to make semiannual sinking fund payments sufficient to retire the loan by maturity at 102 and interest.

The bonds are to be the direct obligation of the Government of the United States of Brazil and specifically secured by a first charge on the gross operating revenues of the Central Railway of Brazil.

PURPOSE OF ISSUE

The proceeds of the loan are to be used in part to provide for the electrification of the suburban division of the railway which is owned by the Government of Brazil and is without bonded debt.

CENTRAL RAILWAY OF BRAZIL

The Central Railway is the principal railway system of Brazil, operating approximately 1,563 miles of line, serving the important States of Rio de Janeiro, Sao Paulo and Minas Geraes.

SINKING FUND

The sinking fund payments during the first fifteen years of the life of the loan are to be sufficient to purchase each six months, one-sixtieth of the total authorized loan if bonds are obtainable in the open market at or below par. If not so obtainable any balance unexpended at the end of six months reverts to the Government. Thereafter sinking fund payments are to be sufficient to retire the entire outstanding issue, in equal semiannual installments, either by purchase in the market up to 102 and interest or by call by lot at that price, thus assuring holders who retain their bonds payment at 102 and accrued interest.

NATURAL WEALTH

The area of Brazil is 3,300,000 square miles, covering nearly half of South America. It is approximately equal to the combined area of continental United States, the United Kingdom, and France. Its population of approximately 30,000,000 represents half the total population of the South American continent. Brazil has vast natural wealth, and the increasing investment of foreign and local capital is rapidly bringing out the nation's resources. Brazil is said to contain the world's greatest reserves of timber and iron ore, and has large deposits of other essential minerals. It produces 70 per cent of the world's coffee, and supplies some of the finest grades of rubber which can not be grown in the East.

We offer the above bonds for delivery when, as, and if issued and received by us, subject to the approval of legal proceedings by counsel. It is expected that interim receipts of Dillon, Read & Co., or temporary bonds of the United States of Brazil will be ready for delivery on or about June 22, 1922. Price, 96½ and interest. To net about 7.30 per cent.

Dillon, Read & Co.; Lee, Higginson & Co.; Blair & Co. (Inc.); White, Weld & Co.; Continental & Commercial Trust & Savings Bank; Halsey, Stuart & Co. (Inc.); Bonbright & Co. (Inc.); Illinois Trust & Savings Bank; The Union Trust Co. of Pittsburgh; The Union Trust Co., Cleveland.

The information contained in this circular has been obtained partly from cable and other official sources. While not guaranteed, it is accepted by us as accurate.

JUNE, 1922.

$40,000,000 ROYAL DUTCH CO. FOR THE WORKING OF PETROLEUM WELLS IN THE NETHERLAND-INDIES

Four per cent debentures, Series A (with share purchase warrants). To be dated April 1, 1930. To mature April 1, 1945.

NEW YORK, *March 21, 1930.*

DEAR SIRS: We and our associates are forming a selling group, of which we are to be the managers and in which we may participate, to offer the above-mentioned debentures (with share purchase warrants) on the terms herein stated, if, when and as issued and accepted by us subject to approval of legal proceedings by counsel. The term "debentures" as used herein shall include temporary or definitive debentures with warrants attached, or interim receipts in respect of such debentures with warrants. We and our associates shall profit by this transaction.

We invite you to become a member of such selling group, on the terms and conditions set forth herein.

The offering price of the debentures is to be 89½ and accrued interest from April 1, 1930.

From this price you will be allowed a selling commission of 2 per cent on all debentures the sale of which is confirmed by us to you, out of which you may reallow one-fourth, of 1 to dealers, banking institutions and insurance companies. The managers may charge the selling group with expenses in connection with the purchase and/or sale of this issue, which they in their discretion may deem fair. Selling commissions, less expenses, will be payable, except as provided below, after the termination of the selling group, if the debentures shall have been issued and accepted by us as above. The managers, in their discretion, and without notice to members, may change the offering price, and in general, or in such special cases as they may determine, the selling commission and the reallowance on sales. All sales must be made for delivery if, when and as the debentures are issued and accepted by us subject to approval of legal proceedings by counsel.

During the life of the selling group no offerings or sales of the debentures shall be made by members, directly or indirectly, in Great Britain or continental Europe except with the consent of the managers.

The offering price must be maintained on all sales, except as otherwise permitted by the managers. Members will be responsible during the life of the selling group and for a period of seven days thereafter for debentures sold by them. The managers, during the life of the selling group may repurchase any debentures purchased by any member and offered at or below the offering price, and shall have the right either to withhold from such member the selling commission on such debentures or to require such member to repurchase such debentures at a price equal to the cost thereof to the managers, including brokerage, but not exceeding the offering price, even though debentures delivered to such member against such repurchases may not be the identical debentures repurchased by the managers or may not be delivered until after the expiration of the selling group.

The selling group will expire on May 19, 1930. The managers, however, on notice to the members, may extend the agreement and the duration of the selling group for not exceeding an aggregate of 60 days thereafter. Such agreement may be terminated and the selling group dissolved by the managers at any time at their discretion, whether or not extended, by notice to the members.

Nothing herein contained shall constitute the members partners with us or with our associates or with one another, nor shall we or our associates be liable for the obligations of members. Neither we nor our associates, shall be deemed to warrant, or be subject to any liability with respect to, the issue, form, genuineness, validity, enforceability or value of the debentures, or the validity or the provisions of any instrument under or pursuant to which the same may be issued, or any representations made herein or in any circular or advertisement descriptive of the debentures, or otherwise, nor shall we or our associates be liable for anything whatsoever except want of good faith or be under any obligation, either expressed or implied, which is not herein expressly assumed.

Payment is to be made at the office of Dillon, Read & Co., 28 Nassau Street, New York City, at 89½ and accrued interest, in funds payable through the New York Clearing House, against delivery of temporary debentures of the company or interim receipts of Dillon, Read & Co. It is expected that delivery will be made on or about April 4, 1930, but as to the exact date we shall advise you definitely later.

In accordance with the terms above, we are pleased to confirm to you the sale of $—— principal amount of debentures at 89½ and accrued interest from April 1, 1930, less selling commission as set forth above. This amount covers the debentures we reserved for purchase by you in accordance with our telegrams of March 20, 1930, no debentures having been allotted upon subscriptions.

In confirmation of the purchase of the above-mentioned debentures, and your acceptance of the terms and conditions hereof, kindly sign the attached duplicate of this letter and transmit the same to the managers.

A circular descriptive of the debentures is enclosed.

Yours very truly,

—— ——,

Selling Group Managers.

UNITED STATES OF BRAZIL WITH DILLON, READ & CO.—CONTRACT DATED AS OF APRIL 1, 1926

Contract, dated as of April 1, 1926, (but actually executed on May 21, 1926), made by United States of Brazil, hereinafter termed the "obligor," acting by His Excellency Dr. S. Gurgel do Amaral, its ambassador to the United States of America, thereunto duly empowered, and Dillon, Read & Co., of the City of New York, State of New York, United States of America, hereinafter sometimes termed the "bankers."

ARTICLE I

The obligor covenants with the bankers for the benefit of the holders, severally and respectively, of the bonds, as follows:

SECTION 1. The obligor may issue hereunder its 6½ per cent external sinking-fund gold bonds of 1926 (hereinafter termed "bonds"), bearing interest at the rate of 6½ per cent per annum, for the aggregate principal amount of $60,000,000, all dated April 1, 1926, and maturing on October 1, 1957, in which the obligor will covenant to pay the principal of the bonds at the office of Dillon, Read & Co. (hereinafter sometimes called the "American fiscal agent"), in the borough of Manhattan, City and State of New York, United States of America, in United States gold coin, or, at the option of the respective holders of the bonds, at the office of N. M. Rothschild & Sons, the agency for such purpose of the obligor, in the city of London, England, (hereinafter sometimes called the "British paying agent"), the equivalent thereof in sterling money of the United Kingdom of Great Britain and Ireland at the fixed rate of exchange of $4.8665 to the pound sterling, and to pay interest on the bonds at the rate aforesaid, upon presentation and surrender of the interest coupons appertaining thereto as they severally mature, at the office of the American fiscal agent in like United States gold coin, or, at the option of the respective holders of the coupons, at the office of the British paying agent in said sterling money at said fixed rate of exchange. Any successor to said N. M. Rorhschild & Sons, as said agency of the obligor, shall be designated from time to time by the American fiscal agent.

The obligor covenants and agrees that the bonds are issuable under the authority of Law No. 4625 of December, 31, 1922 and Law No. 4984 of December 31, 1925.

The bonds and coupons shall be substantially in the form set forth in Schedule A hereto attached and by reference made a part hereof and the bonds shall be signed on behalf of the obligar by such diplomatic representative as may be authorized for the purpose by the obligor and be countersigned, as indicated in Schedule A, by the registrar of the bonds hereinafter provided for, or its successor from time to time designated by the bankers. The coupons to be attached to the bonds shall bear the fascimile signature of J. C. Muniz, Acting Consul General for Brazil in (the city of) New York, United States of America.

In case the bankers so elect in writing, the princiapl of and interest on all or any part of said $60 000,000 principal amount of bonds, in excess of the $35,000,000 principal amount of bonds to be purchased by the bankers as provided in section 1 of Article III, may be made payable in the city of London, England, in said sterling money at the office of a British fiscal agent to be designated by the obligor with the written approval of the bankers, or, at the respective options of the holders of the bonds and coupons at the office of Dillon, Read & Co., in the borough of Manhattan, city of New York, United States of America in United States gold coin at said fixed rate of exchange, and in case the bankers shall make such election an appropriate agreement supplemental hereto shall be entered into between the obligor and the bankers and such British fiscal agent, whereby, in respect of any bonds made payable as provided in this paragraph of this section 1 of Article I, such British fiscal agent so designated shall exercise similar functions as fiscal agent and as sinking-fund trustee as hereinafter provided for the American fiscal agent and sinking-fund trustee, and whereby, in respect of such bonds, appropriate provision shall be made for the form of such bonds and of the coupons to be attached thereto, the denominations thereof, and for the payment of the principal and interest of such bonds in the city of London, England, and in the borough of Manhattan, city of New York, as aforesaid, and for the payment in said sterling money of the sinking fund, provided for in Article II, in respect of such bonds, and for the registration and transfer and countersignature of such bonds by a registrar in the city of London, England, and also in respect of such other matters incidental to the issue of any bonds made payable as provided in this paragraph of this section 1 of Article I, as the bankers in their discretion may deem advisable.

In case the entire principal amount of bonds which may be issued hereunder in excess of said $35,000,000 principal amount of bonds to be purchased by the bankers as provided in section 1 of Article III (such excess being hereinafter in this paragraph of section 1 of Article I called additional bonds) shall not have been issued prior to August 15, 1926, the principal amount of additional bonds, which (except for the provisions of this paragraph of this section 1 of Article I) would at any time have been issuable hereunder, shall be reduced on August 15, 1926, and on each February 15 and August 15 thereafter by an amount, which, together with reductions theretofore made, will be equivalent to that aggregate principal amount of additional bonds which would have become redeemable through the operation of the sinking fund, provided for in Article II, had all the additional bonds been issued prior to August 15, 1926, after deducting from such aggregate principal amount an amount equivalent to such principal amount of bonds as may have been redeemed or become redeemable through the operation of the sinking fund by reason of the issue of any such additional bonds.

Whenever in the bonds or coupons or in this contract the term "United States gold coin" is used, it shall mean gold coin of the United States of America of, or equal to, the standard of weight and fineness existing at the date of the bonds. Whenever in the bonds or coupons or in this contract the term "sterling money of the United Kingdom of Great Britain and Ireland" or the term sterling money is used, it shall mean such gold coin of the United Kingdom of Great Britain and Ireland as is, or may be, equivalent in value to United States gold coin, at said fixed rate of exchange of $4.8665 in United States gold coin.

SEC. 2. The bonds shall be in the denominations of $1,000 and $500 each and the text thereof shall be in the English langauge and printed from engraved plates in conformity with the requirements of the New York Stock Exchange; but until such time as bonds in such definitive form shall have been prepared for delivery, one or more printed or lithographed temporary bonds, substantially in the form set forth in Schedule A, with appropriate omissions, insertions and variations, as may be required, with or without coupons, shall be issued. The bonds, temporary and definitive, shall be prepared in the city of New York and the obligor authorizes the bankers for the obligor's account, to have such preparation commenced forthwith.

The bonds shall be payable to bearer, unless registered as to principal as herein and in the bonds provided. The obligor hereby designates the National City Bank of New York, in the borough of Manhattan, city of New York, as countersigning agent and registrar of the bonds, and the obligor hereby authorizes the bankers on behalf of the obligor to make all additional arrangements for countersignature and registration of the bonds in the borough of Manhattan, city of New York, including the appointment, from time to time, of a successor to said countersigning agent and registrar.

The bonds of the several denominations shall be interchangeable as herein and in the bonds provided. In case of any such exchange of bonds, the obligor may, with the written approval of the bankers, make a reasonable charge for the bonds issued in exchange. No charge, however, shall be made for any exchange of temporary bonds for definitive bonds.

All payments of principal, interest, and sinking fund shall be payable as well in time of war as in time of peace, irrespective of the nationality of the holders of the bonds and coupons, and the bonds and coupons shall be exempt from, and payable without deduction for, any and all taxes, imposts, stamp dues, assessments and other charges, now or at any time hereafter, imposed or levied by the obligor or by any taxing authority thereof or therein.

In case of loss, mutilation or destruction of any bond or coupon, a duplicate shall be issued by the obligor and countersigned by the registrar, upon proof of such loss, mutilation or destruction and upon receipt by the obligor of proper indemnity. Any such duplicate bond or coupon shall constitute additional contractual obligations on the part of the obligor and shall be entitled to the same rights as other bonds and coupons issued pursuant to this contract.

SEC. 3. Without intending to limit or lessen the obligations of the obligor under the bonds or under this contract, the obligor covenants and agrees that its obligations hereunder and under the bonds shall at all times be and constitute a special and first charge upon all the revenues received by the obligor from all income taxes and taxes on invoices (contas assignadas duplicatas), levied by the obligor or with its authority, as said income taxes and taxes on invoices (contas assignadas duplicatas) may now exist, or as in the future the same may exist, and the obligor covenants and agrees that all the proceeds of said income taxes and taxes on invoices (contas assignadas duplicatas), and all taxes and exactions levied in substitution therefor or amendment thereof, shall, in case, and so long as, the obligor shall not have fulfilled all its obligations then due hereunder and under the bonds, be specially set apart and used for the fulfillment of the obligations of the obligor then due hereunder and under the bonds, and shall not be used for or devoted to any other purpose; and the obligor further covenants and agrees that in like manner its obligations hereunder and under the bonds shall at all times be and constitute a special and second charge, subject only to the prior charge of the obligor's 8 per cent loan of 1921, upon all the revenues received by the obligor from all consumption taxes (imposto do consumo), levied by the obligor or with its authority, as said consumption taxes (imposto do consumo) may now exist, or as in the future the same may exist, and a special and fourth charge, subject only to the prior charges of the obligor's 5 per cent sterling loans of 1898 and 1914 and the obligor's said 8 per cent loan of 1921, on all revenues received by the obligor from all import duties and import taxes, levied by the obligor or with its authority, as said import duties and import taxes may now exist, or as in the future the same may exist. The obligor further covenants and agrees that, subject as aforesaid, all the proceeds of said consumption taxes, import duties and import taxes, and all taxes and exactions levied in substitution therefor or amendment thereof, shall, in case, and so long as, the obligor shall not have fulfilled all its obligations then due hereunder and under the bonds, be specially set apart and used for the fulfillment of the obligations of the obligor then due hereunder and under the bonds, and shall not be used for or devoted to any other purpose.

The obligor further covenants that while any of the bonds shall be outstanding the income taxes, the taxes on invoices, the consumption taxes, the import duties and import taxes, above mentioned and now existing, shall not be repealed or diminished unless there shall first have been pledged hereunder in substitution therefor other revenues approved by the bankers. In giving or refusing such approval the bankers shall not incur any liability or responsibility whatsoever to the obligor and/or to the holders of the bonds or coupons.

So long as any of the bonds shall be outstanding, the obligor covenents that it will not issue any other bonds or incur any other obligations ranking prior to or equally with the bonds in respect of the security for the bonds provided for by this contract.

SEC. 4. The obligor will pay to the bankers, as American fiscal agent, at their office in the borough of Manhattan, city of New York, on or before the 15th day of August, 1926, and on or before the 15th day of February and on or before the 15th day of August in each year thereafter, to and including the 15th day of August, 1957, funds sufficient to pay in United States gold coin the interest payable on the bonds on the next ensuing April 1 or October 1, as the case may be, as provided herein and in the bonds and coupons appertaining thereto. In case in any year or years any additional bonds (as defined in sec. 1 of Art. I) shall be issued between February 15 and April 1 or between August 15 and October 1, as the case may be, the obligor covenants to pay to the bankers simultaneously with such issue of additional bonds an amount equal to 3¼ per cent of the principal amount of the additional bonds so issued, which amount shall be applied by the bankers, as American fiscal agent, to the payment of the interest due on such additional bonds on the next ensuing April 1 or October 1, as the case may be. If the bearer of any coupon, or the holder of any bond at the maturity or redemption thereof shall elect to have such coupon or bond, as the case may be, paid in the city of London, England, in said sterling money of the United Kingdom of Great Britain and Ireland, the American fiscal agent shall convert funds held for the payment of such coupon or bond, as the case may be, into said sterling money and shall transmit the same to the British paying agent for payment of such coupon or bond, as the case may be. The American fiscal agent in advance of any such election is hereby specifically authorized to transmit such funds to the British paying agent in such amounts as from time to time the American paying agent in its discretion may determine to be advisable. In case such funds held by the American fiscal agent for the payment of such coupon or bond, as the case may be, shall be insufficient at the then current rate of exchange to purchase said sterling money sufficient for the purpose aforesaid, the obligor shall forthwith, upon request of the American fiscal agent, pay to the American fiscal agent such additional funds as may be necessary for such purpose.

The bankers shall in no event be under any obligation under the bonds or hereunder to make any payment of or on account of the principal of and/or interest on the bonds, or any part thereof, and/or to put the British paying agent in funds for the purpose of making any such payment in the city of London, England, unless and until the bankers, as the American fiscal agent and sinking fund trustee, as the case may be, shall have been put in funds sufficient for such purposes by the obligor.

SEC. 5. The obligor covenants with the bankers for the benefit of the holders, severally and respectively, of the bonds, to apply the proceeds of the bonds received by the obligor in liquidation of Treasury obligations of the obligor including floating debt of the obligor.

ARTICLE II

The obligor further covenants with the bankers for the benefit of the holders, severally and respectively, of the bonds, as follows:

SECTION 1. The bonds may be called by lot for redemption through operation of the sinking fund, provided for in this Article II, at 100 per cent of the principal amount thereof plus accrued interest to the redemption date, as hereinafter provided, but the bonds shall not be subject to call for redemption prior to maturity except through operation of the sinking fund.

SEC. 2. So long as any of the bonds shall be outstanding, the obligor will pay to the bankers, as sinking fund trustee, at their office in the borough of Manhattan, city of New York, on or before the 15th day of August, 1926, and on or before the 15th day of February and on or before the 15th day of August in each year thereafter, to and including the 15th day of February, 1957, as a semiannual sinking fund for the redemption of bonds, an amount equal to one-half of 1 per cent of the maximum principal amount of bonds theretofore issued hereunder, plus an amount equal to 3¼ per cent of the principal amount of the bonds previously redeemed through the operation of the sinking fund. Interest moneys received by the bankers, as the American fiscal agent, in respect of coupons appertaining to bonds redeemed through the sinking fund on the next ensuing April 1 or October 1, as the case may be, following the receipt of such moneys, shall be added to and deemed a part of the sinking fund. The payments provided for in this section 2 of Article II shall constitute a sinking fund to be held and applied by the sinking fund trustee in the redemption of bonds as in this Article II provided. No expenses in connection with the operation of the sinking fund shall be charged against any sinking fund payment, but shall be borne by the obligor and paid out of funds other than the sinking fund and in addition thereto.

In case on or after August 15, 1926, any additional bonds (as defined in section 1 of Article I) shall be issued, from time to time, then thereafter, in respect of each such issue, each semiannual sinking fund payment provided for in this section 2 of Article II shall be increased by an amount equal to 3¼ per cent of the difference between (*a*) the principal amount of additional bonds then being issued and (*b*) such principal amount of additional bonds, which, had they been issued prior to August 15, 1926, would have been reduced, at the time of the issue of such additional bonds, to an amount equivalent to the principal amount of the additional bonds so issued, through the operation of the sinking fund or through the application of moneys therein. Before each such issue of any additional bonds the obligor shall enter into an agreement supplemental hereto with Dillon, Read & Co. wherein shall be stated the amount by which each semiannual sinking fund payment shall be increased in respect of each such issue of additional bonds; the intent hereof being that if and when any additional bonds shall be issued on or after August 15, 1926, such semiannual sinking fund payments shall be so increased as to effect the retirement through the operation of the sinking fund of all the bonds before the maturity thereof, except only such principal amount of bonds remaining outstanding hereunder on October 1, 1957, which would have been redeemable on said date had a semiannual sinking fund payment been required to be made hereunder on August 15, 1957.

So long as any of the bonds shall be outstanding, the obligor will pay to the bankers the amounts, by which any sinking fund payment or payments shall be increased as above provided, as part of any such sinking fund payment or payments.

SEC. 3. All moneys received by such sinking fund trustee shall be applied, as nearly as may be, by the sinking fund trustee on the next ensuing April 1 or October 1, as the case may be, following the receipt of such moneys, in the redemption of bonds, selected by the sinking fund trustee by lot, at 100 per cent of the principal amount thereof and accrued interest to the redemption date (herein called the "redemption price"), after notice published twice by said trustee on behalf of the obligor in a daily newspaper of general circulation, published in the English language, in the borough of Manhattan, city of New York, the first publication to be at least 30 days before the redemption date specified in such notice and the second publication to be not less than seven days after the first publication, and, in case said trustee shall so elect, such notice in respect of any redemption shall be similarly published in a daily newspaper of general circulation, published in the city of London, England.

The sinking fund trustee shall also, at least 30 days prior to such redemption date, mail or cause to be mailed a notice of such redemption to the registered holders of registered bonds called for redemption, at their respective addresses appearing on the transfer books of the registrar. Failure to give such notice by mail, or any irregularity therein, shall not, however, affect the validity of any redemption proceedings.

Drawings to determine the particular bonds so to be redeemed may be made in any manner deemed fair by the sinking fund trustee in its sole discretion, in the Borough of Manhattan, city of New York, and, if the obligor shall so request a representative reasonably and timely designated by the obligor may be present at such drawing.

All bonds, together with the unmatured coupons thereto appertaining, which shall be redeemed through the operation of the sinking fund, shall be canceled by the sinking fund trustee, and after such cancellation shall be delivered to the registrar, which shall make notation on its records of such redemption and cancellation, and no such bonds shall be reissued, nor shall any bonds be issued in exchange therefor or in lieu thereof, and thereupon such canceled bonds and coupons shall be delivered to the obligor, or, at the option of the obligor, shall be cremated in the presence of a representative of the obligor.

Bonds duly called for redemption shall cease to bear interest from the redemption date and the holders thereof shall, after the redemption date, cease to have any rights as holders of bonds, except to obtain the redemption price, provided there shall have been deposited with the sinking fund trustee and set aside for the redemption of all bonds so called for redemption an amount at least equal to the redemption price.

SEC. 4. In case the obligor shall fail to make any sinking fund payment (including any increase thereof) when and as provided in this Article II or any interest payment when and as provided in Article I, and such default shall continue for a period of 60 days, the bankers, as representative of the holders of the bonds, may declare to be forthwith due and payable by the obligor the principal of all the bonds then outstanding and the interest accrued thereon to the date of such declaration, and thereupon such sums shall become and be forthwith due and payable by the obligor, and the obligor covenants to pay the same as provided in the bonds, together with interest on the overdue principal and interest on the bonds at the rate of 6½ per cent per annum.

SEC. 5. The bankers may act as representative of the holders of the bonds in all matters arising under this contract. For this service the bankers shall not be entitled to receive compensation from the obligor.

ARTICLE III

SECTION 1. The obligor agrees to sell to the bankers and, subject to the conditions herein specified, the bankers agree to purchase from the obligor $35,000,000 principal amount of bonds at the price of —— per cent of the principal amount thereof, plus accrued interest thereon from the date of the bonds to the date of payment therefor as hereinafter provided.

SEC. 2. On such date, not later than June 4, 1926, as the bankers shall designate, the obligor will deliver to the bankers in the Borough of Manhattan, city of New York temporary bonds, in such denominations as the bankers shall request, for the aggregate principal amount of $35,000,000 and thereupon the bankers will make payment therefor by crediting to the account of the obligor in the city of New York —— per cent of said $35,000,000 principal amount of bonds plus accrued interest thereon from the date of the bonds to the date of such credit. The obligor will deliver in the Borough of Manhattan, city of New York, on or before September 15, 1926, or on or before such later date as may be approved in writing by the bankers, definitive bonds in exchange for such temporary bonds without charge or expense to the bankers or other persons entitled to receive the definitive bonds.

SEC. 3. The bankers are hereby authorized to offer the bonds for public subscription at such times and in such amounts and at such prices as the bankers shall determine, either before or after the signing of this contract, except that such prices shall be at least —— per cent of the principal amount of the bonds and accrued interest. In case the bankers shall offer the bonds at prices in excess of —— per cent of the principal amount thereof and accrued interest, the obligor shall have no interest or right to participate in such excess.

SEC. 4. The bankers shall have exclusive authority to distribute said $35,000,000 principal amount of bonds through a syndicate or syndicates which they have formed or caused to be formed or may form or cause to be formed for such purpose in the United States or England or elsewhere. The obligor hereby ratifies and approves any syndication and disposal of the bonds heretofore accomplished by the bankers.

SEC. 5. Pending the delivery of the definitive bonds the bankers may deliver to subscribers for or purchasers of said $35,000,000 principal amount of bonds a receipt or other writing in their name evidencing the right of the holder to receive an amount of the bonds specified in such receipt or writing.

SEC. 6. Without intending to limit or lessen any of the obligations of the obligor hereunder, the obligor hereby irrevocably authorizes the bankers to retain and apply, out of the payment to be made by them under section 2 of this Article III, and out of any other moneys which may be from time to time on deposit with the bankers to the credit of the obligor, an amount or amounts, not exceeding from time to time $1,000,000, sufficient to fulfill any and all of the obligations of the obligor with regard to the bonds and sinking fund payments, and, in general, with regard to commissions, expenses, and all other charges, which may be or become payable by the obligor to the bankers, when and as such obligations mature.

SEC. 7. Moneys on deposit with the bankers, which the obligor is entitled to withdraw, shall be subject to drafts payable at sight. Such moneys shall from time to time bear interest at a rate which shall not be less than the average current rate then generally allowed by responsible banks and trust companies in the Borough of Manhattan, city of New York, on similar deposits.

SEC. 8. The bankers shall have an option to purchase from the obligor the balance of said $60,000,000 principal amount of bonds, issuable hereunder and not purchased by the bankers under section 1 of this Article III, on the same terms (including price) as in the case of the bonds purchased under section 1 of this Article III. Such option shall cover all or any part of the bonds the principal of and interest on which may be made payable in said sterling money upon the written election of the bankers as provided in section 1 of Article I. Such option shall extend to and including September 15, 1926, and may on or before said date be exercised by notice given to the obligor by cable or by writing. Until the expiration of such option the bankers shall have exclusive authority to attempt to form or cause to be formed a syndicate or syndicates to issue and to market said balance of the bonds in the United States or England or elsewhere, and the obligor shall not, until the expiration of such option, issue or sell, or offer for sale, or market any issue of its bonds or obligations in the United States of America or in any other country outside of the United States of Brazil.

ARTICLE IV

SECTION 1. The obligor hereby authorizes the American fiscal agent on behalf of the obligor from time to time to designate the British paying agent and to make arrangements for the payment of the principal and interest on the bonds at the places where such sums are payable. Accounts between the obligor and the bankers concerning such payments, and concerning the administration of the sinking fund and all other expenses and charges, will be kept by the bankers in the city of New York in terms of United States money; and such accounts, of which transcripts shall be sent to the obligor from time to time, may at any time be inspected by duly authorized representatives of the obligor. The obligor will pay the cost and expense of engraving, printing, and delivering the bonds, both temporary and definitive, and the cost and expense of the preparation, execution, and transmission, by cable or otherwise, of this contract, and the costs and expenses of the execution of the bonds and of the issue thereof, including the reasonable charges for countersignature of the bonds and the fees of legal counsel for the bankers in connection with this contract, and the performance hereof and the issue and sale of bonds hereunder in the United States and elsewhere. The obligor covenants that it will pay all costs in connection with the listing of temporary and definitive bonds on the New York Stock Exchange. The obligor further covenants that it will reimburse the bankers for any and all expenses incurred by them in the course of their proceedings as American fiscal agent and sinking fund trustee (including without limitation of the foregoing all expenses in connection with the transmission of funds to the British paying agent and all expenses and publication charges in connection with the redemption of bonds through the operation of the sinking fund), and the obligor will pay the bankers for their services as such American fiscal agent and sinking fund trustee a commission of —— per cent of the amount of all moneys disbursed by the bankers, whether as American fiscal agent or sinking fund trustee or through the British paying agent, for the account of the obligor in connection with the payment of interest on the bonds, the payment of the principal of the bonds, and the redemption of bonds through the operation of the sinking fund. The obligor will also pay any and all expenses incurred by the British paying agent, including without limitation of the foregoing, all expenses in connection with the transmission of bonds and/or coupons to the American fiscal agent upon payment thereof by the British paying agent and any retransmission of funds to the American paying agent. The obligor will also pay the compensation and expenses of the registrar both for registering and countersigning the bonds. All expenses in connection with the sale and distribution of the bonds by the bankers or by an syndicate or syndicates formed by the bankers shall be borne by the bankers or such syndicate or syndicates and the obligor will not be responsible therefor.

SEC. 2. The obligor will indemnify and save harmless the bankers against and from any loss, cost, or expense which they may sustain by reason of any delay or default in the performance by the obligor of any of the agreements of the obligor herein set forth or which the bankers may sustain by reason of their acting as agents or depositaries of the obligor in accordance with the terms of any agency or by reason of their acting in accordance with instructions of the obligor.

SEC. 3. The bankers in their several capacities hereunder, the British paying agent, and the registrar shall not be answerable for the default or misconduct of any agent or attorney appointed by them or any of them to carry out any of the provisions of this contract, if such agent or attorney shall have been selected with reasonable care and with the consent of the obligor. The bankers shall not be in anywise responsible for the disposition by the obligor of the proceeds of the bonds. If the bankers shall be in doubt in any instance as to their rights or obligations in any capacity or the rights of the holders of bonds under this contract, they may advise with legal counsel selected by them, and anything done or suffered to be done in good faith by the bankers in accordance with the opinion of such counsel shall be conclusive in their favor as against any claim or demand by the obligor in the premises.

SEC. 4. The obligor, the bankers in their several capacities hereunder, the British paying agent and the registrar may deem and treat the bearer of any bond which shall not at the time be registered as to principal as herein provided, and the bearer of any coupon for interest on any bond whether or not such bond shall be so registered, as the absolute owner of such bond or coupon, as the case may be, for the purpose of receiving payment thereof, and for all other purposes, and the obligor, the bankers in their several capacities hereunder, the British paying agent and the registrar shall not be affected by any notice to the contrary. The obligor, the bankers in their several capacities hereunder, the British paying agent and the registrar may deem and treat the person in whose name any bond shall be registered as to principal as aforesaid as the absolute owner thereof for the purpose of receiving payment of or on account of the principal thereof, and for all other purposes, except to receive payment of interest represented by outstanding coupons, and shall not be affected by any notice to the contrary.

SEC. 5. The bankers may become the owners of any or all of the bonds, with the same rights as any other holders of bonds. All notices from the bankers to the obligor in connection with this contract, including the declaration under section 4 of Article II, may be given by written communication, or by cable, addressed to the Minister of Finance, Rio de Janeiro, Brazil. All notices from the obligor to the bankers may similarly be given, addressed to Dillon, Read & Co., city of New York, United States of America.

SEC. 6. The obligor will comply with the reasonable requests of the bankers for such information concerning the United States of Brazil, its law, revenues, etc., as reasonably may be deemed useful both in aid of the sale and distribution of the bonds in the United States, or elsewhere, and so that the bankers may continue to be informed as to such matters and as to the security pledged hereunder for the bonds; and the obligor authorizes and instructs its representatives to sign in its name appropriate circulars in connection with the issue, sale and distribution of the bonds. In connection with the sale and distribution to the public of the bonds, the obligor irrevocably authorizes the bankers to include in any circular, and in any and all other statements which may be used in connection with such sale, a statement that payment of all sinking fund and/or amortization charges on the sterling loans of the obligor now outstanding and covered by the so-called funding agreement of 1914 will be resumed in 1927. The obligor will indemnify and hold harmless the bankers and any syndicate or syndicates formed pursuant hereto against all liabilities, claims, and demands arising from any incorrect or improper statements contained in any such circular or circulars.

The obligor will upon request of the bankers at any time promptly make proper application to list the bonds on the New York Stock Exchange, and the obligor will endeavor in every way, by furnishing such information, executing such documents and doing such acts and things as may be necessary, to obtain the listing of the bonds on said New York Stock Exchange.

SEC. 7. The bankers agree to use their best efforts to form a syndicate or syndicates to purchase the bonds to be purchased by the bankers as provided in section 1 of Article III, but anything herein to the contrary notwithstanding, the bankers shall not be obligated to take up and pay for the bonds unless the bankers shall have succeeded in their endeavor to form a syndicate or syndicates for the purchase of the bonds, and neither the bankers nor any syndicate or syndicates formed by the bankers shall be obligated to take up and pay for the bonds if, in the sole judgment of the bankers, financial conditions existing in the United States or elsewhere shall at the time be such as in the judgment of the bankers to make it undesirable or inadvisable to complete the purchase and distribution of the bonds as contemplated by this contract.

SEC. 8. This contract shall bind and shall enure to the benefit of the joint stock association of Dillon, Read & Co., as now or hereafter organized, and also any successor of said joint stock association. The English text of this contract shall govern its interpretation.

Executed in duplicate.

Witness:

R. MENDES GONÇALVES As to S. GARGEL DO AMARAL,
R. MENDES GONÇALVES As to DILLON, READ & CO,
United States of Brazil.

SCHEDULE A. FORM OF $1,000 DEFINITIVE BOND—UNITED STATES OF BRAZIL 6½ PER CENT EXTERNAL SINKING FUND GOLD BOND OF 1926, DUE OCTOBER 1, 1957

United States of Brazil, hereinafter termed the "obligor," for value received, promises to pay to the bearer, or if this bond be registered, to the registered owner hereof, on the 1st day of October, 1957 (unless before said date this bond shall have been duly called for redemption, and payment of the redemption price made in accordance with the provisions hereof), the principal sum of $1,000 in gold coin of the United States of America of, or equal to, the standard of weight and fineness existing on April 1, 1926, at the principal office of Dillon, Read & Co., in the borough of Manhattan, city and State of New York, United States of America, or, at the option of the bear or the registered owner hereof, the equivalent of said principal sum in sterling money of the United Kingdom of Great Britain and Ireland, as defined in the contract hereinafter mentioned, at the fixed rate of exchange of $4.8665 in said gold coin of the United States of America to the pound sterling, at the office of N. M. Rothschild & Sons, the agency for such purpose of the obligor, in the city of London, England, and to pay interest on said principal sum, at the rate of 6½ per cent per annum in like gold coin at said office of Dillon, Read & Co., or, at the option of the respective bearers of the attached interest coupons, in said sterling money at said fixed rate of exchange, at said agency in the city of London, England, semiannually, on the 1st day of October and the 1st day of April in each year, until said principal sum shall be paid, but only upon presentation and surrender of the attached interest coupons as they severally mature. Said principal sum and said interest coupons and the sinking fund payments hereinafter mentioned shall be paid as well in time of war as in time of peace, irrespective of the nationality of the bearer or registered owner hereof, or of the bearer of said interest coupons, without deduction for any taxes now or at any time hereafter imposed by United States of Brazil or by any taxing authority thereof or therein.

This bond is one of a duly authorized issue of bonds (herein called the bonds) of the obligor known as its 6½ per cent external sinking fund gold bonds of 1926, limited to an aggregate principal amount of $60,000,000 or an equivalent principal amount in said sterling money, issued or to be issued pursuant and subject to a certain contract, dated as of April 1, 1926, between the obligor and Dillon, Read & Co., as bankers, and any agreement supplemental thereto entered into as provided in said contract.

For a statement of the nature and extent of the security, the rights of the holders of the bonds in respect thereof, and the terms and conditions upon which the bonds are issued and secured, to all of which the holder hereof assents by acceptance of this bond, reference is hereby made to said contract and to any agreement supplemental thereto entered into as provided in said contract.

The bonds are issuable under the authority of Law No. 4625 of December 31, 1922 and Law No. 4984 of December 31, 1925.

The bonds may be issued in denominations of $1,000 and $500 each and, as provided in said contract, bonds of either denomination at any time outstanding when surrendered with all unmatured coupons attached at the office of the registrar of the bonds in the borough of Manhattan, city of New York, may be exchanged for an equal aggregate principal amount of bonds of the other denomination, of numbers not contemporaneously outstanding, with all unmatured coupons attached. As provided in said contract the bonds may also be issued in appropriate denominations of said sterling money.

In accordance with, and subject to the provisions of, said contract, the obligor will, on or before the 15th day of August, 1926, and on or before the 15th days of February and August in each year thereafter, to and including the 15th day of February, 1957, pay to the sinking fund trustee as a sinking fund for the redemption of the bonds, an amount equal to ¼ of one per cent of the maximum principal amount of the bonds theretofore issued, plus an amount equal to 3¼ per cent of the principal amount of the bonds previously redeemed through the operation of said sinking fund, plus such additional amount, if any, which may become payable as provided in said contract. Interest moneys, in respect of coupons appertaining to bonds to be redeemed through said sinking fund on the next April 1 and October 1, as the case may be, following the receipt of such moneys, shall be added to and deemed a part of said sinking fund. As provided in said contract, said sinking fund shall be applied, as nearly as may be, by said sinking fund trustee, on the next April 1 or October 1, as the case may be, following the receipt of each such sinking fund payment, in redemption of bonds, selected by lot, at 100 per cent of the principal amount thereof plus accrued interest to the redemption date, after notice published twice in a daily newspaper of general circulation published in the English language, in the borough of Manhattan, city and State of New York, the first publication to be at least 30 days before the redemption date specified in such notice and the second publication to be not less than seven days after the first publication. The bonds are not subject to call for redemption prior to maturity except through the operation of said sinking fund.

In the manner, and to the extent provided in said contract, the obligor has pledged thereunder certain taxes, including income taxes, taxes on invoices (contas assignadas duplicatas), consumption taxes (imposto do consumo), and import duties and import taxes for the pro rata benefit of the bonds issued or to be issued under and pursuant to said contract and any agrement supplimental thereto entered into as provided in said contract.

Dillon, Read & Co. may act as the representative of the holder of this bond in all maters arising under said contract.

In accordance with, and subject to the provisions of, said contract, in case the obligor shall fail to make any interest or sinking fund payment when and as provided in said contract, and such default shall continue for a period of 60 days, Dillon, Read & Co., as representative of the holders of the bonds, may declare to be forthwith due and payable the principal of all the bonds and the interest accrued to the date of such declaration.

This bond shall pass by delivery, unless registered as to principal, in the owner's name at the office of the National City Bank of New York, in the Borough of Manhattan, city of New York, registrar of the bonds (or at the office of its successor from time to time duly appointed by Dillon, Read & Co., for such purpose), and such registration noted hereon by such registrar. After such registration no transfer hereof shall be valid unless made by the registered owner in person or by duly authorized attorney, and similarly noted hereon by such registrar; but this bond may be discharged from registry and its transferability by delivery be restored by like transfer to bearer noted hereon, after which this bond may again from time to time be registered or made transferable to bearer as before. Such registration, however, shall not affect the negotiability of the interest coupons which shall continue to be transferable by delivery and shall remain payable to bearer.

This bond shall not be valid for any purpose until countersigned by the National City Bank of New York, or its successor from time to time duly appointed by Dillon, Read & Co. for such purpose.

Dated, April 1, 1926.

UNITED STATES OF BRAZIL,
By ....

Countersigned:

THE NATIONAL CITY BANK OF NEW YORK,
By ....

[FORM OF COUPON FOR $1,000 BOND]

On the ...... day of ...., 19.., unless the bond hereinafter mentioned shall have been called for prior redemption, United States of Brazil promises to pay to bearer $32.50, in gold coin of the United States of America, at the office of Dillon, Read & Co., in the borough of Manhattan, city and State of New York, United States of America or, at the option of the bearer, the equivalent thereof in sterling money of the United Kingdom of Great Britain and Ireland at the fixed rate of exchange of $4.8665 in said gold coin of the United States of America to the pound sterling, at the office of N. M. Rothschild & Sons, the agency for such purpose of United States of Brazil, in the city of London, England, as well in time of war as in time of peace irrespective of the nationality of the bearer, without deduction for Brazilian taxes present or future, being six months interest then due on United States of Brazil 6½ per cent external sinking fund gold bond of 1926, Number ....

UNITED STATES OF BRAZIL,
By ....

Senator JOHNSON. You said, I think, that you had nothing to do with the Polish loan.

Mr. DILLON. The Polish? No. I understood you to say Peru.

Senator JOHNSON. You had nothing to do with the Peru loan?

Mr. DILLON. No.

Senator JOHNSON. Have you there the statement of the Polish loan?

Mr. DILLON. Yes; I have, Senator. There was a Polish loan made in 1925, of $35,000,000.

Senator JOHNSON. That is right. Will you state its terms, as you have them expressed in your statement there?

Mr. DILLON. Of that loan, when we offered it, there was $35,000,000; $285,000, of it was sold abroad at the time of the offering. The retail price was 95. The syndicate price was 91. The banking group was 88. The Government received 86¼.

Senator JOHNSON. Do I understand you to say that the Polish Government received, of that loan, 86¼.

Mr. DILLON. That is correct.

Senator JOHNSON. What was the profit, or rather, the gross receipt?

Mr. DILLON. The gross receipt to Dillon, Read & Co. in that loan was $828,000.

Senator JONES. Would you have any objection, Mr. Dillon, to stating what your net profits were on that particular loan?

Mr. DILLON. Senator, it is impossible to do that. Would you like me to explain why?

Senator JONES. Yes.

Mr. DILLON. We operate a very expensive organizations, made up of statisticians, accountants, legal talent, engineering talent, and so forth. The expense of our organization, and our syndicating and selling department is very large. When we make a loan, when we buy bonds and sell those bonds, we do not try to allocate to that particular issue any pro rata of that very large expense, because it would be purely arbitrary. It would be very difficult to say what you should charge to each issue for each man's time or each department's time, so that all we can give you is the gross receipt that is left from that operation, out of which total gross receipts we must pay our expenses of organization and operation. I would gladly give you the net if there was any way of arriving at such a figure.

Senator JONES. I might ask this, then. Have you any objection to giving us the net income of your organization at the end of the year?

Mr. DILLON. That is reported to the Treasury Department in our income-tax return, Senator.

Senator JONES. Would you object to giving that to the committee here?

Mr. DILLON. Yes. I see no occasion for making that public. I hope you will not press such a question.

Senator CONNALLY. Would you mind saying what percentage of your gross, over the year's business, is profit?

Mr. DILLON. Our total?

Senator CONNALLY. Yes.

Mr. DILLON. I do not think I would want to say that, either. I do not know it, but that I could ascertain.

Senator CONNALLY. I was thinking that certainly you could tell that if you cared to.

Mr. DILLON. I could ascertain that, but I would rather not state it.

Senator CONNALLY. If you did ascertain it, you would not care to tell us, so there is no use in ascertaining it.

Mr. DILLON. No.

Senator JOHNSON. Will you give the total gross amount, as you have designated it, please, in reference to those loans?

Mr. DILLON. I have not added that up, Senator, but you can get it, because our total gross receipts from these loans amounted to in the neighborhood of three-quarters of 1 per cent. I think the exact figure would be about 0.84 of 1 per cent. We can apply that to this total, if you like.

Senator CONNALLY. You would not mind saying that your percentage of net over gross was larger than that of those who bought the bonds?

Mr. DILLON. You mean the houses to whom we distribute?

Senator CONNALLY. No. I mean the ultimate consumer of the bonds.

Mr. DILLON. I would not want to say, because to follow that through——

Senator CONNALLY. What are these Brazilian bonds that you were talking about awhile ago selling for now?

Mr. DILLON. I do not know; a low price.

Senator CONNALLY. About nine?

Mr. DILLON. I do not know the market.

Mr. HAYWARD. One issue is selling at about 50. The other is between 10 and 20.

Mr. DILLON. One is about 50 and the other is between 10 and 20.

Senator CONNALLY. What did you sell that one for that is now selling between 10 and 20. Can you tell what you sold it to the retail purchaser for?

Mr. HAYWARD. Ninety.

Senator CONNALLY. You got 90 for it, and it is now worth from 10 to 20.

Mr. DILLON. No; it is selling between 10 and 20. That is the quotation.

Senator CONNALLY. That is the market.

Mr. DILLON. Yes.

Senator GORE. You do not make any distinction between the price of a bond and what it is worth, do you?

Mr. DILLON. I do; yes, sir. I trust everyone does.

Senator GORE. You are not buying any of these bonds at 10, that formerly sold at 90. What is the difference between the price of anything and what it is worth?

Mr. DILLON. That varies in each instance.

Senator JOHNSON. Have you floated any loans for the Royal Dutch Co.?

Mr. DILLON. Yes; we have.

Senator GORE. The price of a bond, like the price of any other commodity, reflects the ratio between the market supply and the market demand at the moment, does it not?

Mr. DILLON. What is that? I beg your pardon?

Senator GORE. I say, the price of a bond, like the price of a commodity, reflects the ratio between the market demand and the market supply at the time.

Mr. DILLON. I should say that is correct, sir.

Senator GORE. And yet you think a bond or a commodity is worth more than you can get for it?

Mr. DILLON. Yes. I think there are times when both commodities and bonds are worth more than you can get for them.

Senator CONNALLY. Or less?

Mr. DILLON. Yes. I think there are times when they are worth less.

Senator GORE. Then you do not think price expresses value.

Mr. DILLON. Not necessarily, at all times.

Senator GORE. I do not want to go too far into economics, but I would like to have your definition of value. If a thing is worth more than you can get for it at the moment, I would be interested to know how much more.

Mr. DILLON. You might be forced at the moment to sell something under pressure when there was no demand in the market for it. That would sell for less than I should consider it worth.

Senator CONNALLY. Mr. Dillon, have you any of these Brazilian bonds? Does your house now own any of these Brazilian bonds that are selling from 10 to 20, which you sold to the public for 90? Did you get stuck on any of those?

Mr. DILLON. Senator, I would not like to go into a discussion of what my house now owns in the way of securities.

Senator CONNALLY. Some of these other gentlemen from the other houses testified on that. That is the reason I asked you. If you do do not want to answer I will not press you.

Mr. DILLON. The last Brazilian loan was made in 1927. Since than Brazil has not borrowed any money, and she has paid off $58,000,000 toward the retirement of the principal of her bonds.

Senator SHORTRIDGE What is the par value of the bond—$100?

Mr. DILLON. $1,000, or $500.

Senator SHORTRIDGE. They are now selling at what?

Mr. DILLON. From 10 to 50 per cent of par.

Senator SHORTRIDGE. Wouldn't it be a good proposition to buy some of them at that figure?

Mr. DILLON. Do you want me to give you investment advice, Senator?

Senator SHORTRIDGE. Yes; if you do not charge me anything for it. [Laughter.]

Senator JOHNSON. Follow through your Brazilian bond issue of 1927, please, of which you were the principal manager.

Mr. DILLON. Senator, I did not answer you on the Royal Dutch matter.

Senator JOHNSON. I am going into that in a minute. I am taking up the other because it was asked by Senator Connally. The amount was $25,000,000?

Mr. DILLON. The one in 1927; yes.

Senator JOHNSON. Yes. That is the last one, is it not?

Mr. DILLON. That is the last; yes.

Mr. HAYWARD. You were asking about the so-called railroad loan.

Senator JOHNSON. All right. Take the Brazilian railroad.

Mr. DILLON. That is 1922.

Senator JOHNSON. The last one to Brazil was 1927?

Mr. DILLON. Yes.

Senator JOHNSON. Take that.

Mr. DILLON. Yes; United States of Brazil, 1927. That was $41,500,000.

Senator JOHNSON. That came to you for disposition by you as manager.

Mr. DILLON. Yes.

Senator JOHNSON. How many were in the original syndicate?

Mr. DILLON. I do not know. I can get you that information.

Senator JOHNSON. Do you know whether or not you disposed of it to the syndicate at a particular price greater than that at which you received it?

Mr. DILLON. There was a banking group formed, and there was a syndicate price after that, and an offering price; so I assume from this that we did sell the bonds to a banking group. I can get you the facts.

Senator JOHNSON. If you can state from memory, state, please, what was the sum at which you received, and the sum at which you sold to the banking group.

Mr. DILLON. If you would like, again, our gross receipt on that issue—is that the figure you would like, for Dillon, Read & Co.?

Senator JOHNSON. Give us first your gross receipts.

Mr. DILLON. $539,000.

Senator JOHNSON. You received it at what price?

Mr. DILLON. The Government received 88.

Senator JOHNSON. What did you take it at?

Mr. DILLON. Our group? There were others with us in that purchase, apparently.

Senator JOHNSON. Yes.

Mr. DILLON. Then we put it into a banking group at 90. I think probably we participated in the banking group also.

Senator JOHNSON. What did you receive it at originally?

Mr. DILLON. Eighty-eight.

Senator JOHNSON. Then you put it into the banking group at 90

Mr. DILLON. The banking group was formed at 90.

Senator JOHNSON. What becomes of the 2 per cent between 88 and 90?

Mr. DILLON. That was divided prorata among those who took the original commitment and responsibility at 88, to buy the bonds from the Government.

Senator JOHNSON. Then the Government received 86?

Mr. DILLON. Eighty-eight.

Senator JOHNSON. What became of that 2 per cent?

Mr. DILLON. The 2 per cent is what I have told you, between 88 and 90. That 2 per cent was paid as compensation to the group who took the committment to give the Brazilian Government $41,500,000.

Senator JOHNSON. Was there any difference in prices among the groups that were formed?

Mr. DILLON. After that banking group, they sold it into a syndicate which did the distributing of that at 90½. There was a half of 1 per cent commission to the banking group.

Senator JOHNSON. What was the retail price of those Brazilian bonds?

Mr. DILLON. The Brazilian issue was 92½. There was a total of four and half points gross spread between the price the Government got and the retail price.

Senator JOHNSON. That was on how much?

Mr. DILLON. $41,500,000.

Senator JOHNSON. A spread of four and a half per cent?

Mr. DILLON. Total.

Senator JOHNSON. All right. Turn to the Royal Dutch Co., please.

Mr. DILLON. The Royal Dutch was in 1930. There was $40,000,000.

Senator JOHNSON. Forty millions in 1930?

Mr. DILLON. Yes.

Senator JOHNSON. The Royal Dutch Co. is a company with which we are familiar, that is engaged in the development of petroleum wells in the Netherlands, the Indies, and the like.

Mr. DILLON. Yes.

Senator JOHNSON. You were the manager of that particular loan?

Mr. DILLON. We were.

Senator JOHNSON. Will you state what was your gross receipt?

Mr. DILLON. Our gross receipt on the $40,000,000 was $253,000. The company received 86. The banking group paid 86¾. The distributing syndicate 87½. They were sold to the public at 89½, a total spread of 3½ per cent between the price the company received and the retail price that the public paid. There was a total spread of 3½ per cent on the $40,000,000.

Senator JOHNSON. Did you investigate where that particular sum was to be expended?

Mr. DILLON. Senator, I can probably find you that, but I do not know offhand. We had a statement from the company—probably for general working capital, or for some specific purpose. If you would like that I can get it for you.

Senator JOHNSON. I am handing you photostats of the statement respecting the Royal Dutch loan, as to the purposes and the like—the second document [handing papers to the witness]. Would you state whether or not they are correct?

Mr. DILLON. I am sorry, Senator. I can not read that.

Senator JOHNSON. I can sympathize with you if your eyes are troubling you. Suppose your associate looks over those and sees if they are accurate.

Mr. HAYWARD. It is a photograph of our own circular?

Senator JOHNSON. It is a photostat of your own statements, I think. I offer them for the record, Mr. Chairman. These are photostats of the statements made with respect to the loan to the Royal Dutch Co. by Dillon, Read & Co. and their associates.

The CHAIRMAN. Are they different, Senator, from those that are in the report that he makes as a whole?

Senator JOHNSON. I do not know whether they are not, to tell you the fact.

The CHAIRMAN. If there is no objection they may be introduced at this time.

(The statements referred to are as follows:)

[Financial Chronicle, March 22, 1930]

$40,000,000, ROYAL DUTCH CO., FOR THE WORKING OF PETROLEUM WELLS IN THE NETHERLANDS-INDIES

(N. V. Koninklijke Nederlandsche Maatschappij tot Exploitatie van Petroleumbronnen in Nederlandsch-Indie)

Four per cent debentures, series A (with share purchase warrants) to be dated April 1, 1930; to mature April 1, 1945.

Each debenture now offered is to carry a nondetachable warrant entitling the holder thereof to purchase, on or before April 1, 1936 (or in event of redemption of such debenture prior thereto, on or before the redemption date), 15 New York shares representing common stock of the Royal Dutch Co., at $66⅔ per New York share on or before April 1, 1933, and thereafter, on or before April 1, 1936, at $70 per New York share.

The following information is contained in a letter, dated The Hague, March 13, 1930, from Sir Henri W. A. Deterding, K. B. E., General Managing Director of Royal Dutch Co. for the working of petroleum wells in the Netherlands-Indies:

BUSINESS

Royal Dutch Co. for the working of petroleum wells in the Netherlands-Indies, through its controlled companies constitutes the world's leading enterprise engaged in the production and distribution of petroleum and its products. The Royal Dutch Co., incorporated in the Netherlands in 1890, owns 60 per cent of the outstanding common stocks of the Batavian Petroleum Co., the Anglo-Saxon Petroleum Co. (Ltd.), and the Asiatic Petroleum Co. (Ltd.), the remaining 40 per cent in each case being owned by the "Shell" Transport & Trading Co. (Ltd.). The Batavian Petroleum Co. owns approximately 64 per cent of the outstanding common stock of the Shell Union Oil Corporation. The gross production of the group of companies controlled, directly or indirectly, by the Royal Dutch Co. amounted in 1929 to an aggregate of approximately 163,000,000 barrels of crude oil, constituting more than one-tenth of the estimated world production for that year. Production of the group in 1929 was principally from oil lands in Venezuela, United States, and Netherlands-Indies. Physical properties of the group include 30 oil refineries with an aggregate daily capacity of approximately 635,000 barrels, storage facilities with a capacity totaling approximately 70,000,000 barrels, and a fleet of tankers, including chartered vessels, with an aggregate dead-weight tonnage of approximately 1,600,000 tons. The marketing organizations of the group distribute its products in nearly every country in the world.

CAPITALIZATION

The capitalization of the Royal Dutch Co., adjusted to give effect to the issuance of these series A debentures, and to the issuance of 5 per cent guilder debentures in exchange for 4½ per cent priority stock as set forth below, is as follows:

	Authorized	Outstanding
Dollar debentures: 4 per cent, series A (this issue)	(1)	$40,000,000
50-year 5 per cent guilder debentures	$11,457,000	[2] 11,457,000
Preferred stocks—Cumulative:		
4½ per cent priority stock	11,457,000	(2)
4 per cent preference stock	603,000	603,000
Common stock	[3] 389,940,000	202,450,848

[1] The indenture under which the series A debentures are to be issued is to provide for the issuance of $50,000,000 of additional dollar debentures of other series with such terms and provisions as the company may determine. The indenture further is to provide that the company shall not create any secured indebtedness maturing more than 1 year from the date thereof (except purchase-money mortgages on an assumed indebtedness secured by property hereafter acquired, and renewals thereof) without securing the series A debentures equally and ratably therewith.

[2] $11,457,000 principal amount of 50-year 5 per cent guilder debentures are presently to be offered in exchange for $11,457,000 par value of priority stock now outstanding.

[3] $8,040,000 par value of common stock is to be reserved for issuance upon exercise of share-purchase warrants carried by these series A debentures. The agreement under which such warrants are to be issued is to contain provisions designed to protect the purchase privilege against the effects of dilution.

INCOME

Income of the Royal Dutch Co. is derived largely from dividends from investments in controlled companies. Such dividends are taken up in the company's accounts in the year with respect to which the same were paid, that is, for the most part, in the year prior to the year in which received. Net income of the company after all charges, including taxes and payments to managers and directors, for the period of five years ended December 31, 1928, was as follows:

1924	$34,531,296	1927	$39,995,518
1925	37,066,359	1928	40,537,200
1926	39,837,246		

Although final figures for the year 1929 will not be available for several months, the management believes that net earnings of controlled companies for 1929 were at least as satisfactory as for 1928.

The annual interest requirement on the $51,457,000 principal amount of debentures shown above as outstanding is $2,172,850.

NEW YORK SHARES

The New York shares issuable upon the exercise of the share-purchase warrants described above are to represent common stock of the Royal Dutch Co. in the ratio of 3 such New York shares for each 100 guilders ($40.20) par value of such common stock, and are to be issued by the Equitable Trust Co. of New York under an agreement dated September 10, 1918. The outstanding New York shares (approximately 955,000 outstanding as at March 13, 1930) are listed on the New York Stock Exchange and are currently quoted at approximately $50 per share.

DIVIDENDS

Dividends have been paid on the common stock of the Royal Dutch Co. with respect to each year since 1902, such dividends in recent years having been paid in the form of an interim dividend in January and a final dividend in July. The amount of such dividends paid in 1929 (with respect to the year 1928) totaled 24 per cent of par value, equivalent to approximately $3.20 per New York share. An interim dividend of 10 per cent was paid in January, 1930, and the management expects that a final dividend of 14 per cent will be paid in July, 1930.

MARKET EQUITY

The indicated aggregate market value of the outstanding common stock of the Royal Dutch Co., based on current market quotations, is approximately $750,000,000. The company's common stock, or certificates representing such common stock, are listed on the New York, London, Paris, Amsterdam, Brussels, Zurich, and Batavia (Netherlands-Indies) stock exchanges.

Interest payable April 1 and October 1. Principal and interest payable in New York City in United States gold coin at the principal office of Dillon, Read & Co., without deduction for any Netherlands taxes, present or future. Holders may, at their option, collect principal and interest in Amsterdam at the offices of Mendelssohn & Co., Amsterdam, and Nederlandsche Handel-Maatschappij in guilders; in London at the office of N. M. Rothschild & Sons in pounds sterling; in Basle and Zurich at the offices of Credit Suisse in Swiss francs; or in Stockholm at the office of Stockholms Enskilda Bank in Swedish kroner; in each case at the buying rate for sight exchange on New York on the date of presentation for collection. Coupon debentures in denomination of $1,000, registerable as to principal only. Redeemable as a whole, or in part, by lot at any time on 60 days' published notice, at 100 per cent plus accrued interest. Irving Trust Co., New York, debenture trustee; the Equitable Trust Co. of New York, warrant trustee.

All conversions of Netherlands into United States currency have been made at par of exchange (one guilder equals $0.402).

It is expected that the company will make application in due course to list the series A debentures on the New York Stock Exchange.

A substantial amount of these debentures has been withdrawn for offering in Europe, including an amount to be offered in Holland by Mendelssohn & Co., Amsterdam, and Nederlandsche Handel-Maatschappij.

Information herein contained has been received in part by cable.

We offer these debentures, with share-purchase warrants attached, for delivery if, when, and as issued and accepted by us, subject to approval of legal proceedings by counsel. It is expected that delivery will be made on or about April 4, 1930, in the form of temporary debentures of the company or interim receipts of Dillon, Read & Co. Price 89½ and interest. Yield 5 per cent.

Dillon, Read & Co.; Chase Securities Corporation; Guaranty Co. of New York; Bancamerica-Blair Corporation; the Equitable Corporation of New York; Bankers Co. of New York; Harris, Forbes & Co.; First Union Trust & Savings Bank.

ROYAL DUTCH CO.—FOR THE WORKING OF PETROLEUM WELLS IN THE NETHERLANDS-INDIES

N. V. Koninklijke Nederlandsche Maatschappij tot Exploitatie van Petroleumbronnen in Nederlandsch-Indië, a holding company organized June 16, 1890, under the laws of the Kingdom of The Netherlands.

Definitive 4 per cent debentures, series A (with attached share purchase warrants), to mature April 1, 1945, and Dillon, Read & Co. interim receipts therefor.

Original listing: Total authorized principal amount which may be issued in one or more series, $90,000,000; authorized issue, series A, $40,000,000; listing applied for, series A, $40,000,000; authorized by holders of priority shares March 14, 1930; authorized by board of directors March 21, 1930, and April 4, 1930; no other authority required.

CAPITALIZATION [1]

(1 guilder=$0.402)

Capital stock	Par value				Outstanding
	Par value	Authorized by charter	Authorized for issuance	Previously listed	
Preferred stocks (cumulative):					
4½ per cent priority	$402	$11,457,000	$11,457,000	None.	(1)
4 per cent preference	402	603,000	603,000	None.	$603,000
Common stock, ordinary stock	402	389,940,000	[4] 389,940,000	(3)	202,456,848

	Interest rate (per cent)	Authorized	Issued	Principal amount previously listed	Outstanding
Funded debt:					
4 per cent debentures, series A [2]	4	$40,000,000	$40,000,000	None.	$40,000,000
50-year 5 per cent guilder debentures	5	11,457,000	11,457,000	None.	11,457,000

[1] The above capitalization gives effect to the issuance of the 4 per cent debentures, series A and to the issuance of the $11,457,000 principal amount of 50-year 5 per cent guilder debentures (to be offered presently) in exchange for $11,457,000 par value of 4½ per cent priority stock now outstanding.

[2] The indenture under which the 4 per cent debentures, series A are to be issued provides for the issuance of $50,000,000 of additional dollar debentures of other series with such terms and provisions as the company may determine.

[3] Approximately 955,000 New York shares, each representing one-third of 100 guilders par value of the common stock of the company had been issued by The Equitable Trust Co., of New York under an agreement dated Sept. 10, 1918 and were outstanding as at Mar. 13, 1930. Such New York shares are listed on the New York Stock Exchange (see application No. A-5182).

[4] Including a sufficient number of shares reserved against the issuance of New York shares upon the exercise of the share purchase warrants to be attached to the 4 per cent debentures, series A.

Application to list Dillon, Read & Co. interim receipts for 4 per cent debentures, series A (with attached share purchase warrants) to mature April 1, 1945, and definitive debentures to be issued in exchange therefor.

NEW YORK, N. Y., *April 15, 1930.*

Referring to application A-5182 of The Equitable Trust Co. of New York, dated December 20, 1919, Royal Dutch Co. for the working of petroleum wells in the Netherlands-Indies (N. V. Koninklijke Nederlandsche Maatschappij tot Exploitatie van Petroleumbronnen in Nederlandsch-Indie) (hereinafter referred to as the company) hereby makes application to have listed on the New York Stock Exchange, Dillon, Read & Co. interim receipts for $40,000,000 principal amount of 4 per cent debentures, series A, with attached share-purchase warrants, to mature April 1, 1945, with authority to add to the list definitive debentures included in Nos. M-1 to M-40,000, upon official notice of issuance in exchange for issued and outstanding interim receipts.

Authority for issue.—The definitive 4 per cent debentures, series A, (hereinafter sometimes called the debentures) are to be issued under and subject to the provisions of an indenture dated as of April 1, 1930 (hereinafter sometimes called the indenture), between the company and Irving Trust Co., New York, as trustee (hereinafter referred to as the trustee).

The share-purchase warrants (hereinafter sometimes called the warrants) which are to be attached to the debentures, are to be issued under and subject to the provisions of an agreement dated as of April 1, 1930 (hereinafter sometimes called the warrant agreement), between the company and The Equitable Trust Co. of New York, as trustee and as depositary under the agreement hereinafter mentioned, dated September 10, 1918, providing for the issuance of New York shares, hereinafter described.

In accordance with the amended articles of association of the company (article 19, section 1) the holders of priority stock of the company approved the raising of debenture loans to a maximum amount of 50 per cent of the issued capital of the company at the special meeting of such holders held on March 14, 1930.

The board of directors of the company authorized the execution of the indenture and warrant agreement, and the issuance of the debentures and warrants, at special meetings of the board held on March 21, 1930, and April 4, 1930.

The interim receipts of Dillon, Read & Co. are now outstanding and will be exchangeable at the office of Central Hanover Bank & Trust Co., Borough of Manhattan, the city, and State of New York, for the debentures, when issued in definitive form and ready for delivery.

Purpose of issue.—The debentures are to be issued for general corporate purposes. The debentures have been offered to the public at 89½ and interest.

Opinion of counsel.—The validity of the interim receipts, the debentures and the warrants, for which application to list is hereby made, has been passed upon and approved by Messrs. Root, Clark, Buckner & Ballantine, who have relied, as to matters pertaining to the laws of The Netherlands, upon the opinion of Messrs. R. V. Bakker, J. Van Kuyk and Jhr. Mr. H. De Ranitz, The Hague, The Netherlands, foreign counsel.

Description of debentures.—The debentures are to be in coupon from, in denominations of $1,000; they are to be dated April 1, 1930, are to mature April 1, 1945, and to bear interest at the rate of 4 per cent per annum payable semiannually in each year on April 1 and October 1 until payment of the principal amount thereof. Coupon debentures may be registered as to principal at Irving Trust Co., 60 Broadway, New York, N. Y. Principal and interest are to be payable in gold coin of the United States of America of or equal to the standard of weight and fineness as it existed on April 1, 1930, at the principal office of Dillon, Read & Co., New York, N. Y. (hereinafter referred to as the fiscal agent), without deduction for any Netherlands taxes, present or future. Holders may, at their option, collect principal and interest at any one of the following optional places of collection: In the city of Amsterdam, The Netherlands, at the offices of Mendelssohn & Co., Amsterdam, or Nederlandsche Handel-Maatschappij, or their respective successors, in Dutch guilders; in the city of London, England, at the principal office of N. M. Rothschild & Sons, or their successors, in pounds sterling; in the cities of Basle or Zurich, Switzerland, at the principal office, in either of said cities, of Credit suisse, or its successor, in Swiss francs; or in the city of Stockholm, Sweden, at the principal office of Stockholms Enskilda Bank, or its successor, in Swedish kronor; in each case at the buying rate, in such optional place of collection, for sight exchange on New York City on the date of presentation of the debenture and coupons for collection.

The debentures and the coupons appertaining thereto and the certificate of authentication of the trustee indorsed thereon shall be in the English language only. Debentures of any series issued under the indenture, other than 4 per cent debentures, series A, if any, and the coupons appertaining thereto, and the certificate of authentication of the trustee indorsed thereon shall be in the English language, but they, or any of them, may also be in one or more foreign languages, and in every such case the English text shall govern in the construction thereof, and both or all texts shall constitute but a single obligation.

History, business, and property.—The company was organized under the laws of the Netherlands on June 16, 1890, to develop petroleum-bearing lands and to produce and distribute petroleum and its products. Originally its activities were confined to the Dutch East Indies, but it since has extended its activities throughout the world by associating itself with leading international oil interests. The company owns 60 per cent of the outstanding common stocks of The Batavian Petroleum Co., The Anglo-Saxon Petroleum Co. (Ltd.), and The Asiatic Petroleum Co. (Ltd.), the remaining 40 per cent being owned by The Shell Transport and Trading Co. (Ltd.). The Batavian Petroleum Co. owns approximately 64 per cent of the outstanding common stock of Shell Union Oil Corporation.

Products of the company.—The gross production of the group of companies controlled directly or indirectly by the company amounted in 1929 to an aggregate of approximately 163,000,000 barrels of crude oil, constituting more than one-tenth of the estimated world production for that year. Production of the group in 1929 was principally from oil lands in Venezuela, the United States of America, and the Netherlands-Indies. Physical properties of the group include 30 oil refineries with an aggregate daily capacity of approximately 635,000 barrels, storage facilities with a capacity totaling approximately 70,000,000 barrels, and a fleet of tankers, including chartered vessels, with an aggregate deadweight tonnage of approximately 1,600,000 tons. The marketing organizations of the group distribute its products in nearly every country in the world.

The following summary shows the production of the company and its affiliated companies in the years 1927 and 1928:

	1928, metric tons	1927, metric tons
Dutch East Indies	3,971,045	3,448,116
Sarawak	751,092	711,756
Egypt	268,461	183,284
Rumania	705,854	593,828
Mexico (Corona)	528,979	594,753
Mexico (Aguila)	893,681	987,528
Venezuela	7,125,339	4,497,713
Trinidad	65,187	65,841
United States: (Shell Petroleum Corporation, formerly Roxana Petroleum Corporation)	3,890,767	2,694,312
United States: (Shell Oil Co., formerly Shell Co. of California)	3,812,233	3,203,719
Argentina	50,773	17,701
	22,063,411	16,998,551

REDEMPTION AND PUBLICATION OF NOTICE

The provisions with respect to redemption of the debentures, and the notice required in connection therewith, are set forth fully in Articles I and IV of the indenture. Certain of such provisions may be briefly summarized as follows:

"The debentures are to be redeemable as a whole, or in part by lot, at the option of the company, at any time prior to maturity, at the principal amount thereof and accrued interest. Notice of such redemption shall be given by publication at least once a week for four consecutive calendar weeks in a daily newspaper printed in the English language and published and of general circulation in the borough of Manhattan, the city of New York, and in a daily newspaper printed in the Dutch language and published and of general circulation in Amsterdam, the Netherlands, the first publication in each such city to be not less than 60 days nor more than 90 days prior to the date fixed for redemption. Upon written notice to the trustee of the company's election to redeem the debentures in whole or in part, the trustee, if partial redemption is to be made, is to designate by lot the debentures so to be redeemed, and forthwith give written notice to the company and the fiscal agent specifying the debentures so designated. The notice of redemption, to be published by the fiscal agent, shall state the election on the part of the company to redeem debentures; the redemption date; in case less than all of the debentures are to be redeemed, the series and the numbers of the debentures to be redeemed; the redemption price; that interest accrued on the debentures so designated will be payable if coupons representing such interest accompany the debentures when presented; that the interest on such debentures will cease on the redemption date; and that on said date such debentures should be presented in negotiable form for for redemption at the office of the fiscal agent. A copy of such notice shall be mailed by the trustee on behalf of the company not less than 60 days nor more than 90 days prior to the redemption date to each registered holder of debentures so so designated for redemption whose address shall appear on the registry books. Failure to mail any such notice or notices, or any irregularity therein, shall not affect the sufficiency or validity of the proceedings for the redemption of the debentures."

COVENANTS OF THE COMPANY

Certain particular covenants of the company, which are set forth fully in Article V of the indenture may be briefly summarized as follows:

"1. To pay punctually the principal of, and interest on, the debentures.

"2. To make such payment without deduction therefrom for any taxes, assessments or charges, present or future, which the company or any of the banks or banking houses mentioned above, as offices where principal and interest may at the option of the holders be collected, may be required or permitted to pay thereon or deduct or retain therefrom by the Kingdom of the Netherlands or any taxing authority thereof.

"3. To maintain an office at the principal office of the Trustee where the debentures may be registered as to principal and transferred.

"4. Until all of the debentures shall have been paid, that the company will, and will cause each of its subsidiaries to—

"(a) Diligently preserve its corporate existence and other franchises and rights (except as otherwise permitted by the indenture) in so far as, in the opinion of the managers of the company, or any of them, the preservation of such independent corporate existence of any subsidiary of such franchises or rights continues to be advantageous to the company or to such subsidiary;

"(b) Promptly pay and discharge all taxes upon it and lawful claims against it, provided that it shall have the right to contest any tax or claim; and

"(c) In so far as in the opinion of the managers of the company, or any of them, it shall be advantageous, to maintain its plant and propertie in good condition and repair.

"5. To keep its property and that of its subsidiaries properly insured.

"6. Until all of the debentures shall have been paid, not to create any mortgage, pledge or other lien upon any of its property, whether now or hereafter acquired, without effectively providing that the debentures shall be secured equally and ratably with the indebtedness secured by such mortgage, pledge or other lien; provided that the company may acquire property subject to mortgages or liens or execute purchase money mortgages or liens, and may execute mortgages to renew or refund any such mortgages or liens and may execute pledges to secure loans maturing within one year.

"7. Until all of the debentures shall have been paid, not to sell, lease or transfer all or substantially all of its properties, or consolidate or merge with any other corporation, unless upon such terms that the purchaser, lessee or transferee of the company or the corporation resulting from such consolidation or merger, shall assume and agree to pay the debentures and coupons according to the terms thereof and of the indenture. No such sale, lease, transfer, consolidation, or merger shall be effected to or with any corporation which has outstanding any obligations secured by mortgage which will be come a lien on the property of the company, unless effective provision is made whereby the debentures shall be secured equally and ratably with said obligations, or by lien upon the property of the company owned by it immediately prior to such sale, lease, transfer, consolidation or merger, subject to mortgages, pledges, and liens permitted by the indenture.

"8. Until all of the debentures shall have been paid, not to allow any subsidiary to dispose of all or substantially all of its property except to the company or to another subsidiary, or to consolidate with any corporation, other than the company or a subsidiary, unless its successor in interest to such property or the corporation resulting from such consolidation shall thereby become a subsidiary of the company; provided that these provisions shall not apply to the sale of any such property which, in the opinion of the managers of the company, or any of them, is no longer advantageous to the company or such subsidiary.

"9. Not to extend the time for the payment of any coupon appertaining to or claim for interest on any of the debentures.

"10. That it has power and is duly authorized, under the laws of the Kingdom of the Netherlands, to create and issue the debentures, and that the issue of the debentures and the execution of the indenture have been duly authorized.

"11. That it will take all such further action as, in the opinion of the trustee, may be necessary or proper to facilitate the performance of the terms of the indenture or to protect the rights and remedies of the holders of the debentures.

"12. That it will not issue any debenture under the indenture otherwise than in accordance with its provisions.

"13. That it will not seek to avoid, by dissolution, any of its covenants in the indenture."

EVENTS OF DEFAULT

Certain events are defined as defaults under the indenture. The provisions defining such events are set forth fully in Article VI of the indenture, and may be briefly summarized as follows:

"(a) Default in the payment of principal when due and payable;

"(b) Default in the payment of interest continued for a period of 30 days;

"(c) Default in the due observance or performance of any other covenant or stipulation on the part of the company provided for in the indenture or in any supplemental indenture which shall have continued for a period of 60 days after written notice to the company by the trustee, whose duty it shall be to give such notice at the written request of the holders of not less than 25 per cent in principal amount of the debentures then outstanding.

"(*d*) Involuntary bankruptcy of the company, or appointment of a receiver or receivers, which shall have continued unstayed on appeal or otherwise and in effect for a period of 90 days.

"(*e*) Dissolution, voluntary bankruptcy, assignment for the benefit of creditors or consent to the appointment of a receiver or receivers of all or a major part of its property.

"(*f*) Final judgment for the payment of money which shall be rendered against the company and which shall create or become a lien on all or a major part of the property of the company, not discharged within 90 days from the entry thereof, or appealed from with a stay of execution pending such appeal."

The following provision is contained in section 2 of Article VII of the indenture:

"If any one or more of the events of default shall occur, then and in every such case during the continuance of such event of default the trustee, by notice in writing to the company, may, and, upon the written request of the holders of not less than 25 per cent in principal amount of the debentures then outstanding, shall, declare the principal of all the debentures then outstanding, if not already due, to be due and payable immediately and, upon any such declaration such principal shall become and be immediately due and payable, anything in this indenture or in the debentures contained to the contrary notwithstanding."

DESCRIPTION OF SHARE PURCHASE WARRANTS AND NEW YORK SHARES

There will be attached to each debenture a share purchase warrant to be issued under the warrant agreement dated as of April 1, 1930, between the company and the Equitable Trust Co. of New York as trustee and as depositary under the agreement dated September 10, 1918 (hereinafter called the New York shares Agreement), providing for the issuance of New York shares (hereinafter described). Each warrant will expressly entitle the holder thereof, upon surrender thereof at the principal office of the Trustee accompanied by the debenture bearing the same serial number as the warrant so surrendered, or by a certificate, dated within 20 days prior to such surrender, of any one of certain specified bank or banking houses to the effect that the bearer of such warrant was on the date of such certificate the holder of such debenture, to purchase at any time on or before April 1, 1936 (but in case the debenture bearing the same serial number shall be called for redemption and the date fixed for the redemption thereof shall be a date prior to April 1, 1936, then only on or before the date so fixed for the redemption of such debenture) 15 New York shares at the following prices: \$66.66⅔ per New York share if purchase and payment are duly made on or before April 1, 1933, and \$70 per New York share if purchase and payment are duly made after April 1, 1933, and on or before April 1, 1936.

The New York shares are to be issued upon the exercise of warrants from time to time, by the Equitable Trust Co. of New York as depositary under the New York shares agreement. Each New York share represents ⅕ of one subshare of the par value of 100 guilders (each subshare being one-tenth of a share of ordinary stock, of the par value of 1,000 guilders) of the ordinary stock of the company New York shares are now listed on the New York Stock Exchange (see application No. A-5182).

The warrants will evidence in the aggregate the right to purchase 600,000 New York shares which the company, under the warrant agreement, has agreed to cause to be issued from time to time upon the exercise of the rights evidenced by the warrants, and the company has agreed to deposit against such exercise not later than three months after April 7, 1930, with the Amsterdam correspondent of the Equitable Trust Co. of New York, trustee, 20,000,000 guilders par value of ordinary stock of the company.

The warrant agreement contains provisions designed to protect the right evidenced by the warrants against the effect of dilution.

FUTURE ISSUES

The indenture provides for the issuance of debentures from time to time up to a total of \$90,000,000 principal amount, suh debentures to be issued in series, maturing at such dates and bearing interest at such rates, respectively, as the company shall determine prior to the issue thereof in accordance with the provisions of the indenture, such debentures to be coupon debentures in bearer form, registrable as to principal only and/or registered debentures without coupons. The series of debentures for the listing of which application is hereby made is the first of such series (4 per cent debentures, series A).

DIVIDENDS

Dividends on the 4½ per cent priority shares and the 4 per cent preference shares have been regularly paid since their issuance from time to time since 1890.

Dividends on the common stock of the company have been paid as follows: (In percentage of par value): 1925, 23 per cent; 1926, 23½ per cent; 1927 and 1928, 24 per cent.

FINANCIAL STATEMENTS

The following financial statements have been compiled from the annual reports submitted to the shareholders of the company; the annual report for 1928 was signed by H. London, chairman, and G. C. B. Dunlop, secretary:

"(1) Profit and loss account for each of the five years from 1924 to 1928, inclusive.

"(2) Balance sheets as at December 31, 1927, and December 31, 1928."

All conversions of Netherlands into United States currency have been made at par of exchange (to the nearest dollar, 1 guilder equals $0.402).

Profit and loss account

	1928	1927	1926	1925	1924
Loss:					
French tax on priority shares	$19,349.00	$26,209.00	$25,562.00	$21,912.00	$22,442.00
Administration and other expenses	136,014.00	140,216.00	124,927.00	149,184.00	155,684.00
Reserve for tax on dividends			221,100 00	321,600.00	120,600 00
Contractural obligations		38,293 00	84,644 00	70,921.00	315,734.00
Balance of profit	41,553,847.00	40,995,412.00	40,841,570.00	37,989,078.00	35,369,394 00
Total	41,709,210 00	41,200,130.00	41,297,803.00	38,552,695.00	35,983,854.00
Profit:					
Dividends on shares in various companies	38,964,153.00	39,146,224.00	39,273,264.00	35,568,975.00	34,209,252.00
Interest, less differences in exchange	2,609,328.00	2,051,287.00	2,020,035.00	2,981,350.00	1,707,847.00
Contractural obligations	132,053.00				
Dividends lost by limitation	3,676.00	2,619.00	4,504.00	2,370.00	885 00
Accidental profits					5,870.00
Total	41,709,210.00	41,200,130.00	41,297,803.00	38,552,695.00	35,983,854.00

Balance sheet

	1928	1927
ASSETS		
Unissued shares	$62,429,394.00	$63,474,594.00
Shares in the Bataafsche Petroleum Mij., nominal Fl. 180,000,000.		
Shares in the Anglo-Saxon Petroleum Co., Ltd., nominal £14,100,000.		
Shares in Asiatic Petroleum Co., Ltd., nominal £2,100,000.		
And participation in various other companies	129,303,723.00	142,065,953.00
Cash in hand and at bankers	31,701,959.00	37,684,477.00
Debtors	85,697,311.00	63,037,229.00
Interim dividend priority shares	257,782.00	257,782.00
	309,390,169.00	306,540,035.00
LIABILITIES		
Share capital	229,140,000.00	229,140,000.00
Preference share capital	603,000.00	603,000.00
Priority shares	11,457,000.00	11,457,000.00
Unclaimed dividend	646,348.00	892,131.00
Unclaimed dividends on priority shares	36,809.00	37,182.00
Creditors	392,096.00	135,926.00
Undistributed dividend	170,222.00	474,086.00
Reserve as per Article 4 of the articles of association	25,390,847.00	22,805,298.00
Profit and loss account	41,553,847.00	40,995,412.00
	309,390,169.00	306,540,035.00

AGREEMENTS

The company agrees with the New York Stock Exchange as follows:

Not to dispose, except to a constituent, subsidiary, owned or controlled company, of an integral asset or its stock interest in any such company, nor to allow any such company, except to another such company, to dispose of an integral asset or its stock interest in any other company, unless for retirement and cancellation, without notice to the stock exchange.

To make annual financial statements available to holders of debentures through the trustee.

To maintain, in accordance with the rules of the stock exchange, an agency in the borough of Manhattan, city of New York, where the principal of the debentures listed, with interest thereon, shall be payable.

Not to make any change in listed securities, or of a trustee of its listed securities, without the approval of the committee on stock list, and not to select as a trustee of its listed securities an officer or director of the company.

To publish promptly to holders of debentures any action with respect to interest on debentures.

The indenture does not provide that notice of redemption shall be published simultaneously in New York, N. Y., and in Amsterdam, Kingdom of the Netherlands.

GENERAL

The fiscal year ends December 31.

The registered office of the company is located at The Hague, the Netherlands.

The annual meeting of the company is held not later than the month of June.

The debentures are payable, both as to principal and interest, at the principal office of Dillon, Read & Co., fiscal agent; holders may at their option collect principal and interest in Amsterdam, in London, in Basle, in Zurich, or in Stockholm, as hereinabove set forth.

The management is as follows:

Officers.—Sir Henri W. A. Deterding, general managing director; J. E. F. deKok, J. B. Aug. Kessler, managing directors.

Board of directors.—Jhr. H. Loudon, chairman, G. C. B. Dunlop, secretary, Dr. J. W. Ijzerman, Dr. C. J. K. Van Aalst, Dr. J. Luden, Jhr. Dr. B. C. deJonge, Dr. Aug. Philips, Dr. J. Th. Erb.

Share purchase warrants may be exercised at the office of the Equitable Trust Co. of New York, trustee, 11 Broad Street, New York, N. Y.

The transfer agent for New York shares is the Equitable Trust Co. of New York, New York, N. Y.

The registrar for New York shares is Chemical Bank & Trust Co., New York, N. Y.

ROYAL DUTCH CO.
(For the Working of Petroleum Wells in the Netherland-Indies.)
(N. V. Koninklijke Nederlandsche Maatschappij tot Exploitatie van Petroleumbronnen in Nederlandsch-Indie.)
By AVERY D. ANDREWS,
Attorney-in-Fact.

This committee recommends that the above-described interim receipts for $40,000,000 4 per cent debentures, series A (with attached shares purchase warrants), due April 1, 1945, be admitted to the list, with authority to admit permanent engraved debentures numbers M-1 to M-40000, for $1,000 each, on official notice of issuance in exchange for outstanding interim receipts, in accordance with the terms of this application.

ROBERT GIBSON, *Chairman.*
ASHBEL GREEN, *Secretary.*

Adopted by the governing committee, April 23, 1930.

Senator JOHNSON. Have you any short-time loans of Germany at the present time?

Mr. DILLON. Nothing under the Stillhaltung agreement at all.

Senator JOHNSON. You have no short-term credits, then, of Germany?

Mr. DILLON. We have nothing under the Stillhaltung agreement. I am not fencing. I do not know whether we have anything else. No; we have no short-term loans.

Senator JOHNSON. Turn, now, to your German loans, please.

Mr. DILLON. They are listed by years.

Senator JOHNSON. All right. Start first with the first one you have there.

Mr. DILLON. It might be of interest to you, Senators, in connection with the Brazilian financing that you have dwelt on, to say this. We have done all the Brazilian Government financing in conjunction with British firms who have been the bankers of Brazil for generations. The general understanding there is that Brazilian financing is done jointly, the British market taking half of the loan and the American market taking half of the loan. The British did not want to lose their position in Brazilian financing, so we have gotten together two groups, American and British, and the last Brazilian loan was sold half in England and half in the United States. Previous to that there was a total of £9,000,000 £7,000,000 of that was sold in the British market and £2,000,000 in this market. I thought that might be of interest to you.

Senator JOHNSON. That reminds me of another question as well. You have many branch houses, have you not?

Mr. DILLON. We have no branch houses.

Senator JOHNSON. Offices?

Mr. DILLON. Offices; yes.

Senator JOHNSON. You have many offices, then?

Mr. DILLON. We have a number of offices; yes.

Senator JOHNSON. I did not know whether you were making a distinction between your branch houses and offices or not.

Mr. DILLON. Some houses operate with different houses. We do not do that.

Senator JOHNSON. In the South American capitals you have offices, have you not?

Mr. DILLON. No.

Senator JOHNSON. In none of them?

Mr. DILLON. No. We have no offices.

Senator JOHNSON. What were you speaking of? [Addressing Mr. Hayward.]

Mr. DILLON. He just said that in some countries we have some local man who looks after it and sends us information and keeps us informed about things, because, you see, Senator, after we have once made a loan we follow in detail the condition of the borrower over the whole life of that loan, for years, and we keep that contact by having a local man in that capital.

Senator JOHNSON. That is exactly what I am asking about. I do not want to make any distinctions between his being a partner in your house, or, if you object to the terminology as being a representative—there is somebody who represents you in each of these South American capitals, is there not?

Mr. DILLON. No; I do not think they represent us. We have in those South American capitals a man who keeps us informed and gets information we ask him to get, but probably in your own mind I think you would make a distinction between that sort of——

Senator JOHNSON. Is he an employee?

Mr. DILLON. He is paid by us, but he probably does his own business down there.

Senator JOHNSON. All right. There is somebody down there in the South American capitals who is probably paid by you and does his own business, but who is not a representative of yours, and not your agent, but who does keep you advised constantly concerning affairs in the South American capitals.

Mr. DILLON. That is correct, sir.

Senator JOHNSON. I have tried to put in all your qualifications there. Have you any such employees, representatives, agents, gentlemen who have other businesses, and yet advise you, in the European capitals?

Mr. DILLON. In London, Berlin, and Paris.

Senator JOHNSON. London, Berlin, and Paris. Have you turned to your German loans there?

Mr. DILLON. Yes, sir.

Senator JOHNSON. We go very hastily over them so as not to take an undue amount of time. Will you call the first one?

Mr. DILLON. 1925 is the first one, to Siemens & Halske Electric Co.

Senator JOHNSON. Where?

Mr. DILLON. In Germany.

Senator JOHNSON. I know, but where?

Mr. DILLON. Berlin.

Senator JOHNSON. Is that 6 per cent or 6½?

Mr. DILLON. Seven per cent.

Senator JOHNSON. Better still. How much?

Mr. DILLON. $10,000,000.

Senator JOHNSON. Out of that you received what?

Mr. DILLON. The gross receipts were $49,000.

Senator JOHNSON. What is the next one?

Mr. DILLON. August Thyssen Iron & Steel Works.

Senator JOHNSON. How much?

Mr. DILLON. $12,000,000.

Senator JOHNSON. Out of which you received how much?

Mr. DILLON. $65,000.

Senator JOHNSON. What is the next one?

Mr. DILLON. And that loan has all matured and been paid off.

The CHAIRMAN. Is that $65,000 gross or net?

Mr. DILLON. Gross, Senator. The figure I give is always the gross receipt of our house, from which we have to pay our expenses, and so forth—$12,000,000 to the Thyssen Iron & Steel Works, made in 1925, has all matured and been repaid.

Senator JOHNSON. What is your next one?

Mr. DILLON. The German steel works group, 1-year note, $6,000,000, which has matured and been repaid.

Senator JOHNSON. You have certain other steel corporations, have you not?

Mr. DILLON. As I come to them, sir, I will read them in order.

Senator JOHNSON. All right. Go ahead and take them in order, then. Take them in order as you have them.

Mr. DILLON. Rheinelbe Union Steel Works, 1929, $25,000,000.

Senator JOHNSON. Your gross receipts from that were what?

Mr. DILLON. $148,000.

Senator JOHNSON. What is the next one?

Mr. DILLON. United Steel Works, Germany, $30,000,000.

Senator JOHNSON. What were the gross receipts?

Mr. DILLON. $551,000.

Senator JOHNSON. Six and a half per cent?

Mr. DILLON. Six and a half per cent, of which $3,000,000 have been repaid by sinking fund.

Senator JOHNSON. That leaves $27,350,000 due now?

Mr. DILLON. That is right.

Senator JOHNSON. What is the next one?

Mr. DILLON. August Thyssen Iron & Steel Works, $5,000,000, which has matured and been repaid.

Senator JOHNSON. Out of which your gross receipts were how much?

Mr. DILLON. $4,000.

Senator JOHNSON. All right. The next one?

Mr. DILLON. Siemens & Halske again. $24,000,000, from which our gross receipts were $319,000.

Senator JOHNSON. That was what date?

Mr. DILLON. That was in August, 1926.

Senator JOHNSON. Was that 6½ or 7 per cent?

Mr. DILLON. Six and a half per cent due in 1951.

Senator JOHNSON. The next one?

Mr. DILLON. Berlin City Electric, $20,000,000. Our gross receipts were $122,000.

Senator JOHNSON. Six or six and a half per cent?

Mr. DILLON. Six and a half; due in 1951, of which one and a half millions have been retired by sinking fund. $3,500,000 of that issue was sold abroad at the time it was brought out, so there were only $17,000,000 sold here.

Senator JOHNSON. The next one, please?

Mr. DILLON. United Steel Works, in 1927, $4,200,000, 6½ per cent.

Senator JOHNSON. Your gross receipts were what?

Mr. DILLON. $20,000.

Senator JOHNSON. The next one?

Mr. DILLON. United Steel Works, 6½ per cent, $30,000,000, of which $15,000,000 were sold abroad, and of which $3,000,000 have been repaid by sinking fund.

Senator JOHNSON. Your gross receipts?

Mr. DILLON. $268,000.

Senator JOHNSON. Six and a half per cent.

Mr. DILLON. Six and a half per cent?

Senator JOHNSON. The next one?

Mr. DILLON. I think it is worth emphasizing that that loan is $30,000,000. Over $15,000,000 of it was bought abroad.

Senator COUZENS. You do not know how much went into Germany?

Mr. DILLON. No; I do not know that we could get that the way they buy over there.

Senator COUZENS. Where do you deliver them to?

Mr. DILLON. We deliver them to the purchaser, wherever he may be, in France, Holland, Germany, or wherever he is.

Senator COUZENS. Do you resell in Germany many of the bonds that you issue on German corporations?

Mr. DILLON. Yes, sir; we do. The corporations buy back a good many, then the bankers over there also buy them.

Senator COUZENS. You mean the corporation you lend to buys back its own securities?

Mr. DILLON. I do, sir.

Senator COUZENS. How soon after the sale?

Mr. DILLON. I do not imagine soon. Recently they have been buying some amounts of them.

Senator JOHNSON. You say recently.

Mr. DILLON. Yes.

Senator JOHNSON. How recently?

Mr. DILLON. I suppose yesterday. I do not know. When I say recently I mean currently. Small amounts may have been bought by the corporations.

Senator JOHNSON. Don't you realize that that would be an impossibility, because we had to grant them a moratorium? You need not answer that.

Mr. DILLON. Senator, there has been no moratorium granted to any of these corporations to which we have loaned money, and they all have foreign exchange. We have largely loaned the corporations which do foreign business and create foreign exchange by their shipments. Of course, it is very profitable for them to buy their obligations now, because their obligations are selling cheap, and they are very glad to buy them back.

Senator JOHNSON. Let me understand that. Do I understand you to say that the Germans are very glad to buy the obligations of their various industrial plants—of their steel corporations, of their electric railways, and the like—because it is cheap to buy them now, and that they have the money to buy them?

Mr. DILLON. I did not say that about the Germans. I said the companies themselves, that were the borrowers.

Senator JOHNSON. Are they German?

Mr. DILLON. Yes.

Senator JOHNSON. All right, then. They are Germans, are they not?

Mr. DILLON. The borrower, where he has available funds, I should think would be very glad to buy his own obligations.

Senator JOHNSON. And he is doing it right along?

Mr. DILLON. They are doing it to a certain extent, a limited extent, right along—some of them; not all.

Senator JOHNSON. Have they been doing it in the last six months?

Mr. DILLON. I should think some have to a limited extent.

Senator JOHNSON. Constantly in the last six months?

Mr. DILLON. To a limited extent.

Senator COUZENS. At what price?

Mr. DILLON. Whatever the current market is. I can get you the current markets of them. I do not know.

Senator COUZENS. Is it very far below the selling price at the time of the issue?

Mr. DILLON. I should say, materially below. Bonds have gone down, both American and foreign.

Senator COUZENS. They have gone down as far as the South American bonds?

Mr. HAYWARD. Yes, sir. These steel bonds were selling at 21.

Senator COUZENS. In other words, this industrial in Germany got 86, 89, and 90 cents on the dollar and now can pay back and liquidate his indebtedness at 21?

Mr. DILLON. In the same way that the American industrials sold their bonds. American public utility holding companies are to-day buying them back on practically the same basis.

Senator COUZENS. Are they as low in America?

Mr. DILLON. Yes.

Senator COUZENS. The railroads?

Mr. DILLON. Railroads, I should think, would be lower. Frisco 4½'s are selling at 13; so that they are lower, I should say.

Senator COUZENS. This is the same cost of inflation that happened in Germany?

Mr. DILLON. Over here?

Senator COUZENS. I mean, it is enabling debtors to liquidate on the same basis as they liquidated in the markets over there. There is an opportunity for them to liquidate; is not that true?

Mr. DILLON. That companies who have cash to pay can buy their own obligations?

Senator COUZENS. Yes.

Mr. DILLON. Very advantageously.

Senator COUZENS. It is an opportunity to liquidate their indebtedness?

Mr. DILLON. If they have available funds.

Senator GORE. Is that going on to any considerable extent?

Mr. DILLON. I do not know, sir.

Senator JOHNSON. What is your next one?

Mr. DILLON. Deutsche Bank, Berlin.

Senator JOHNSON. Six per cent?

Mr. DILLON. Six per cent. Twenty-five millions, of which we sold abroad at the time of offering $8,400,000. Our gross receipt was $129,000.

Senator JOHNSON. Your next one?

Mr. DILLON. I will give you round figures on these, Senator.

Senator JOHNSON. All right.

Mr. DILLON. The Gelsenkirchen Coal Mining Co., $15,000,000, of which $7,000,000 were bought abroad. Our gross receipts were $50,000 on that $15,000,00.

Senator COUZENS. Why do they make loans in America? Why do they do their borrowing here when half of it goes back to foreign countries?

Mr. DILLON. Why do they do that? I suppose those investors like the bonds. The investors buy them over there.

Senator COUZENS. What I am trying to find out is why they will borrow $15,000,000 and then sell half of it back in Europe again.

Mr. DILLON. Why do they do that?

Senator COUZENS. Why do they not borrow over there?

Mr. DILLON. Probably they do; I do not know. They borrow from us. We have a demand at once from abroad for those bonds, and we have sold them abroad.

Senator COUZENS. Do you solicit their business?

Mr. DILLON. No. I do not quite understand your question.

Senator COUZENS. I say, do you solicit their business? Do you inquire whether they are in the market to borrow?

Mr. DILLON. No; I think they come to us first.

Senator COUZENS. And after they come to America and get their money, they buy some of those bonds back in their own country again?

Mr. DILLON. When I say they were sold abroad, I mean they were sold in Germany or Holland or France——

Senator COUZENS. Has your experience been that many of them get back to France?

Mr. DILLON. Many of them go back to Europe. I would have to make a long inquiry to see just which country they get to.

Senator COUZENS. You would not know whether any would be sent to France or not?

Mr. DILLON. Very few to France. It is mostly Holland, Switzerland, and the Scandinavian countries and the like.

Senator JOHNSON. The last one you mentioned was the Gelsenkirchen Mining Corporation. That is a coal company, is it not?

Mr. DILLON. Yes; $15,000,000, of which $7,360,000 were sold abroad. Our gross receipt was $50,000.

Senator JOHNSON. The next one?

Mr. DILLON. The Ruhr Chemical Co.

Senator JOHNSON. What is that company?

Mr. DILLON. A chemical company located in the Ruhr, in Germany.

Senator JOHNSON. I know; but what does it manufacture particularly?

Mr. DILLON. Artificial nitrate. That was $4,000,000 of which $1,500,000 was sold abroad. Our gross receipt on that was $56,000.

Senator JOHNSON. The next one?

Mr. DILLON. The Ruhr Gas Corporation.

Senator JOHNSON. Six and a half per cent?

Mr. DILLON. Six and a half per cent; $12,000,000, of which $3,136,000 was sold abroad. Our gross receipts was $27,000.

Senator JOHNSON. What is the Ruhr Gas Co.? Can we say that it is a manufacturer of gas?

Mr. DILLON. No; it collects the gas from the by-product coke ovens in that region and sells it to the various cities.

Senator JOHNSON. Then it is a gas company.

What is the next one?

Mr. DILLON. The Ruhr Housing Corporation.

Senator JOHNSON. What is the Ruhr Housing Corporation?

Mr. DILLON. That is a subsidiary company of the steel works over there that builds workmen's houses.

Senator JOHNSON. Six and a half per cent?

Mr. DILLON. Six per cent; $4,600,000, of which $850,000 was bought abroad. Our gross receipt was nothing.

Senator SHORTRIDGE. Were they $100 bonds?

Mr. DILLON. They are usually $500 and $1,000, Senator.

Senator JOHNSON. What is the next one, please?

Mr. DILLON. Rudolph Karstadt.

Senator JOHNSON. What is that?

Mr. DILLON. A department store. They have branches in Germany.

Senator JOHNSON. Six per cent interest?

Mr. DILLON. Yes; $15,000,000 of which a million and a half was sold abroad and of which $700,000 have been retired by sinking fund. Our gross receipts were $111,000.

Senator JOHNSON. And the next one, please?

Mr. DILLON. Berlin City Electric, $15,000,000, of which $5,042,000 was sold abroad. Our gross receipts were $18,000.

Senator JOHNSON. Six per cent?

Mr. DILLON. Six and a half per cent.

Senator JOHNSON. The next one?

Mr. DILLON. Siemens & Halske, $14,000,000, of which $3,740,000 were sold abroad. Our gross receipts were $430,000.

Senator JOHNSON. What is Siemens & Halske?

Mr. DILLON. A manufacturing electric company, also manufacturing telephone equipment.

Senator JOHNSON. Simply a manufacturing company?

Mr. DILLON. Yes, sir.

Senator JOHNSON. The next one?

Mr. DILLON. Berlin City Electric Co., $15,000,000, of which $3,400,000 were sold abroad. Our gross receipts were $101,000.

Senator CONNALLY. Is that a municipally owned plant or a private plant, the Berlin City Electric Co.?

Mr. DILLON. The Berlin City Electric belonged formerly to the city of Berlin, but it is now an independent corporation.

That is all, Senator Johnson.

Senator GORE. In each of those cases the major part of the loan remained in this country and the minor part went back to Germany?

Mr. DILLON. A considerable part went back. I do not know whether it went to Germany. It was sold abroad.

Senator GORE. I was just wondering if that did not tend to prove that while there are more reichmarks in Germany than there are in this country, there are more easy marks in this country than there are in Germany.

Senator SHORTRIDGE. As to all of those issues, are they now selling far below par?

Mr. DILLON. Yes; that is correct, Senator. They are all paying interest. None have defaulted on interest or sinking fund.

Senator SHORTRIDGE. Nevertheless, they are on the market at away below what the purchasers paid for them?

Mr. DILLON. Yes; just as are the securities of our own and all other countries.

Senator SHORTRIDGE. But you can not explain why it is?

Mr. DILLON. No, I can not. I can say that these foreign loans are behaving no differently than our own domestic loans, and I think they are just as good.

Senator SHORTRIDGE. You do not think that anybody in the neighborhood of Wall Street has anything to do with fixing the market price of those bonds, do you?

Mr. DILLON. I never found such a person, Senator, because when you realize the great volume of these bonds, it would be practically impossible for any one to do that. I do not think any one is strong enough to do that.

Senator SHORTRIDGE. Yet the companies issuing the bonds are now buying them back?

Mr. DILLON. A few. Do not misunderstand that. That is in no great volume. Where they have the money they are buying a few of them back.

Senator SHORTRIDGE. And in that way are discharging their obligation?

Mr. DILLON. Yes; just as American companies are doing.

Senator COUZENS. Do they sell bonds short the same as they do stock?

Mr. DILLON. Does who?

Senator COUZENS. Whoever sells short, of course.

Mr. DILLON. We handle no such accounts in our office.

Senator COUZENS. I am asking you the practice of Wall Street and of the New York bankers, from your observations. Do they sell bonds short the same as they sell stocks?

Mr. DILLON. Not to my knowledge. But we do not deal in either stocks or bonds on the exchange. We are not members of it.

Senator COUZENS. Do you know whether or not they sell bonds short?

Mr. DILLON. I should think it would be a difficult thing to do in any volume, because I do not know where you would get the bonds. I do not think there is as free lending of bonds as there is stock.

Senator COUZENS. So that the short selling of bonds has not existed to the same extent as the short selling of stocks?

Mr. DILLON. I would not hesitate to say that that is true, although I am not familiar with the short selling of stocks.

Senator COUZENS. When you add up all of the loans that have been made by the so-called international bankers to Europe and say that that much American money has been loaned to Europe, that is an incorrect statement?

Mr. DILLON. Yes; because a number of those loans were bought abroad.

Senator COUZENS. You have no idea of the percentage, have you?

Mr. DILLON. And a great deal of that has gone back since; I mean since these loans were made. The figure that I have given you of what was sold abroad, which is a very large figure, was at the time of issue. I have no way of telling the amount that has been bought back since, although in the case of the Dutch loan I think it is safe to say that a great majority of those loans have been bought back by the Dutch. The vast majority of that loan has now gone back to Holland.

Senator COUZENS. So that there is a general misconception in the country as to the amount of American money that has been loaned abroad, because they take the aggregate that has been loaned by all the bankers and say that that is the amount of American money that has gone abroad. But that is not correct?

Mr. DILLON. That is not correct.

Senator COUZENS. So the public has been going along on a misunderstanding as to the volume of money loaned by Americans to Europe?

Mr. DILLON. I do not know just what the public feeling is.

Senator COUZENS. That is the feeling represented in the newspapers.

Mr. DILLON. If that is the feeling, it is not correct. Our issues being to industrial companies may be in a different category from these loans to municipalities. I have no figures on that.

Senator CONNALLY. Mr. Dillon, to what extent has your company participated in making loans abroad to American industries established in foreign countries, American corporations? Since the war a great many of them have been established in foreign countries, have they not?

Mr. DILLON. You mean, our loans in America——

Senator CONNALLY. I mean, to what extent have you financed the establishment of American-owned factories and industries in foreign countries?

Mr. DILLON. We have furnished money to American industries doing business aboard. That has been done in a number of instances.

Senator CONNALLY. Can you give an approximation of about how much money you have furnished to them?

Mr. DILLON. We ourselves?

Senator CONNALLY. Through your syndicates. Probably you can cite some of the instances if you have them there.

Mr. DILLON. There was one instance where the issue was bought by an American company doing business abroad to get an interest in a foreign company. Is that what you mean?

Senator CONNALLY. If an American concern here wants to establish a factory in Europe, does it not usually issue bonds?

Mr. DILLON. No; not necessarily. They may do it out of their surplus.

Senator CONNALLY. Do you finance any of those companies?

Mr. DILLON. One instance I happen to recall, that of the National Cash Register Co., which is an American company out in Ohio. They built a large plant in Germany.

Senator CONNALLY. Did you help to finance that?

Mr. DILLON. Yes.

Senator CONNALLY. You say you helped to finance their bond issues that have been used by American companies to buy interests in foreign corporations?

Mr. DILLON. No; I say some of those securities which we have sold——

Senator CONNALLY. That is what I am talking about. Some of that has been so used?

Mr. DILLON. Yes.

Senator CONNALLY. You spoke of becoming a creditor nation instead of a debtor nation, and you referred to the agricultural and manufacturing interests being overdeveloped. Do you attribute that to the fact that we have become a creditor rather than a debtor nation?

Mr. DILLON. I think it is due to a natural development from increasing wealth and growth; and we were doing export business to a large extent. If you are going to cut that export business off, we ourselves at home have not to-day the consumptive capacity to take care of all of our agricultural products or all of our manufactured products.

Senator CONNALLY. Does not the business of American corporations in foreign countries competing with our own industries tend to reduce our exports and produce this very condition that you are talking about, of a domestic surplus?

Mr. DILLON. You mean, that foreign countries would produce as much as we?

Senator CONNALLY. If a man goes over to Germany and establishes an American factory does not that cut off a large amount of our exports by reason of that company in Germany using German labor and facilities?

Mr. DILLON. I do not think so, because I do not think they would build a factory over there if that were the case. I think it is because of the tariff of that country which does not allow our products to get in on a competitive basis with the native stuff. I think you will find that that is the reason for our building factories where we have built them.

Senator SHORTRIDGE. Of course all those countries have tariff duties?

Mr. DILLON. Many of them have; yes.

Senator SHORTRIDGE. And they are about twice as high as the duties of the United States.

Mr. DILLON. Are they as high as that?

Senator SHORTRIDGE. On an average.

Senator CONNALLY. In making your foreign loans do you submit the matter to the State Department before issuing the securities?

Mr. DILLON. Always.

Senator CONNALLY. How do you do that—by letter or by personal contact?

Mr. DILLON. We either telephone to one of the officials in the department and then follow that by letter, or simply send a letter.

Senator CONNALLY. Do you have some particular branch of the State Department that you take that up with, and would you mind stating whom?

Mr. DILLON. I do not think there is any particular branch. I think it is either with the Secretary or one of the undersecretaries.

My associate tells me that a letter is simply addressed to the Secretary of State.

Senator CONNALLY. Do you submit any reports as to your examinations regarding the legality and economic backing, or just a general statement?

Mr. DILLON. We inclose a circular which is descriptive of the loan.

Senator CONNALLY. The circular that you advertise to the purchaser. Have you ever had any bond issues refused by the department?

Mr. DILLON. No; we have not.

Senator CONNALLY. Do you ever put that into your circular, that the State Department has not objected?

Mr. DILLON. No.

Senator JOHNSON. Are you representing here at the present time any of the houses for whom you have made loans or any of the governments for which you have made loans?

Mr. DILLON. No; we are not, Senator.

Senator JOHNSON. Are any of the sinking funds being paid at your office?

Mr. DILLON. They are.

Senator JOHNSON. Many?

Mr. DILLON. Quite a number of them, I would say.

Senator JOHNSON. Generally speaking, where you are the manager of the loan, is not that the fact?

Mr. DILLON. Generally speaking, they want us to act as sinking-fund agents.

Senator JOHNSON. Is there any compensation or profit derived from that activity?

Mr. DILLON. There is compensation, small compensation, figuring very little more than enough to pay the clerical work.

The CHAIRMAN. Your company does not require that you shall act as agents?

Mr. DILLON. No. That is optional with the borrower. They generally want you to do that because they must have some one to act as their agent, and probably they feel that you are best qualified, which I think you are.

Senator SHORTRIDGE. In view of a remark that I made just now I would like to add this, that as to 25 comparable products the rates of duty of 15 of the principal European countries are a little over twice the rates under our American tariff law. As to 25 comparable articles competing one with the other, as to 15 of the European countries their rates are a little over twice the American tariff rates on those comparable articles.

Senator GORE. You do not have the data to show whether wages are twice as high in those countries as they are here?

Senator SHORTRIDGE. No, indeed, I do not. That is why everybody wants to come to America.

Senator JOHNSON. Did you participate in any of the loans to sugar companies in Cuba?

Mr. DILLON. None.

Senator JOHNSON. You had no participation?

Mr. DILLON. None, except that small loan I mentioned, of $3,000,000, which we made. We have loaned nothing and have not been interested in any of the loans that others have made in Cuba.

Senator JOHNSON. My recollection is that the National City was the managing agent of those sugar loans.

Mr. DILLON. I do not know, sir. We were not in those.

Senator JOHNSON. You have a statement there of all of your loans and the amounts?

Mr. DILLON. I have.

Senator JOHNSON. May we have it to put into this record, please? I wanted to examine the statement to see whether there was anything else that I might have you furnish subsequently. I will take a glance at it, Mr. Chairman, and see its form.

The CHAIRMAN. I thought I asked him to put it into the record at the beginning. But if I did not, you can put it in at this point.

Senator SHORTRIDGE. While the Senator is looking at that statement, let me ask you this: what was the issue of the Royal Shell, or the Dutch company mentioned?

Senator JOHNSON. Forty millions.

Senator SHORTRIDGE. Forty millions?

Senator JOHNSON. I think so.

Mr. DILLON. That is correct.

Senator SHORTRIDGE. And it was sold to the public at what?

Mr. DILLON. Eighty-nine and a half. The company received 86, or a gross spread of 3½ per cent.

Senator SHORTRIDGE. Can you advise us as to the present market value of those bonds?

Mr. DILLON. They are listed on the stock exchange and in the newspapers. We have a copy just torn out of a newspaper here, and we might find it for you.

Senator SHORTRIDGE. There has been no default?

Mr. DILLON. None whatsoever, sir. There has been no default in any of our Holland loans whatsoever, either interest or sinking fund.

Senator SHORTRIDGE. And some have been retired?

Mr. DILLON. Yes, sir.

Senator JOHNSON. In conclusion, with relation to the amount of issues in which you have participated, you gave those of which you were manager as $1,491,228,543?

Mr. DILLON. That is correct, Senator.

Senator JOHNSON. And in addition to that, you participated in various transactions in which you were not manager?

Mr. DILLION. I should think that would be very limited in amount.

Senator JOHNSON. You cannot approximate the amount?

Mr. DILLON. No; but I should be glad to let you have it.

Senator JOHNSON. Would you have one of your assistants do me the kindness to add up so that it will show the total of what you term the gross receipts from the loans that your house had?

Mr. DILLON. Yes, sir. It is on the sheet that we are giving you, Senator. It is not added.

Senator JOHNSON. Will you add it when it is put into the record now, before your departure?

Mr. DILLON. Yes, sir; certainly.

(The statement referred to and submitted by the witness is here printed in full as follows:)

Summary of Dillon, Read & Co. foreign issues

Total issued	$1, 491, 228, 542
Total outstanding Jan. 1, 1931	1, 189, 653, 300
Retired by sinking fund and call	301, 575, 242
Amount originally placed abroad	270, 918, 000
Segregation of issues outstanding:	
Canadian	499, 376, 300
Germany	252, 701, 000
Holland	115, 000, 000
France	22, 779, 300
Italy	32, 304, 200
Poland	27, 300, 000
South America	209, 359, 000
Japan	30, 833, 500
	1, 189, 653, 300

Foreign issues by Dillon, Read & Co., 1919–1931

		Issued	Outstanding, 1931	Sold abroad	Retail offering price	Syndicate price	Banking group, price	Purchase price	Gross originating receipts before expenses
1919									
January..	Canadian Northern Railway, equipment trust 6's (series B), due 1919-1929	$7,500,000.00	Matured.	$600,000.00	96.96			96.21	$28,125.00
May......	Canadian Northern Railway, equipment trust 6's (series C), due 1919-1929	7,500,000.00	Matured.	110,000.00	(1)	98.09		97.25	31,500.00
July.....	Toronto Electric Light Co., 6's, due 1922	1,000,000.00	Matured.		99.50			95.00	20,357.00
August....	Canadian Northern Railway, 6's, due 1922 and 1924	10,000,000.00	Matured.		100.00	98.25		97.75	25,000.00
November.	Brazilian Traction Light & Power Co., 6's, due 1922	7,500,000.00	Matured.	134,000.00	97.50	94.50		92.50	75,000.00
December.	Canadian Northern Railway, equipment trust 6's (series D), due 1919-1929	7,500,000.00	Matured.		(2)	95.00		94.00	37,500.00
Do.......	Canadian Northern Railway, 5½'s, due 1922-1924	12,000,000.00	Matured.	100,000.00	{96.64 94.50	93.64 91.50		92.89 90.75	 45,000.00
	Total	53,000,000.00	None.	944,000.00					
1920									
May......	Canadian Northern Railway, 7's, due 1935	15,000,000.00	$14,000,000.00		99.00	96.00		95.00	65,000.00
October....	The Massey-Harris Co. (Ltd.), 8's, due 1930	4,000,000.00	Matured.		100.00	95.50		93.50	40,000.00
Do.......	Grand Trunk Railway of Canada, 7's, due 1940	25,000,000.00	24,743,000.00		100.00	96.50	95.50	94.50	62,500.00
November..	Province of Nova Scotia, 6's, due 1930	2,000,000.00	2,000,000.00	18,000.00	93.50			91.70	3,591.00
December..	Canadian Northern Railway, 7's, due 1940	25,000,000.00	24,793,000.00		100.00	98.00	97.20	96.20	29,605.00
	Total	71,000,000.00	65,536,000.00	18,000.00					
1921									
February..	Grand Trunk Railway of Canada (Ltd.), equipment trust 6½'s, due 1936	12,000,000.00	11,230,000.00		95.25	93.40		92.00	86,231.00
March.....	United Railways of Habana, equipment trust 7½'s, due 1936	6,000,000.00	2,200,000.00		99.00	95.00		92.75	67,500.00
June.......	Government of Newfoundland, 6½'s, due 1936	6,000,000.00	6,000,000.00		93 5/8	91.50		88.964	38,014.00
Do.......	United States of Brazil, 8's, due 1941	25,000,000.00	16,926,250.00		97.50	92.50	91.00	90.00	467,125.00
July......	Canadian Northern Railway, 6½'s, due 1946	25,000,000.00	25,000,000.00		96.50	94.50	93.50	92.50	224,016.00
September.	Grand Trunk Railway of Canada (Ltd.), 6's, due 1936	25,000,000.00	25,000,000.00		95.25	93.50	93.00	92.00	202,375.00
Do.......	United States of Brazil, 8's, due 1941	25,000,000.00	16,926,250.00		98.50	94.50	93.00	90.00	879,843.00
October....	Province of British Columbia, 6's, due 1941	2,000,000.00	2,000,000.00		98.75			(3) 104.65	None.
Do.......	Province of Manitoba, 6's, due 1946	2,000,000.00	2,000,000.00		99.54			97.50	None.
Do.......	Province of Manitoba, 6's, due 1946 (second tranche)	2,750,000.00	2,750,000.00		99.54			97.50	None.
November.	City of Rio de Janeiro, 8's, due 1946	12,000,000.00	8,535,000.00		97.75	93.75	91.00	90.00	369,695.00
December..	French cities (Bordeaux, Marseilles, Lyon), 6's, due 1934	22,779,300.00	22,779,300.00		86.50	83.50		81.50	222,572.00
	Total	165,529,300.00	141,346,800.00						

92028—32—PT 2——14

1922									
January	Province of Alberta, 5½s, due 1947	$3,846,000.00	3,846,000.00		100.00	99.125		98.27	3,582.00
February	Kingdom of the Netherlands 6 per cent guilder bonds, due 1972, series A guildres	75,000,000.00	75,000,000.00		[4]940.00	920.00	915.00	905.00	124,039.00
March	Canadian National Railways, 5s, due 1925	11,000,000.00	Matured.		99⅝	99⅛		99.03	[5]5,556.00
April	Government of Newfoundland, 5½s, due 1942	6,000,000.00	6,000,000.00		101.00	99.75		98.763	10,662.00
Do	Province of Alberta, 5½s, due 1952	3,000,000.00	3,000,000.00		103.00	101.75		100.25	3,848.00
May	Province of Manitoba, 5's, due 1925	3,934,000.00	3,934,000.00		99.00	98.50		97.986	4,901.00
Do	Province of New Brunswick, 5½'s, due 1939	1,500,000.00	1,500,000.00	108,000.00	104.00	103.00		102.11	1,753.00
Do	Province of New Brunswick, serial 5's, 192	800,000.00	640,000.00		100.00			99.255	None.
June	United States of Brazil, 7's, due 1952	25,000,000.00	18,336,000.00		96.50	94.00	93.50	91.00	321,125.00
Do	United States of Brazil, 7½ per cent coffee security loan due 1952.	£2,000,000.00	To be called 1932.		97.00	96.00	95.00	94.50	82,450.00
July	Province of Alberta, 5½'s, due 1927	$3,500,000.00	Matured.	50,000.00	100.00	98.875		98.27	5,835.00
Do	City of Montevideo, 7's, due 1952	6,000,000.00	5,684,000.00		97.00	95.00	94.50	91.50	107,750.00
Do	Kingdom of the Netherlands, 6 per cent guilder loan, due 1972, series B guilders	50,000,000.00	50,000,000.00		[4]960.00	945.00		936.00	7,862.00
August	Province of Alberta, 5½'s, due 1927	2,000,000.00	2,000,000.00		100.00	99.125		98.27	3,582.00
September	Province of Saskatchewan, 5's, due 1942	2,638,000.00	2,638,000.00		99⅜	98⅜		97.652	7,535.00
November	City of Ottawa, 5½'s, due 1923-1952	2,554,000.00	1,786,000.00		103.42	102.50		101.87	1,358.00
December	Lethbridge Northern Irrigation District, 6's, due 1951	1,000,000.00	1,000,000.00		106.00	104.00		103⅛	6,386.00
	Total	132,772,000.00	100,364,000.00	158,000.00					
1923									
January	Province of Alberta, 5's, due 1948	4,800,000.00	4,800,000.00	1,338,000.00	97.25	95.75		95.04	3,079.00
Do	Province of British Columbia, 5's, due 1948	2,000,000.00	2,000,000.00	723,000.00	97.50	96.25		95.24	1,312.00
April	Province of Alberta, 5's, due 1943	3,000,000.00	3,000,000.00	851,000.00	96.25	95.00		94.273	4,782.00
May	Province of Ontario, 5's, due 1923	5,000,000.00	Matured.		99.85			98.944	20,355.00
June	Greater Winnipeg Water District, 5's, due 1924	1,010,000.00	Matured.		99.408			99.408	None.
Do	Province of British Columbia, 5's, due 1943-1946	2,000,000.00	2,000,000.00		97			[3]97.03	None.
November	Province of Alberta, 5½'s, due 1926-1933	9,000,000.00	3,000,000.00	2,700,000.00	100.00	98.50		97.50	19,059.00
December	Province of Ontario, 5's, due 1924	10,000,000.00	Matured.		99.55			99.375	6,977.00
	Total	36,810,000.00	14,800,000.00	5,612,000.00					
1924									
January	Province of Alberta 5's, due 1939	2,500,000.00	2,500,000.00	675,000.00	95.92	94.42		93.42	5,311.00
Do	Government of Newfoundland 5½'s, due 1944	3,500,000.00	3,500,000.00	179,000.00	100.00	98.50		96⅞	11,701.00
July	Province of British Columbia 4½'s, due 1927	3,000,000.00	Matured.		99.75			99.254	3,471.00
Do	Province of British Columbia 5's, due 1939	2,000,000.00	2,000,000.00	11,000.00	100.00			98.15	None.
Do	Province of British Columbia 5's, due 1939	3,042,300.00	3,042,300.00	1,688,000.00	99.25	98.25		97.93	10,063.00
Do	Great Consolidated Electric Power Co. of Japan 7½'s, due 1939	15,000,000.00	11,800,000.00	445,000.00	91.50	87.00	83.00	80.00	870,509.00
August	Canadian National Rys., equipment trust 4½'s due 1925-1939	9,375,000.00	5,000,000.00		([6])	98.10		97.35	7,338.00
Do	Canadian National Rys. 4's, due 1927	20,000,000.00	Matured.		98⅞	98.50		98.25	7,489.00
Do	Cespedes Sugar Co. 7½'s, due 1939	3,000,000.00	1,991,000.00		99.00	94.50		90.00	68,320.00
September	Canadian National Rys. 4½'s, due 1954	26,000,000.00	26,000,000.00	12,054,000.00	96.00	94.50		94.00	14,386.00

[1] 5½ to 6 per cent basis.
[2] 6¼ to 6½ per cent basis.
[3] Canadian funds.
[4] Per 2,500 guilders.
[5] Loss.
[6] 4-4¾ per cent basis.

Foreign issues by Dillon, Read & Co., 1919–1931—Continued

		Issued	Outstanding, 1931	Sold abroad	Retail offering price	Syndicate price	Banking group, price	Purchase price	Gross originating receipts before expenses
1924									
October	City of Bogota, Colombia, 8's, due 1945	6,000,000.00	$4,749,000.00		98.00	94.00	93.00	89.00	$217,016.00
December	French National Mail Steamship Lines 7's, due 1949	10,000,000.00	Called.	$185,000.00	91.00	87.00	86.50	84.50	82,504.00
	Total	103,417,300.00	60,582,300.00	15,237,000.00					
1925									
January	Siemens & Halske A. G. 7's, due 1928–1935	10,000,000.00	3,544,500.00	1,550,000.00	99.00	96.50	96.00	95.00	49,337.00
					96.50	93.00	92.00	91.00	
Do	August Thyssen Iron & Steel Works 7's, due 1930	12,000,000.00	Matured.	1,300,000.00	98.50	95.50	94.50	93.25	65,162.00
February	Canadian National Rys. 4½'s, due 1930	18,000,000.00	Matured.		99⅞	99.75		99⅛	[5] 4,866.00
Do	Canadian National Rys. 4½'s, due 1935	17,000,000.00	17,000,000.00	7,000,000.00	97⅝	96⅝		96.25	6,670.00
Do	Est Ry. Co. (France) 7's, due 1954	20,000,000.00	Called.	1,340,000.00	87.50	84.50		82.50	119,380.00
Do	Republic of Poland 8's, due 1950	35,000,000.00	27,300,000.00	285,000.00	95.00	91.00	88.00	86.25	828,550.00
April	German Steel works group 1-year 7 per cent notes	6,000,000.00	Matured.	1,500,000.00	99.00			98.00	None.
June	Province of Saskatchewan 4½'s, due 1945	2,250,000.00	2,250,000.00	1,511,000.00	96.25	95.25		94.90	[6] 235.00
July	Province of British Columbia 4½'s, due 1950	1,000,000.00	1,000,000.00	800,000.00	94.00			94.00	None.
Do	Great Consolidated Electric Power Co. of Japan 6½'s, due 1950	13,500,000.00	11,883,500.00	55,000.00	86.00	83.00	82.00	80.00	172,160.00
October	Rudolph Karstadt (Inc.) (Germany) 7's, due 1930	3,000,000.00	Matured.		97.00	94.00	93.00	88.00	102,198.00
November	Municipal Bank of Hessen (Germany) 7's, due 1926–1945	3,600,000.00	2,700,000.00	380,000.00	95.93	92.44	91.94	88.50	109,086.00
Do	Province of New Brunswick 4½'s, due 1928	2,275,000.00	Matured.		99.65	99.15		98.77	3,046.00
December	Disconto Gesellschaft Bank, Berlin, common shares	R.M.7,500,000.00	7,500,000.00		[7] 150.00	147.00		137.85	74,293.00
	Total	145,500,000.00	67,553,000.00	15,711,000.00					
1926									
January	Rheinelbe Union Steel Works, 7's, due 1946	25,000,000.00	22,188,000.00	7,175,000.00	94.00	90.00	88.00	87.00	148,768.00
May	Agricultural Mortgage Bank of Colombia, 7's, due 1946	3,000,000.00	2,300,500.00		94.00	90.00		85.00	71,182.00
Do	United States of Brazil, 6½'s, due 1957. (See below)	35,000,000.00		7,752,000.00	90.00	86.50	86.00	84.00	451,355.00
June	City of Ottawa, 5's, due 1927–1956	672,000.00	520,500.00		([8])				None.
Do	United Steel Works Corporation (Germany), 6½'s, due 1951, series A	30,000,000.00	27,300,000.00	2,600,000.00	96.00	93.00	92.50	90.00	551,872.00
Do	Toronto Harbor Commission, 4½'s, due 1953	1,960,000.00	1,960,000.00	479,000.00	95.00	94.00		93.25	2,879.00
Do	Aug. Thyssen Iron & Steel Co., 6 per cent notes, due 1926	5,000,000.00	Matured.	1,000,000.00	99.50			99.00	4,807.00
Do	City of Ottawa, 5's, due 1927–1956	702,942.00	520,500.00		100.67			100.67	None.
Do	United States of Brazil, 6½'s, due 1957	25,000,000.00	56,921,000.00	6,775,000.00	90.50	87.50	87.00	84.00	521,335.00
Do	Province of British Columbia, 4½'s, due 1927–1956. (See above)	6,000,000.00	5,370,000.00	3,340,000.00	97.17			96.043	[9] 8,274.00
August	Siemens & Halske A. G., 6½'s, due 1951	24,000,000.00	23,685,000.00	7,745,000.00	47.50	47.00		43.50	319,570.00

Do.	Disconto Gesellschaft Bank, Berlin, trust certificates for common shares	R.M.10,000,000.00	R.M.10,000,000.00	R.M.400,000.00	[9] $147.50	$143.60		$138.10	96,962.00
November	Province of Saskatchewan, 4½'s, due 1956	2,500,000.00	2,500,000.00	2,500,000.00	94⅛			93.00	9,119.00
December	Berlin City Electric Co., 6½'s, due 1951	20,000,000.00	18,579,000.00	3,515,000.00	98.00	96.00	95.50	94.00	122,628.00
	Total	181,334,942.00	164,344,500.00	43,381,000.00					
1927									
January	Batavia Petroleum Corporation (Holland), 4½'s, due 1967	25,000,000.00	25,000,000.00	650,000.00	96.25	95.25	95.00	94.25	52,201.00
Do.	Province of Saskatchewan, 4½'s, due 1957	1,468,500.00	1,468,500.00		95.00			94.28	4,370.00
February	Republic of Bolivia, 7's, due 1958	14,000,000.00	14,000,000.00	1,695,000.00	98.50	96.00	93.50	90.05	503,219.00
April	Province of Alberta, 4½'s, due 1967	3,785,000.00	3,875,000.00	1,331,000.00	98.17	97.17		96.55	4,709.00
Do.	Canadian National Railways, equipment trust 4½'s, due 1928–1942	15,000,000.00	11,000,000.00	1,065,000.00	98.831	98.206		98.00	2,984.00
Do.	City of Milan (Italy), 6½'s, due 1952	30,000,000.00	27,409,200.00	5,010,000.00	92.00	90.00	89.50	88.50	78,276.00
Do.	Province of Quebec, 4½'s, due 1957	4,000,000.00	4,000,000.00	1,670,000.00	100.00	99.75		99.19	4,180.00
July	United Steel Works Corporation (Germany) 6½'s, due 1951, series C	4,225,000.00	4,225,000.00	1,352,000.00	97.50	95.50	95.00	94.00	20,442.00
Do.	United Steel Works Corporation 6½ per cent debentures, due 1947	30,000,000.00	27,795,500.00	15,590,000.00	98.50	96.00	95.50	94.00	268,571.00
September	Province of Nova Scotia, 4½'s, due 1952	12,370,000.00	12,370,000.00	3,494,000.00	99.25	98.00		97.417	25,479.00
Do.	Montreal Metropolitan Commission, 4½'s, due serial	6,037,000.00		2,433,000.00	97.75	97.00		96.20	8,242.00
Do.	Deutsche Bank, Berlin, 6's, due 1932	25,000,000.00	25,000,000.00	8,400,000.00	99.50	98.00	97.50	96 15/16	129,816.00
October	United States of Brazil, 6½'s, due 1957	41,500,000.00	39,990,000.00	5,420,000.00	92.50	90.50	90.00	88.00	539,308.00
November	City of Vancouver, 4½'s, due 1942–1967	1,135,000.00	1,135,000.00	829,000.00	98.51	97.77		97.27	3,865.00
December	Shinyetsu Electric Power Co. (Japan), 6½'s, due 1952	7,650,000.00	7,150,000.00	676,000.00	93.25	91.25	90.75	89.00	106,376.00
Do.	National Transcontinental Branch Line Railway (Canada), 4½'s, due 1955	3,396,000.00	3,396,000.00	458,000.00	98.50	97.00	96.00	92.00	55,667.00
Do.	Niagara Power Commission, 4's, due 1942 [10]	2,000,000.00	2,000,000.00						None.
	Total	226,656,500.00	209,814,200.00	50,073,000.00					
1928									
January	Province of British Columbia, 4's, due 1928	4,000,000.00	4,000,000.00	1,150,000.00	100.00	99⅞		99.817	701.00
March	Gelsenkirchen Coal Mining Co. (Germany), 6's, due 1934	15,000,000.00	15,000,000.00	7,360,000.00	97.00	94.50	93.75	93.00	50,314.00
May	St. Lawrence Paper Co. (Canada), 6 per cent preferred and common stock	11,140,000.00	11,140,000.00	64,500.00	78.00	75.00	73.00	69.00	390,810.00
Do.	Ruhr Chemical Co. (Germany), 6's, due 1948	4,000,000.00	3,683,000.00	1,536,000.00	92.25	89.75	89.25	87.25	56,140.00
September	Republic of Bolivia, 7's, due 1969	23,000,000.00	23,000,000.00	2,325,000.00	97.50	95.00	94.00	93.00	255,565.00
November	Ruhr Gas Corporation (Germany), 6½'s, due 1953	12,000,000.00	12,000,000.00	3,136,000.00	94.00	91.00		90.00	27,413.00
December	Ruhr Housing Corporation (Germany), 6's, due 1958	4,600,000.00	4,544,000.00	850,000.00	92.00	89.00		89.00	None.
Do.	Rudolph Karstadt Corporation (Germany), 6's, due 1943	15,000,000.00	14,341,000.00	1,465,000.00	98.00	95.00	93.75	93.08	111,249.00
	Total	88,740,000.00	87,708,000.00	18,886,500.00					

[6] Loss.
[7] Per R.M.600.
[8] Sold at cost.
[9] Per R. M. 2,500.
[10] All sold in Canada.

Foreign issues by Dillon, Read & Co., 1919–1931—Continued

		Issued	Outstanding, 1931	Sold abroad	Retail offering price	Syndicate price	Banking group, price	Purchase price	Gross originating receipts before expenses
1929									
January	Province of British Columbia, 4½'s, due 1969	$6,417,000.00	$6,417,000.00	$4,343,000.00	94.69	93.69		$92.69	$11,349.00
Do	Montreal Metropolitan Commission, 5's, due 1966	3,100,000.00	3,100,000.00	1,048,000.00	99.75	98.75		98.456	4,097.00
February	Berlin City Electric Co., 6½'s, due 1959	15,000,000.00	14,741,000.00	5,423,000.00	93.50	91.00	$90.50	90.00	18,504.00
March	Ernesto Breda Co. (Italy), 7's, due 1954	5,000,000.00	4,895,000.00	890,000.00	96.25	93.75	91 11/16	91 3/16	65,607.00
June	Canadian National Railways, 5's, due 1969	60,000,000.00	60,060,000.00	34,640,000.00	99.75	98.50		98.1597	41,918.00
September	Province of British Columbia, 5's, due 1959	3,036,500.00	3,036,500.00	2,136,500.00	100.00	98.75		98.80	1,826.00
November	Province of British Columbia, 5½'s, due 1930	3,000,000.00	Matured.		100.00	99.75		99.25	2,626.00
Do	Province of British Columbia, 5's, due 1931	3,000,000.00	Matured.		100.00	99.75		99.25	2,561.00
	Total	98,553,500.00	92,189,500.00	48,480,500.00					
1930									
February	Canadian National Railways, 5's, due 1970	18,000,000.00	18,000,000.00	4,000,000.00	99.50	98.75		98.08	11,684.00
Do	Siemens & Halske Co. (Germany), participating debentures, due 1930.	14,000,000.00	14,000,000.00	3,740,000.00	933.00	903.00	887.50	882.50	430,990.00
March	Royal Dutch Co. (Holland), 4's, due 1945	40,000,000.00	40,000,000.00	9,100,000.00	89.50	87.50	86.75	86.00	253,449.00
Do	Canadian National Steamship Co., 5's, due 1955	9,400,000.00	9,400,000.00	4,760,000.00	100.00	99.50		99.177	6,810.00
April	Berlin City Electric Co., 6's, due 1955	15,000,000.00	15,000,000.00	3,698,000.00	90.50	88.50	88.00	86.75	101,496.00
July	Government of Newfoundland, 5's, due 1955	2,500,000.00	2,500,000.00	1,158,000.00	100.75	100.00		99.318	2,577.00
August	Province of British Columbia, 3½'s, due 1931	2,500,000.00	Matured.		100.00	99⅞		99.65	848.00
December	Province of British Columbia, 4's, due 1932	4,015,000.00	4,015,000.00		99.62			99.50	687.00
	Total	105,415,000.00	102,915,000.00	26,396,000.00					
1931									
January	Canadian National Railways, 4½'s, due 1956	70,000,000.00	70,000,000.00	42,686,000.00	98.25	97.25		96.4077	30,671.00
February	Province of British Columbia, 4¼'s, due 1936	5,000,000.00	5,000,000.00	1,450,000.00	99.33	98.95		98.49	4,262.00
May	Province of Quebec, 4¼'s, due 1961	7,500,000.00	7,500,000.00	1,885,000.00	99.16	98.66		98.06	5,274.00
	Total	82,500,000.00	82,500,000.00	46,021,000.00					
	Grand total	1,491,228,542.00	1,189,653,300.00	270,918,000.00					

The CHAIRMAN. The committee will stand in recess until 2 o'clock this afternoon.

(Whereupon, at 11.55 o'clock a. m., a recess was taken until 2 o'clock p. m.)

AFTER RECESS

The committee resumed at 2 o'clock p. m., at the expiration of the recess.

The CHAIRMAN. The committee will come to order. I will swear both Mr. Anderson and Mr. Granbery if they will come forward and each will hold up his right hand. You, Mr. Anderson and Mr. Granbery, and each of you, do solemnly swear that the testimony you are about to give in the hearing now being held by this committee will be the truth, the whole truth, and nothing but the truth, so help you God.

Mr. ANDERSON. I do.

Mr. GRANBERY. I do.

TESTIMONY OF C. P. ANDERSON, JR., VICE PRESIDENT THE CHASE, HARRIS, FORBES CORPORATION; E. C. GRANBERY, VICE CHAIRMAN OF THE BOARD OF DIRECTORS, CHASE, HARRIS, FORBES CORPORATION, NEW YORK CITY

(The witnesses were duly sworn by the chairman of the committee.)

The CHAIRMAN. You may proceed.

Senator JOHNSON. Mr. Chairman, shall I go right ahead?

The CHAIRMAN. Yes.

Senator JOHNSON. As I understand it, gentlemen, one of you represents the Chase Securities Corporation and the other Harris, Forbes & Co.

Mr. GRANBERY. Might I explain that?

Senator JOHNSON. Surely.

Mr. GRANBERY. We are both officers of Chase, Harris, Forbes Corporation, which as now constituted is a consolidation of the bond business formerly done by Equitable Trust Co., Chase Securities Corporation, and Harris, Forbes & Co. At the time when this foreign business was done it was transacted by these separate firms or corporations, the issue business of which is now merged into one. Mr. Anderson was with the Chase Securities Corporation and he is better qualified to answer questions regarding Chase Securities Corporation or the Equitable Trust Co. business, and I hope I am qualified, or at least I will do my best, to answer regarding Harris, Forbes & Co.

The CHAIRMAN. As I understand it, Mr. Anderson is a vice presicent of Chase, Harris, Forbes Corporation, and Mr. Granbery is chairman of the board of directors of Chase, Harris, Forbes Corporation.

Mr. GRANBERY. I am vice chairman of the board of directors of Chase, Harris, Forbes Corporation.

The CHAIRMAN. You are vice chairman of the board of directors of Chase, Harris, Forbes Corporation?

Mr. GRANBERY. Yes; the same company.

The CHAIRMAN. All right.

Senator JOHNSON. Now, first, I want to compute with you something in relation to the profits in order to determine the manner in which you have figured out these profits. I take therefore a rather simple loan, and there were in the original group the Equitable Trust Co. and Harris, Forbes & Co., a German issue, the Bavaria Free State of 6½ per cent serial bonds, August 1, 1925–August 1, 1926–1945. Have you that before you?

Mr. GRANBERY. Yes, sir.

Senator JOHNSON. Now, I observe that that was an issue of $15,000,000; is that correct?

Mr. GRANBERY. Yes, sir.

Senator JOHNSON. The purpose of which was public improvements and capital acquisitions. The interests in the original group were Equitable Trust Co. and Harris, Forbes & Co., each 50 per cent; is that correct?

Mr. GRANBERY. Yes, sir.

Senator JOHNSON. The purchase price of those bonds was 89 flat. The offering price was 92.95 and a fraction. Have you that issue before you?

Mr. GRANBERY. Yes, sir.

Senator JOHNSON. And the gross spread was 3.95.

Mr. GRANBERY. Yes, sir.

Senator JOHNSON. And the profit is shown as $143,000.

Mr. ANDERSON. The gross profit.

Senator JOHNSON. All right.

Mr. GRANBERY. I believe some witness here called it gross receipts.

Senator JOHNSON. All right. Now, the next one that we have here is even plainer: Bavaria Free State of 6½ per cent sinking fund gold bond, August 1, 1925–August 1, 1945, $10,000,000, the purpose of issue being extension of hydroelectric properties. The interests in the original group were the Equitable Trust Co. and Harris, Forbes & Co., 50 per cent each. The purchase price was 87¾, and the offering was 92.75. The gross spread was 5. That is correct, is it not?

Mr. GRANBERY. Yes, sir.

Senator JOHNSON. Now, the profit stated there to have been derived by Harris, Forbes & Co. because of its participation being 50 per cent, that is, in $5,000,000 of the loan, was $99,000.

Mr. GRANBERY. This is the Equitable Trust Co.

Mr. ANDERSON. That profit refers to the Equitable Trust Co., and the profit of Harris, Forbes & Co. would be presumably the same.

Senator JOHNSON. Will you now explain to me that gross spread of 5, your participation being in $5,000,000 of the $10,000,000 loan, and the profit for the Equitable Trust Co. is shown as $99,000.

Mr. ANDERSON. As regards the $99,000 indicated here, that is the gross profit to the Equitable Trust Co. and not to Harris, Forbes & Co.

Senator JOHNSON. Correct.

Mr. ANDERSON. That represents the overall participation in whatever groups there may have been in that issue in which the Equitable Trust Co. had participation.

Senator JOHNSON. The Equitable Trust Co. had a participation of 50 per cent in that loan.

Mr. ANDERSON. Yes, but they sold of course on step-up terms to other dealers in forming their syndicates of a banking group and their selling group.

Senator JOHNSON. All right. They sold on step-up terms.

Mr. ANDERSON. Yes, sir.

Senator JOHNSON. What were the step-up terms?

Mr. ANDERSON. I am afraid the actual terms of that issue I have not got here.

Senator JOHNSON. Is there any way in which you can tell me how you reached such figures as are shown here, with the gross spread of the character I have indicated?

Mr. ANDERSON. The bonds in the first instance were sold possibly to other dealers in the selling group less a commmission of 2 points, as an example.

Senator JOHNSON. Suppose you had a commission of 2 points. You have a 50 per cent interest, then, on a $5,000,000 interest.

Mr. ANDERSON. In the original group. But we might not have carried that participation through all the groups. Our originating participation would be less than 5 points; it would be the difference between what we paid or purchased the bonds for originally and what we turned them over to the next group at.

Senator JOHNSON. Will you take any one of these instances reported in this statement and indicate to me the manner in which you figure the profits?

Mr. ANDERSON. I shall be glad to do that.

Senator JOHNSON. If you will do that, I will appreciate it.

Mr. ANDERSON. It might be better for the sake of this example to take an issue in which the Equitable Trust Co. were again the originating house, and that would be an issue of $25,000,000, State of New South Wales bonds, which are on that same page that you have reference to.

Senator JOHNSON. All right.

Mr. ANDERSON. First you will note the Equitable Trust Co.'s interest in that business was 33⅓ per cent, not their participation in the entire deal but in the $25,000,000 original amount, which was $8,333,333. The purchase price was 93.277. The offering price to the public was 96¼. There was a gross spread of 2.97. And the gross receipts were $94,000 to the Equitable Trust Co. The 2¾ gross spread and the Equitable Trust Co.'s profit in this financing is made up in this way: The purchase group was formed consisting of four members, of which the Equitable Trust Corporation were the managers and having a 33⅓ per cent interest. That is, this original group consisted of the Equitable Trust Co., Harris, Forbes & Co., First National Corporation of Boston, and Estabrook & Co. This originating group purchased the issue from the State of New South Wales at 93½. The gross profit to this group was three-fourths of a point, from which the expenses were deducted. The profit there was $45,625.01.

Senator KING. Do you mean gross?

Mr. ANDERSON. The gross profit to the Equitable Trust Co.

Senator KING. Do you mean to the group?

Mr. ANDERSON. No; to the Equitable Trust Co. A selling group was then formed consisting of approximately 697 dealers, who disposed of the bonds at 96¼ and received 2 per cent on their sales made.

Senator KING. Who were the members of that selling organization?

Mr. ANDERSON. The selling group?

Senator KING. Yes.

Mr. ANDERSON. Well, as I just stated, there were 697 dealers, which is the term used in respect to the houses to whom you offer the bonds for ultimate distribution.

Senator KING. I suppose you pursued a course which is common in putting out these issues. You call up by phone or wire or write a letter to some of your correspondents throughout the United States, and say, "We allocate to you so many million dollars of bonds for sale"?

Mr. ANDERSON. No; we would not say that we allocate them. There are various ways of handling syndicates. It very often depends upon the amount of time between the signing of the contract and the time you are going to offer bonds as to whether you telephone or wire. You usually send a wire if you have time to do it, and follow it up after having received an acceptance from those to whom you sent the wire, with a confirmatory letter, which is called a selling group letter, which indicates the amount of bonds allotted to that house in response to their request for the number of bonds they wish.

Senator KING. Were any other conduits employed except the banks? Do they dispose of your bonds?

Mr. ANDERSON. This term "dealer" covers more than banks. It covers bond houses all over the country who are doing a business of buying and selling bonds,. In addition to that some organizations who are associated in this business with the Equitable Trust Co. probably took down some of the bonds for their own account for retail distribution themselves. By and large, these are the two particular conduits that are used.

Senator JOHNSON. You may go ahead.

Mr. ANDERSON. The Equitable Trust Co. received a net selling commission on their sales of $9,375. Of this issue $1,800,000 of bonds were sold in Europe. May I make an explanation right here, that there are two New South Wales issues. I read the first one, and I should be referring in this operation to the second one, where the gross receipts were $55,000 and not $94,000. The issues were identical as regards interest and amounts. That is the last one on your page there, Senator Johnson.

Senator JOHNSON. I have them before me.

Mr. ANDERSON. Therefore, the Equitable Trust Co's. profit in the purchase group was $45,625.01. And the selling commission on the bonds in the selling group, for the bonds for which they took, was $9,375, giving them a gross profit on that transaction of $55,000, which is the figure arrived at in the last column on the page.

Senator JOHNSON. Now let us take two that are even plainer than that. The city of Nuremberg, $5,000,000, for improving and enlarging city-owned public works. The Equitable Trust Co. has a 100 per cent interest in that loan. Its participation was in relation to the amount of $5,000,000. Its purchase price was 90½, and its offering price was 94, and your profit is stated as $32,000. How can you arrive at that figure if you had a 100 per cent interest in the loan?

Mr. GRANBERY. In the original group.

Senator JOHNSON. But the original group given here is the Equitable Trust Co.

Mr. ANDERSON. There the original group means the organization which purchased those bonds, in this case from the city of Nuremberg. The Equitable Trust Co. signed that contract themselves, taking a 100 per cent commitment on them, whereas in the issue I have just indicated to you the original commitment was divided as among four houses.

Senator JOHNSON. Let us take this one where the Equitable Trust Co. had a 100 per cent interest in the original group.

Mr. ANDERSON. Their disposition of those bonds would be similar as regards the city of Nuremberg issue as in the issue I have just read. They would form a selling group to whom they would allow perhaps a 2-point commission on sales.

Senator JOHNSON. What is the fact? Was there a step-up price to the group which was formed?

Mr. ANDERSON. I have not followed through that particular deal, but it was no doubt carried through in the same manner as the New South Wales issue. There was no purchase group formed because the Equitable Trust Co. took the issue 100 per cent themselves on the original terms, and then they formed in this case a selling group and gave away a part of this spread of 3½ points, the gross spread. So that the amount left to the Equitable Trust Co. as their originating group profit would be the difference between what they bought the bonds at and what they gave them to the selling group at.

Senator JOHNSON. Could you tell us what they gave them to the selling group at? I see they were bought at 90½ and that the offering price was 94, and the spread stated in the statement here is 3½, and the profit stated is $32,000.

Mr. ANDERSON. It would be slightly over one-half per cent in the original group on the basis of profit, but I would hesitate to give that as an accurate figure because they would have some profit for taking bonds themselves for disposition themselves.

Senator JOHNSON. That would make your profit larger, then.

Mr. ANDERSON. No, you would perhaps have 1 point, or half a point perhaps——

Senator SHORTRIDGE (interposing). Well, how much did you pay for the bonds?

Mr. ANDERSON. Ninety and one-half.

Senator SHORTRIDGE. How much did you get for them when you disposed of them?

Mr. ANDERSON. They were offered to the public at 94.

Senator SHORTRIDGE. That is not an answer to my question. What did your house get for the bonds for which it paid a certain sum?

Mr. ANDERSON. Well, we received a price probably varying between half a point and 1 point below the selling group.

Senator JOHNSON. If you had 1 point in the step-up it would have netted you $50,000?

Mr. ANDERSON. If we had 1 point, yes.

Senator JOHNSON. And if you had half of one point it would have been $25,000?

Mr. ANDERSON. Yes.

Senator JOHNSON. And then the profit that was made on the sale on a 3½ point spread, you would have participated in that, wouldn't you?

Mr. ANDERSON. In the wholesaling, yes.

Senator JOHNSON. And yet your profit is stated here as $32,000.

Mr. ANDERSON. The profit which we made on selling the bonds in the selling group is very likely the difference between half a point, which you mentioned as $25,000, and the $32,000, which is $7,000.

Senator JOHNSON. It was a rather small enterprise for you.

Mr. ANDERSON. It was a small issue, but I think a highly satisfactory one. May I explain again, Senator Johnson, that this was an issue handled by the Equitable Trust Co., and while I am somewhat familiar with the details yet I was not with the Equitable Trust Co. when the issue was made.

Senator JOHNSON. Then would you rather I should take one of the Chase Securities Corporation?

Mr. ANDERSON. Yes, as you like. Wherever I can I will answer as to any Equitable Trust Co., matter as well.

Senator JOHNSON. I may be very stupid, but you will pardon me for it, if you please. I am utterly unable to figure out the situations as to the amounts in the fashion that you indicate. You will see that there is another one immediately under the one I asked about, where the Equitable Trust Co. had a 100 per cent interest.

Mr. ANDERSON. The city of Medellin?

Senator JOHNSON. Where the profit is very small.

Mr. ANDERSON. You are referring now to the city of Medellin issue?

Senator JOHNSON. Yes.

Mr. ANDERSON. The gross profit there was $120,000.

The CHAIRMAN. Is that gross profit?

Mr. ANDERSON. That is the gross profit, Mr. Chairman, in the same sense as has been explained to the Committee before.

Senator JOHNSON. The one I referred to was in Latin America, the city of Medellin, 8 per cent sinking fund gold bond, October 1, 1923–October 1, 1945, which is shown as having been retired, and the Equitable Trust Co. had a 100 per cent interest in that whole issue of $3,000,000. The purchase price was 90, and the offering price was 98, there being a spread of 8. If there were no other institutions interested in the subject matter, then that spread of 8, or gross profit, would be 8 per cent upon $3,000,000, wouldn't it?

Mr. ANDERSON. No, sir.

Senator JOHNSON. I say, if there were no other parties interested.

Mr. ANDERSON. Well, if the Equitable Trust Co. had bought those $3,000,000 of bonds for their own account at the price of 90 and had sold them entirely themselves, using their own retail organization or such as they had at that time, which I believe was not large in 1923, and if they had carried the transaction through entirely themselves, their profit would then have been 8 points gross on the transaction.

Senator JOHNSON. Well, that is perfectly obvious, of course, and the profit would have been $240,000, but you have here $120,000 on that particular deal. Do you know how the difference comes in?

Mr. ANDERSON. They purchased those bonds at 90 and turned them over to a selling syndicate at 93½, leaving a gross spread of 3½ points in the purchase account. The 3½ points were their originating commission, and——

Senator JOHNSON (interposing). Who got that 3½ points?

Mr. ANDERSON. The Equitable Trust Co.

Senator JOHNSON. Now we are getting some place where we can understand this matter. Where there is a step-up price made by the original group the original group gets the step-up, doesn't it?

Mr. ANDERSON. That is right.

Senator JOHNSON. That is correct, is it not?

Mr. ANDERSON. That is right.

Senator JOHNSON. So that if J. P. Morgan & Co., and I am taking them now just as an example, start with a particular bond issue which they have themselves purchased, then they form a syndicate of 4 and sell them to the syndicate for one point more, that one point goes to J. P. Morgan & Co.?

Mr. ANDERSON. I should suppose that would be the way, but there are different ways of handling these matters.

Senator JOHNSON. Oh, yes; there are different ways of doing everything, so far as that is concerned.

Mr. ANDERSON. I do not know how J. P. Morgan & Co. would do it.

Senator JOHNSON. That is the way it would be done by any of these houses. Then if the four thus formed at 94 step-up the price one point to a larger syndicate, the four take the one point.

Mr. ANDERSON. That is correct.

Senator JOHNSON. And J. P. Morgan & Co., being the original purchaser, participate in the first one point that they obtain in transferring to the four, and then they have a fourth in the one point transferring to the larger syndicate?

Mr. ANDERSON. If they are members of that syndicate.

Senator JOHNSON. I am saying, if they are members of that syndicate.

Mr. ANDERSON. If they are members of that intermediate syndicate, yes.

Senator JOHNSON. And when that shall have been accomplished, and if a larger syndicate be formed and the bonds be sold to them at, say, 98, then the difference between what would be the amount of the step-up to the syndicate formed as indicated, and the 98, would go to all of those participating, I presume proratably in that step-up?

Mr. ANDERSON. Yes.

Senator JOHNSON. So that the international banker has this plan if he buys an issue himself; or I will put it the other way: If he buys an issue himself then he lets in three or four companions with a 1-point or 2-point step-up.

Mr. ANDERSON. He may let them in on the original terms, in other words, on the ground floor.

Senator JOHNSON. Yes, he may let them in on the ground floor, but if he charges them 1 point or 2 points more the banker gets that 1 point or 2 points. Then he has three or four men engaged in the transaction, who have then become partners. They form another syndicate and step it up a couple of points more, and then they all participate in that step-up. The men who have been taken in after the original purchase do not participate in the first step-up of, we will say, 1 point. Then when they get this second step-up, in which they do participate, they allocate to bankers all over the country, or to what was described on yesterday as dealers, was it?

Mr. ANDERSON. Dealers.

Senator JOHNSON. Dealers who were said to be very anxious indeed for the sales, and none too good; they allocate to those dealers all over the country, and those dealers sell at par the issue, or at whatever price may be fixed, and they then get their percentage in the sum which they obtain over the various step-up prices that have been made upon the bonds. Is that correct?

Mr. ANDERSON. Yes. But might I put a word in there?

Senator JOHNSON. Yes; but let me follow that out and conclude the proposition. And in each succeeding step up the original purchaser or sponsor, or whatever you may wish to term him, participates.

Mr. ANDERSON. He may participate, but he does not necessarily participate in all the groups.

Senator JOHNSON. Well, if he has a good thing, it is pretty certain that he does.

Mr. ANDERSON. He would not participate in the last group unless he himself had a selling organization.

Senator JOHNSON. Do you mean to say that when he allocates to his correspondents he does not participate in any profit that is made?

Mr. ANDERSON. If he takes down bonds for his own account to sell at retail, he then participates all the way through.

Senator JOHNSON. Why, of course.

Mr. ANDERSON. But if he does not sell at retail he does not necessarily participate in all those commissions.

Senator JOHNSON. Oh, these larger institutions have their card index of correspondents with whom they deal whenever they take a large bond issue; correspondents all over the country.

Mr. ANDERSON. That is largely true, that you have a list of institutions you do business with.

Senator JOHNSON. And they allocate to those institutions so many bonds.

Mr. ANDERSON. Not necessarily that. They offer them a participation.

Senator JOHNSON. Oh yes; and we will change the phraseology if you wish. They offer them so much.

Mr. ANDERSON. I am speaking from our own experience.

Senator JOHNSON. They offer them so much. And if they take it, why, of course, the original house participates in the profits that are made. That is true, is it not?

Mr. ANDERSON. Yes.

Senator JOHNSON. Why, of course. Now, we have the system down very clearly, I think.

Mr. ANDERSON. There is one thing I want to say: You referred to international bankers. It is more or less the practice in all investment banking.

Senator JOHNSON. Do you object to the term "international banking"?

Mr. ANDERSON. That would apply only to foreign loans.

Senator JOHNSON. Any term you care to use in that regard I will not object to. What I am driving at is not any terminology concerning any particular individuals who are particularly employed to do either kind of business. But we have that down accurately now. Let us see if we can figure out from some of these things how you reach these figures.

The CHAIRMAN. Just one question right there, Senator Johnson.

Senator JOHNSON. Certainly, Mr. Chairman.

The CHAIRMAN. Supposing there is a spread between the original purchase price of bonds of 5 per cent, that is, between the original purchase price and the sale price of those bonds to the individual; and in that spread there have been five different institutions handling the sale of the bonds. Do I understand you to say that the original purchaser, or the concern that makes the contract for the purchase of the bonds with the foreign country—and in the first sale I understand that he gets all or a part of the spread between the original price and the price to the parties that take the bond; but then does the original purchasers when the first one, make the purchase price to another group of people, who purchase at an advance, does the original purchaser then participate in the spread between the first purchase and the second purchase?

Mr. ANDERSON. If he is a member of that second group he participates pro rata according to the number of participants in it.

The CHAIRMAN. In other words, he has to be a member of it in order to participate?

Mr. ANDERSON. Yes.

The CHAIRMAN. And in the third group it would be the same way?

Mr. ANDERSON. Yes; but the more the groups, the smaller the participation.

The CHAIRMAN. I know that the participation then is less but I wanted to know the theory of it. In other words, the original purchaser may be interested in the first sale, and in the second sale, and in the third sale, or in a fourth sale.

Mr. ANDERSON. That is right.

The CHAIRMAN. According to percentage of responsibility he takes in each of those sales.

Mr. ANDERSON. Yes.

Senator KING. Is it the rule that he does participate in all these various groups?

Mr. ANDERSON. It depends upon the organization I should think. The originating house would probably not participate in the last group, would not take down bonds in the last group unless it had a retail organization itself to sell bonds.

Senator KING. Do the most of these investment banks have selling organizations, or are there some banks that are interested only in making the first deal, between the company or nation or municipal government issuing the bonds and then transmitting them to some other organization?

Mr. ANDERSON. I think I can answer that by referring specifically to Chase Securities Corporation founded in 1917, and from 1917 to 1927 it had no retail organization whatsoever.

Senator KING. It was satisfied, then, with one commission?

Mr. ANDERSON. Just the underwriting operations.

Senator KING. All right.

Senator SHORTRIDGE. Who fixes the price at which the bonds are sold to the public?

Mr. ANDERSON. There are various factors which go into determining that price. If you have other organizations interested with you on the original terms you usually confer with them as to the marketability of the bonds, what price they feel the bonds can be sold at in the market. And the other factors are, the prices which other bonds of a similar nature and already issued and outstanding in the market are selling at. It is all relative to the other securities of a similar nature which are already outstanding. You would not sell a new issue of bonds higher than an issue already outstanding. You could not sell them then, for people would not want to buy those bonds but would buy other bonds already outstanding.

Senator SHORTRIDGE. Speaking generally, are they sold at the same figure throughout the United States?

Mr. ANDERSON. Oh, yes; the retail price is fixed throughout the country, the final price.

The CHAIRMAN. Take J. P. Morgan & Co., do they consistently follow the course of taking an interest in all of the different stages of sales?

Mr. ANDERSON. I could not tell you that. I do not know what their actual practice is.

The CHAIRMAN. And you would not say as to any other bond house?

Mr. ANDERSON. I should rather not make a statement on that. I do not know.

The CHAIRMAN. You do not know about that?

Mr. ANDERSON. No.

Senator THOMAS of Idaho. Just what steps are taken to list these bonds on the stock exchange?

Mr. ANDERSON. Foreign bonds which are listed on the stock exchange comply in every respect with the requirements of the stock exchange as regards listing.

Senator THOMAS of Idaho. You take an issue, say, of $100,000,000 of foreign bonds, then you make application immediately to have those bonds listed on the stock exchange, before you offer them to the public?

Mr. ANDERSON. No; after the offering has been made.

Senator THOMAS of Idaho. You do not have them listed on the stock exchange until after they have been passed on to the public?

Mr. ANDERSON. Yes; that is it.

Senator THOMAS of Idaho. How do you establish a market on the exchange for them?

Mr. ANDERSON. They very likely would be put on the curb market first.

Senator THOMAS of Idaho. On the curb exchange?

Mr. ANDERSON. Yes; they would be put there very likely first. But that is not always true. It is a difficult question to answer as a generality. On certain of these issues the market is definitely made on the curb first, for the time being, pending their being put on the big board.

Senator THOMAS of Idaho. When they are put on what you call the big board then they are dependent for a market upon the public.

Mr. ANDERSON. Yes; and——

Senator THOMAS of Idaho (continuing). Are they dependent upon the public for their market, or do you furnish some support for the market?

Mr. ANDERSON. It is usually a free market after the expiration of the selling group agreement, which is usually a period of 30 days.

Senator THOMAS of Idaho. For instance, say I am out in the country. You offer me an allotment of these bonds. I buy the bonds at a certain price quoted by you, and then in a few days I find that they are quoted on the market, at a certain price, maybe about the same price at which I have purchased them, or more or less as market conditions might warrant. What I am getting at is this: What does your house do in order to maintain that market? How long do you attempt to maintain a market for the bonds?

Mr. ANDERSON. Well, while the syndicate is in force, and the syndicate agreement usually provides that bonds can not be sold at a price lower than the listing price.

Senator THOMAS of Idaho. But I am one of the public that buys the bonds. I am not in the syndicate, and you sell me some of these bonds.

Mr. ANDERSON. After the syndicate has expired it is a free market. It is a question of demand to buy the bonds that keeps them up.

Senator THOMAS of Idaho. Is it your policy, and let us take some of these smaller issues that do not have wide marketability, is it your policy to support the market for them?

Mr. ANDERSON. There is some of that done in the formation of what is called a trading account, to keep them stable.

Senator THOMAS of Idaho. After they have been passed on to the public.

Mr. ANDERSON. Yes; after they have been sold to the public.

Senator THOMAS of Idaho. You do try to support the market so that they may not sell abnormally low?

Mr. ANDERSON. For a certain period of time; yes.

Senator THOMAS of Idaho. For about how long a period of time?

Mr. ANDERSON. That would vary. If general market conditions were good that would not be necessary at all. If there is a somewhat unstable situation of the market right at the time, you might keep it up for a month perhaps, just to keep the market firm for that period of time.

Senator THOMAS of Idaho. But it is the policy in the case of securities that you circulate for all of the different principals to support the market, so that if one of your customers wants to sell a bond he has purchased the market will be kept up so that he may dispose of his bond.

Mr. ANDERSON. That is the idea.

Senator SHORTRIDGE. You try to maintain a market, as I understand it, until you have disposed of the bonds, until you have recovered enough to pay for what they cost you.

Mr. ANDERSON. There is no market until the bonds have been disposed of.

Senator SHORTRIDGE. You dispose of them to some immediate syndicate, do you not?

Mr. ANDERSON. Until the bonds are sold there is no chance of having a market in them.

Senator KING. Until after they get out among the public.

Senator SHORTRIDGE. Pardon me for going over this well-trodden path so many times, but you buy bonds, we will say, and you turn them over to a syndicate made up of four or five houses, and then that group turns them over to another and larger group, and that group makes haste to dispose of them to the public, is that right?

Mr. ANDERSON. They dispose of them to the public; yes.

Senator SHORTRIDGE. Your interest in those bonds ceases at what point, or when does it cease?

Mr. ANDERSON. Well, it does not definitely cease at any particular point, because a house that has originated an issue naturally feels responsible for the issue.

Senator SHORTRIDGE. When does your moral or legal responsibility or legal liability cease?

Mr. ANDERSON. The legal liability would cease when the purchase price has been paid to the borrower. But we have a liability, or the originating group has a liability until the corporation that is borrowing the money, or the government, or whatever it is that is borrowing the money has received that money. After it has received that money the bonds have been taken up in one way or another; they may have been taken up by a syndicate or sold to the public.

Senator SHORTRIDGE. You say you sometimes take over a whole issue. Do you immediately pay for them or do you defer payment until you have disposed of them?

Mr. ANDERSON. You usually set a delivery and a payment date in your selling group agreement, possibly five days or a week after the date of offering. On that day everybody who has purchased bonds in the syndicate must arrange to pay the originating group and take delivery of bonds. In other words, arrange payment in New York or they may arrange payment in Chicago.

Senator SHORTRIDGE. You do not pay for the bonds outright?

Mr. ANDERSON. No.

Senator SHORTRIDGE. You do not buy the bonds and pay for them outright and then undertake to dispose of them in the way you have described.

Mr. ANDERSON. Your contract with a government or borrower usually provides that within, say, two weeks after issue the government or borrower will be placed in funds.

Senator SHORTRIDGE. And in that period of time you have sold the bonds and received the proceeds to pay for them?

Mr. ANDERSON. Yes, sir.

Senator THOMAS of Idaho. Are the most of these bonds sold on the reputation of the issuing house—I mean on the reputation of the investment merchant who sells the bond, like the Chase Securities Corporation, which has a good reputation with the public—or on the strength of the bonds themselves? In other words, say I am in the country and one of the public; when I buy one of these bonds do I buy it on the merits of the bonds, or do I buy it on the reputation of your house?

Mr. ANDERSON. Well, a house with a good reputation would probably not sell a bond that was not good.

Senator THOMAS of Idaho. That is what I thought. Well, then, the reputation of these bond merchants has been rather injured because of the drop in these bonds, has it not?

Mr. ANDERSON. The drop has been so general in all foreign securities that I do not think their reputation has been seriously affected simply by the drop in the price of bonds.

Senator THOMAS of Idaho. The point I am making is, that the investing public would now be a little more careful in scrutinizing bonds before making an investment than was the case before this crash.

Mr. ANDERSON. I think that is true.

Senator THOMAS of Idaho. The investing public is, generally speaking, not in a position to carefully scrutinize foreign bonds, or being able to tell whether a bond is good or not that is issued by a foreign country, and they have to depend laregly upon the reputation of the issuing house.

Mr. ANDERSON. They of course have to depend upon the information that is printed in the prospectus or circular concerning the issue, which gives the salient points of the issue and of the country by which the issue is made. That prospectus is a document signed by the borrower.

Senator THOMAS of Idaho. I am quite familiar with prospectuses, but what I am wondering about is, and I realize there is no legal obligation upon the issuing house, but isn't there a moral obligation on the issuing house for offering issues to the public that are now worthless?

Mr. ANDERSON. Yes.

Senator THOMAS of Idaho. Certainly, I think there is.

Senator KING. Let me see if I understand your thought, Senator Thomas. Suppose your bank in Idaho should be asked by an irrigation company in your neighborhood to take over $10,000 of bonds that they propose to issue in order to extend their ditch, and your bank would assume that responsibility and you would sell those bonds to the people out there. Would you feel that there was a legal or a moral obligation, or either, on your bank?

Senator THOMAS of Idaho. I would feel that there would be no legal liability, but in the handling of that kind of matter with country customers where there is no chance for them to be properly informed, I do feel that there is a moral obligation. And the institution I have been connected with has always made that obligation good.

Mr. GRANBERY. If I might interrupt right there, in case a bond is in default quite naturally the original issuing house, or houses as the case may be, use their best efforts, and both time and money, to try to correct the default and make the bond good. And that has been accomplished in many cases.

Senator THOMAS of Idaho. Do you lose interest in the bonds or do you keep on following them?

Mr. GRANBERY. There is a continuing interest.

Senator JOHNSON. You do not mean to say that you put your capital into defaulted interest or principal of bonds.

Mr. GRANBERY. We put our money more or less into defaulted situations to try to make them good.

Senator JOHNSON. As to such a defaulted issue you do what you can to make the bonds good, but you do not actually take up the bonds in order to make them good. I do not want you to get that idea into the record.

Mr. GRANBERY. Oh, you could not tie your capital up in those bonds, or you could not do any more business.

Senator JOHNSON. I thought your implication was of that sort. Now to proceed: Take the city of Nuremberg 6 per cent bonds, where the Equitable Trust Co. had a 100 per cent interest, and let us go through it in detail and see why that three and a half spread you received provided only $32,000. It is obvious that on a $5,000,000 loan a 3½ per cent spread would be a $175,000 profit if there were no intervening interests. Can you go through that and tell us about it?

Mr. ANDERSON. I have no details of that, but will be glad to furnish them later if you would like them.

Senator JOHNSON. I should be glad to have one of them given to us in order to explain this matter.

Mr. ANDERSON. I submitted one which is more or less the usual type of operation.

Senator JOHNSON. Now, the city of Medellin, $3,000,000. Are there any other bonds outstanding for the city of Medellin, or have you sold any others than this particular issue of $3,000,000, said to have been retired?

Mr. ANDERSON. This was the only issue originated by the Equitable Trust Co.

Senator JOHNSON. Well, is there any other issue?

Mr. ANDERSON. I believe there is an outstanding issue of bonds.

Senator JOHNSON. Do you know what has happened to them?

Mr. ANDERSON. I could not tell you offhand.

Senator JOHNSON. You do not recall?

Mr. ANDERSON. I do not recall.

Senator JOHNSON. Now, can you take that issue, where the Equitable Trust Co. had a 100 per cent interest, the issue being for $3,000,000, and where the spread was eight, and where you have shown a profit of $120,000, could you go through that in detail?

Mr. ANDERSON. I have a part of the details on that right here.

Senator JOHNSON. All right. Give them to us.

Mr. ANDERSON. The Equitable Trust Co. purchased these bonds at 90, and turned them over to a selling syndicate at 93½, leaving a gross spread of 3½ points in the purchase account. The selling syndicate offered the bonds to the public at 98, leaving a gross spread in the selling syndicate of 4½ points, of which 2 points represented selling commission.

Senator JOHNSON. Who got the selling commission?

Mr. ANDERSON. The members of the selling syndicate.

Senator JOHNSON. Was it anybody associated with the Equitable Trust Co. originally?

Mr. ANDERSON. Not in the original purchase.

Senator JOHNSON. All right. Then the Equitable Trust Co. purchased them for 90, is that correct?

Mr. ANDERSON. That is right.

Senator JOHNSON. And the first step-up price was what?

Mr. ANDERSON. Ninety-three and a half.

Senator JOHNSON. How many were in the second group?

Mr. ANDERSON. I have not got that figure here. There was a selling syndicate which presumably would mean that there were some one hundred or so dealers.

Senator JOHNSON. That is, in the second group?

Mr. ANDERSON. There were not two groups in this case. It was a small issue.

Senator JOHNSON. First there would be three and a half to the Equitable Trust Co.

Mr. ANDERSON. Yes, sir.

Senator JOHNSON. And that would be $105,000.

Mr. ANDERSON. That is right.

Senator JOHNSON. And on the first step-up the Equitable Trust Co. made $105,000. All right. Then you have four and a half increase in the sale. Out of that $15,000 only was made by the Equitable Trust Co., is that correct?

Mr. ANDERSON. That is right. That would be their pro rata participation in the selling group.

Senator JOHNSON. All right.

Senator KING. Let me ask right there: Is your technique in the disposition of domestic bonds substantially the same as in the disposition of foreign bonds?

Mr. ANDERSON. Yes, sir.

Senator KING. And you charge about the same in the step-ups in the matter of percentages and profits?

Mr. ANDERSON. Those are probably similar, depending of course on who are the borrowers and the types of organizations.

Senator JOHNSON. When you speak of domestic bonds, what kind of domestic bonds do you refer to?

Mr. ANDERSON. To municipal bonds, public utility bonds, corporate bonds.

Senator JOHNSON. You do not mean governmental or municipal bonds, do you?

Mr. ANDERSON. In the case of municipal bonds the spread is very small.

Senator JOHNSON. You are required under the laws of most municipalties to obtain a particular price, are you not?

Mr. ANDERSON. I think they set a minimum price in the competitive bids.

Senator JOHNSON. And most municipalities require substantially speaking par, do they not?

Mr. ANDERSON. Yes.

Senator JOHNSON. Now, if you will, please, let me take one issue with you, Mr. Granbery. I want to get the profits, and the mode of computation of them, accurately, if it be possible to do so. Take the Pomeranian Electric 6 per cent bonds, May 1, 1928 to May 1, 1953, the principal amount being three and a half million dollars. Harris, Forbes & Co. had 100 per cent in the original group, is that correct?

Mr. GRANBERY. Yes, sir.

Senator JOHNSON. The purchase price was 88, is that correct?

Mr. GRANBERY. Yes, sir.

Senator JOHNSON. And the offering price 92½?

Mr. GRANBERY. Yes, sir.

Senator JOHNSON. Your gross spread was four and a half?

Mr. GRANBERY. Yes, sir.

Senator JOHNSON. The gross profit is stated as $55,000?

Mr. GRANBERY. Yes.

Senator JOHNSON. Can you go through that and show me exactly how you arrive at the $55,000?

Mr. GRANBERY. I think I can illustrate practically all the deals. You will notice, Senator, that these deals which we have here are principally electric light company issues, and for much smaller amounts than the Government loans, so they are handled in a somewhat different way. As a matter of fact, every deal is handled a little differently from every other deal, which makes it very difficult to make a general statement covering the way all deals are handled. On this Pomeranian deal it was only three and a half million dollars. Harris, Forbes & Co. bought the entire issue by itself. It undoubtedly ceded to the Harris Trust & Savings Bank of Chicago one-third of the bonds, or, roughly, $1,100,000, at cost.

Senator JOHNSON. Why do you say they undoubtedly did so? Did they?

Mr. GRANBERY. Because we had, in Harris, Forbes & Co., an arrangement between the two organizations by which we gave each other business. If we bought a deal, we offered them an interest in it, and if they bought a deal they offered us an interest in it.

Senator JOHNSON. As a matter of fact, do you know, in respect to this particular deal, whether that was done?

Mr. GRANBERY. I am positive it was.

Senator JOHNSON. Very well; if you will proceed.

Mr. GRANBERY. Then we also ceded to Redmond & Co. and the International Acceptance Bank $500,000 at 1 per cent profit to ourselves, or $5,000. That would leave us with, roughly, approximately $2,000,000 bonds on hand which we owned, at a cost of 88. Then we offered those bonds ourselves at retail, and through these dealer organizations throughout the country, at a list price of 92½. The dealers go out and sell them to their customers, and they advise us——

Senator COUZENS. At what price?

Mr. GRANBERY. They sold it at 92½ to their customers.

Senator COUZENS. You said you sold them to them at 92½?

Mr. GRANBERY. We offered the bonds at retail at 92½ and the dealers were also offering at retail at 92½.

Senator COUZENS. At what price did you sell the dealer?

Mr. GRANBERY. We probably sold them to them at 90. That is an assumption on my part. That is the usual way it is done. They would say the next day "We want $5,000, $10,000, or $25,000 of bonds."

Senator COUZENS. Do most of these bond salesmen that go out to sell them at retail work on a commission basis or a salary basis?

Mr. GRANBERY. I would say that to my knowledge most of them work on what might be called a drawing account and commission.

Senator COUZENS. What commission?

Mr. GRANBERY. They would get a commission of anywhere from $1 to $4 on a $1,000 bond. It is different with every house, but anywhere from $1 to $4 on a $1,000 bond—something under one-half of 1 per cent; a quarter of 1 per cent or something like that. Did I answer your question, Senator Johnson?

Senator JOHNSON. I do not know whether you had concluded or not.

Mr. GRANBERY. I wanted to distinguish. On small issues you do not have to go through these various steps of getting various syndicates formed, because our original commitment there was only $2,000,000, or approximately two million, and it was not necessary to get other houses in to take part of that commitment, so we bought the bonds ourselves, offered them at retail ourselves, and sold them to other dealers at the list price less, I will assume, two and a half or some such commission, but they were selling on commission rather than being part of a syndicate. You will notice, if you look a little further down, that on the Prussian loan we had quite a large syndicate. That was because it was bigger business.

Senator JOHNSON. Free State of Prussia, 6 per cent bonds, October 15, 1927.

Mr. GRANBERY. The first issue of that was September 15, 1926.

Senator JOHNSON. That was a $20,000,000 issue.

Mr. GRANBERY. That was a $20,000,000 issue, at 6½ per cent. Those bonds were issued for electric enterprises and harbor development. I might say in this connection right now, Senator Smoot, that at various times I have heard these other witnesses testify, and requests have been made for circulars. If you want them, we will be very glad to put into the record all the circulars on these different issues.

Senator JOHNSON. I think you ought to put in two or three. I do not care for all of them; two or three will be sufficient.

Senator GORE. Mr. Chairman, may I ask a question at this time. I have to go to another committee meeting?

Senator JOHNSON. Go ahead, sir.

Senator GORE. Are you familiar with the British companies act, and the conditions which it imposes on underwriting houses, and the safeguards which it undertakes to erect?

Mr. GRANBERY. No, sir; I could not tell you that.

Senator GORE. Has your house ever sold bonds in Cuba?

Mr. GRANBERY. Cuba?

Senator GORE. Yes.

Mr. GRANBERY. No, sir.

Senator GORE. The Chase National Bank——

Mr. GRANBERY. Wait a moment, Senator. I did not answer what you had in mind. You were out of the room at the time I made the statement. The Chase, Harris, Forbes Corporation, as it is constituted to-day, is a consolidation, so to speak, of the bond business of the Equitable Trust, the bond business of Chase Securities, and the bond business of Harris, Forbes & Co. At the time these foreign loans were made they were three absolutely separate, distinct organizations.

Senator GORE. Was it the Chase National Bank that handled a loan in Cuba?

Mr. GRANBERY. Mr. Anderson was formerly with the Chase Securities, and he can answer your question, sir.

Mr. ANDERSON. We did, Senator Gore.

Senator GORE. What was the amount of that?

Mr. ANDERSON. We had two issues there, the first one being a serial issue, serial certificates, $20,000,000, which mature a certain amount each six months. The purpose of that issue was the construction of the highway throughout the island.

Senator GORE. Yes.

Mr. ANDERSON. Then there was an issue of 15-year bonds in an amount of $40,000,000, 5½ per cent bonds, for the same purpose.

Senator GORE. For the same purpose?

Mr. ANDERSON. For the same purpose; yes, sir.

Senator GORE. Did Stone and Webster cooperate with you in that sale?

Mr. ANDERSON. I think not.

Senator GORE. What concern constructed the road, do you remember? Was it Ullman?

Mr. ANDERSON. I believe Warren Brothers, of Boston.

Senator GORE. Did you have any connection with them, as to the construction of the road?

Mr. ANDERSON. Not in the actual financial transaction of the issue with the Government; no, sir.

Senator GORE. Was that concern affiliated with you at all in connection either with the flotation of the bonds or the construction of the highway?

Mr. ANDERSON. We knew that Warren Brothers were constructing the highway.

Senator GORE. But you had no interest in the construction end of it? Your concern had no interest in that?

Mr. ANDERSON. No, not al all. There were local contractors too, I believe.

Senator GORE. That is all I wanted to ask. I wanted to clear that up in my mind. You will have to excuse me.

The CHAIRMAN. All right, Senator.

Mr. GRANBERY. Which loan did you want to discuss?

Senator JOHNSON. Any one that you can go right through. You started on the Prussian Free State 6½ per cent bonds, September 15, 1926, $20,000,000.

Mr. GRANBERY. Senator, you have seen the way this is made up in this table which I have given you. There are the various banking groups and distributing groups mentioned which you have heard the other witnesses talk about. I have here one or two illustrations illustrating the way a deal is handled by us.

Senator JOHNSON. Let me ask you concerning the one about which we were first speaking. The interest in the original group was: Harris, Forbes & Co., 20 per cent; Brown Brothers, 20 per cent; Equitable Trust, 20 per cent; New York Trust, 20 per cent; and Mendellsohn 20 per cent.

Mr. GRANBERY. Yes.

Senator JOHNSON. Mendellsohn is Berlin, is it not?

Mr. GRANBERY. Amsterdam.

Senator JOHNSON. There were five, each with 20 per cent.

Mr. GRANBERY. Each had a $4,000,000 interest.

Senator JOHNSON. Your gross profit was $92,000.

Mr. GRANBERY. Yes.

Senator JOHNSON. Did each of the others make the same profit?

Mr. GRANBERY. Approximately the same. It depends on whether they sold any at retail or not.

Senator JOHNSON. But you would say approximately the same?

Mr. GRANBERY. The New York Trust Co. does not distribute bonds. They probably did not make nearly as much as $92,000.

Senator JOHNSON. Why would you make more?

Mr. GRANBERY. Because we sold bonds at retail, getting the retail selling commission.

Senator JOHNSON. Do you know how many syndicates you had there?

Mr. GRANBERY. We probably had no syndicate there. I am speaking from memory now.

Senator JOHNSON. Take the Prussian—

Mr. GRANBERY. I have a typical example here.

Senator JOHNSON. Of what?

Mr. GRANBERY. The German consolidated municipal loan.

Senator JOHNSON. All right.

Mr. GRANBERY. That is on the page ahead. You skipped a page, I believe. It is on the page before the one you were reading.

Senator JOHNSON. All right, sir.

Mr. GRANBERY. I have an illustration here of a $17,500,000 German consolidated municipal 6 per cent loan, issued on June 1, 1928, in which there are now $15,850,000 outstanding.

Senator JOHNSON. Correct.

Mr. GRANBERY. Harris, Forbes & Co. bought the entire issue. We then formed the purchase group.

Senator JOHNSON. Of whom?

Mr. GRANBERY. Composed of ourselves; Lee, Higginson & Co.; the Guaranty Co.; E. H. Rollins & Sons; and the Equitable Trust Co., with the percentages which are given above there.

Senator JOHNSON. That is, 46⅔ per cent to Harris, Forbes; 23⅓ per cent to Lee, Higginson & Co.; 13⅓ per cent to the Guaranty Co.; 8⅓ per cent to Rollins; and 8⅓ per cent to the Equitable Trust Co

Mr. GRANBERY. Yes; and we made one-eighth per cent on the formation of that syndicate.

Senator JOHNSON. So, first, you received one-eighth per cent?

Mr. GRANBERY. Yes, sir.

Senator JOHNSON. Then what?

Mr. GRANBERY. We bought the bonds at 91½. We formed that syndicate at 91⅝, that group that we just read.

Senator JOHNSON. Yes, sir.

Mr. GRANBERY. So, there were five principals. We then formed a banking group at 92, or three-eighths per cent above that price.

Senator JOHNSON. How many were in that?

Mr. GRANBERY. In that group there were five of the principals, the five original principals, and 76 dealers, or a total of 81 participants. The five principals had an interest in that banking group of $11,480,000, and the 76 dealers had an interest of $6,020,000. That was at 92. The bonds were offered to the public at 94½. Any one of this group that sold bonds at 94½ received a 2 per cent selling commission for making the sale. The five principals combined sold $4,085,000 at retail. The 76 dealers sold $6,565,000. Other dealers were offered the bonds with only a selling commission. They did not have any liability. There were 679 of those dealers, and they sold $6,325,000, and we made one foreign sale of $520,000, making the total number of participants 761 selling the $17,500,000 bonds.

Senator JOHNSON. On that you made a profit of $82,000?

Mr. GRANBERY. On that Harris, Forbes & Co. made a profit of $82,000.

Senator JOHNSON. I do not care to ask any further question of these gentlemen.

The CHAIRMAN. I have not any other witness here this afternoon on account of the illness of Mr. Speyer, so we will adjourn until to-morrow morning at 10 o'clock.

Mr. GRANBERY. May I put one thing into the record?

The CHAIRMAN. Yes.

Mr. GRANBERY. I wanted to speak about the investigation which we made before we purchased any of these issues. That point has been raised. The question has been asked of other witnesses about the investigation which was made, and I wish to state that we make a very thorough investigation of the security and the legal details of all these issues, both foreign and domestic, before we handle and recommend the bonds to our customers.

I can divide the investigation into six different points.

First, we make a detailed study, through our corporation buying department, of the following:

(*a*) Nature and scope of the company's activity.

(*b*) Territory served.

(*c*) Property and business.

(*d*) Analysis of load and power sales by classes.

Practically all these are electric-light companies.

(*e*) Power and gas contracts.

(*f*) Rates.

(*g*) Franchises and competition.

(*h*) Public relations.

(*i*) Governmental and State regulation.

(*j*) Possibilities of future growth.

Second, a study of ownership and management of the company.

Third, a detailed study of an examination and appraisal of properties by independent American engineers.

Fourth, a detailed study of examination and audit of earnings and balance sheet position of the company, covering a period of years, by American certified public accountants.

Fifth, a detailed study of various legal aspects of the situation investigated by our counsel, covering:

(*a*) Organization and incorporation of the company.

(*b*) Titles to property.

(*c*) Franchises.

(*d*) Security.

(*e*) Mortgage or indenture with due care as to the provisions to be included.

Sixth, the discussion of the favorable and unfavorable features leading to conclusions as to the desirability of making the loan.

Senator JOHNSON. Were you interested in any of the Bolivian loans?

Mr. GRANBERY. No, sir.

Senator JOHNSON. Were you interested in the Brazilian loans?

Mr. GRANBERY. No, sir.

Senator JOHNSON. You had no participation with either one?

Mr. GRANBERY. No, sir.

Mr. ANDERSON. The Equitable Trust Co. had participation in the Bolivian 8 per cent loan in 1922. I think the Chase Securities Corporation or the Equitable had a very minor interest in the distributing group on the Brazilian loans.

Senator JOHNSON. I took it that the investigation that was asserted just now, that was read very well by your colleague here, applies to you as well.

Mr. ANDERSON. It applies equally to us.

Senator JOHNSON. Did you make that investigation about the Bolivian loan?

Mr. ANDERSON. As I say, the Equitable Trust Co. had participation with others.

Senator JOHNSON. Do you know whether they made any investigation?

Mr. ANDERSON. I am quite sure.

Senator JOHNSON. Do you know what the loan was used for?

Mr. ANDERSON. I could not tell you offhand.

Senator JOHNSON. Are you aware of the fact that there was $5,000,000 used to pay Vickers for munitions of war?

Mr. ANDERSON. No.

Senator JOHNSON. Do you recall the fact that at that time there was difficulty between Bolivia and Paraguay, or Uruguay, and a war almost resulted, in which our State Department took an interest?

Mr. ANDERSON. That was before the time I was in the security business.

Senator JOHNSON. You do not know anything about that?

Mr. ANDERSON. No, sir.

Senator JOHNSON. Do you know anything about the Brazilian loans, as to the activities of the then President of Brazil, in respect to them?

Mr. ANDERSON. No. We had nothing to do with the origination of any of the Brazilian Government loans.

Senator JOHNSON. And no participation in them?

Mr. ANDERSON. Very minor participation in the distributing group, I believe.

Senator JOHNSON. Did you make your investigation, as a member of the distributing group, as to those Brazilian loans?

Mr. ANDERSON. As a member of the distributing group, or as a member of the selling group, you base your taking or not taking on the prospectus.

Senator JOHNSON. You base it on the——

Mr. ANDERSON. You rely on the originating house.

Senator JOHNSON. Upon the original purchaser or the original agent?

Mr. ANDERSON. Yes.

Senator JOHNSON. That is all.

Mr. GRANBERY. May I also say, Senator Smoot, that all the German bonds—in fact, all the foreign bonds originated by Harris, Forbes & Co., are promptly paying their interest and sinking fund.

Senator JOHNSON. How much was the Bolivian loan you participated in?

Mr. ANDERSON. I think the authorized amount was $29,000,000.

Senator JOHNSON. $29,000,000.

The CHAIRMAN. We will adjourn until 10 o'clock to-morrow morning.

(Whereupon, at 3.20 o'clock p. m., the committee adjourned until to-morrow, Wednesday, January 6, 1932, at 10 o'clock a. m.).

THE CHEMICAL FOUNDATION (INC.),
New York City, December 31, 1931.

Hon REED SMOOT,
Chairman, Senate Finance Committee, Washington, D. C.

MY DEAR SENATOR SMOOT: As President of the Chemical Foundation, instituted by the United States Government to encourage chemical industry and research for the protection of the people of the United States in their national defense, in their public health, and in the improvement of their standard of living, it becomes my duty in reference to the subject matter now before your committee to call your attention to certain foreign loans which have been made by our bankers in direct hostility to those interests.

In the first place, the American chemical industry has been under the particular protection of this committee since the days in 1914 when the war forced upon us all the realization that we were indeed "dependent America"—dependent for our dyes, for our drugs, for our fertilizers, for our explosives, etc., etc. It is needless to refer back to Bernstorf's telegram to his home office, directing the shutting off of dyes and thus throwing 4,000,000 men in America out of work; to refer back to Hossenfelder's report that the cries of the hospitals here were growing ever louder and louder and urging upon Germany to continue her policy of shutting off drugs such as salvarsan, for our 10,000,000 syphilitics, luminal for our epileptics, etc., etc. Those days are past—one after another these powers of blackmail by foreign nations have been removed by the persistent development of our chemical industries until to-day we can safely say that our chemists have successfully conquered fertilizers (nitrates from the air, potash, etc., drugs (100 per cent independent), dyes (94 per cent independent), iodine, artificial silk, plastics, and now, at last, rubber, leaving only coffee and tin in the hands of any foreign nation for the exertion of pressure upon the freedom of this Congress and this people.

When we state that this great national independence has been achieved by the American chemical industry, we mean with the full cooperation of this committee and of Congress, of all the administrations from President Wilson on, of all the colleges and schools in the country, and of all the people in general with the single exception of these international bankers who have never cooperated with American chemistry, but who, on the contrary, have been persistently borrowing the savings of the American people and, for the bribe of huge commissions, have been loaning these savings to the international chemical cartel, or its constituent companies or allies, the cartel whose success is necessarily based upon the destruction of our industry and our independence.

Irrespective of the present investigation, I earnestly request your committee to make a careful investigation of this great cartel, with its branches even in our own country, which is being built up and nourished by American money, handed to them by so-called American bankers.

As your committee has so well understood in reference to these foreign loans in general, the evil has been—

First. The loss forever of a great part of the $15,000,000,000 loaned abroad;

Second. The loss, during this period of great strain, of the basis of credit which this $15,000,000,000 would have constituted, had it been kept at home. Economists estimate this as at least the loss of seventy-five billions of credit, or five times the base, for which this country is now suffering;

Third. The loaning of the $15,000,000,000 to foreign competitors of our own manufacturers;

Fourth. Providing the foreign competitor with credit equal to five times the loans, based on the loans.

All these evils can be seen in their intensified form in the international bankers' loans to foreign competing chemical industries. Our chemical industry is faced, not only in our own country, but throughout the world, with competitors whose pockets are filled with American savers' money, and with the ability to extend long-time credit based thereon, competitors who either never intend to repay their loans, or who intend to buy them up in a depreciated market at 10 or 20 cents on the dollar.

The only defense these bankers have been able to suggest for themselves is that they were encouraging foreign trade. Your Commerce Department will expose this fallacy in detail to you, but the whole fallacy appears in the fact that Germany's export trade to-day, with her natural resources and only sixty millions of peoples, has been built up under these foreign loans until it equals our own export trade, with our natural resources and our one hundred and twenty millions of peoples—she, the borrower, and we, the lender! The truth is, the world borrows in our market and buys in the cheapest market, or in the case of a monopoly, in the only market.

The following is a list of a few of the loans which I have been able to learn about with my meager facilities. I ask your committee to exert its full powers of subpœna and cross-examination to expose this menace to our people. If not exposed and checked, it threatens our national defense, our public health, and our standard of living. In addition to these loans, full examination should be made into short-term loans, direct loans upon their own securities, and every other form of subterfuge under which our own money is being used to cut our own throats:

NITRATE COMPANIES COMPETING WITH AMERICAN MANUFACTURERS, WHICH HAVE BEEN FINANCED BY AMERICAN MONEY

ANGLO-CHILEAN CONSOLIDATED NITRATE CORPORATION

$16,500,000. Twenty-year 7 per cent sinking fund debenture bonds, issue price, 100; present market price, 7. Issued November 1, 1925. Due November 1, 1945. Issued by Lehman Brothers, Blair & Co. (Inc.), and Goldman, Sachs & Co.

THE LAUTARO NITRATE CO. (LTD.)

$32,000,000. First mortgage 6 per cent convertible gold bonds, due 1954. Issue price, 99; present market price, 9. Issued July 1, 1929, due July 1, 1954, Issued by the National City Co., Bankers Co. of New York, Brown Bros. & Co., Lehman Bros., and Continental Illinois Co.

NORWEGIAN HYDRO-ELECTRIC NITROGEN CORPORATION [1]

$20,000,000. Refunding and improvement gold bonds, series A 5½ per cent. Issue price, 95; present market price, 52½. Issued November 1, 1927, due November 1, 1957. Issued by The National City Co.

RUHR CHEMICAL CORPORATION (GERMANY)

$4,000,000. Sinking fund mortgage, 6 per cent, series A, due April 1, 1948. Issue price, 92¼; present market price, 20 to 25. Issued April 1, 1928, due April 1, 1948. Issued by Dillon, Read & Co., International Acceptance Bank (Inc.), and J. Henry Schroeder Banking Corporation.

Issued April 1, 1928, due April 1, 1948. Issued by Dillon, Read & Co. International Acceptance Bank (Inc.), and J. Henry Schroeder Banking Corporation.

Also a private loan of $34,000,000 issued by the National City Co. to the recently organized Chilean Nitrate Co., known as "Cosach," which is capitalized at $375,000,000. $20,000,000 of this sum, according to newspaper statements attached, were sold in this country.

The Ruhr Chemical Corporation is engaged in the manufacture of ammonia, nitric acid, and fertilizer. The use of American capital to develop this company is of interest at the present time in view of an agreement recently entered into between France and Germany for the purchase of fertilizer of German manufacture. The Ruhr Chemical Corporation is a member of the German nitrogen cartel.

Before the Great War we were entirely dependent upon Chile for the nitrogen that went into our high explosives and a large part of the nitrogen which was used for fertilizers. To-day, thanks to the efforts of our chemists, we are independent of Chile, or any other country, for the nitrogen so necessary in either peace or war.

The effectiveness of our own production upon our imports of Chilean nitrate is disclosed by the fact that in 1928 we imported 1,032,918 long tons of Chilean nitrate of soda; in 1930 the importation had dropped to 567,894 long tons, with the outlook for the year 1931 of an even greater diminution. The production of synthetic nitrate of soda in this country has also had a tremendous effect on the price of this fertilizer to the farmer. In December, 1928, the price per 100 pounds of sodium nitrate in this country was $2.07½ per 100 pounds; now the price is $1.67 per 100 pounds.

The fixation of atmospheric nitrogen in the United States grew slowly from the close of the war until 1926, when private enterprise fixed about 13,000 tons of nitrogen. Then production began to expand. By 1928 it had risen to 26,000 tons of nitrogen, in 1929 to 84,000 tons, and in 1930 to 140,000 tons.

The figures given above are production figures. The growth of capacity is even more striking. In 1926 capacity had risen to 30,000 tons, in 1929 to 135,000 tons and in 1930 to 175,000 tons. New plants and new units of existing plants, have

[1] Since 1097 the company has been manufacturing nitrates and fertilizers by the electric arc process and has recently arranged with the I. G. Farbenindustrie for the adoption of the Haber-Bosch ammonia process, now in successful use in Germany, which will permit the company to increase its capacity to an equivalent of 535,000 tons of nitrate of lime a year, or over two and one-half times its present production capacity.

given us a capacity in the year 1931 of approximately 300,000 tons of pure nitrogen. This is the equivalent of more than 1,800,000 tons of nitrate of soda.

If the United States should become involved in a war of major proportions, it would require for military explosives a maximum of less than 140,000 tons of nitrogen annually. The situation in event of war, therefore, is briefly as follows:

	Tons
Needed for agriculture	350,000
Needed for military purposes	150,000
Needed for industry	100,000
Total	600,000

To meet these needs we shall have the following capacities by the close of this year:

	Tons
By-product	200,000
Synthetic	300,000
Organic	50,000
Total	550,000

In other words, there will be a shortage of only 50,000 tons which can readily be covered by increasing the capacity of our synthetic and by-product plants. As these are readily susceptible of a 10 to 20 per cent increase, our practical independence for peace and war needs combined is assured.

The United States also has been dependent upon Chile for its supply of iodine, an indispensable antiseptic. American chemists have found a way of producing iodine in this country, and in case of an emergency could produce the amount sufficient to meet the needs of our country.

AMERICAN I. G. CHEMICAL CORPORATION

$30,000,000. 5½ per cent convertible debentures guaranteed by German I. G. Issue price, 95; present market price, 59. Issued May 1, 1929, due May 1, 1949. Issued by the National City Co., International Manhattan Co., Lee, Higginson & Co., Harris, Forbes & Co., Brown Bros. & Co., Bankers Co. of New York, the equitable Trust Co. of New York, Continental Illinois Co.

The bonds of the American I. G. are convertible into common "A" stock. Perhaps for the first time in the history of financial issues in America, the company is given the right to redeem these common "A" shares, in all or in part, in cash, at a price to be fixed by its market value, irrespective of its actual value. In other words, the German I. G. has it within its power to always take back the 100 per cent ownership of the common stock of this corporation upon terms which can be manipulated by itself.

The international dye cartel until recently was composed of Germany, France, and Switzerland, but now includes England. Your committee will note that England and France, our largest foreign debtors, have joined hands with Germany in an agreement to divide the markets of the world for the sale of dyestuffs in direct competition with our American manufacturers.

Reports of this international cartel say that the agreement for a world dye cartel is designed primarily for an exchange of information and discoveries, as well as the control of competition approximately within the lines of the present division of world markets among the major companies. German chemical trade circles believe that the reaching of this agreement is especially noteworthy because the British interests adhered to it before the present government has reached a decision on the future trade policy of Great Britain. The new world agreement in synthetic dyestuffs does not include the American market. The reason for this is obvious.

The inclusion of Great Britain in the international dye cartel is due to the efforts of Dr. Carl Bosch, chairman of the executive committee of the I. G. Farbenindustrie, a great German chemical monopoly. Doctor Bosch is also chairman of the board of directors of the American I. G. Chemical Corporation which he caused to be formed in this country in 1929. This latter company is owned and controlled by the German company. Soon after its organization, a syndicate headed by the National City Co. floated the loan of $30,000,000 of 5½ per cent convertible debentures guaranteed by the German I. G.

The full board of directors of the American I. G. is as follows:

Prof. Dr. Carl Bosch, chairman of the executive committee, I. G. Farbenindustrie; Mr. Walter Teagle, president Standard Oil Co. of New Jersey; Mr. Charles E. Mitchell, chairman the National City Bank of New York; Mr. Edsel B. Ford, president Ford Motor Co.; Mr. Paul M. Warburg, chairman International Acceptance Bank (Inc.); Mr. Adolf Kuttroff; Mr. H. A. Metz, president General Aniline Works (Inc.); Mr. W. E. Weiss, vice president, Drug (Inc.); Dr. Herman Schmitz, member executive committee, I. G. Farbenindustrie; Dr. Wilfrid Greif, member, executive committee, I. G. Farbenindustrie.

According to the book American Loans to Germany by Robert R. Kuczynski, in conjunction with the Institute of Economics, of Washington, D. C., the following private short term loans were made to German industries in direct competition with American industries:

[Oil, Paint and Drug Reporter, December 29, 1930]

[Journal of Commerce, January 15, 1931]

[New York Times, March 19, 1931]

Date	Borrower	Creditor country	Managing banks	Nominal capital	Maturity	Interest rate
September, 1924.	Elbenfeld Dye Works, chemical factory, Griesheim.	America.	Dillon, Read & Co.	$2,500,000	April, 1925[1]	
December, 1926.	Dye Industry I. G.	do		4,500,000		
September, 1924.	Potash Syndicate	do	Chase National Bank.	6,000,000		
January, 1925.	Wintershall (potash)	do	do	10,000,000		7½
April, 1925.	Potash Industry (Inc.) Cassel.	do	do	2,000,000	Jan. 23, 1926[2].	9

[1] Six months.
[2] Nine months.

Very truly yours,

FRANCIS P. GARVAN.

[Oil, Paint and Drug Reporter, December 29, 1930]

CHILEAN NITRATE LOAN COMBATTED BY GARVAN—CHEMICAL FOUNDATION PRESIDENT CALLS ON BANKS NOT TO JEOPARDIZE UNITED STATES

Financial institutions in the United States are being urged by Francis P. Garvan, president of the Chemical Foundation, this city, to refuse to participate in the proposed financing of the Chilean nitrate of soda combine. Mr. Garvan declares that the unification and development scheme of the Chilean nitrate producers, by reason of the understandings existing between them and the German producers of synthetic nitrogen fertilizers, is nothing other than a step toward the strengthening of foreign competition against the nitrogen industry of the United States.

In a telegram sent December 22 to 5,000 banks in all parts of the United States, Mr. Garvan said:

"Information reached United States banks of country about to be asked to loan one hundred millions of money of their wards and depositors to Chilean Government and Chilean-German nitrate cartel. Request you not to foster this attempt to send our funds to aid German and Chilean interests in destroying our nitrate industry which is backbone our national defense and agricultural progress. It is question of banking morality and patriotism. Will send you complete analysis of situation immediately offering is announced."

With a view of interesting Congress and administration officials in the national welfare aspect—as he sees it—of the proposed Chilean financing, Mr. Garvan sent, December 23, to the Members of Congress and to a number of high Government officials the following telegram:

"In this hour of national distress certain financiers are contemplating the loan of $100,000,000 of the savings of the American people to the German-Chilean nitrate cartel. Any examination of this loan, no matter what its disguise, will quickly show it to be in the interest of the world-wide German-Anglo-Chilean nitrogen combination and will also show that the success of that combination will be measured by the extent of its destruction of our own chemical industries which are now able to produce the present consumption and by the summer of next year will be equal to the normal consumption of this country. This means that our agricultural independence and our national defense is threatened by this combine, and to draw on our own people's savings to our national hurt, I maintain, calls for your resistance in every possible way at your command. All essential facts are within the knowledge of the proper departments of the government, and you can seek governmental advice if my assertions are a question."

[Journal of Commerce, January 15, 1931]

CHILE NITRATE AGREEMENT ON NEW BASIS NOW SEEN—FINANCE MINISTER RUIZ EXPRESSES CONFIDENCE IN OUTCOME OF CONFERENCES HERE—DELEGATES REARRANGING CAPITAL STRUCTURE—ANNOUNCEMENT OF COMPLETE PLANS IS EXPECTED IN THE NEAR FUTURE

Santiago, Chile, January 14.—Carlos Castro Ruiz, newly appointed finance minister of Chile, said in his first public speech to-day that negotiations for the financing of the Cosach, or National Nitrate Co. of Chile, were nearing completion in New York and that an announcement of the revised plan could be expected in the near future. He said he was extremely confident of the success of the negotiations, which only needed approval by all parties of certain minor changes in the capital structure of the company.

The Cosach is the combine of 28 nitrate producing companies, which with the Government as partners, is expected to return the Chilean industry to a stable and paying basis and to strengthen its competitive position in the world markets.

FINANCIAL BASIS CHANGED

Changes are being effected in the financial arrangements underlying the development of the Cosach, it was learned in informed quarters yesterday. One of the matters receiving attention at the current conferences between delegates of the Chilean Government and representatives of the companies and the banking groups here is believed to be the reallocation of the stock of the National company, to be distributed among the 28 nitrate producing units in the Cosach, it was said.

The plan for the financing of the combine, as announced in July by Pablo Ramirez, representative of the Chilean Government, placed the authorized capital stock of the company at the equivalent of $375,000,000. This was to be divided into two classes of equal size, one of which was to be assigned to the Government and the other to be used in acquisition by the National company of the individual producing corporations. Each class was to be of 15,000,000 shares of stock of the par value of 100 pesos. The Class B stock that to be used by the company might be divided into 5,000,000 shares of 7 per cent preference stock and 10,000,000 ordinary shares, the plan showed.

[New York Times, March 19, 1931]

LOAN OF $34,000,000 FOR NITRATE DEAL—NATIONAL CO. OF CHILE VIRTUALLY COMPLETES PLAN FOR SALE OF BONDS—PART WILL GO EUROPE—LUMP SUM PAYMENTS TO THE GOVERNMENT ARRANGED IN LIEU OF EXPORT TAX

The National Nitrate Co. of Chile has practically completed arrangements for the sale of $34,000,000, 7 per cent bonds to an international banking syndicate, it was learned yesterday. It is understood that $50,000,000 of these bonds will be authorized, but that not all of them will be sold publicly. The proceeds of $26,000,000 of the issue are to go to the Chilean Government as the installment due it for 1931 in return for the cancelation of the export tax. The remainder will probably be used for working capital and additional construction.

It is believed that a substantial amount of the issue will find a market in Europe. While present plans call for the sale of one-half the bonds here and the other half in England, it is understood that if the participation of French and other continental bankers is obtained the proportion allotted to the American market will be reduced to about $10,000,000.

Under the terms of the agreement with the Chilean Government through which the National Nitrate Co. of Chile was formed, the Government will receive $22,500,000 this year, $20,000,000 in 1932 and $17,500,000 in 1933 in lieu of the export tax formerly levied on nitrate and iodine. These sums represent an approximation of the revenues the Government would have received from the export tax.

The bond issue will have a sinking-fund obligation, it is said. To take care of this and other charges in connection with the issuance of the bonds, it is understood that the company will segregate a certain sum on each ton of nitrate exported.

NORWEGIAN HYDROELECTRIC NITROGEN CORPORATION

Norsk Hydro-Elektrisk Kvaelstofaktieselskab, organized and existing under the laws of the Kingdom of Norway, December 2, 1905, holding and operating company. The National City Co. interim certificates for refunding and improvement gold bonds, series A, 5½ per cent due November 1, 1957 and definitive coupon bonds, when issued in exchange therefor.

Original listing: Outstanding interim certificates and, in exchange therefor, definitive bonds: Total authorized issue, $60,000,000; total amount outstanding, interim certificates, $20,000,000. Listing applied for: Interim certificates and, in exchange therefor, definitive bonds, $20,000,000; authorized by the board of directors and board of representatives.

Capital securities

	Par value	Number of shares			
		Authorized by by-laws	Authorized for issue	Previously listed	Outstanding
Stocks (classes):					
Common	[1] 180, [2] 250	401,958	401,958	None.	401,958
Preferred	[1] 180, [2] 250	25,002	25,002	None.	25,002
	Interest rate	Amount authorized	Authorized for issue	Previously listed	Outstanding
Bonds:	*Per cent*				
First mortgage of 1921, due Mar. 1, 1951	7	[1] 50,000,000	[1] 50,000,000	None.	[1] 48,000,000
Refunding and improvement series A, due Nov. 1, 1957	5½	$60,000,000	$20,000,000	None.	$20,000,000

[1] Kroner. [2] French francs.

Application to list: The National City Co. interim certificates for refunding and improvement gold bonds, series A, 5½ per cent (signed by The National City Co., as recited on page 11), and application to list: definitive bonds, when issued in exchange therefor (signed by the Norwegian Hydro-Electric Nitrogen Corporation.

NEW YORK CITY, *April 1, 1928.*

The Norwegian Hydro-Electric Nitrogen Corporation (Norsk Hydro-Elektrisk Kvaelstofaktieselskab), hereinafter referred to as the "company," hereby makes application for the listing on the New York Stock Exchange of $20,000,000, aggregate principal amount, refunding and improvement gold bonds, series A 5½ per cent, due November 1, 1957 (hereinafter called the "bonds"), included in Nos. M-1 to M-20,000, of the denomination of $1,000 each, and D-1 to D-2,200, of the denomination of $500 each, upon official notice of issuance in exchange for outstanding interim certificates of The National City Co.

AUTHORITY FOR ISSUE

The bonds are to be issued under a trust indenture, dated as of November 1, 1927, executed by the company with The National City Bank of New York, as trustee. The execution of the said trust indenture and the issuance of the bonds thereunder were authorized by resolutions of the board of directors and the board of representatives of the company, adopted on November 16 and November 18, 1927, respectively.

PURPOSE OF ISSUE

The proceeds of the present issue of bonds will be used towards the construction and acquisition of additional facilities in connection with the adoption of new manufacturing processes and the increase in production capacity of the company's principal product, nitrate of lime.

SECURITY

The bonds will be secured by the pledge of (*a*) 16,889,000 Norwegian kroner, aggregate principal amount, of 7 per cent first mortgage bonds of the company, and (*e*) mortgages, payable in Norwegian kroner, on all the operating properties of the company and of its principal wholly owned subsidiary company, Aktieselskabet Rjukanfos (hereinafter sometimes referred to as "Rjukanfos"), subject only to the 7 per cent first mortgage bonds and certain charges of relative unimportance. Upon the payment of the 7 per cent first mortgage bonds the pledged mortgages will become first liens on the properties of the company.

DESCRIPTION OF THE BONDS

The bonds will be dated November 1, 1927, will mature November 1, 1957, and will bear interest at the rate of 5½ per cent per annum, payable semiannually on May 1 and November 1, in each year. Principal, interest and premium (if any) on the bonds will be payable at the head office of The National City Bank of New York, in the borough of Manhattan, city and State of New York, in gold coin of the United States of America, of or equal to the standard of weight and fineness existing on November 1, 1927, or, at the option of the holders, both principal, interest and premium (if any) may also be collected either at the city office of The National City Bank of New York, in London, England, in pounds sterling, or at the Stockholms Enskilda Bank, in Stockholdm, Sweden, in Swedish kronor, in each case at the then current buying rate of the respective banks for sight exchange on New York. Such payment shall be made in time of war as well as in time of peace, whether the respective owners or holders are citizens of friendly or hostile states, without requiring any declaration as to the citizenship or residence of such holders or as to the length of time they may have been in possession of the bonds, and without deduction from either principal or interest for or on account of any taxes, assessments or other charges or duties now or hereafter levied or to be levied by the Kingdom of Norway or by or within any political subdivision or taxing authority thereof.

The bonds will be executed in the corporate name of the company, by ——— its representative thereto duly authorized, and will be imprinted with a *facsimile* of its corporate seal. The interest coupons attached to the bonds will be executed with the *facsimile* signatures of ——— and ———, two of the company's directors. The bonds will be authenticated by The National City Bank of New York, as trustee.

Definitive bonds of the denomination of $500 will be exchangeable for like aggregate principal amounts of definitive bonds of the denomination of $1,000, upon payment of a sum sufficient to reimburse the company for any stamp tax or other governmental charge, and a further sum, not exceeding two dollars, for each bond issued upon such exchange. The bonds may be registered as to principal only at the head office of the trustee, in the borough of Manhattan, city and State of New York.

ISSUE OF ADDITIONAL BONDS

The total amount of bonds outstanding under the trust indenture may not exceed $60,000,000, and the company may issue bonds in addition to the present issue for one or more of the following purposes:

(*a*) Up to $7,500,000, aggregate principal amount, may be issued for the purpose of acquiring by the company or for the purpose of paying, retiring, refunding or discharging prior to or after maturity, any of its 7 per cent first mortgage bonds outstanding November 1, 1927.

(*b*) For the purchase, construction, installation or acquisition by the company of additional operating property in any amount not exceeding 60 per cent of the then actual and reasonable expenditures made by the company after November 1, 1927, in excess of $20,000,000; *provided*, that such additional property shall have been subjected to the lien of the mortgages securing the bonds issued under the trust indenture, and *provided*, that the net earnings of the company and Rjukanfos, before depreciation, for a period of one year ending not more than 150 days prior to the issue of such bonds shall have been at least equal to twice the maximum interest charges on all funded indebtedness of the company then outstanding, together with annual interest charges on the bonds to be issued.

(*c*) To refund equal aggregate principal amounts of any bonds theretofore issued under the trust indenture.

REDEMPTION

The bonds will be subject to redemption, in whole or in part, at the option of the company, on any semiannual interest date prior to maturity, at a redemption price equal to 102½ per cent of the principal amount thereof, if redeemed on or before November 1, 1931, and at a redemption price equal to 100 per cent of the principal amount thereof, if redeemed after November 1, 1931. The bonds will also be subject to redemption through the operation of the sinking fund (hereinafter described) on May 1, 1931, and on any semiannual interest date thereafter prior to maturity, at the principal amount thereof. If less than all the outstanding bonds is to be redeemed the serial numbers of the bonds to be redeemed shall be selected by lot by the trustee. Notice of redemption shall be given by publication in each of two daily newspapers, printed in the English language, published and of general circulation in the borough of Manhattan, city and State of New York, and in one newspaper, printed in the Swedish language, published and of general circulation in the city of Stockholm, Sweden, once a week for four successive weeks, the first publication to be not less than 30 days prior to such redemption date. The notice shall state the intended redemption of the bonds, the redemption date, and, if less than all the bonds is then to be redeemed, the serial numbers of the bonds so to be redeemed, the redemption price thereof, and shall give notice, also, that interest on such bonds shall cease from and after the designated redemption date.

SINKING FUND

As and for a sinking fund for the retirement of the bonds, the company will pay to the trustee, so long as any of the bonds remain outstanding and unpaid, on March 21, 1931, and semiannually thereafter on September 21 and March 21 in each year, to and including March 21, 1957, in each case, the sum of $370,000, and on September 21, 1957, the sum of $390,000.

In case at any time the company shall issue bonds in excess of $20,000,000, aggregate principal amount, the company will pay to the trustee on each sinking fund date thereafter, in approximately equal semiannual installments, additional sums sufficient to retire the entire issue of such additional bonds by maturity.

At the option of the company, any such payment may be made either in cash or in bonds or partly in cash and partly in bonds, which bonds shall be accepted by the trustee at the principal amount thereof.

If, 40 days prior to any interest date, there shall be on deposit with the trustee, for account of the sinking fund, a sum in cash sufficient to redeem $10,000, aggregate principal amount, of bonds or more, the trustee shall select by lot, in any manner deemed by it to be fair, for redemption on such interest date, a number of bonds sufficient to absorb the said cash, as nearly as may be, and shall thereupon cause notice of redemption of the bonds so selected to be given by publication in substantially the manner hereinbefore provided.

All bonds redeemed or delivered to the trustee pursuant to any of the foregoing provisions shall forthwith be cancelled by the trustee and delivered to or upon the written order of the company, and no new bonds shall at any time be issued in lieu thereof.

COVENANTS

In the trust indenture the company covenants with the trustee and with the respective holders of the bonds, among other things, substantially as follows:

Payment.—That the company will duly and punctually pay both the principal and interest from time to time on all the bonds at any time issued and outstanding thereunder, according to the terms thereof; that, so long as any of the bonds remain outstanding and unpaid, the company will not, directly or indirectly, extend or assent to the extension of the time for the payment of any interest coupon or claim for interest of or upon any bond.

Ownership of properties.—That the company and its principal wholly owned subsidiary company, Rjukanfos, are, respectively, possessed of all the properties mortgaged and pledged by the mortgages referred to in the granting clause of the trust indenture, and have good right to mortgage and pledge the same for the purposes therein expressed; that, so long as any of the bonds remain outstanding and unpaid, the said mortgages will at all times be maintained as a lien on the operating property of the company and of Rjukanfos, subject only to the lien of the mortgages in the aggregate principal amount of 50,000,000 kroner given by the company and the said subsidiary company to secure the payment of the 7 per cent first mortgage bonds of the company and to the existing perpetual rights therein referred to, and subject to the terms and conditions stipulated in concessions granted.

Preservation and repair of properties.—That, so long as any of the bonds remain outstanding and unpaid, the company will at all times maintain, preserve, and keep all the buildings, machinery, and equipment of the company and of Rjukanfos in thorough repair, working order, and condition; and that the company will keep all the said buildings, machinery, and equipment insured in good and responsible insurance companies, or by means of adequate insurance reserves set aside and maintained out of gross earnings, against loss or damage to the same extent as has been usual in its business.

Dividends.—That, so long as any of the bonds remain outstanding and unpaid, the company will not declare or pay any dividend, other than a stock dividend, except out of earnings subsequent to June 30, 1927, after deducting all operating, manufacturing, and selling expenses, rentals, royalties, insurance, reasonable and adequate expenditures or charges for maintenance, replacements, renewals, depreciation, and all taxes and interest; provided, that, for the fiscal years ending June 30, 1928, 1929, and 1930, respectively, no deduction for depreciation need be made.

Control of subsidiaries.—That, so long as any of the bonds remain outstanding and unpaid, the company will at all times retain ownership and control of at least 95 per cent of the issued and outstanding capital stock of Rjukanfos.

Preservation of pledged security.—That, so long as any of the bonds remain outstanding and unpaid, until such time as all of the 7 per cent first mortgage bonds of the company shall have been redeemed and paid, and the mortgages given by the company and its said subsidiary to secure the payment of the same shall have been canceled and discharged of record, the company will maintain the aggregate principal amount of its said 7 per cent first mortgage bonds, pledged with the trustee hereunder, at an amount at least equal to 35 per cent of the aggregate principal amount of such first mortgage bonds from time to time outstanding and unpaid; and that, so long as any of the bonds remain outstanding and unpaid, the company will keep and maintain the mortgages given by the company and Rjukanfos as security for the bonds, registered and recorded in an amount of Norwegian kroner, in the aggregate sufficient at all times to purchase gold dollars of the United States of America, of or equal to the standard of weight and fineness existing on November 1, 1927, in an amount equal to 120 per cent of the principal amount of all bonds at any time outstanding under the trust indenture; that the principal amount in which the mortgage given by the company is from time to time registered and recorded shall be approximately the same percentage of the aggregate principal amount in which the said two mortgages are from time to time registered and recorded as the value of the property covered by the mortgage given by the company from time to time is of the aggregate value of the property covered by both mortgages.

DEFAULT

In case of default in the payment of the principal of or the premium on any of the bonds when due, or of any installment of interest, or of any sinking fund installment, or in the performance or observance of any other convenant, condition or agreement on the part of the company in any of the bonds or in the said trust indenture contained, and any such default shall continue for the period specified in the said trust indenture regarding such default, or in case the company, shall be adjudicated a bankrupt by a court of competent jurisdiction, or if, voluntarily or involuntarily, the company shall be placed by a court of competent jurisdiction under judicial supervision, then in each and every such case, the trustee may declare the principal of all the bonds then outstanding to be due and payable immediately, and upon such declaration, the same shall become due and payable, anything in the said trust indenture or in the bonds to the contrary notwithstanding. *Provided,* That if, at any time, either before or after the principal of the bonds shall have been so declared due and payable, all arrears of interest upon all the bonds, with interest on overdue installments of interest at the coupon rates borne by the respective bonds, and all expenses and charges of the trustee shall have been paid by the company and any and every other default by reason of which the principal of the bonds may or might have been declared due and payable shall have been remedied and made good, then, in each and every such case, the holders of a majority in aggregate principal amount of the bonds then outstanding, by written notice to the company and to the trustee, may waive such default and its consequences and rescind any such declaration of maturity; *Provided*, That no such waiver shall extend to or affect any subsequent default or impair any right consequent thereon.

HISTORY

The company was organized for an unlimited term as a stock company under the laws of the Kingdom of Norway on December 2, 1905, for the purpose of exploiting the electrical process originated by Professor Birkeland and Doctor Eyde for the synthetical production of nitrate from the atmosphere. The company is, in fact, the first enterprise to have successfully manufactured synthetic nitrate, on a commercial basis. Its principal product, nitrate of lime, enjoys a large demand by agriculture and industry and is known the world over as "Norge-salpeter".

BUSINESS AND PROPERTY

The basis of the enterprise is the cheap water power owned by the company, and its principal subsidiary, Rjukanfos, the perpetual rights to which were obtained before the existing concession laws came into effect and, in the opinion of counsel, are irrevocable. The sources of the water power are Lakes Moesvand, Maarvand, and Tinnsjoe, situated in the mountains of Telemark, somewhat over 100 miles west of the City of Oslo, in southern Norway. The most important of the company's hydroelectric plants is situated at Rjukan and is supplied by the waters of Lake Moesvand. This lake is about 30 miles long, more than 3,000 feet above sea level, and in former years supplied the largest water fall in Norway, the Rjukan Falls. This water power was developed in 1909 by the company's wholly owned subsidiary, Rjukanfos, and approximately 330,000 horsepower are developed at this plant. Lake Moesvand is estimated to contain some 768,000,000 cubic meters of water and the total drop is somewhat over 600 meters, a water power situation which is hardly rivaled anywhere in the world. Earlier, however (in 1905–1908), the Svaelg Falls were developed and a plant owned directly by the company was built at Notodden. The Lien Falls nearby were also developed and a total capacity of 68,000 horsepower operates the Notodden plant.

Because of its cheapness, all this water power is eminently suited for industrial uses and in conjunction with the Electric Arc Process has been devoted without interruption since 1907 to the manufacture of nitrogen products (technical nitrates and fertilizers). The company's production has been increased since 1912 from 4,940 tons of nitrogen, corresponding to 32,000 tons of nitrate of lime, to approximately 30,000 tons of nitrogen, or the equivalent of 194,000 tons of nitrate of lime, during the year ended June 30, 1927. However, the company has recently made arrangements for the use of an improved process which has been successfully used in Germany, which will increase annual production to 83,000 tons of nitrogen, corresponding to 535,000 tons of nitrate of lime. The new equipment will be installed during the next two years in such a manner that the company will at no time operate at less than present capacity and gradually increase its capacity by more than 150 per cent.

SUBSIDIARIES

Aktieselskabet Rjukanfos is the principal operating subsidiary. All of its capital stock of Kr. 60,000,000, excepting two director's shares of a total nominal value of Kr. 2,000, is owned by the company.

The company also owns all of the capital stock of the Aktieselskabet Svaelgfos, amounting to Kr. 800,000, with the exception of two director's shares of a total nominal value of Kr. 2,000. This subsidiary owns and operates the Lien Waterfall and power station, which supplies power to the nitrogen factories owned by the parent company at Notodden.

The Norsk Transportaktieselskab (Norwegian Transport Company) operates a railroad, a ferry service, and lighters in connection with the transportation of materials and supplies to and from the company's plants and the warehouses located on the seacoast at Menstad, where the finished nitrogen products are stored prior to ocean shipment. Of the Kr. 4,000,000 capital stock of the foregoing subsidiary, Kr. 3,997,800, aggregate amount, is owned by the company while Kr. 2,000 is held by Rjukanfos. The minority shares are owned by officers and directors for qualifying purposes, and as in the case of the other principal constituent corporations described above, the company holds an option for their purchase.

OTHER SUBSIDIARIES

In addition to the principal subsidiaries described above, the company, on June 30, 1927, owned, with the exception noted, 100 per cent of the capital stock of the following subsidiary sales corporations which had been organized to facilitate the distribution of its product:

	Par value of capital stock outstanding	
Svenska Goedningsaemne Aktiebolaget, Stockholm, Sweden	Sw. Kr.	50, 000
Aktieselskabet Norgesalpeter, Copenhagen, Denmark [1]	Dan. Kr.	200, 000
Norgesalpeter Verkaufs-Gesellschaft, m. b. H. Berlin, Germany	Rmks.	50, 000
Compania Espanola de Nitratos, Madrid, Spain	Pes.	550, 000
Societe Commerciale de L'Azote, Paris, France	Fres.	250, 000

With the exception of the French subsidiary, the Societe Commerciale de l'Azote, at Paris, the remaining sales corporations mentioned above have been or will shortly be dissolved and the distribution of the company's products in the world markets outside of France and Norway will be handled by the I. G. Farbenindustrie, A. G., of Germany.

Other auxiliary operation subsidiary corporations, which are practically entirely owned by the company and its affiliated corporations except for two or three qualifying shares on which the company holds an option of purchase, are as follows:

A/S Tyinfaldene: A non-operating property; which is in the construction and development stage.

A/S Tyin-Byggeselskab: A corporation furnishing sand for building operations.

A/S Norske Tjaereprodukter: A plant for the manufacture of sacks and dye products.

A/S Lillo Verk: Owner of the site on which the plant of the foregoing corporation is located.

A/S Skiensfjordens Kalkbrud: A limestone quarry.

A/S Industriforsikring: Insurance company.

A/S Nybu: Owner of a site for a proposed athletic field for employees.

From both the standpoint of operation and of earnings these subsidiaries are negligible and form no part of the security pledged under the indenture.

MAINTENANCE, DEPRECIATION, AND DEPLETION

The company and Rjukanfos write down for depreciation in each year amounts which are considered adequate to cover the decrease in the cost value of their properties due to wear and tear. The rates which have been provided for this purpose and applied during each of the five years ended June 30, 1927, are as follows:

	Per cent
Buildings and building equipment	3–10
Water tunnels and roadbed of switch tracks	1½
Water regulation works	1½–4
Water dams	4
Water pipes	5
Machinery and equipment	5–10
Electric transmission lines	3–7
Factory fixtures	10–25

At the end of the fiscal year June 30, 1927, the combined reserve for depreciation of the company and Rjukanfos, was $1,019,186. All of the company's property is maintained in an excellent state of repair, and replacements and renewals are charged directly to operating expenses.

---

[1] Shares representing Danish kroner 3,000 held by officers and directors, on which the parent company has an option to purchase.

DIVIDENDS

Dividends have been declared by the company since its inception on both classes of its stocks, as follows:

Date	Preferred noncumulative stock	Common stock
	Per cent	*Per cent*
Apr. 16, 1909	5	....
July 1, 1910	8	5
July 1, 1911	8	5
Jan. 1, 1912	8	5
Nov. 5, 1912	8	5
Sept. 1, 1913	8	6
July 1, 1915	8	6
Jan. 6, 1916	8	7
Nov. 1, 1916	8	8
Nov. 20, 1917	10	10
Nov. 28, 1918	12	12
Nov. 17, 1919	12	12
Dec. 1, 1920	15	15
Jan. 2, 1922	15	15
Dec. 1, 1922	8	8
Nov. 20, 1923	9	9
Nov. 20, 1924	11.1	11.1
Nov. 20, 1925	17.2	17.2
Nov. 22, 1926	8.6	8.6
Nov. 3, 1927	6	6

FINANCIAL STATEMENTS

There are given below:

Exhibit 1: Consolidated statement of income and profit and loss for the years ended June 30, 1923, 1924, 1925, 1926, and 1927.

Exhibit 2: Consolidated balance sheet, June 30, 1927.

AKTIESELSKABET RJUKANFOS

Exhibit 3: Balance sheet, June 30, 1927.

NORSK HYDRO-ELEKTRISK KVAELSTOFAKTIESELSKAB

Exhibit 4: Balance sheet, June 30, 1927.

EXHIBIT 1

NORSK HYDRO-ELEKTRISK KVAELSTOFAKTIESELSKAB, AND ITS PRINCIPAL SUBSIDIARIES

Aktieselskabet Rjukanfos, Norsk Transport Aktieselskab and Aktieselskabet Svaelgfos, the latter two subsidiaries being included, although they form no part of the security pledged under the mortgage, because Norsk Transport A/S transports the finished products from the plants to the warehouses on the sea coast and A/S Svaelgfos furnishes power to Norsk Hydro.

Consolidated statement of income and profit and loss for the years ended June 30, 1923, 1924, 1925, 1926, and 1927

[Losses indicated by figures shown in italics]

	1923		1924		1925		1926		1927	
	Norwegian kroner	United States dollars	Norwegian kroner	United States dollars	Norwegian kroner	United States dollars	Norwegian kroner	United States dollars	Norwegian kroner	United States dollars
Net sales	52,697,083	8,631,782	52,813,333	7,055,861	63,346,897	11,307,421	52,482,790	11,519,972	39,758,772	10,297,522
Cost of sales	25,374,179	4,156,290	25,393,609	3,392,586	25,252,446	4,507,562	31,402,981	6,892,954	25,826,540	6,430,074
Gross profits on sales (before charging depreciation and taxes)	27,322,904	4,475,492	27,419,724	3,663,275	38,094,451	6,799,859	21,079,809	4,627,018	14,932,232	3,867,448
Administrative and general expenses	6,192,582	1,014,345	6,701,583	895,331	8,554,349	1,526,951	6,359,506	1,395,911	5,578,060	1,444,718
Net profit on sales (before charging depreciation and taxes)	21,130,322	3,461,147	20,718,143	2,767,944	29,540,102	5,272,908	14,720,303	3,231,107	9,354,172	2,422,730
Sundry operating profits, including sales of electric current to Government	159,377	26,089	237,996	31,796	338,902	60,494	493,226	108,262	345,697	89,536
Total operating profits (before charging depreciation and taxes)	21,289,599	3,487,236	20,956,139	2,799,740	29,879,004	5,333,402	15,213,529	3,339,369	9,699,869	2,512,266
Other income (net)	605,183	99,129	1,515,089	202,416	2,281,716	407,286	2,142,840	470,354	463,767	120,115
Gross income (before charging depreciation)	21,894,782	3,586,365	22,471,228	3,002,156	32,160,720	5,740,688	17,356,369	3,809,723	10,163,636	2,632,381
Exchange losses and gains on foreign currencies	807,312	132,238	459,911	61,444	*4,077,750*	*727,878*	*2,564,949*	*563,006*	*1,046,145*	*270,951*
Net income (before charging interest on funded debt, income taxes, and depreciation)	22,702,094	3,718,603	22,931,139	3,063,600	28,082,970	5,012,810	14,791,420	3,246,717	9,117,491	2,361,430
Interest, income taxes, depreciation, etc.:										
Interest on funded debt	3,736,681	612,068	3,615,707	483,059	3,518,056	627,973	3,594,480	788,989	2,897,808	750,532
Income taxes	4,088,118	669,634	3,838,606	512,838	5,769,758	1,029,902	3,755,023	824,227	2,729,209	706,865
Depreciation	6,285,637	1,029,587	6,113,011	816,698	5,966,385	1,065,000	4,676,511	1,026,494	4,408,458	1,141,791
Discount on bonds	211,084	34,576	211,084	28,201	211,084	37,678	211,084	46,333	211,084	54,671
Total	14,321,520	2,345,865	13,778,408	1,840,796	15,465,283	2,760,553	12,237,098	2,686,043	10,246,559	2,653,859
Net income	8,380,574	1,372,738	9,152,731	1,222,804	12,617,687	2,252,257	2,554,322	560,674	*1,129,068*	*292,429*
Profit and loss credits:										
Profits on sales of ferries, lighters, etc	35,193	5,765	1,441	193	4,435	792			2,499	647
Profit on sale of hotel at Rjukan					98,803	17,636				
Appreciation of sundry securities			56,476	7,545	101,626	18,140	221,102	48,531		
Recovery on patent sale previously written off					139,821	24,958				
Appreciation of investments in subsidiary companies									536,152	138,863

Interdepartmental interest on construction of Froistul power plant									716,164	185,486
Adjustment of bonus of Doctor Eyde							61,298	13,455		
Total	35,193	5,765	57,917	7,738	344,685	61,526	282,400	61,986	1,254,815	324,996
Profit and loss gross surplus for the year	8,415,767	1,378,503	9,210,648	1,230,542	12,962,372	2,313,783	2,836,722	622,660	125,747	32,567
Profit and loss debits:										
Loss on sale of French plant			149,456	19,967	79,324	14,159	26,842	5,892		
Loss on sale of limestone works at Skiensfjord			74,500	9,953						
Depreciation of sundry securities									246,046	63,726
Provision for doubtful collection of Matrefaldene mortgage									500,000	129,500
Depreciation of investments in subsidiary companies			22,500	3,006	18,649	3,329	120,828	26,521		
Devaluation of plant properties to reduce excessive construction costs	24,286	3,978	858,300	114,669	317,015	56,587	67,799	14,882		
Amortization of discount on bonds held in treasury									966,250	250,258
Write-off of premium on repurchase of treasury bonds			124,591	16,645					956,091	247,627
Total	24,286	3,978	1,229,347	164,240	414,988	74,075	215,469	47,295	2,668,387	691,111
Profit and loss surplus for year	8,391,481	1,374,525	7,981,301	1,066,302	12,547,384	2,239,708	2,621,253	575,365	*2,542,640*	*658,544*
Surplus at beginning of year	12,901,079	2,113,196	16,602,454	2,218,088	19,351,085	3,454,169	25,171,942	5,525,241	17,629,794	4,566,117
Total surplus	21,292,560	3,487,721	24,583,755	3,284,390	31,898,469	5,693,877	27,793,195	6,100,606	15,087,154	3,907,573
Less dividends:										
Preferred stock	360,029	58,972	405,032	54,112	500,040	89,257	747,560	164,089	450,973	116,802
Common stock	4,251,139	696,337	4,782,532	638,946	5,904,360	1,053,929	8,827,018	1,937,532	5,324,995	1,379,174
Officers qualifying shares in subsidiary companies	679	111	431	58	483	86	330	72	355	92
Total	4,611,847	755,420	5,187,995	693,116	6,404,883	1,143,272	9,574,908	2,101,693	5,776,323	1,496,068
Surplus, available for bonuses and reserves	16,680,713	2,732,301	19,395,760	2,591,274	25,493,586	4,550,605	18,218,287	3,998,913	9,310,831	2,411,505
Less:										
Bonuses to officers and directors	76,344	12,505	41,178	5,501	319,109	56,961	586,215	128,674	20,000	5,180
Provision for legal reserve funds	1,915	314	3,497	467	2,536	453	2,278	500	13,924	3,606
Total	78,259	12,819	44,675	5,968	321,645	57,414	588,493	129,174	33,924	8,786
Surplus at end of year	16,602,454	2,719,482	19,351,085	2,585,306	25,171,941	4,493,191	17,629,794	3,869,739	9,276,907	2,402,719

EXHIBIT 2

Norsk Hydro-elektrisk Kvaelstofaktieselskab and subsidiary companies, except Aktieselskab Industriforsikring

[Consolidated balance sheet, June 30, 1927]

	Norwegian krouer	United States dollars
(ASSETS)		
Current assets:		
Cash on deposit and on hand	15,818,541.89	4,097,002.35
Customers:		
Trade acceptances	1,065,541.43	275,975.23
Sales of nitrogen products	5,092,913.23	1,319,064.53
Containers returnable	*371,251.36*	*96,151.19*
Miscellaneous trade	228,441.40	59,166.32
Trade creditors' debit balances	71,967.00	18,639.45
Inventories (based on quantities shown by store records and valued at approximate cost):		
Finished products	2,403,533.49	622,515.17
Work in progress	24 ,372.02	63,551.59
Materials and supplies	5,239,978.40	1,357,153.89
Total current assets	29,795,036.40	7,716,914.43
Other receivable assets:		
Cash on deposit with banks in liquidation	1,329,959.35	344,459.47
Loans to municipalities, country banks, parishes, etc	2,195,094.10	568,529.37
Due from stockholders, officers and employees	310,732.65	80,479.76
Guaranty deposits in cash	47,413.03	12,279.97
Total other receivable assets	3,833,199.13	1,006,748.57
Investment in mortgages and securities:		
Mortgages on employees' homes	567,741.06	147,044.93
Other mortgages	504,587.50	130,688.16
Stocks and bonds	1,974,061.00	511,281.80
Total investment in mortgages and securities	3,046,389.56	789,014.89
Investment in subsidiary companies:		
Capital stock	2,598,440.00	672,995.96
Total investment in subsidiary companies	2,598,440.00	672,995.96
Plant property:		
Book value	176,429,964.51	45,695,360.81
Leaseholds capitalized	*818,801.51*	*210,645.66*
Depreciation reserve	*79,094,926.15*	*20,485,585.87*
Net plant property—Depreciated book value	96,521,730.85	24,999,129.85
Deferred charges:		
Prepaid insurance	30,581.52	7,920.61
Unadjusted operations	14,274.44	3,697.05
Repairs in progress	146,908.35	38,049.26
Unamortized discount on bonds	1,560,760.10	403,790.87
Total deferred charges	1,758,524.41	455,457.82
Patents and experimental work	781,215.40	202,334.79
Total	138,384,541.75	35,841,596.31
LIABILITIES		
Current liabilities:		
Bank creditors	80,584.36	20,871.33
Trade creditors	1,083,344.20	280,586.15
Employees' savings deposits	762,315.00	197,439.59
Miscellaneous accounts payable:		
Customers' credit balances	10,752.25	2,784.83
Unpaid dividends	400,320.54	103,683.02
Due to stockholders, officers, and employees	163,868.39	42,441.91
Accrued accounts—		
Taxes	8,824,503.61	2,285,546.43
Interest	733,687.16	190,024.97
Other—		
Pay roll	85,928.53	22,255.49
Customers' damage claims	150,000.00	38,850.00
Patent fees	25,000.00	6,475.00
Bratsberg railroad deficit	1,060,434.63	274,652.57
Relocation of repair shop and warehouse	52,457.85	13,586.53
Total current liabilities	13,433,196.52	3,479,197.89
Due to subsidiary companies	348,057.80	90,146.97

Exhibit 2—Continued

Norsk Hydro-elektrisk Kvaelstofaktieselskab and subsidiary companies, except Aktieselskab Industriforsikring—Continued

	Norwegian kroner	United States dollars
LIABILITIES—continued		
Funded debt:		
First mortgage 7 per cent bonds outstanding in hands of public	31,111,000.00	8,057,749.00
Miscellaneous mortgages	290,493.21	75,237.74
Total funded debt	31,401,493.21	8,132,986.74
Reserves (employees' benefit):		
Pensions	7,027,063.49	1,820,009.44
Workmen's compensation	6,768,811.46	1,758,122.17
Accident and sickness	723,321.45	187,340.26
Total reserves (employees' benefit)	11,519,196.40	3,760,471.87
Reserves (appropriated surplus):		
Legal reserve	5,763,960.00	1,492,865.64
Building reserve	4,000,000.00	1,036,000.00
Total reserves (appropriated surplus)	9,763,960.00	2,528,865.64
Capital surplus arising from the excess of the capital stock and legal reserve of subsidiary companies over the ownership value of such stock on the books of the parent companies	1,583,201.82	410,049.27
Capital stock of subsidiary companies:		
Shares of others in Aktieselskabet Rjukan Dagblad	34,200.00	8,857.80
Total capital stock of subsidiary companies	34,200.00	8,857.80
Preferred 8 per cent noncumulative capital stock (parent company)	5,500,360.00	1,165,593.24
Common capital stock (parent company)	53,139,240.00	13,763,063.16
Surplus	9,661,636.00	2,502,363.72
Total	138,384,541.75	35,841,596.31
Notes:		
The companies were contingently liable under guarantees as follows:		
Mortgages on employees' homes	164,743.00	42,668.44
Norwegian Employees' Associations	572,552.00	148,290.97
Total	737,295.00	190,959.41
No expression has been given in the above to the repair of flood loss damages, which occurred on June 28, 1927, the estimated cost thereof being as follows	1,060,000.00	274,540.00

Exhibit 3

Aktieselkabet Rjukfanfos

[Balance sheet as o. June 30, 1927]

	Norwegian kroner	United States dollars
ASSETS		
Current assets:		
Cash on deposit and on hand	3,151,284.11	816,182.58
Customers—		
Containers returnable	371,851.36	96,154.10
Miscellaneous trade	9,016.21	2,335.20
Trade creditors' debit balance	70,662.16	18,301.50
Inventories (based on quantities shown by store records and valued at approximate cost):		
Work in progress	93,686.65	24,264.84
Materials and supplies	3,417,147.92	885,041.31
Total current assets	6,370,545.69	1,649,071.33
Other receivable assets:		
Cash on deposit with banks in liquidation	1,249,959.35	323,739.46
Loans to municipalities, country banks, parishes, etc	1,063,729.17	275,505.86
Due from stockholders, officers and employees	42,100.53	10,904.04
Guaranty deposits in cash	5,000.00	1,295.00
Total other receivable assets	2,360,789.05	611,444.36
Investment in mortgages and securities:		
Mortgages on employees' homes	296,220.00	76,720.98
Stocks and bonds	83,253.00	21,562.53
Total investment in mortgages and securities	379,473.00	98,283.

Exhibit 3—Continued

Aktieselkabet Rjukfanfos—Continued

	Norwegian kroner	United States dollars
ASSETS—continued		
Investment in subsidiary companies:		
Capital stock	1,353,161.00	350,468.70
Advances	17,179,247.45	4,449,425.09
Total investment in subsidiary companies	18,532,408.45	4,799,893.79
Plant property:		
Book value	118,336,152.47	30,649,063.49
Leaseholds capitalized	*45,096.60*	*11,680.02*
Depreciation reserve	*59,909,516.07*	*15,516,512.86*
Net plant property—Depreciated book value	58,381,739.80	15,120,870.61
Deferred charges:		
Prepaid insurance	2,660.82	689.15
Repairs in progress	105,174.83	27,240.28
Unamortized discount on bonds	658,582.27	170,572.81
Total deferred charges	766,417.92	198,502.24
Total	80,791,373.91	22,478,965.84
LIABILITIES		
Current liabilities:		
Trade creditors	172,009.94	44,550.57
Miscellaneous accounts payable: Due to stockholders, officers and employees	20,055.00	5,194.25
Accrued accounts—		
Taxes	6,565,782.14	1,700,537.57
Interest	502,016.07	130,022.32
Other: Pay roll	53,984.74	13,982.05
Total current liabilities	7,313,848.49	1,894,280.76
Funded debt:		
First mortgage 7 per cent bonds outstanding in hands of public	21,515,000.00	5,572,385.00
Miscellaneous mortgages	143,801.20	37,244.51
Total funded debt	21,658,801.20	5,609,629.51
Reserves (appropriated surplus): Legal reserve	6,000,000.00	1,554,000.00
Total reserves (appropriated surplus)	6,000,000.00	1,554,000.00
Capital stock of subsidiary companies:		
Parent company's shares	59,998,000.00	15,539,482.00
Officers' qualifying shares	2,000.00	518.00
Total capital stock of subsidiary companies	60,000,000.00	15,540,000.00
Surplus	*8,181,276.78*	*2,118,950.43*
Total	86,791,373.91	22,478,965.84

Exhibit 4

Norsk hydro-elektrisk kvaelstofaktieselskab

[Balance sheet as of June 30, 1927]

	Norwegian kroner	United States dollars
ASSETS		
Current assets:		
Cash on deposit and on hand	12,442,354.44	3,222,569.80
Customers—		
Trade acceptances	1,065,641.43	275,976.23
Sales of nitrogen products	4,716,017.08	1,221,448.42
Containers returnable		
Miscellaneous trade	45,277.06	11,726.76
Trade creditors' debit balance	1,096.44	283.98
Inventories (based on quantities shown by store records and valued at approximate cost)—		
Finished products	2,389,703.67	618,948.79
Work in progress	151,680.27	39,280.74
Materials and supplies	1,218,350.14	315,552.69
Total current assets	11,030,080.53	5,705,792.41

EXHIBIT 4—Continued

Norsk hydro-elektrisk kvaelstofakticselskab—Continued

	Norwegian kroner	United States dollars
ASSETS—continued		
Other receivable assets:		
Loans to municipalities, country banks, parishes, etc.	1,022,876.10	264,924.91
Due from stockholders, officers, and employees	261,557.82	67,743.48
Guaranty deposits in cash	41,015.16	10,630.69
Total other receivable assets	1,325,479.08	343,299.08
Investment in mortgages and securities:		
Mortgages on employees' homes	227,208.06	58,846.89
Other mortgages	500,000.00	129,500.00
Stocks and bonds	1,149,508.00	297,722.57
Total investment in mortgages and securities	1,876,716.06	486,069.46
Investment in subsidiary companies:		
Capital stock	86,972,667.50	22,525,920.88
Advances	119,700.00	31,002.30
Total investment in subsidiary companies	87,092,367.50	22,556,923.18
Plant property:		
Book value	32,059,506.14	8,303,412.09
Leaseholds capitalized	*272,396.00*	*70,550.56*
Depreciation reserve	*14,800,318.95*	*3,833,282.61*
Net plant property—Depreciated book value	16,986,791.19	4,399,578.92
Deferred charges:		
Prepaid insurance	27,920.70	7,231.46
Unadjusted operations	12,417.86	3,216.23
Repairs in progress	40,338.07	10,417.56
Unamortized discount on bonds	908,177.83	235,218.06
Total deferred charges	988,854.46	256,113.31
Total	130,300,294.82	33,747,776.36
LIABILITIES		
Current liabilities:		
Bank creditors	27,084.36	7,014.85
Trade creditors	465,840.52	120,652.69
Employees' savings deposits	762,315.00	197,439.59
Miscellaneous accounts payable—		
Customers' credit balances	4,937.51	1,278.82
Unpaid dividends	400,320.54	103,683.02
Due to stockholders, officers, and employees	143,201.39	56,219.88
Accrued accounts—		
Taxes	2,170,651.90	562,198.84
Interest	230,485.92	59,695.85
Other—		
Pay roll	24,719.26	6,402.29
Customers' damage claims	150,000.00	38,850.00
Patent fees	25,000.00	6,475.00
Total current liabilities	4,404,556.40	1,140,780.11
Due to subsidiary companies	16,148,802.49	4,182,539.84
Funded debt:		
First mortgage 7 per cent bonds outstanding in hands of public	9,596,000.00	2,485,364.00
Miscellaneous mortgages	146,692.01	37,993.23
Total funded debt	9,742,692.01	2,523,357.23
Reserves (employees' benefit):		
Pensions	7,027,063.49	1,820,009.44
Workmen's compensation	6,768,811.46	1,753,122.17
Accident and sickness	723,321.45	187,340.26
Total reserves (employees' benefit)	14,519,196.40	3,760,471.87
Reserves (appropriated surplus):		
Legal reserve	5,763,960.00	1,492,865.64
Building reserve	4,000,000.00	1,036,000.00
Total reserves (appropriated surplus)	9,763,960.00	2,528,865.64
Preferred 8 per cent noncumulative capital stock (parent company)	4,500,360.00	1,165,593.24
Common capital stock (parent company)	53,139,240.00	13,763,063.16
Surplus	18,081,487.52	4,683,105.27
Total	130,300,294.82	33,747,776.36

AGREEMENTS

Norwegian Hydro-Electric Nitrogen Corporation (Norsk Hydro-Elektrisk Kvaelstofaktieselskab) agrees with the New York Stock Exchange as follows:

Not to dispose of any integral asset or its stock interest in any constituent, subsidiary, owned or controlled company or allow any of said constituent, subsidiary, owned or controlled companies to dispose of an integral asset or stock interest in other companies, unless for retirement and cancellation, without notice to the stock exchange.

To submit once in each year to the interest represented at the general meeting of the stockholders of the company and to deliver to the New York Stock Exchange change after acceptance by the general meeting a copy of a consolidated income account covering the previous fiscal year and a consolidated balance sheet showing assets and liabilities at the end of the year.

To maintain in accordance with the rules of the stock exchange an agency in the borough of Manhattan, city of New York, where the principal and interest of all bonds shall be payable.

To notify the stock exchange 30 days in advance of the effective date of any change in the authorized amounts of listed securities.

Not to make any change in the listed securities or of a trustee of its bonds without the approval of the committee on stock list and not to select as a trustee an officer or director of the company.

To make application to the stock exchange for listing of additional amounts of listed securities prior to the issuance thereof.

To publish promptly to holders of bonds any action in respect to the interest on such bonds, notices thereof to be sent to the stock exchange.

To notify the stock exchange if deposited collateral is exchanged or removed.

To have on hand at all times a sufficient supply of bonds to meet the demand for duplicates in case of lost, stolen or destroyed bonds.

GENERAL

The fiscal year of the company ends on June 30, and the regular annual general meeting of shareholders is held at a time to be determined by the management, but not later than five months after the close.
of the fiscal year.

The accounts of the company are made up annually to June 30, and these accounts are submitted to the stockholders at the ordinary meetings. The head office of the company is located at 7 Soligatan, in Oslo, Norway.

The names of the officers and their positions are as follows: Heyn Barth, traffic manager, Bjarne Eriksen, attorney, B. F. Halvorsen, chemical manager, John Petersen, sales manager, J. Stoemmer, treasurer, and Sverre B. Braehne, secretary.

The board of directors are as follows: Marc. Wallenberg, president, Stockholm, Sweden; G. Griolet, vice president, Paris, France; Hermann Schmitz, Heidelberg, Germany; J. E. Moret, Paris, France; H. Finaly, Paris, France; Thos. Fearnley, jr., Oslo, Norway; Axel Aubert, general manager, Oslo, Norway.

The members of the board of directors of governors consist of the following: G. de Germiny, chairman, Paris, France; K. A. Wallenberg, vice-chairman, Stockholm, Sweden; M. Girod de L'Ain, Paris, France; A. Benac, Paris, France; E. de la Longuinliere, Paris, France; Louis Wibratte, Paris, France; O. Bödtker, Moss. Norway; V. J. B. Borresen, Oslo, Norway; A. Scott-Hansen, Oslo, Norway; Erling Onsager, Oslo, Norway.

The place of payment of principal and interest of these bonds is the National City Bank of New York, 55 Wall Street, New York City, where the bonds may also be surrendered for interdenominational exchange and be registered as to principal.

Throughout the application Norwegian currency has been converted into United States Dollars at the following respective rates of exchange for the Norwegian Krone: 25.90 cents for the fiscal year ended June 30, 1927; 21.95 cents for the fiscal year ended June 30, 1926; 17.85 cents for the fiscal year ended June 30, 1925; 13.36 cents for the fiscal year ended June 30, 1924 and 16.38 cents for the fiscal year ended June 30, 1923.

NORSK HYDRO-ELEKTRISK KVAELSTOFAKTIESELSKAB,
By RONALD M. BYRNES, *Attorney-in-Fact.*

THE NATIONAL CITY CO. INTERIM CERTIFICATES FOR NORWEGIAN HYDRO-ELECTRIC NITROGEN CORPORATION (NORSK HYDRO-ELEKTRISK KVAELSTOFAKTIESELSKAB)

REFUNDING AND IMPROVEMENT GOLD BONDS, SERIES A 5½ PER CENT, DUE NOVEMBER 1, 1957

NEW YORK CITY, *April 1, 1928.*

The National City Co. hereby makes application for the listing on the New York Stock Exchange of its interim certificates for $20,000,000, aggregate principal amount, refunding and improvement gold bonds, series A 5½ per cent, due November 1, 1957, of the Norwegian Hydro-Electric Nitrogen Corporation (Norsk Hydro-Elektrisk Kvaelstofaktieselskab), included in Nos. M-1 to M-18,929, of the denomination of $1,000 each, and D-1 to D-2,142, of the denomination of $500 each, which are issued and outstanding in the hands of the public.

The interim certificates of the National City Co. will be exchangeable at the office of the National City Co., 55 Wall Street, in the Borough of Manhattan, city and State of New York, for the bonds, when issued in definitive form and when received by the undersigned.

For information with respect to the company and with respect to the bonds for which the interim certificates have been issued, the National City Co., in making this application, refers to the application submitted above by the Norwegian Hydro-Electric Nitrogen Corporation for authority to list its definitive engraved bonds when issued in exchange for outstanding interim certificates.

THE NATIONAL CITY CO.,
By RONALD M. BRYNES, *Vice President.*

This committee recommends that the above-described interim certificates for $20,000,000 refunding and improvement gold bonds, series A, 5½ per cent, due November 1, 1957, Nos. M-1 to M-18,929, for $1,000 each, and D-1 to D-2,142, for $500 each, be admitted to the list.

This committee recommends that the above-described $20,000,000 refunding and improvement gold bonds, series A, 5½ per cent, due November 1, 1957, included in Nos. M-1 to M-20,000, for $1,000 each, and D-1 to D-2,200, for $500 each (and coupon bonds of one denomination issued in exchange for coupon bonds of another denomination), be admitted to the list, on official notice of issuance in exchange for outstanding interim certificates, in accordance with the terms of this application.

ROBERT GIBSON, *Chairman.*

Adopted by the governing committee, April 25, 1928.

E. V. D. COX, *Secretary.*

ANGLO-CHILEAN CONSOLIDATED NITRATE CORPORATION

(Organized under the laws of Delaware)

Twenty-year 7 per cent sinking fund debenture coupon bonds due November 1, 1945. Common stock of no par value to be issued with definitive bonds in exchange for temporary bonds at the rate of 7½ shares for each $1,000 bond, without cost, on November 1, 1926, or earlier at the option of the company.

New listing:

Authorized issue	$16, 500, 000
Amount outstanding	16, 500, 000
Amount applied for	16, 500, 000

Authority for issue: Authorized by stockholders November 5, 10, and 12, 1925; authorized by directors November 4, 10, and 12, 1925. No other authority required.

NEW YORK, N. Y., *March 10, 1926.*

Referring to application A-6848, dated October 13, 1925, of Messrs. Lehman Bros., for listing on a "when issued" basis the bonds hereinafter described, Anglo-Chilean Consolidated Nitrate Corporation (hereinafter referred to as the "company") hereby makes application to have listed on the New York Stock Exchange $16,500,000 (total authorized issue) of its 20-year 7 per cent sinking fund debenture coupon bonds, due November 1, 1945 (hereinafter referred to as the "bonds"), in the denomination of $1,000, included in numbers M-1 to M-

16,500, and in the denomination of $500, included in numbers D-1 to D-33,000, on official notice of issuance in exchange for outstanding temporary bonds, the bearers of temporary bonds to receive in exchange therefor definitive bonds and common stock of no par value of the company at the rate of 7½ shares for each $1,000 principal amount of bonds, without cost, on November 1, 1926, or earlier at the option of the company.

AUTHORITY FOR ISSUE

The bonds for which application to list is made, are issued under an indenture (hereinafter referred to as the "indenture"), dated November 1, 1925, made by the company to Bankers Trust Co., trustee.

The issuance of the bonds and the execution by the company of the indenture were authorized by meetings of the board of directors held on November 4, 10, and 12, 1925, and by meetings of the stockholders held on November 5, 10, and 12, 1925.

No public authority is required in connection with the issuance of the bonds for which application to list is herein made.

DESCRIPTION

The bonds are dated November 1, 1925, mature November 1, 1945, and bear interest at the rate of 7 per cent per annum payable semiannually on May 1 and November 1 in each year, without deduction for any Federal income tax not in excess of 2 per cent per annum. Payment of principal and interest thereon shall be made at the principal office of Bankers Trust Co., trustee, in the borough of Manhattan, city and State of New York, in gold coin of the United States of America, of or equal to the standard of weight and fineness existing on November 1, 1925. The company covenants in the indenture to reimburse the bearer or registered owner of bonds for any Pennsylvania personal property tax to the extent of 4 mills per annum on each dollar of the taxable value of the bonds, or any Massachusetts income tax not in excess of 6 per cent per annum on the income derived from the interest on the bonds, which may be paid by such bearer or registered owner as a resident of either of said States, it application be made in the manner and upon the conditions provided in the indenture within 90 days after the day of payment of any such tax. The bonds are registerable as to principal upon presentation at the office of the trustee in the borough of Manhattan, city of New York; such registration shall not affect the negotiability by delivery of the coupons, which shall remain payable to bearer as therein provided. For any transfer or registration of a bond the company may require payment of a sum sufficient to reimburse it for any stamp tax or other governmental charge imposed or required by law or submission of proper proof that the same have been paid. Bonds of the respective denominations of $500 and $1,000 are interchangeable upon surrender to the trustee for such purpose and upon the payment, if required by the company, of a sum sufficient for any stamp tax or other governmental charge thereon and a further sum not exceeding $2 for each new bond issued in exchange. The definitive bonds will be in denominations of $1,000, included in Nos. M-1 to M-16,500, and in the denomination of $500, included in Nos. D-1 to D-33,000.

RIGHT OF HOLDERS OF TEMPORARY BONDS TO RECEIVE COMMON STOCK WITH PERMANENT BONDS

The temporary bonds carry the right to receive common stock, without par value, of the company in accordance with the following provisions contained in the indenture.

The company has delivered to the trustee certificates for 123,750 full paid and nonassessable shares of such common stock to be held by the trustee for the benefit of the bearers and registered owners of the temporary bonds. On and after November 1, 1926, or, at the option of the company, on and after any date previous thereto, the bearer or registered owner of any temporary bond may present and surrender said bond with all interest coupons maturing after the date of such surrender to the trustee at its principal office in the borough of Manhattan, city of New York, and the company shall then deliver an engraved definitive bond of like denomination, with appurtenant coupons, and, without cost, certificates for shares for the common stock of the company at the rate of seven and one-half shares of said stock for each $1,000 principal amount of bonds so surrendered. In lieu of fractional shares of stock, stock scrip shall be issued by the company as provided in the indenture. The indenture further provides that there shall be delivered to the bearer or registered owner, upon such surrender, any dividends in respect of such stock theretofore received by the trustee, whether in cash or in stock, together with the proceeds of the sale of any subscription rights with respect to such stock and the interest allowed by the trustee on the deposit of any cash dividends and proceeds, less the amount of any tax, penalty or other charge paid by the trustee in behalf of such bearer or registered owner; the trustee shall also deliver a due bill for such portion of any dividend declared but not theretofore paid by the company to the trustee applicable to such shares of stock. In case any temporary bonds shall have been designated for redemption and the first publication of redemption notice been made, the bearer or registered owner thereof, in lieu of being entitled to receive the definitive bond and shares of stock, shall only be entitled to receive the certificates of stock and the due bill, entitling him to receive, on presentment thereof to the trustee on the redemption date, the redemption price of said bond, if and when such redemption price shall have been deposited by the company with the trustee.

SINKING FUND

The company, in the indenture, covenants that on the 1st day of November, 1928, and on each semiannual interest payment date thereafter, to and including the 1st day of May, 1945, it will provide for the retirement of $475,000 principal amount of bonds. Such retirement may be effected by delivering to the trustee on or prior to the interest payment date bonds aggregating $475,000 in principal amount, or by paying to the trustee, at least three days prior to each such interest payment date, cash sufficient to redeem $475,000 principal amount of the bonds at the sinking fund redemption price, which shall be 105 per cent of the principal amount thereof, together with accrued interest; or in part by delivering bonds, and as to the residue by paying cash, as aforesaid. The trustee shall designate by lot bonds of a principal amount sufficient at the sinking fund redemption price to exhaust the amount of cash paid to the trustee; thereupon the trustee shall give notice of such redemption by publication once a week for four successive weeks in a daily newspaper of general circulation in the Borough of Manhattan, city of New York, the first publication to be not less than 30 and not more than 45 days prior to the redemption date. Such notice shall state the date and place of redemption and recite the serial number of the bonds so to be redeemed; a copy of such notice shall also be mailed, at least 30 days and not more than 45 days before such redemption date, to all registered owners of bonds to be redeemed. All bonds purchased or redeemed for the sinking fund shall be canceled and cremated by the trustee and no bonds shall be issued in lieu thereof.

REDEMPTION

As provided in the indenture, the company, at its election, may redeem and pay off on any interest payment date all or any part of the bonds by paying therefor, as the redemption price, the interest accrued thereon to the date fixed for redemption and 107½ per cent of the principal amount thereof. Notice of redemption shall be given by publication at least once each week, for eight successive weeks prior to the date on which redemption is to be made (the first publication to be not less than 60 days nor more than 90 days prior to the redemption date), in a newspaper published and of general circulation in the Borough of Manhattan, city of New York. Such notice shall state the date of redemption and that the bonds will be redeemed on said date at the principal office of the trustee in the Borough of Manhattan, city and State of New York, at the redemption price, and in case less than all of the bonds then outstanding are called for redemption, shall state the serial numbers of the bonds to be redeemed, the trustee in such event to designate by lot the numbers of such bonds. The company shall mail a copy of such notice to all registered owners of bonds to be redeemed at least 60 and not more than 90 days prior to the date designated for redemption. The company, in the indenture, agrees to deposit with the trustee, at least three days prior to the redemption date, an amount of cash sufficient to redeem and pay off all the bonds which the company has elected to redeem. All bonds so redeemed shall be canceled and cremated by the trustee and no bonds shall be issued in lieu thereof.

DEFAULT

The indenture provides that in case one of the following designated events of default shall occur:

"(*a*) Default shall be made in the payment of any part of the principal of any of the bonds when and as the same shall become due and payable, whether by the terms thereof, or by declaration or otherwise;

"(*b*) Default shall be made in the payment of any interest on any of the bonds when and as the same shall become due and payable as therein expressed, and such default shall have continued for a period of 30 days;

"(*c*) Default shall be made in the performance of any of the company's covenants with respect to the payments into the sinking fund;

"(*d*) Default shall be made in the observance or performance of any other of the covenants, conditions, or stipulations on the part of the company to be performed, as in the indenture or in the bonds provided, and such default shall have continued for a period of 90 days after written notice to the company from the trustee or from bearers or registered owners of not less than 10 per cent in principal amount of the bonds then outstanding, specifying such default and requiring the same to be remedied;

"(*e*) An event of default as defined in any mortgage, indenture, or trust agreement securing any indebtedness maturing more than one year after the creation of such indebtedness of the company, or of any subsidiary, whether such indebtedness now exists or shall hereafter be created, shall happen and shall result in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable;

"(*f*) If the company shall be adjudicated a bankrupt or become insolvent, or a receiver or receivers shall be appointed of the property of the company and shall not be discharged within a period of 60 days;

"(*g*) If the company shall file a petition in voluntary bankruptcy or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall consent to the appointment of a receiver or receivers of all or any substantial part of its property; or

"(*h*) If at any time the affairs of the company are placed, directly or indirectly (except pursuant to the provisions of the indenture), in the hands of any creditors committee or other group of creditors of the company;

"(*i*) Final judgment for the payment of money shall be rendered against the company, and the company shall not discharge the same or cause it to be discharged within 90 days from the entry thereof, or shall not appeal therefrom or from the order, decree, or process upon which or pursuant to which said judgment was granted, passed, or entered, and secure a stay of execution pending such appeal."

Then the trustee, by notice in writing to the company, may, and, upon the written request of the bearers or registered owners of not less than 25 per cent in principal amount of the bonds then outstanding, shall, upon being indemnified to its satisfaction, declare the principal of all of the bonds then outstanding and the interest thereon, if not already due, to be due and payable immediately and, upon such declaration, such principal and interest shall become and be immediately due and payable, anything in the indenture or in the bonds contained to the contrary notwithstanding. If, however, at any time after the principal of all the bonds shall have been so declared due and payable, such bonds as shall have become due and payable by proceedings for the redemption thereof and all arrears of interest upon all of the bonds, with interest on overdue interest at the rate of 7 per cent per annum, shall have been paid or shall be paid to the trustee and all other existing events of default shall have been remedied and made good, or provision therefor satisfactory to the trustee shall have been made, then and in such case the bearers or registered owners of a majority in principal amount of the bonds then outstanding, by written notice to the company and to the trustee, may waive the occurrence of the event or events of default and the consequences thereof and rescind and annul such declaration upon such terms, conditions, and agreements, if any, as they may determine; but no such waiver, rescission, or annulment shall extend to or affect any subsequent default or impair any right consequent thereon. The company in the indenture further covenants that upon default in respect of sinking fund, interest or principal, the company will pay to the trustee, upon demand, the whole amount due on the bonds and coupons.

PURPOSE OF ISSUE

The proceeds of this issue of bonds are to be used for past and future capital expenditures in connection with the new process and the plant of the company as now designed, the purchase of the Coya Norte properties, and the improvements and additions to the railroad, all of which are described herein.

COVENANTS

The company in the indenture covenants as follows:

"(1) That it will punctually pay the principal of and interest on the bonds at the times and in the manner specified in the bonds and in the coupons attached thereto.

"(2) That it will use the proceeds of the bonds for one or more of the following purposes:

"(a) To the extent that the same shall be so required, for the purpose of completing the construction and equipment of the company's new plant, as now designed, on the so-called Coya Norte property, in the Republic of Chile, so that such plant when completed will have a minimum capacity of 260,000 metric tons of nitrate per annum; and for the purpose of reimbursing the company for past capital expenditures by retiring, or reimbursing the company for the cost of retiring, at not to exceed par, the company's heretofore issued and outstanding 7 per cent preferred stock;

"(b) The balance (to the extent that the same shall be so required) for the purpose of providing the cost of electrifying approximately 25 miles of that portion of the company's railroad in which heavy grades are met, and of completing a railroad cut-off of approximately 30 miles, and of providing such additional rolling stock, yards, piers, and other port improvements as the company shall deem to be immediately necessary:

"(c) Any residue not required for the foregoing purposes to be available for the general corporate purposes of the company.

"(3) That it will do and will cause every subsidiary to do all things necessary: to comply with the laws of any State or States of the United States of America, or of the Republic of Chile; promptly to pay and discharge all taxes, assessments and governmental charges, pay and discharge all lawful claims which, if unpaid, might become a lien or charge upon its or any subsidiary's property; to maintain and keep properties in good condition; to preserve the corporate existence and other franchises and rights.

"(4) That it will not voluntarily create or suffer to be created any mortgage or other like encumbrance upon any of its presently-owned fixed assets, as defined in the indenture, or permit any subsidiary voluntarily to create or suffer to be created any mortgage or other like encumbrance, other than to secure indebtedness of such subsidiary to the company upon any presently-owned fixed assets of the company which shall have been transferred to or acquired by such subsidiary, without provision being made by the instrument creating such mortgage or encumbrance whereby all the bonds shall be directly secured equally and ratably with the indebtedness secured by such instrument, except that the company may (1) create mortgages, pledges or liens for the purpose of securing obligations issued to pay off, refund or purchase outstanding 7 per cent debenture stock secured by a trust deed dated January 20, 1925, between the company and Royal Exchange Assurance, or to provide funds for such payment or purchase or to reimburse the company therefor, and (2) renew or refund any indebtedness secured by any such mortgage, pledge or lien.

"(5) That it will not voluntarily create or suffer to be created any mortgage or other like encumbrance upon any of its subsequently acquired fixed assets or permit any subsidiary to create any mortgage or other like encumbrance upon such subsequently acquired fixed assets other than to secure indebtedness of such subsidiary to the company without provision being made by the instrument creating such mortgage and encumbrance whereby all the Bonds shall be directly secured equally and ratably with the indebtedness secured by such instrument, except that the company may: (a) create mortgages, pledges or liens on any such subsequently acquired fixed assets for any of the purposes for which mortgages, pledges or liens may be created as provided in (4) above; (b) create purchase money mortgages, pledges or liens, or create mortgages, pledges or liens to provide funds for the payment of the cost of such subsequently acquired fixed assets or of additions, betterments or improvements thereto and to reimburse any subsidiary for the sums expended within the twelve months next preceding the creation of such mortgage, pledge or lien thereon for the acquisition of such subsequently acquired property or in making such additions, betterments and improvements; (c) the acquisition of property subject to any mortgage, lien or encumbrance existing at the time of acquisition; (d) the renewal or refunding of any indebtedness secured by any mortgage, pledge or lien permitted under (a), (b), or (c).

"(6) It will not incur or permit any subsidiary to incur except as stated in (4) and (5) any indebtedness which by its terms matures more than twelve months from the date of its creation nor permit any subsidiary to issue preferred stock except such as shall be acquired and retained by the company unless the proceeds are applied to the payment of the cost of acquiring property constituting an addition to the capital assets of the company or such subsidiary or are applied to reimburse such subsidiary for expenditures made for one or more of the purposes aforesaid not more than twelve months previous to the date of incurring such indebtedness or unless such indebtedness be created for the purpose of refunding indebtedness herein mentioned.

"(7) It will not declare any pay or permit any subsidiary to declare and pay any dividend or make any distribution upon its stock other than stock dividends except out of surplus earnings remaining after deduction of proper charges for depletion and depreciation computed according to good accounting practice except that the company may declare and pay dividends or make distributions from depletion reserves to an amount not exceeding the principal amount of the bonds retired by the company and cancelled and of the 7 per cent debenture stock secured by the trust deed between the company and Royal Exchange Assurance which shall have been retired and cancelled by the company subsequent to November 1, 1925, through the sinking fund provided by the said trust deed.

"(8) It will deuly perform the covenants, terms, and conditions of the aforementioned trust deed and of any other mortgage, pledge, or lien upon its properties.

"(9) It will keep such part of its property as is usually insured by companies engaged in the same business or in the same location insured against loss or damage to the extent that such property is usually insured by such other companies and will cause every subsidiary to keep its property of the same character likewise insured. It will apply the proceeds of insurance either in the repair, restoration, or replacement of the property damaged or destroyed and the acquisition, construction, and installation of other assets. In lieu of such insurance the company or its subsidiaries may set aside and maintain out of earnings or surplus an insurance reserve fund.

"(10) That it will not sell or lease or otherwise dispose of all or substantially all of its property nor consolidate or merge with any other corporation unless such sale, lease, consolidation, or merger or other disposition shall be upon such terms that the purchaser, lessee, or other successor in interest of the company or the corporation resulting therefrom shall assume and agree to pay the bonds and coupons according to the terms thereof and of the indenture, and shall also assume and agree to observe and perform all of the terms, covenants, and provisions of the indenture and of the bonds and coupons."

HISTORY AND BUSINESS

On September 15, 1924, Guggenheim Bros., through one of their subsidiaries, purchased at public auction from the Chilean Government a certain nitrate deposit in Chile known as the Coya Norte lands, paying for the same in cash $3,346,500. On December 22, 1924, Anglo-Chilean Consolidated Nitrate Corporation was formed under the laws of the State of Delaware, and immediately took over the Coya Norte lands. The duration of the company's charter is perpetual. On January 7, 1925, the company agreed to purchase as of January 1, 1925, all the assets of Anglo-Chilean Nitrate & Railway Co. (Ltd.), a British corporation (hereinafter referred to as the "British company"), owning nitrate properties immediately adjacent to the Coya Norte properties, and also owning a railway, with perpetual charter, connecting its plants and all other nitrate plants in the district with the port of Tocopilla, and also valuable water and port concessions. The British company was incorporated under the laws of Great Britain on March 28, 1888; at the time of the acquisition of its assets by the company it had outstanding the following capital stock: 550,000 ordinary shares of a par value of £1 each (authorized amount 650,000 shares of £1 par value each); and 350,000 shares of 7 per cent cumulative and participating preference stock of a par value of £1 each (total authorized amount). The company completed the taking over of the Coya Norte lands purchased from the

Chilean Government and of the assets of the British company on March 17, 1925. It is engaged in the business of operating all the properties so acquired. The common stock of the company is largely owned by Guggenheim Bros., and the company will be under their active supervision. The company paid to the British company for its assets and business as a going concern the sum of £3, 600,-000 sterling in the form of the company's 7 per cent first-mortgage debenture stock now outstanding.

Present capitalization of company

		Issued and outstanding
First mortgage 7 per cent debenture stock		£3, 600, 000
20-year 7 per cent sinking fund debenture bonds (this issue)		$16, 500, 000
Common stock, no par value	shares	1, 756, 750

FIRST-MORTGAGE 7 PER CENT DEBENTURE STOCK

The company has outstanding £3,600,000 (approximately $17,500,000) of first-mortgage 7 per cent debenture stock, the total authorized issue. This stock is secured by a first mortgage on the railroad concessions and equipment and real properties of the company; bearing interest at the rate of 7 per cent, callable for sinking fund at par, callable in whole at any time at 105 upon three months (calendar) notice; is dated January 1, 1925, and is due January 1, 1950. It is secured by trust deed, dated January 20, 1925, between the company and the Royal Exchange Assurance, a corporation organized under the laws of Great Britain and Ireland, and by an instrument of mortgage dated March 17, 1925. Such issue is reduced by an annual sinking fund of a minimum amount of £150,000 sterling per annum, commencing January 1, 1929. The sinking fund is increased at the rate of 1 shilling for each metric quintal (220.4) pounds, by which the annual production exceeds 276,000 metric tons (2,204 pounds) of nitrate in any year, in accordance with a formula specifically described in the said trust deed. The mortgage securing the debenture stock does not cover any extension to the railroad or any nitrate grounds or real estate acquired, or to be acquired, after January 1, 1925.

The following table shows the amount of authorized capital stock of the company, and date of issue and the purpose for which issued:

Summary of authorized capital stock

Date of filing certificate	7 per cent preferred stock, par value $100	Common stock, no par value (shares)
Dec. 22, 1924	$10, 000, 000	1, 600, 000
Nov. 4, 1925	[1]	1, 756, 750

[1] The preferred stock was retired at par in November, 1925.

Summary of issued stock showing purpose for which issued

Date	Preferred stock	Common stock (shares)	Purpose
Dec. 22, 1924		10	Issued for cash—Incorporators' shares.
Dec. 24, 1924	$10, 000, 000	1, 599, 990	Issued for properties, rights, and processes acquired from Guggenheim Bros.
Nov. 4, 1925		156, 750	Issued for cash.

NITRATE RESERVES

It is estimated that the company's present reserves of nitrate in the ground will permit the production under the Guggenheim processes of 260,000 tons per year for a period in excess of 40 years. These estimates have been based upon extensive sampling and measurements of the reserves.

PROPERTIES

The Coya Norte lands comprise 35 square miles of nitrate deposits which contain, according to the Government measurements, nitrate in excess of 5,600,000 metric tons (2,204 pounds) without taking into account large quantities of lower-grade material, unworkable at a profit with the methods heretofore used in the industry and estimated to amount to an additional 2,000,000 tons of nitrate.

The nitrate deposits of the British company were approximately 60 square miles in extent and were estimated then to contain approximately 6,000,000 tons of nitrate. While the area of the holdings of the British company is larger than that of the Coya Norte properties, operations carried on during the past 35 years have reduced the contents of the former grounds so that to-day the Coya Norte grounds contain approximately one-half of the combined reserves of the two deposits. The British company also owned and operated three plants for the extraction of nitrate having a combined capacity of about 150,000 tons of nitrate per year. In addition to the deposits and plants, the British company also owned a railway connecting its plants and those of all other nitrate companies in the district with the Port of Tocopilla. This railway has approximately 120 miles of main-line track, exclusive of sidings, etc., and has in the past carried an average revenue-producing traffic of 331,000 tons annually, contributing materially to the revenues of the company. Full shipping costs on the company's own tonnage are included in the company's costs of production. In order to facilitate and cheapen the cost of operating the railway and to increase its capacity it is contemplated to electrify that section in which heavy grades are met, and also to build a 30-mile cut-off, together with additional rolling stock, yards, piers, and other port improvements. The cost of these improvements is estimated to be $2,700,000.

The company also acquired from the British company and otherwise valuable water concessions sufficient to insure an adequate supply of water for the conduct of its operations.

In Tocopilla the company acquired from the British company valuable port concessions and terminal facilities including piers for the shipment of nitrate as well as a large number of houses, shops, and large real-estate holdings.

PRODUCTION

The production of nitrate by the British company for the year 1920–1924, inclusive, is shown by the following table:

	Metric quintals
1920	802, 700
1921	521, 548
1922	153, 340
1923	532, 000
1924	957, 500

The plants acquired from the British company are operated according to the old process and are believed to produce nitrate as cheaply as any plants in Chile to-day. The Guggenheim engineers have, after more than five years' intensive experimentation, developed a new method for extraction of nitrate from Chilean nitrate deposits. The method has been tried out in Chile in a semicommercial plant erected for this purpose. This plant was kept in operation for 16 months and fully confirmed the results obtained in the earlier experimentations. The process is simple to operate and resembles in its major features the operations of the Chile Copper Co.'s copper leaching plant, developed by Guggenheim engineers under the supervision of E. A. Cappelen Smith, Esq., the president of Anglo-Chilean Consolidated Nitrate Corporation.

The advantages of the new Guggenheim process as indicated by the results obtained in the above-mentioned test plant may be summarized as follows:

(*a*) Whereas the old process recovers not in excess of 55 per cent of the nitrate contained in the ground, the demonstration plant indicated a recovery by the Guggenheim process of approximately 90 per cent.

(*b*) The tests also indicated that the actual cost of production of nitrate by the new process would probably be less than one-half of that obtaining in the average nitrate plant to-day.

The company is entitled, without payment of royalty, to use the new Guggenheim nitrate process, which has been patented in the Republic of Chile. This right will exist under present patents and any extensions or improvements thereto, both in the company's present plants and in those the company may construct on its present lands or on unimproved land which may later be purchased.

The construction of a new plant to employ the Guggenheim process was commenced on the Coya Norte grounds prior to the acquisition of the properties of the British company, and work upon it has been expedited so that it is expected that the plant will be completed and put in operation some time in the fall of 1926. The program includes not only the actual extraction plant, but in addition the building of a town for a population of at least 5,000, with waterworks, sewers, hospitals, schools, and public service buildings of all kinds, all in accordance with the experience developed by Guggenheim companies during many years of operating properties in Chile. The location of this plant is such that the major part of all the company's reserves of nitrate-bearing material can be advantageously treated there. The plant is designed for a minimum production of 260,000 metric tons of nitrate per year, depending upon the average grade of nitrate-bearing material which it will be most economical to treat. If it should be decided more economical to treat higher grade material, then the capacity of the plant as designed will reach 350,000 tons of nitrate per year. The question of the most economical grade of material to be treated is to some extent dependent upon large-scale tests now under way with mechanical methods of mining in place of the hitherto universally used hand method. Reports from the plant received up to date strongly indicate the probability of successful application of mechanical mining methods at a marked reduction in cost.

The company therefore estimates that its total productive capacity will be a minimum of 260,000 tons in the new plant and 150,000 tons in the plant now in operation, or a total minimum capacity of 410,000 tons per year. It will be possible to increase the capacity of the new plant to a total of 520,000 tons of nitrate per year, at an additional expenditure estimated at about $5,500,000.

EARNINGS

Anglo-Chilean Nitrate & Railway Co. (Ltd.) was not subject to United States Federal income taxes. Its earnings for five years available for interest and taxes and the amount of interest and British income taxes paid were as follows:

Year	Earnings available for interest and taxes	Interest	British income tax	Net earnings	Amount per share
1920	£564,244	£13,100	£61,057	£490,087	10s. 10d.
1921	308,844	10,570	89,425	208,849	4s. 7d.
1922	138,695	9,130	87,224	42,341	11d.
1923	258,485	8,600	71,146	178,739	3s. 11d.
1924	364,123	8,029	22,934	333,160	7s 4d.

Anglo-Chilean Consolidated Nitrate Corporation, 1925

Operating income	$1,655,479.21
Other income	158,896.16
Total	1,814,375.37
Taxes	60,518.50
Interest	1,380,782.69
Miscellaneous	10,459.65
Depreciation and depletion	565,707.00
Deficit	203,092.47

The principal tax payable in Chile is an export tax, the amount of which is included in the company's costs of production.

DIVIDENDS

Dividends paid by Anglo-Chilean Nitrate & Railway Co. (Ltd.), during the last 12 years were as follows:

Year	Capitalization	Rate	Amount	Year	Capitalization	Rate	Amount
1913	£900,000	30 per cent tax free.	£270,000	1919	£900,000	15 per cent tax free.	£135,000
1914	900,000	25 per cent tax free.	225,000	1920	900,000	25 per cent tax free.	225,000
1915	900,000	do	225,000	1921	900,000	15 per cent tax free.	135,000
1916	900,000	30 per cent tax free.	270,000	1922	900,000	do.	135,000
1917	900,000	25 per cent tax free.	225,000	1923	900,000	do	135,000
1918	900,000	15 per cent tax free.	135,000	1924	900,000	25 per cent less tax.	225,000

No dividends have been paid by the company (Anglo-Chilean Consolidated Nitrate Corporation) since its incorporation.

Financial Statements

The Anglo-Chilean Nitrate and Railway Company, limited profit and loss account for the year ended December 31, 1923

DEBIT

	£	s.	d.
To administration expenses in London—Being directors' remuneration, salaries, rent, office expenses, etc	10,876	19	0
To directors' percentage of profits and tax thereon	3,870	19	4
To telegrams to Chile, law charges and foreign bill stamps	351	1	7
To auditors' fees	131	5	0
To service of 4½ per cent consolidated mortgage bonds: Interest, sinking fund, etc	31,749	0	0
To income tax	71,146	9	4
To stoppage expenses	35,650	15	3
	153,776	9	6
To balance carried to balance sheet	151,718	8	7
	305,494	18	1

CREDIT

	£	s.	d.
By trading profits for the year, after allowing for difference in exchange	286,866	7	9
By balance of interest and discount accounts	3,294	13	1
By interest on investments	15,191	8	9
By transfer fees	142	8	6
	305,494	18	1

Balance Sheet as of December 31, 1923

ASSETS

	£	s.	d.	£	s.	d.
Construction and equipment of railway, piers, oficinas and acquisition of nitrate grounds, etc., less depreciation: Including cost of additional works, plant and machinery, etc., and after deducting the sinking fund of the 4½ per cent consolidated mortgage bonds				940,785	12	2
Working stocks on hand as per inventories at or below cost:						
Furniture, tools, animals, carts and harness	7,833	17	7			
Launches, boats and steam tugs	3,202	19	7			
Fuel and general stores	100,448	9	5			
				111,490	6	7

	£	s.	d.	£	s.	d.	£	s.	d.
Plant, machinery and stores in transit at cost							13,981	0	1
Trading stocks on hand as per inventories:									
Manufactured nitrate and iodine, and caliche, at cost							111,597	19	11
Sundry debtors:									
For nitrate and iodine sold (since received)				50,989	10	8			
In London				1,153	11	4			
In Chile				9,023	2	10			
							61,075	4	10
Investments, marketable securities at or under cost							474,728	5	11
Bills receivable, in hand and in transit							178,225	3	5
Cash in hand, at bankers and on deposit:									
In London				89,273	5	1			
In Chile				13,339	0	6			
							102,612	5	7
							1,994,495	18	6

LIABILITIES

	£	s.	d.	£	s.	d.	£	s.	d.
Capital authorized:									
650,000 ordinary shares of £1 each	650,000	0	0						
350,000 7 per cent cumulative and participating preference shares at £1 each	350,000	0	0						
	1,000,000	0	0						
Capital issued:									
550,000 ordinary shares of £1 each				550,000	0	0			
350,000 7 per cent cumulative and participating preference shares of £1 each				350,000	0	0			
							900,000	0	0
4½ per cent consolidated mortgage bonds (repayable 1936):									
Total amount authorized				600,000	0	0			
Issued to date				571,800	0	0			
Less canceled by operation of the sinking fund				388,900	0	0			
							182,900	0	0
Depreciation and general reserve account							400,000	0	0
Fire insurance account							56,437	10	1
Renewals account							82,777	14	7
Bills payable, accepted, and in transit							113,854	3	0
Sundry creditors:									
In London				70,151	16	3			
In Chili				9,787	3	2			
Accrued interest on bonds (payable 1924)				1,371	15	0			
							81,310	14	5
Unclaimed bond interest and dividends							513	2	9
Profit and loss:									
Balance as per account 31st December, 1922				165,228	9	1			
Deduct—									
Dividend of 10 per cent on preference shares, paid 11th May, 1923	35,000	0	0						
Dividend of 10 per cent on ordinary shares, paid 11th May, 1923	55,000	0	0						
				90,000	0	0			
				75,228	9	1			

	£	s.	d.	£	s.	d.	£	s.	d.
Profit and loss—Continued.									
Less corporation profits tax, 1922				5, 244	4	0			
				69, 984	5	1			
Add: Balance of profit for the year ending Dec. 31, 1923, as per account (subject to corporation profits tax, 1923)				151, 718	8	7			
				221, 702	13	8			
Deduct—									
Interim dividend of 5 per cent on preference shares paid Nov. 14, 1923	17, 500	0	0						
Interim dividend of 5 per cent on ordinary shares paid Nov. 14, 1923	27, 500	0	0						
				45, 000	0	0			
							176, 702	13	8
							1, 994, 495	18	6

Anglo-Chilian Nitrate & Railway Co. (Ltd.) profit and loss account for year ended December 31, 1924

DEBITS

	£	s.	d.
Administration expenses in London—Being directors' remuneration, salaries, rent, office expenses, etc	10, 796	8	6
Directors' percentage of profits and tax thereon	3, 870	19	4
Telegrams to Chile, law charges, and foreign bill stamps	376	3	8
Auditors' fees	131	5	0
Service of 4½ per cent consolidated mortgage bonds: Interest, sinking fund, etc	8, 029	2	1
Income tax	22, 993	12	11
	46, 197	11	6
Balance carried to balance sheet	329, 229	15	0
	375, 427	6	6

CREDITS

	£	s.	d.
Trading profits for the year, after allowing for difference in exchange	356, 296	2	6
Balance of interest and discount accounts	3, 375	19	9
Interest on investments	15, 592	10	3
Transfer fees	162	14	0
	375, 427	6	6

Balance sheet as of December 31, 1924

ASSETS

	£	s.	d.	£	s.	d.
Construction and equipment of railway, piers, oficinas, and other works and acquisition of nitrate grounds, etc., less depreciation—Including cost of additional works, plant and machinery, etc., and after deducting the sinking fund of the 4½ per cent consolidated mortgage bonds				936, 108	6	4
Working stocks on hand, as per inventories at or below cost:						
Furniture, tools, animals, carts, and harness	8, 392	15	1			
Launches, boats, and steam tugs	2, 832	12	10			
Fuel and general stores	109, 310	11	1			
				120, 535	19	0

	£	s.	d.	£	s.	d.
Plant, machinery, and stores in transit at cost				23, 113	16	2
Trading stocks on hand, as per inventories at cost: Manufactured nitrate and iodine, and caliche, at cost				178, 670	19	4
Sundry debtors:						
For nitrate and iodine sold (since received)	25, 902	5	2			
In London	1, 645	0	7			
In Chile	13, 411	3	9			
				40, 958	9	6
Investments, marketable securities at or under cost				321, 174	0	11
Bills receivable, in hand and in transit				232, 725	9	2
Cash in hand, at bankers, and on deposit:						
In London	52, 269	15	1			
In Chile	12, 413	15	1			
				64, 683	10	2
				1, 917, 970	10	7

LIABILITIES

	£	s.	d.	£	s.	d.	£	s.	d.
Capital authorized:									
650.000 ordinary shares of £1 each	650, 000	0	0						
350,000 7 per cent cumulative and participating preference shares of £1 each	350, 000	0	0						
	1, 000, 000	0	0						
Capital issued:									
550,000 ordinary shares of £1 each				550, 000	0	0			
350,000 7 per cent cumulative and participating preference shares of £1 each				350, 000	0	0			
							900, 000	0	0
Depreciation and general reserve account							400, 000	0	0
Fire-insurance account							58, 195	3	11
Renewals account							41, 491	19	9
Bills payable, accepted, and in transit							118, 860	6	2
Sundry creditors:									
In London				55, 881	10	9			
In Chile				22, 828	10	11			
							78, 710	1	8
Unclaimed bond interest and dividends and unredeemed bonds							2, 646	19	5
Profit and loss: Balance as per account Dec. 31, 1923				176, 702	13	8			
Deduct:									
Dividend of 10 per cent on preference shares paid May 16, 1924 (free of tax)	35, 000	0	0						
Dividend of 10 per cent on ordinary shares paid May 16, 1924 (free of cost)	55, 000	0	0						
				90, 000	0	0			
				86, 702	13	8			
Less—Corporation profits tax, 1923				7, 866	4	8			
				78, 836	4	8			
Add balance of profits for the year ending Dec. 31, 1924, as per account (subject to corporation profits tax, 1924)				329, 229	15	0			
				408, 065	19	8			

Deduct—			
Interim dividend of 10 per cent on preference shares paid Nov. 19, 1924	£ s. d. 35,000 0 0		
Interim dividend of 10 per cent on ordinary shares paid Nov. 19, 1924	55,000 0 0	£ s. d. 90,000 0 0	£ s. d. 318,065 19 8
			1,917,970 10 7

Anglo-Chilean Consolidated Nitrate Corporation statement of income for the year ended December 31, 1925

Net operating income		$1,655,479.21
Other income from interest, discount, etc		158,896.16
		1,814,375.37
Charges against income:		
Interest—		
On first mortgage debenture stock (including payment for Jan. 1, 1926)	$1,223,574.36	
On sinking fund debenture bonds	157,208.33	
	1,380,782.69	
Taxes	60,518.50	
Amortization of bond discount	8,868.75	
Miscellaneous	1,590.90	
		1,451,760.84
Net income to surplus account		362,614.53

Surplus account for the year ended December 31, 1925

Net income for 1925 as above		362,614.53
Less:		
Depreciation for year	$493,039.39	
Depletion deductions for year	72,667.61	
		565,707.00
Deficit Dec. 31, 1925		203,092.47
Depletion reserve Dec. 31, 1925		72,667.61
Net deficit Dec. 31, 1925		130,424.86

Balance sheet as of December 31, 1925

ASSETS

Current and working assets:		
Cash		$1,383,241.43
Call loans		7,200,000.00
Nitrate and iodine on hand, at cost		922,344.96
Materials and supplies at cost		2,024,738.02
Accounts receivable		230,051.42
Investment in marketable securities		407,370.62
First mortgage debenture stock in treasury		143,219.65
Total current and working assets		12,310,966.10
Deferred charges:		
Undistributed items in transit	$873,693.95	
Bond discount	1,055,381.25	
Total deferred charges		1,929,075.20

Fixed assets:			
Property, including nitrate deposits and lands, at cost		$19, 363, 227. 03	
Construction and equipment	$3, 094, 589. 97		
Less reserve for depreciation	493, 039. 39		
		2, 601, 550. 58	
License under Guggenheim nitrate process patents, at cost		550, 000. 00	
Organization and investigation expenses		205, 871. 61	
Total fixed assets			$22, 720, 649. 22
			86, 960, 690. 52

LIABILITIES

Current liabilities:		
Accounts payable	524, 758. 16	
Unpaid sight and letter of credit drafts	590, 522. 24	
Accrued interest—7 per cent sinking fund debenture bonds	192, 500. 00	
		1, 307, 780. 40
Reserve for employer's liability		8, 084. 98
Funded debt:		
First mortgage debenture stock, £3, 600,000 (due Jan. 1, 1950)	17, 518, 500. 00	
20-year 7 per cent sinking fund debenture bonds (due Nov. 1, 1945)	16, 500, 000. 00	
Total funded debt		34, 018, 500. 00
Capital and surplus:		
Common stock—authorized and issued 1,756,750 shares of no par value		1, 756, 750. 00
Deficit: From operations	$203, 092. 47	
Depletion reserve	72, 667. 61	
		130, 424. 86
		36, 960, 690. 52

DEPRECIATION AND DEPLETION

The company's policy of depreciation is to estimate the life of the various units comprising the property and to deduct for each unit an annual amount determined by the number of years at which the life of such unit is estimated. The company's policy with respect to depletion is to deduct 10.3412 cents per metric quintal of nitrate recovered from the lands acquired from the British company; on lands purchased from the Chilean Government, the rate is 6.5928 cents per metric quintal of nitrate recovered.

AGREEMENTS

Anglo-Chilean Consolidated Nitrate Corporation agrees with the New York Stock Exchange as follows:

Not to dispose of an integral asset or its stock interest in any constituent, subsidiary, owned or controlled company, or allow any of said constituent, subsidiary, owned or controlled companies to dispose of an integral asset or stock interest in other companies unless for retirement and cancellation, without notice to the stock exchange.

To publish statement of earnings semiannually.

To publish once in each year and submit to the stockholders, at least 15 days in advance of the annual meetings of the company, a statement of its financial condition, a consolidated income account covering the previous fiscal year; and a consolidated balance sheet showing assets and liabilities at the end of the year; or an income account and balance sheet of the parent company and of all constituent, subsidiary, owned or controlled companies.

To maintain in accordance with the rules of the stock exchange, a transfer office or agency in the Borough of Manhattan, city of New York, where all listed securities shall be directly transferable, and the principal of all listed securities with interest or dividends thereon shall be payable; also a registry office in the Borough of Manhattan, city of New York, other than its transfer office or agency is said city, where all listed securities shall be registered.

To notify the stock exchange 30 days in advance of the effective date of any change in the authorized amounts of listed securities.

Not to make any change in listed securities, of a transfer agency or of a registrar of its stock, or of a trustee of its bonds or other securities, without the approval of the committee on stock list, and not to select as a trustee an officer or director of the company.

To notify the stock exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to, or to be allotted, its securities, or of any other rights or benefits pertaining to ownership in its securities, so as to afford the holders of its securities a proper period within which to record their interests, and that all rights to subscribe to or receive allotments and all other such rights and benefits shall be transferable; and shall be transferable, payable, and deliverable in the Borough of Manhattan, city of New York.

To notify the stock exchange of the issuance of additional amounts of listed securities, and make immediate application for the listing thereof.

To publish promptly to holders of listed bonds and stocks any action in respect to interest on bonds, dividends on shares, or allotment of rights for subscription to securities, notices thereof to be sent to the stock exchange, and to give to the stock exchange at least ten days' notice in advance of the closing of the transfer books or extensions in so far as listed securities are concerned, or the taking of a record of holders of listed securities for any purpose.

GENERAL

The fiscal year of the company ends on December 31.

The annual meeting is held on the third Monday in May at the office of the company, 120 Broadway, New York City.

The directors (elected anually) are: Agustin Edwards, chairman, Valparaiso, Chile; E. A. Cappelen Smith, Murry Guggenheim, S. R. Guggenheim, Simon Guggenheim, W. E. Bennett, C. Lalor Burdick, Charles D. Hilles, S. W. Howland, J. K. MacGowan, Paul H. Mayer, and Carroll A. Wilson, all of New York City, N. Y.; Carlos Aldunate Solar, Santiago, Chile; A. C. Burrage and Russell Burrage, Boston, Mass.; Alfred Houston, Santiago, Chile.

The officers are: President, E. A. Cappelen Smith; first vice president, J. K. MacGowan; vice president, Paul H. Mayer; secretary and treasurer, W. E. Bennett; comptroller, J. A. Endweiss; assistant secretary, H. R. Lullman; assistant treasurers, J. C. Remond and F. N. May.

The place for payment of principal and interest is the office of Bankers Trust Co., 14 Wall Street, New York City, where the bonds are also registerable as to principal only. The place for the interchange of bonds of either denomination as well as the exchange of temporary bonds for definitive bonds and stock certificates is Bankers Trust Co., 14 Wall Street, New York City.

ANGLO-CHILEAN CONSOLIDATED NITRATE CORPORATION,
By E. A. CAPPELEN SMITH, *President.*

This committee recommends that the above-described $16,500,000 20-year 7 per cent sinking fund debenture coupon bonds, due November 1, 1945, included in Nos. M-1 to M-16,500, for $1,000 each and D-1 to D-33,000, for $500 each (and copoun bonds of one denomination issued in exchange for coupon bonds of another denomination) be admitted to the list on official notice of issuance in exchange for outstanding temporary bonds, in accordance with the terms of this application.

ROBERT GIBSON,
Chairman.
HARRISON S. MARTIN,
First Assistant Secretary.

Adopted by the governing committee, March 24, 1926.

RUHR CHEMICAL CORPORATION

(Ruhrchemie Aktiengesellschaft organized under the laws of Germany, November 4, 1927)

Six per cent sinking fund mortgage bonds, series A, due April 1, 1948

Original listing definitive bonds: The total amount authroized is up to two-thirds of the cost or fair value of permanent additions provided net earnings during a specified time shall have been at least three times annual interest charges on both the outstanding and the proposed bonds.

Total authorized amount of this issue of series A bonds	$4,000,000
Retired through operation of sinking fund	422,000
Amount outstanding	3,578,000
Total listing applied for	3,578,000

Approved June 30, 1928, by the supervisory Board (Aufsichtsrat) of the company which, under the laws of Germany and the articles of association of the company, is duly empowered to approve the issue by the company. Approval of the Prussian ministry of commerce was given by indorsement upon the corporation's consent for the recordation of the dollar mortgage securing the bonds.

Indenture and supplemental indenture dated as of April 1, 1928. No other authorization required.

Capital securities as of June 30, 1930

[One reichsmark=23.8 cents]

Stock	Per value per share	Authorized by charter	Authorized for issuance	Previously listed	Outstanding
	Reichsmarks	*Reichsmarks*	*Reichsmarks*		*Reichsmarks*
Capital stock	1,000	27,000,000	27,000,000	None.	27,000,000

NOTE.—Of the total of reichsmarks 27,000,000 par value outstanding 33⅓ per cent is paid up, the balance is due and the right to demand and receive payment is pledged with the German trustee for the bonds.

Bonds	Date of issue	Date of final maturity	Interest rate	Amount authorized for issue	Amount issued	Amount outstanding	Previously listed
Funded and long-term indebtedness:							
Ruhr Chemical Corporation 6 per cent sinking fund mortgage bonds, series A	Apr. 1, 1928	Apr. 1, 1948	*Per cent* 6	$4,000,000	$4,000,000	[1] $3,780,000	None.
Rhur Chemical Corporation 8 per cent loan [2]	July 1, 1929	July 1, 1935	8	3,000,000	3,000,000	3,000,000	None.
Accounts payable 1931-32						[3] [4] 1,200,000	

[1] As of June 30, 1930.
[2] Contingent additional interest payable from Oct 1, 1932, in each year.
[3] Half of the amount payable on Oct. 1, 1931, and the balance on Oct. 1, 1932.
[4] Reichsmarks.

NEW YORK, N. Y., *June 19, 1931.*

Ruhrchemie Aktiengesellschaft (Ruhr Chemical Corporation), hereinafter called the company, a corporation organized under German law, hereby makes application to list on the New York Stock Exchange $3,578,000 principal amount (being the total amount outstanding) of its 6 per cent sinking fund mortgage bonds, series A, due April 1, 1948 (hereinafter called bonds), in definitive form, included in numbers M-1 to M-4000, in the denomination of $1,000 each, which are issued and outstanding in the hands of the public.

AUTHORITY FOR ISSUE

The series A bonds are issued under and secured by an indenture and a supplemental indenture, printed in English, dated as of April 1, 1928, and executed by the company and International Acceptance Trust Co., New York, now the Bank of Manhattan Trust Co., New York, American Trustee & Deutsche Kreditsicherung Aktiengesellschaft, Berlin, Germany, German trustee, pursuant to a contract dated as of April 18, 1928, between the company and Dillon, Read & Co.

Said indenture and supplemental indenture were executed on behalf of the company by George E. Dix, duly authorized representative of the corporation acting under a power of substitution executed by Dr. Fritz Mueller, duly authorized representative of the corporation acting pursuant to a power of attorney executed by two members of the executive board (Vorstand) of the corporation. The members of said executive board are duly authorized under the laws of Germany and the articles of association of the company to bind the company in all matters. The approval of the supervisory board (Aufsichtsrat) of the company is not necessary to make said indenture the valid obligation of the company, such approval being, under German law, purely a matter of internal responsibility. The entry of the dollar mortgage securing the series A bonds was approved by the Ministry of Commerce of Prussia and the approval indorsed on such dollar mortgage on May 9, 1928. No further authority was necessary to validate the series A bonds.

PURPOSE OF ISSUE

The proceeds from the sale of the bonds were used by the company to furnish a portion of the funds required for the construction of the company's plant.

OPINION OF COUNSEL

The legality and validity of this bond issue has been passed upon by Cotton, Franklin, Wright & Gordon, of New York, and Dr. Friedrich Kempner ,of Berlin, Germany.

DESCRIPTION

The bonds are in definitive form. The bonds are in the English language, are dated April 1, 1928, mature April 1, 1948, and are subject to redemption as hereinafter described. The bonds are in coupon form, in the denomination of $1,000, registerable as to principal only at the principal office of the American trustee, in the Borough of Manhattan, the city of New York. The total authorized issue of the bonds is $4,000,000 principal amount, and the total authorized amount has been authenticated by the American trustee and delivered.

The bonds bear interest from April 1, 1928, at the rate of 6 per cent per annum, payable semiannually on the 1st day of April and the 1st day of October in each year. Principal of, and interest on, the bonds are payable in gold coin of the United States of America of, or equal to, the standard of weight and fineness existing on April 1, 1928, at the principal office of Dillon, Read & Co., or its successor as fiscal agent, in the borough of Manhattan, the city of New York. Principal and interest and all other payments with respect to the bonds or the indenture are payable without deduction or diminution for any taxes, past, present, or future, of the German National Government or of any German state, municipal, or other governmental subdivision or German taxing authority, and, in every case, so far as lawfully possible, such payments shall be made in time of war as well as in time of peace and irrespective of the nationality of the person, firm, or corporation entitled to receive such payments, and irrespective of any regulation, treaty, or convention of the German National Government or any subdivision thereof or of any other authority. If the company shall be required by law to deduct any such taxes from any such payments, which taxes the company may not itself legally assume and pay, the amount of such payments is to be so increased that the net amount payable, after such deduction, shall be equal to the full amount stipulated in the bonds and in the indenture.

Principal, premium, if any, and interest are also collectible, at the option of the bearer or registered owner in London, England, at the office of M. Samuel & Co. (Ltd.), in pounds sterling, or in Amsterdam, Holland, at the offices of Mendelssohn & Co. Amsterdam, and Nederlandsche Handel-Maatschappij, in Dutch guilders, or in Zurich, Switzerland, at the office of Crédit Suisse, in Swiss francs, in each case at the buying rate, in London, or Amsterdam, or Zurich, as the case may be, for sight exchange on New York City on the day of presentation of the bonds and/or coupons for collection.

The definitive bonds have been executed in the name of the company by George E. Dix, duly authorized representative of the company, and authenticated by the certificate of International Acceptance Trust Co., New York, American trustee, endorsed thereon. The interest coupons attached to the bonds bear the facsimile signature of Fritz Mueller, duly authorized representative of the company.

SECURITY

The bonds are the direct obligation of the company and in the opinion of counsel, are secured by:

(a) A mortgage lien on the plant owned by the company, and

(b) The obligation of the stockholders of the company to pay to the German trustee upon demand in case of default under the indenture, the unpaid balance of their stock subscriptions. The capital stock of the company amounts to 27,000,000 reichsmarks ($6,426,000) par value, all of which has been subscribed for and on which 9,000,000 reichsmarks has been paid. The balance of 18,000,000 reichsmarks ($4,284,000) is due and the right to demand and receive payment of such balance has been pledged, by assignment to Deutsche Kreditsicherung A. G., Berlin, the German trustee, as additional security, for the series A bonds. The German trustee has the right to enforce such payment at any time in case of default under the indenture and the stockholders have agreed to make such payment in dollars at par of exchange, upon demand of the German trustee.

The company's capital stock is now held by 26 companies controlling about 70 per cent of the coke-oven gas production of the entire Ruhr district. These companies also control about 70 per cent of the estimated reserves of recoverable coal in this district which at the present rate of production should last several hundred years. The aggregate net worth of 15 of said stockholder companies, owning 81.2 per cent of the company's capital stock, as shown by their respective most recent balance sheets (which balance sheets are of different dates) is in excess of $538,671,588; the aggregate of the net earnings of each such stockholder companies for its last fiscal year (which fiscal years end on different dates) as shown by its published earnings statement is in excess of $23,913,288.

The following companies own 65.98 per cent of the Ruhr Chemical Corporation stock outstanding, which is distributed among them as follows:

	Percentage of total stock owned	Unpaid balance of subscription price pledged with trustee
	Per cent	
United Steel Works Corporation	32.13	$1,383,672.50
Harpen Mining Corporation	10.21	437,444.00
Frederick Krupp Corporation	4.80	205,632.00
Good Hope Steel & Iron Works	4.65	199,134.60
Mannesmann Tube Corporation	4.58	196,278.60
Hoesch-Koln-Neuessener Mining Corporation	7.41	317,492.00
Mathias Stinnes Mining Co	2.20	94,248.00
	65.98	2,833,901.70

There are now listed on the New York Stock Exchange the 6½ per cent sinking fund mortgage gold bonds series A and C, the 6½ per cent sinking fund debentures series A, of the United Steel Works Corporation and the 7 per cent sinking fund mortgage gold bonds of the "Rheinelbe Union" assumed by United Steel Works Coporation; the 6 per cent gold mortgage bonds of Harpen Mining Corporation and the 7 per cent sinking fund mortgage gold bonds of Good Hope Steel & Iron Works.

(c) The company has also pledged under the lien of the supplemental indenture for the benefit and securities of series A bonds all rights, licenses and interests of the company under a certain agreement executed November 10 and 11, 1927, with Gesellschaft fuer Linde's Eismaschinen A. G. and with Concordia Bergbau A. G., and has convenanted to pledge under the lien of the supplemental indenture all licenses, patent rights, processes or other rights, which it shall acquire. The more important franchises, patents and processes owned by the company are as follows:

A license for the use in Germany of the process and machinery for the production of hydrogen and nitrogen from coke oven gas for the syntheses of ammonia which are covered by German patent No. 301,984 expiring November 21, 1936. The license agreement among other things provides:

1. For instruction of the company in improvements, changes and rearrangement of the process.

2. That if improvements which come under the license are patented, the company has the right to receive a license under such patents after the expiration of the patent No. 301,984.

3. That the company receive the license under conditions at least as favorable as any other licensee.

The company has also acquired rights in Germany to the Casale process for the production of synthetic ammonia from hydrogen and nitrogen. The license covering this process was granted by Ammonia Casale S. A. of Lugano, Switzerland to a group of German companies and the license has been assigned to Ruhr Chemical Corporation. The term of license is for the life of German patent No. 374,773 (one of the two main Casale patents) which expires on October 12, 1939. The other important Casale patent No. 374775 expires April 30, 1939. It is further provided the company has the right to obtain a license for changes and improvements patented by Casale, but in the absence of agreement, on payments determined by arbitration.

It is also provided that if Casale grants more favorable licenses to others in the future, the company's license is to be changed accordingly.

FUTURE ISSUES

The indenture provides that whenever the company shall acquire, by construction, purchase, merger or consolidation or otherwise and shall subject to the lien of the indenture, any permanent additions, additional bonds may be issued at any time, up to two-thirds of the cost or fair value, whichever shall be less, of such additional fixed assets to be subjected to the lien of the indenture, but only if net earnings, after depreciation, * * * and all other charges except interest and profits taxes, for 12 consecutive months out of the 15 months immediately preceding the application for issuance shall have been equal to at least three times annual interest requirements on all bonds to be outstanding under the indenture after such proposed additional issue; additional bonds may also be issued subject to the foregoing earnings restrictions, against the deposit of an amount in cash equal to the principal amount of bonds so to be issued such cash to be withdrawn at any time thereafter up to two-thirds of the cost or fair value of such additional fixed assets; upon the retirement of bonds theretofore issued under the indenture (otherwise than through the series A sinking fund so long as series A bonds shall be outstanding) a like principal amount of bonds may be issued in substitution therefor.

Sinking fund.—The Supplemental Indenture dated April 1, 1928, contains the following provisions:

ARTICLE III

SINKING FUND

Section 1. The company covenants and agrees that it will pay to the fiscal agent, so long as any series A bonds shall be outstanding, as and for a sinking fund for series A bonds, on October 1, 1929, and on each October 1, hereafter, to and including October 1, 1947, the sum of $106,000, and on April 1, 1930, and on each April 1 thereafter to and including April 1, 1947, the sum of $105,000.

Section 2. The moneys so paid into the sinking fund for series A bonds shall be applied by the fiscal agent to the redemption of series A bonds by lot on the respective interest payment dates upon which said payments are due, pursuant to section 1 of this Article III, at the principal amount thereof plus accrued interest to such redemption date, in the manner provided below. All such moneys shall be held by the fiscal agent for the payment of the series A bonds thus designated for redemption.

The fiscal agent shall, prior to March 1 and prior to September 1 of each year, select by lot, in any usual manner approved by it, in its discretion, series A bonds for redemption, equal in principal amount to the amount of the next ensuing payment due on account of said sinking fund, as above provided, and shall call said series A bonds for redemption on said next ensuing interest payment date by causing notice of such redemption to be mailed to the American trustee and to be published in the name of the company once a week for at least four successive weeks preceding such redemption date in two daily newspapers, selected by the fiscal agent, printed in English, published and of general circulation in the borough of Manhattan, city of New York, the first publication to be not less than 30 and not more than 35 days prior to such redemption date, which notice shall state the numbers of the series A bonds designated for redemption. The fiscal agent shall cause a similar notice to be mailed, postage prepaid, at least 30 days prior to such redemption date, to each registered owner of series A bonds designated for redemption whose address shall appear on the transfer register, which shall be open to inspection by the fiscal agent at any reasonable time. Failure to give such mailed notice or any irregularity therein, however, shall not affect the validity of any redemption proceedings.

The fiscal agent may, in its discretion, also give notice of any redemption by one or more publications in such other newspapers in the United States of America, Canada, or Europe as it may deem proper. Failure to give any such additional published notice or any irregularity therein, however, shall not affect the validity of any redemption proceedings.

Section 3. Notice of such redemption having been duly given, as hereinbefore provided, and the sinking fund payment necessary to pay the redemption price having been deposited with the fiscal agent on or before the redemption date, the series A bonds so designated for redemption shall on the date and at the place designated in such notice become due and payable at the redemption price hereinbefore in this Article III set forth, and from and after the date of redemption so designated, unless default shall be made in the payment of the redemption price of said bonds, interest on said bonds so designated for redemption shall cease, and on presentation and surrender of said bonds specified in the notice of redemption, in accordance with said notice, with all appurtenant coupons maturing after said redemption date, said bonds shall be paid at redemption price. All unpaid interest instalments represented by coupons which shall have matured on or prior to said redemption date shall continue to be payable to the bearers severally and respectively, and the redemption price payable to the holders of the series A bonds presented for redemption shall not include such unpaid instalments of interest represented by coupons unless coupons representing such instalments shall accompany the series A bonds presented for redemption.

Section 4. All series A bonds, together with the unmatured coupons thereunto appertaining, redeemed for the sinking fund for series A bonds, shall be canceled by the fiscal agent and after such cancellation shall be delivered to the American trustee, which shall make notation thereof on its records, and no such bonds shall be reissued nor shall any bonds of any series be issued in exchange therefor or in lieu thereof so long as any series A bonds shall be outstanding. Such canceled bonds and coupons shall be held, or disposed of, by the American Trustee as the company may in writing direct. The American trustee shall be entitled to accept a certificate from the fiscal agent that such bonds and coupons have been duly canceled as conclusive evidence of the fact of such cancellation and shall be fully protected in relying thereon.

Redemption of bonds.—It is provided in Article V of the indenture as follows:

Article V

REDEMPTION OF BONDS

Section 1. The provisions of this section 1 shall govern the redemption of all bonds of all series (otherwise than for any sinking fund for any series), provided that, as to any series, different provisions for the redemption of bonds thereof are not made in such bonds or in any supplemental indenture executed in connection therewith. The company shall give written notice of its intention to redeem any bonds of any series which by their terms are redeemable (otherwise than by operation of any sinking fund for such series) at the option of the company, and of the series and principal amount thereof to be redeemed, to the paying agent for such series of bonds, at least 50 days prior to the date upon which such redemption is to take place, and shall request such paying agent to give due notice thereof as herein provided. Thereupon notice of such redemption of bonds shall be mailed to the American trustee and shall be published by such paying agent once a week for four successive weeks in two daily newspapers selected by such paying agent, printed in English, published and of general circulation in the borough of Manhattan, city and State of New York, the first publication to be not less than 30, nor more than 35 days prior to the redemption date designated. If part only of any series of bonds is to be redeemed, such notice shall state the numbers of the bonds of such series designated for redemption, determined as hereinafter provided. Such paying agent shall cause similar notice to be mailed postage prepaid, at least 30 days prior to such redemption date, to each registered owner of bonds designated for redemption whose address shall appear on the transfer register, which shall be open to inspection by all paying agents at any reasonable time. Failure to give such mailed notice, or any irregularity therein, however, shall not affect the validity of any redemption proceedings.

Such paying agent, may, in its discretion, also give notice of any such redemption by one or more publications in such other newspapers in the United States of America, Canada, or Europe as it may deem proper. Failure to give any such additional published notice or any irregularity therein, however, shall not affect the validity of any redemption proceedings.

In case the company shall advise the paying agent for any series of bonds then outstanding which is redeemable in part (otherwise than through operation of any sinking fund for such series) that it has elected to call for redemption a part only of such series, such paying agent shall thereupon select by lot, in any usual manner approved by it, in its absolute discretion, the particular bonds of such series to be so redeemed. The company and the trustees shall be entitled but shall not be required to have representatives present at any drawings of bonds for redemption.

The cost of all notices published and/or mailed by any paying agent under any of the provisions of this indenture shall be paid or reimbursed to such paying agent by the company on demand.

Notice of any redemption having been duly given and the funds sufficient to redeem the bonds so designated for redemption having been duly deposited with the paying agent for such bonds, the bonds so designated for redemption shall, on the date and at the place designated in such notice, become due and payable at the applicable redemption price set forth in said bonds, and from and after the date of recemption so designated, unless default shall be made in the payment of the redemption price of said bonds, interest on the bonds so designated for redemption shall cease (except as may be otherwise provided in any supplemental indenture) and on presentation and surrender of the bonds specified in the notice of redemption, in accordance with said notice, with all appurtenant coupons maturing after said redemption date, said bonds shall be paid at said redemption price. If not so paid on presentation thereof, interest shall continue to be payable on the bonds, at the respective rates of interest borne by such bonds, until such bonds shall be paid. All unpaid interest installments represented by coupons which shall have matured on or prior to said redemption date shall continue to be payable to the bearers severally and respectively, and the redemption price payable to the holders of the bonds presented for redemption shall not include such unpaid installments of interest represented by coupons, unless coupons representing such installments shall accompany the bonds presented for redemption.

All bonds redeemed pursuant to the provisions of this Article V, together with the appurtenant coupons, shall be canceled forthwith by the paying agent at whose office such bonds were surrendered for payment or collection and shall be delivered to the American trustee, which shall make notation thereof on its records. Such cancelled bonds and coupons shall be held or disposed of by the American trustee as the company may in writing direct.

Section 2. Upon payment to the American trustee of an amount sufficient to redeem at the applicable redemption price set forth in the bonds, respectively, and/or to pay, all outstanding bonds upon the next succeeding date or dates upon which the bonds are redeemable and/or payable, and upon furnishing the American trustee with proof that notice of redemption of all bonds to be redeemed has been duly given in accordance with the applicable provisions of this indenture,the bonds and any supplemental indenture (or provision for such notice made in a manner satisfactory to the American trustee), and on payment to the trustees and and paying agents of all costs, charges and expenses in relation hereto, the trustees, at the written request and cost of the company, shall by proper instruments, release unto the company all of the assets and property mortgaged and pledged, and shall cancel and satisfy this indenture.

Out of the moneys deposited with the American trustee for the redemption or payment of outstanding bonds of a particular series, such trustee shall pay either to, or upon the order of, the paying agent for the service of the bonds of such series, from time to time, upon delivery to such trustee of the bonds of such series, an amount equivalent to the redemption price or amount payable at maturity, as the case may be, of the bonds of such series so delivered, or, upon the written request of such paying agent, such trustee shall thereafter act as paying agent in respect of redemption or payment of the bonds of such series, or such trustee and such paying agent may make such other arrangements in respect of the redemption or payment of the bonds of such series as may be mutually satisfactory to such trustee and paying agent.

In case the American trustee shall, upon written request of the paying agent for the service of the bonds of a particular series, act as paying agent in respect of the redemption or payment of the bonds of such series, such trustee shall make such payments out of the moneys deposited with it for the redemption or payment of the bonds of such series as if said trustee had been appointed paying agent hereunder, and all of the provisions of this Article V in respect of the protection and duties of such paying agent shall apply to such trustee.

Section 3. The company may purchase any of the bonds with moneys other than those depositied with any paying agent for the redemption of bonds or for the account of any sinking fund for any series of bonds and, from time to time, may surrender any bonds so purchased to the American Trustee, which shall thereupon cancel said bonds together with any coupons appertaining thereto and shall make notation thereof on its records and shall hold, or dispose of, such canceled bonds and coupons as the company may in writing direct.

Except as otherwise provided in any supplemental indenture, no such purchase or cancellation of bonds shall reduce in any way any amount required to be paid to, or deposited with, any paying agent by the company for account of any sinking fund or purchase fund.

Section 4. The trustees shall be entitled to accept a certificate of any paying agent or of any other depositary duly designated in any bonds or any indenture supplemental hereto as to the deposit with it of any funds under this Article V and shall be fully protected in acting on such certificate."

Default.—It is provided in Article VIII of the indenture as follows:

Article VIII

REMEDIES OF TRUSTEES AND BONDHOLDERS

Section 1. In case one or more of the following events, herein termed "events of default," shall happen, that is to say:

(*a*) Default shall be made in the due and timely payment of interest on any of the bonds, when the same shall become payable, as therein and herein or in any indenture supplemental hereto expressed; or

(*b*) Default shall be made in the due and timely payment of principal of any of the bonds, or the premium thereon, if any, when the same shall become due and payable, either at maturity, by call for redemption or otherwise; or

(*c*) Default shall be made in the due and timely payment of any installment of any sinking fund provided for any series of bonds; or

(*d*) Default shall be made in the observance of any of the other covenants on the part of the company in any of the bonds or in this indenture or in any indenture supplemental hereto expressed, and the company shall not remedy such default within 30 days after written notice of such default, requiring the company to comply with the covenant or agreement in respect of which it is so in default, shall have been served upon the company by the trustees or either of them, who shall serve such written notice at the request of the holders of one-fourth in principal amount of the bonds then outstanding; or

(*e*) Default shall be made in the due and timely payment of interest or principal of any funded debt of the company or in the due and timely payment of any installment of the sinking fund provided for any funded debt of the company; or

(*f*) The company shall become insolvent or shall fail to meet its debts as they mature or any bankruptcy proceeding (Konkursverfahren) or any proceeding pursuant to the law of July 5, 1927, concerning compositions to avoid bankruptcy (Gesetz ueber den Vergleich zur Abwendung des Konkurses vom 5. Juli 1927) shall be instituted by or against the company; or

(*g*) The company shall make a general assignment for the benefit of creditors; or

(*h*) The affairs of the company shall, without the consent of the American trustee (which consent the American trustee may give or withhold in its absolute discretion without liability to any one), be placed directly or indirectly in the control of any committee of creditors.

Then the American trustee may, and upon request in writing by the holders of a majority in principal amount of the bonds then outstanding shall, declare the principal of all the bonds, if not already due, to be forthwith due and payable, and upon such declaration the same shall become due and payable immediately. This provision, however, is subject to the condition that if, at any time after the principal of the bonds shall have been so declared due and payable and before the recovery by the trustees, or either of them, of final judgment or decree under this indenture, the principal of all bonds then due and payable otherwise than solely by reason of such declaration and all arrears of interest upon all of the bonds, with interest on overdue instalments of principal and interest at the same rates, respectively borne by the bonds on which such principal and interest are overdue, together with the reasonable compensation and all charges and expenses of the trustees, the paying agents, and their respective agents and attorneys shall have been paid by the company, and all other defaults under the bonds or any of them, or under this indenture or any indenture supplemental hereto shall have been made good to the satisfaction of the trustees, then and in such case the holders of a majority in amount of the bonds then outstanding, by written notice to the company and to the trustees, may waive such default and its consequences; but no such waiver shall extend to or affect any subsequent default or impair any right consequent thereon.

Sec. 2. In case of the happening of an event of default specified in section 1 of this Article VIII, or in any supplemental indenture, then and in each and every such case, such default subsisting the trustees may proceed to protect and enforce their rights and the rights of the bondholders under this indenture by any appropriate form of legal proceeding, whether for the specific performance of any covenant or agreement contained herein, in aid of the execution of any power herein granted, for any forcelosure or enforcement of any mortgage or land charge constituting a part of the lien hereof and/or for the enforcement of any proper remedy, as the trustees, being advised by counsel, shall deem most effectual to protect and enforce the rights aforesaid. Upon the happening of any such event of default the German trustee as representative (Vertreter) of the bondholders pursuant to section 1189 of the German Civil Code and/or as owner of any land charge will, upon the written request of the American trustee, exercise its rights as such representative and/or owner for the protection of the bondholders and enforcement of any mortgage or land charge constituting part of the lien of this indenture.

* * * * * * *

Section 7. In case (1) default shall be made in the due and timely payment of interest on any of the bonds at any time outstanding; or

(2) Default shall be made in the due and timely payment of principal and the premium thereon, if any, of any of the bonds, when the same shall become payable, whether upon maturity of any of the bonds, or upon call for redemption or upon declaration as authorized by this indenture or by any supplemental indenture or upon a sale as provided in section 5 of this Article VIII.

Then and in each such case, upon demand of the American trustee, the company will pay to the American trustee, or, if so demanded by the American trustee, to the German trustee, for the benefit of the holders of the bonds and coupons then outstanding, the whole amount that then shall have become due and payable on all such bonds and coupons then outstanding, for interest and/or principal and/or premium, with interest at the same rates, respectively, borne by the bonds on which principal and/or interest and/or premium, are overdue; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the payment of all expenses and liabilities incurred hereunder by, and a reasonable compensation to, the trustees and any and all paying agents and their respective agents and counsel and, in case the company shall fail to pay the same forthwith upon such demand, the trustees, or either of them, in their own names, and as trustees of an express trust, shall be entitled to recover judgment for the whole amount thereof against the company, and against the whole or any part of the property of the company, real, personal, or mixed, and the company covenants and agrees that such judgment may be entered of record in any court of the State of New York or of the United States of America without personal appearance of the company and solely upon affidavit of the American trustee, alleging such default.

The trustees or either of them shall be entitled to recover judgment as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of the lien of this indenture upon the trust estate, and the right of the trustees to recover such judgment shall not be affected by any sale hereunder, or by the exercise of any other right, power, or remedy for the enforcement of the provisions of this indenture or the foreclosure of the lien hereof; and in the case of any sale of all or any part of the trust estate, and of the application of the proceeds of sale to the payment of the debt, the trustees, or either of them, in their own names, and as trustees of an express trust, shall be entitled to enforce payment of, and to receive all amounts then remaining due and unpaid upon, any and all of the bonds then outstanding, for the benefit of the holders thereof, and shall be entitled to recover judgment for any portion of the debt remaining unpaid, with interest at the rate or rates aforesaid. No recovery of any such judgment by the trustees, and no levy of any execution upon such judgment upon property subject to the lien of this indenture, or upon any other property, shall in any manner or to any extent affect the lien of the trustees or bondholders upon the mortgaged assets or any part thereof, or any rights, powers, or remedies of the trustees hereunder, or any rights, powers, or remedies of the holders of the bonds, but such lien, rights, powers, and remedies shall continue unimpaired as before.

* * * * * * *

Covenants.—It is provided in Article VI of the indenture as follows:

Article VI

PARTICULAR COVENANTS OF THE COMPANY

In addition to the other covenants and agreements on its part herein and in the bonds, the company covenants and agrees as hereinafter in this article set forth:

Section 1. The company will duly and punctually pay the principal of, and the premium, if any, and interest on, every bond and every installment due for any sinking fund or purchase fund provided for any series of bonds, at the respective dates and places and in the manner provided herein, and in the bonds and coupons thereunto appertaining, and in any supplemental indenture executed pursuant to Article IV hereof with respect to any series of bonds, according to the true intent and meaning thereof and hereof. * * *

Section 2. Subject to the provisions of section 9 of Article III hereof, the company will, forthwith upon the acquisition by it of any owner's land charge (Eigentuemergrundschuld) upon any real estate which is or shall hereafter become subject to the lien of this indenture * * * cause such owner's land charge to be canceled of record in so far as recorded. In case any mortgage or land charge shall rank prior to or equally with the lien of this indenture, the company will cause a notice (Vormerkung) of its obligation to effect such cancellation to be recorded, in accordance with German law, with respect to each such mortgage or land charge upon each piece of real estate constituting a part of the trust estate and upon each piece of real estate which may hereafter become subject to the lien hereof.

Section 3. The company will not voluntarily create, or suffer to be created, any debt, lien, or charge which would or could be prior to the lien of this indenture upon the mortgaged assets or any part thereof, or upon the income thereon, except any mortgage or other lien which may exist at the time of acquisition thereof upon any property acquired by the company after the date of this indenture or be created thereon to secure the payment of any unpaid portion of the purchase price of such property; and the company will duly and punctually pay and discharge all taxes, assessments, and governmental charges (including those under the Dawes plan, as defined in section 9 of Article I hereof, and otherwise) lawfully imposed upon it, and particularly all such taxes, assessments, and governmental charges the lien whereof, if unpaid, could be or become prior to the lien hereof, and also all taxes, assessments, and governmental charges lawfully imposed upon the trustees, or either of them, or upon the lien or interest of the trustees, or either of them, in respect of the mortgaged property, so that the lien and priority of this indenture shall be fully preserved and the mortgaged assets of the company shall be kept free from the lien of any such taxes, assessments, or charges at the cost of the company, without expense to the trustees or the bondholders, provided, however, that the company shall have the right, by appropriate legal proceedings, to contest any such tax, assessment, or charge and pending such contest may delay or defer the payment thereof, unless either of the trustees shall deem its interests in the mortgaged property endangered by such nonpayment and shall serve a written notice on the company to that effect. If the company shall fail to pay any tax, assessment, or charge upon any part of the mortgaged premises when the same shall become due and payable, the trustees or either of them may, and upon the request of holders of 10 per cent in principal amount of the bonds of any series then outstanding and upon being provided with adequate funds for that purpose shall, pay such taxes, assessments, or charges, provided that such payment shall be made under protest if so requested in writing by the company; all amounts so paid, with interest thereon at the rate of 6 per cent per annum, may be forthwith sued for and recovered from the company by the trustees, or either of them, in an appropriate action for that purpose and, until thus paid by the company, shall be a charge upon the mortgaged property prior to the lien of the bonds secured hereby.

*   *   *   *   *   *   *

Section 7. The company is duly authorized and empowered under all applicable provisions of law in the United States of America and Germany and otherwise in all respects, to create and issue the bonds and to execute this indenture and to mortgage and pledge its property as herein provided, and all action on its part for the creation and issue of the bonds and the execution of this indenture and the mortgaging and pledging of its property, as hereinbefore provided, to secure the same, has been duly and effectively taken; all bonds, when executed and authenticated as herein provided, in the hands of holders thereof, will be valid and enforceable obligations of the company in accordance with their terms.

*   *   *   *   *   *   *

Section 9. The company will cause all indebtedness secured by any prior liens (as defined in section 12 of Article I hereof) upon any part of the trust estate to be paid when the same shall become due and payable and will cause all obligations in connection with such indebtedness to be duly performed.

Whenever the company shall acquire any prior lien or pay the indebtedness secured by any prior lien, the company will forthwith cause such prior lien to be removed of record in the manner provided in section 9 of Article III hereof, and will notify each of the Trustees in writing that, and of the manner in which, such removal has been effected.

*   *   *   *   *   *   *

Section 12. The company will at all times insure and keep insured, in reputable insurance companies approved by the German trustee, or in some other manner satisfactory to the German trustee, all its property of a character usually insured by companies operating plants, located in Germany, similar to the plants of the company, against loss or damage, in such manner and to such extent as similar property is usually insured, but at all times to an amount in the aggregate at least equal to the principal amount of the outstanding bonds. * * *

Section 13. The company will not, so long as any of the bonds are outstanding sell or otherwise dispose of any real estate or plants or other property now or hereafter subject to the lien of this indenture, except as herein expressly permitted. Nor will the company, by merger, consolidation or any other form of amalgamation, combined its business and properties with those of any other firm or corporation, except as herein expressly permitted.

Section 14. The company will at all times keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions in relation to the plants, properties, business, and affairs of the company * * *.

Section 15. So long as any bonds are outstanding, the company will cause its books and those of its subsidiaries, if any, to be audited annually, at the expense of the company, by a public accountant or a firm of public accountants, appointed or approved by the American Trustee, and will cause copies of such audit reports, in reasonable detail, certified by such accountant or firm of acountants (including the balance sheet, earnings statement for the preceding fiscal year and surplus account of the company and its subsidiaries, if any) to be furnished to each trustee and to each paying agent within six months after the close of each fiscal year of the company. * * *

The company will, within 30 days after the annual meeting of its stockholders, furnish to each of the trustees and each paying agent the balance sheet, surplus account and earnings statement of the company, in the form approved at such annual meeting of stockholders. Each of said balance sheets, surplus accounts and earnings statements shall be certified to by two members of the executive board of the company. * * *

*   *   *   *   *   *   *

Section 17. So long as any of the bonds shall be outstanding, the company will not declare or pay any dividend on, or make any distribution to any of the holders of, its common stock except out of net earnings of the company arising from the operation of its business, nor will it declare of pay any such dividend or make any such distribution until the company shall have delivered to each of the trustees a certificate of the company, signed by two members of its executive board, certifying that one year has elapsed since the company started full operation, and that the company has set up the full legal reserve, amounting to 10 per cent of its total capital stock, required by German law. For the purpose of this section 17, the company shall be deemed to have started full operation on the first day of the first six months' period within which the company shall have produced nitrogen products, having a nitrogen content of at least 7,500,000 kilograms of pure and salable nitrogen, as certified in writing to the trustees by an engineer satisfactory to the American trustee."

In addition to the above covenants and agreements in the Indenture it is provided in Article V of the Supplemental Indenture as follows:

Section 1. Whenever from time to time the company shall acquire any licenses, patent rights, processes or other rights in respect of, or in addition to, or amendatory of or supplementary to, the pledged licenses (as defined in section 5 of Article I hereof), the company will forthwith cause to be subjected to the lien of this Supplemental Indenture, for the sole benefit and security of the Series A Bonds and of the bonds of such other series, if any, as shall then be secured by the pledged licenses as permitted by section 1 of Article VII hereof, all such further or additional licenses, patent rights, processes or other rights, and the company will cause to be executed and delivered to the German trustee such agreements, assurances, assignments and other documents as may be necessary effectively to subject the same to the lien hereof. The company will endeavor to retain the right to operate its plant under the Pledged Licenses, to the extent legally possible, so long as any of the Series A bonds shall be outstanding.

Section 2. Without the prior written consent of the German trustee, the company will not grant any sublicense under, or make any assignment of, any of the pledged licenses or make or agree to any changes or modifications in the pledged licenses or voluntarily terminate or do anything which may cause the termination or forfeiture of any of the pledged licenses. * * *

* * * * * * *

Section 7. The stockholders of the company have jointly and severally guaranteed payment of interest accruing upon the Series A bonds to a date one year after the beginning of the first six months' period within which the company shall have produced nitrogen products having a nitrogen content of at least 7,500,000 kilograms of pure and salable nitrogen. The company covenants that it will cause the engineer referred to in section 3 of Article VII of the Indenture to certify to each trustee, within ten months after the beginning of said six months' period, that the company has produced at least said amount of pure and salable nitrogen within said six months' period. The company will also publish notice, not later than eleven months after the beignning of said six months' period, that the company has produced at least said amount of pure and salable nitrogen within said six months' period, and that accordingly said guaranty of the stockholders does not extend to any interest accruing after one year from the beginning of said six months' period. Said notice shall be published at least once in a daily newspaper, printed in English, published and of general circulation in the Borough of Manhattan, City of New York. Neither trustee shall be under any obligation to require the furnishing of said engineers' certificate or the publication of said notice or otherwise with respect to said guaranty of the stockholders.

Sec. 8. So long as any of the series A bonds shall be outstanding the company will not, without the prior written consent of the German trustee, make any changes or modifications in, or terminate or make any breach of, the contract dated March 20, 1928, between the company and Gutehoffnungshuette Oberhausen Aktiengesellschaft or the contract, dated March 20, 1928, between the company and Aktiengesellschaft fuer Kohleverwertung.

PROVISIONS APPLICABLE IN THE EVENT OF INTERNATIONAL DISTURBANCES

It is provided in Article XIV of the indenture as follows:

Section 1. The company covenants that notwithstanding the existence at any time of a state of war between Germany and the United States of America or any other international or national disturbance in German affairs, it will, unless expressly prohibited by law, continue to made all deposits and payments required by this indenture and any supplemental indenture and the bonds, and in all other respects will continue to comply with and perform the several provisions of this indenture and of all supplemental indentures and of the bonds.

SEC. 2. If, by reason of the existence of a state of war or because of any law or regulation the making of all or any of such deposits and payments, as herein and in any supplemental indenture and in the bonds provided, should be impossible, and if at such time the Kingdom of The Netherlands shall not be at war with Germany, the company, so long as such impossibility shall continue, will in such event make, unless expressly prohibited by law, each and every one of said deposits and payments to Nederlandsche Handel-Maatschappij, a banking corporation of Amsterdam, Holland, and will comply with and perform each and every of said provisions of this indenture and of all supplemental indentures in the same manner as though said Nederlandsche Handel-Maatschappij had been named in each of said provisions instead of any paying agent therein named. In such event also, so long as such impossibility shall continue, said Nederlandsche Handel-Maatschappij shall be substituted for, and shall act in the place and stead of, all paying agents with the identical powers, authority, and duties in all respects as though its name appeared in this indenture and in all supplemental indentures and in the bonds instead of the names of such paying agents wherever the same occur.

In case the Kingdom of the Netherlands shall be at war with Germany, but the Republic of Switzerland shall not be a party to such war, each and every of said deposits and payments shall be made to Messrs. Pictet & Cie., a banking firm of Geneva, Switzerland, which shall in such event be substituted for said Nederlandsche Handel-Maatschappij, above.

MUTILATED, DESTROYED, AND LOST DEBENTURES

The indenture provides that in case any bond with the coupons thereto appertaining shall become mutilated or be destroyed or lost, the company may in its discretion issue, and the American trustee may thereafter in its discretion authenticate, a new bond of like tenor and date (including coupons) in exchange and substitution for such mutiliated bond with coupons, upon cancellation thereof or in lieu of and substitution for such destroyed or lost bond and coupons, upon the holder filing with such trustee evidence satisfactory to it of such mutilation, destruction, or loss of such bond and coupons, and of his ownership thereof, and furnishing the company, the trustees, and the paying agent for bonds of such series with indemnification satisfactory to them. Any such new bond and coupons shall constitute original additional contractual obligations on the part of the company, whether or not the destroyed or lost bond and coupons be at any time enforceable by anyone and shall be entitled to the benefit and lien of this indenture.

HISTORY OF CAPITALIZATION

The company (formerly known as Kohlechemie Aktiengesellschaft) was organized in November, 1927, with a capital of Reichmarks 500,000, subscribed for in full and 25 per cent paid and divided into 500 shares of Reichmarks 1,000 each.

On April 24, 1928, the capital was increased to Reichmarks 27,000,000 par value, divided into 27,000 shares of the par value of Reichmarks 1,000 each. This Reichmarks 27,000,000 par value of stock has been fully subscribed for at par, 33⅓ per cent of the par value thereof has been paid in and the balance is due. The authorized capital stock of the company now consists of 27,000 shares of the par value of Reichmarks 1,000 per share, all of which are issued and outstanding. Each share has one vote. The shares are entitled to no special rights to dividends or upon liquidation.

The funded indebtedness of the company as of June 30, 1930, was as follows: 6 per cent sinking fund mortgage bonds, series A, $3,789,000; 8 per cent note, $3,000,000; accounts payable 1931-32, Reichmarks 1,200,000.

PROPERTIES AND OPERATIONS

Ruhr Chemical Corporation (formerly known as Kohlechemie Aktiengesellschaft) was organized by important coal and steel companies located in the Rhur district. The company's plant at Oberhausen-Holton, (near Essen, Ruhr) Germany, is equipped to produce ammonia, nitric acid, and fertilizer, utilizing coke-oven gas as a raw material. Manufacturing is carried on under certain patented processes, known as the Concordia-Linde and Casale processes. The company was formed after several years of research in the development of methods for the more profitable utilization of the enormous quantities of coke-oven gas produced in the Rhur district. Contracts, extending beyond the maturity date of the series A bonds, assure the company a supply of coke-oven gas in amounts adequate for its requirements.

The company's plant consists of two units subject to the lien of the 6 per cent sinking fund mortgage bonds. The first was completed in May, 1929, at a cost of approximately $5,000,000. The second unit was completed in October, 1930, at a cost of approximately $3,000,000.

Prior to the completion of the second unit, the company's production for the fiscal year ending June 30, 1930, was 13,778 metric tons of pure nitrogen content. The whole plant has a capacity of approximately 55,000 metric tons of pure nitrogen content.

The company has acquired rights in Germany to the Concordia-Linde process for the production of hydrogen and nitrogen from coke-oven gas and to the Casale process for the production of synthetic ammonia from hydrogen and nitrogen. The practicability of these two processes has been established through their use for a number of years. Combined operation of these two processes increases the economic value of each. The plant is the first in Germany to combine the two processes in its operations. The productive capacity of all nitrogen plants working under the Casale process, is equivalent to about one-eighth of the capacity of all nitrogen plants in the world.

The company is a member of the German ammonia syndicate, which is obligated to purchase synthetic nitrogen produced by its members at a uniform price for all members and in proportion to their participations in the syndicate. This syndicate and the German nitrogen syndicate of which it is a member distribute practically all of the synthetic nitrogen products manufactured in Germany.

VALUATION

The valuation (based in part on the estimated cost of certain plant extensions since completed) placed on the properties of the company by report of Mr. H. A. Brassert, an American consulting engineer, dated May 16, 1929, is in excess of $8,000,000.

DEPRECIATION

The policy of the company is to allow for depreciation and depletion as follows: There have been "written off" during the fiscal years of 1928–29 and 1929–30 (on an average) on: Buildings, 6.1 per cent; machinery and working equipment, 13.5 per cent; movables, 25 per cent; total on an average, 11.8 per cent.

Article VI, section 4 of the indenture provides, that the "company, having possession as herein provided, will diligently preserve the rights and franchises now or hereafter granted or conferred upon it and will, in so far as the same is consistent with proper industrial practices, in using and operating its buildings and plant as the same are now constructed, or as the same may hereafter be constructed or extended, at all times maintain and preserve the same and every part thereof, together with the fixtures and appurtenances, in thorough repair, working order and condition and supplied with fuel, motive power and equipment. The company agrees at any time or times on request of either trustee, to furnish to such trustee a schedule showing in reasonable detail the property covered by the lien hereof, but neither trustee shall be under any duty to require the same to be furnished unless requested to do so by bondholders holding not less than 10 per cent in principal amount of the bonds of any series then issued and outstanding."

Employees.—At the present time the company employs approximately 600 persons.

Dividends.—No dividends of any kind have been paid on the company's capital stock.

FINANCIAL STATEMENTS

The following financial statements of the company have been certified by Geo. E. Dix, attorney in fact of the company.

These are given below: (1) Statement of income and profit and loss for the period from October 28, 1927, to June 30, 1930. (2) Balance sheet as of June 30, 1928, June 30, 1929, and June 30, 1930.

Statement of deficit, Ruhrchemie Aktiengesellschaft, at June 30, 1928 and June 30, 1929

[Expressed in American dollars by conversion of German Reichsmarks at par of exchange 23.8 cents]

	Balance at June 30, 1928	Charges and credits during year ended June 30, 1929	Balance at June 30, 1929
Financing expenses written off:			
In respect of taxes on increase of capital	$88,850.16	$3,170.16	$85,680.00
In respect of issue of 20-year 6 per cent mortgage bonds, series A—			
Bankers, legal and other incidental expenses	81,083.70	8,687.60	89,771.30
Difference in exchange arising through adoption of a fixed rate of $1—RM4.20	21,174.69		21,174.69
Stamp duty	39,984.00		39,984.00
Proportion of discount amortized	25,489.80	25,489.80	50,979.60
In respect of prospective financing		4,708.09	4,708.09
Depreciation written off		142,060.53	142,060.53
Operating, general and administration expenses	658.61	154,254.81	154,913.42
Interest payable in respect of 20-year 6 per cent mortgage bonds, series A	59,976.00	239,904.00	299,880.00
Together	317,216.96	571,934.67	889,151.63
Deduct, miscellaneous income:			
Interest receivable	63,502.79	175,005.83	238,508.62
Proceeds from sales of products		30,639.32	30,639.32
Rents, etc		2,279.68	2,279.68
	63,502.79	207,924.83	271,427.62
Balance, being deficit	253,714.17	364,009.84	617,724.01
Adjustment arising from conversion in balance sheet of funded debt at 4.20, the specified rate for redemption, instead of at par of exchange	1,600.00		1,600.00
Deficit, as per balance sheet	255,314.17	364,009.84	619,324.01

NOTE.—The plant first commenced production during the months of May and June, 1929. It is impracticable to allocate any proportion of the operating, general and administration expenses as a charge against the output during this initial period.

No charge has been made to fixed assets to June 30, 1929, in respect of interest during the construction period.

Statement of earnings and deficit for the year ended June 30, 1930

[Expressed in American dollars by conversion of German reichsmarks at par of exchange 23.8]

Net sales, less turnover tax			$1,570,308.91
Deduct: Cost of sales—			
General production costs and inventory variation		$632,948.01	
Provision for depreciation		458,458.26	
			1,091,406.27
Gross profit of sales			478,902.64
Deduct:			
Administrative and general expenses		109,315.44	
Charge under Dawes plan (estimated)		11,909.33	
			121,224.77
Net profit on sales			357,677.87
Add: Interest and rents receivable			28,082.38
Net profit and income			385,760.15
Deduct:			
Financial and other charges—			
On 6 per cent sinking fund mortgage bonds—			
Interest	$233,561.54		
Amortization of discount	25,489.80		
Bankers, legal and miscellaneous costs	4,831.43		
		263,882.77	

Deduct—Continued.			
Financial and other charges—Continued.			
On 8 per cent note—			
Interest	$102,686.33		
Amortization of issue expenses	7,129.16		
		$109,815.49	
On bank loans and overdrafts		47,214.03	
Together		420,912.29	
Less: Interest charged to fixed asset accounts.		81,149.81	
			$339,762.48
Profit for the year ended June 30, 1930			45,997.77
Less—			
Inventory reserve created (net)		28,903.90	
Reserve for contingencies		39,117.67	
			68,021.57
Balance of deficit for the year			22,023.80
Deficit at June 30, 1929			617,724.01
			639,747.81
Adjustment arising from conversion in balance sheet of funded and long-term debt at 4.20, the specified rate of redemption, instead of at par of exchange			2,715.60
Deficit as per balance sheet			642,463.41

NOTE.—The quantities of products on hand at June 30, 1930, valued at $478,213.55, included in the inventories, were obtained from the stock records, no physical inventory of such products having been taken at that date. The nature of these products precludes a reliable measurement of quantities.

During the year 1930, interest amounting to $81,149.82 has been capitalized as construction work in progress.

Balance sheets Ruhrchemie Aktiengesellschaft as at June 30, 1928, 1929, 1930

Assets and liabilities	June 30, 1928	June 30, 1929	June 30, 1930
Current assets:			
Cash at bank and on hand	$257,777.50	$280,468.40	$166,608.34
Notes receivable			119,082.50
Accounts receivable	187.47	29,128.14	104,002.68
Inventories of raw materials at cost, and of products at estimated cost		72,768.52	
Inventories of raw materials and products at cost or market whichever lower (less reserve)[1]			543,056.80
Total current assets	257,964.97	388,365.06	932,750.32
Trade investment at cost			12,138.00
Fixed assets:[2]			
Properties, plant and equipment at cost		5,336,683.20	5,669,666.85
Freehold property, office and sundry equipment	121,969.93		
Less, depreciation reserve		142,660.53	600,518.80
	121,969.93	5,194,622.67	5,069,148.05
Add inventoried plant			70,462.19
	121,969.93	5,194,622.67	5,159,610.24
Constructional work in progress including prepayments thereon	1,061,728.29	4,591.91	2,024,630.55
Proportion of cash proceeds resulting from issue of bonds and capital deposited with German trustee as construction fund	4,080,326.02		
Construction fund—balance of proceeds of 8 per cent note deposited with trustee, and final installment of 8 per cent note, receivable Aug. 1, 1930			1,130,545.90
	5,264,024.24	5,199,214.58	8,314,786.78
Payments for acquisition of patents[3]		35,700.00	35,050.00

See footnotes at end of table.

Balance sheets Ruhrchemie Aktiengesellschaft as at June 30, 1928, 1929, 1930—Continued

Assets and liabilities	June 30, 1928	June 30, 1929	June 30, 1930
Deferred charges to operations:			
Discount on bond issue, less amortization to date	$484,306.20	$458,816.40	
Discount on bond issue and other financing expenses, less amounts amortized			$468,972.46
Miscellaneous prepaid expenses			15,874.86
	484,306.20	458,816.40	484,847.32
	6,066,295.41	6,082,096.04	9,782,602.42
Current liabilities:			
Bank loans and overdrafts			809,736.45
Accounts payable	19,649.58	474,449.03	181,019.39
Accrued interest and other expenses	99,960.00	84,971.02	
Accrued interest and other expenses, including reserve for contingencies			110,931.41
Total current liabilities	119,609.58	559,420.05	1,134,687.25
Liabilities on construction work, payable from funds deposited with trustee			73,778.58
Funded and long term debt:			
6 per cent sinking fund mortgage bonds, series A, due 1948	4,000,000.00	4,000,000.00	4,000,000.00
Less, redeemed for cancellation			211,000.00
	4,000,000.00	4,000,000.00	3,789,000.00
8 per cent note (with contingent additional interest due 1932-1935 [4]			3,000,000.00
Account payable 1931-1932			285,600.00
	4,000,000.00	4,000,000.00	7,074,600.00
Net worth:			
Share capital authorized and issued	6,426,000.00	6,426,000.00	6,426,000.00
Less—Calls not paid [5]	4,284,000.00	4,284,000.00	4,284,000.00
	2,142,000.00	2,142,000.00	2,142,000.00
Deficit	255,314.17	619,324.01	642,463.41
	1,886,685.83	1,522,675.99	1,499,536.59
	6,006,295.41	6,082,096.04	9,782,602.42

[1] The quantities of products on hand at June 30, 1930, valued at $478,213.55, included in the inventories, were obtained from the stock records, no physical inventory of such products having been taken at that date. The nature of these products precludes a reliable physical measurement of quantities.

[2] At June 30, 1928 contingent liabilities on contracts in respect of construction work in progress, etc., amounted to $1,999,200. At June 30, 1929, contracts for the construction of a new unit had been signed, involving the company in a liability of $481,950 on completion. At June 30, 1930 contingent liabilities on uncompleted construction contracts existed amounting to $761,600. No charge has been included in the cost of fixed assets in respect of interest during the construction period to June 30, 1929. During the fiscal year ending June 30, 1930, interest amounting to $81,149.82 has been capitalized as construction work in progress.

[3] Under the terms of the purchase contracts the company becomes liable to a further payment of $35,700. (This note applies to accounts of 1929 and 1930).

[4] Under the terms of issue of the 8 per cent note due 1932 to 1935, the company is obligated to pay an additional interest charge based upon sales for the six years ending June 30, 1937, subject to a total minimum payment of $204,918. No provision has been made in the 1930 accounts for this liability.

[5] The whole of the unpaid capital of the company is due upon demand, and the rights thereto have been assigned to the German trustee under the 6 per cent sinking fund mortgage bonds, series A. Upon payment of the uncalled capital, taxes amounting to $35,650 will become chargeable upon the company.

AGREEMENTS

Ruhrchemie Aktiengesellschaft agrees with the New York Stock Exchange as follows:

To notify the New York Stock Exchange promptly of any change in the general character or nature of its business.

To publish periodical statements of earnings, as agreed upon with the committee.

As required by German law, to make available in each year, for inspection by stockholders, a proposed balance sheet and profit and loss account for the preceding fiscal year at least 15 days in advance of the annual meeting of stockholders called to adopt such balance sheet and profit and loss account (which meeting is required by German law to be called within six months after the close of the fiscal year), and immediately after such meeting to cause the balance sheet and profit and loss account adopted at such meeting to be published in the manner required by law.

Annually to file with the Bank of Manhattan Trust Co., New York, trustee for the bonds, for inspection by bondholders, a balance sheet and profit and loss account of the corporation, substantially in the form contained in the listing application.

To maintain, in accordance with the rules of the stock exchange, in the Borough of Manhattan, city of New York, south of Chambers Street, a registry office where the bonds shall be registerable and transferable as to principal, and a fiscal agency where principal and interest of the bonds shall be payable.

To notify the stock exchange 30 days in advance of the effective date of any change in the authorized amounts of listed securities.

Not to make any change in the bonds or of a fiscal agency or of a trustee of the bonds without the approval of the committee on stock list; nor to select an officer or director of the corporation as a trustee of its mortgages.

To make application to the stock exchange for the listing of additional amounts of listed securities sufficiently prior to the issuance thereof to permit action in due course upon such application.

To forward to the stock exchange copies of all notices mailed to stockholders looking toward charter amendments, and to file with the stock exchange a certified copy of amended charter, or resolutions of directors in the nature of amendments, as soon as such amendments or resolutions have become effective.

To notify the stock exchange of the change or removal, to a substantial extent, of collateral deposited under any of its mortgage or trust indentures under which listed securities are outstanding.

To furnish the New York Stock Exchange, on demand, such reasonable information concerning the corporation as may be required.

It is agreed that all publication of notice as to redemption of bonds made elsewhere than in the Borough of Manhattan, New York, shall be made simultaneously with New York publication.

GENERAL

All conversions from German to United States currency have been made at the rate of 23.8 cents to the reichsmark.

The duration of the company's existence is not limited.

The articles of association in their present form were adopted October 28, 1927, and were filed November 4, 1927, with the trade registry office.

The fiscal year ends June 30.

The annual meeting of the stockholders is held on a date fixed by the Aufsichtsrat, within six months after the close of each fiscal year, at the principal office of the corporation or at some other place fixed by the Aufsichtsrat.

The principal statutory and executive office of the corporation is at Oberhausen-Holten, Germany.

The active management of the corporation is in the hands of the executive board (vorstand), the names of the members of which are set forth in Exhibit A.

The names of the members of the supervisory board (aufsichtsrat) are set forth in Exhibit B.

The trustee of the bonds signing the indenture and supplemental indenture was the International Acceptance Trust Co., New York. At the date of this application the trustee of the bonds is the Bank of Manhattan Trust Co., New York, successor to the International Acceptance Trust Co., Deutsche Kreditsicherung Aktiengesellschaft, Berlin, Germany, is agent of the trustee in the enforcing of the provisions of the indenture and in the administering of the trust estate.

The place or registration of the principal of the bonds is at the principal office of the Bank of Manhattan Trust Co., 40 Wall Street, Borough of Manhattan, the city of New York.

The place for the payment of principal and interest on the bonds is the office of the fiscal agent of the corporation: Dillon, Read & Co., 28 Nassau Street, Borough of Manhattan, city of New York. Bondholders may, at their option, collect principal and/or interest in London, England, at the office of M. Samuel & Co., (Ltd.), in pounds sterling; or in Amsterdam, Holland, at the offices of Nederlandsche Handel-Maatschappij and of Mendelssohn & Co. Amsterdam in Dutch guilders; or in Zurich, Switzerland, at the offices of Crédit Suisse, in Swiss francs; in each case at the buying rate, in London or Amsterdam or Zurich, as the case may be, for sight exchange on New York City on the day of presentation of the bonds and/or coupons for collection.

RUHR CHEMICAL CORPORATION.
(Ruhrchemie Aktiengesellschaft.)

By GEO. E. DIX, *Attorney-in-fact.*

This committee recommends that the above-described $3,578,000 6 per cent sinking fund mortgage bonds, Series A, due April 1, 1948, included in numbers M-1 to M-4000, for $1,000 each, be admitted to the list.

FRANK ALTSCHUL, *Chairman.*

Adopted by the governing committee, July 8, 1931.

ASHBEL GREEN, *Secretary.*

EXHIBITS

These exhibits constitute an essential part of the application. The statements of fact contained in them are made on the authority of the applicant corporation in the same manner as those in the body of the application.

EXHIBIT A

The active management of the corporation is in the hands of the executive committee (vorstand), the names and addresses of whose members are as follows: Dr. Friedrich Martin, Oberhausen; Dr. Wilhelm Heckel, Oberhausen; Dr. Fritz Mueller, Essen-Steele; Dr. Karl Schmidt, Essen; Dr. Wilhelm Wollenweber, Dortmund; Max Kelting, Oberhausen-Holten (vice-member).

EXHIBIT B

The names and addresses of the members of the supervisory board (aufsichtsrat) are as follows: Bergassessor Fickler (chairman), Dortmund; Dr. ing. e. h. Winkaus (vice chairman), Essen; Bergassessor Buskuhl, Dusseldorf; Dr. jur. Dechamps, Oberhausen; Dr. ing. e. h. Hoppstaedter, Bochum; Mr. Kauert Essen; Bergassessor Kellermann, Oberhausen; Dr. ing. e. h. Knepper, Essen; Dr. ing. e. h. Pott, Essen; Dr. ing. e. h. Tengelmann, Essen.

THE LAUTARO NITRATE CO. (LTD.)

An operating company incorporated January 4, 1889, under the English companies acts, controlled indirectly by Anglo-Chilean Consolidated Nitrate Corporation. First mortgage 6 per cent convertible gold bonds, due July 1, 1954. Closed issue.

Definitive bonds in exchange for outstanding and listed interim receipts: amount authorized $32,000,000; amount issued $32,000,000; amount applied for $32,000,000; authorized by shareholders Sept. 16, 1929 and Oct. 1, 1929; authorized by directors Oct. 1, 1929. No other authority required.

Capital securities

Stocks	Par value per share	Authorized	Outstanding
Classes:			
7 per cent cumulative preferred (sterling) shares	£5	£8,000,000	8,000,000
7 per cent cumulative preferred (dollar) shares	$100	$32,000,000	(1)
Ordinary shares (2,000,000)	1 s.	£100,000	£100,000

Bonds	Interest rate	Authorized for issue	Outstanding
	Per cent		
First mortgage 6 per cent convertible gold bonds, due 1954	6	$32,000,000	$32,000,000
First mortgage debenture stock, due 1940	6½	£1,500,000	[2] £1,119,745
First mortgage (Antofagasta) debenture stock, due 1940	6½	£1,500,000	[2] £1,126,380

[1] Entire authorized issue reserved for conversion of the first mortgage 6 per cent convertible gold bonds, due July 1, 1954.
[2] Balance of authorized issue retired through sinking fund operations to June 7, 1929, and not reissuable.

The entire authorized and outstanding issue of 2,000,000 ordinary shares of the Lautaro Nitrate Co., Limited, is owned by Lautaro Nitrate Corporation, a Delaware corporation. The authorized and outstanding capitalization of said Lautaro Nitrate Corporation consists of 4,000,000 shares of common stock, without par value. The common stock of said Delaware corporation deliverable with the first mortgage 6 per cent convertible gold bonds, due July 1, 1954, of the Lautaro Nitrate Co., Limited, and that deliverable upon any conversion of said bonds has been provided by the bankers without increasing the number of shares outstanding.

Anglo-Chilean Consolidated Nitrate Corporation owns over 50 per cent of the authorized and outstanding common stock, without par value, of Lautaro Nitrate Corporation, said Delaware corporation. The firm of Guggenheim Brothers own substantially more than a majority of the common stock of Anglo-Chilean Consolidated Nitrate Corporation.

NEW YORK CITY, N. Y., *December 11, 1929.*

Referring to the previous application for the listing of certain interim receipts, A-8731, dated June 14, 1929, the Lautaro Nitrate Co. (Ltd.), a company incorporated under the English companies acts (hereinafter called the company), hereby applies for the listing on the New York Stock Exchange of $32,000,000, principal amount (total authorized issue), first mortgage 6 per cent convertible gold bonds, due July 1, 1954 (hereinafter called the bonds), Nos. M-1 to M-32000, for $1,000 each, on official notice of issue in exchange for outstanding and listed interim receipts of the National City Co.

AUTHORITY FOR ISSUE

The bonds are issued under and secured by a certain mortgage trust indenture, dated as of July 1, 1929 (hereinafter called the indenture), executed by the company to City Bank Farmers Trust Co., as trustee (hereinafter called the trustee). The execution of the indenture and the issue thereunder of the bonds were authorized by the shareholders of the company by resolutions adopted at meetings held on September 16, 1929, and October 1, 1929, and by the board of directors of the company by resolutions adopted at a meeting held on October 1, 1929; and no other authorization for the execution of the indenture and the issue of the bonds is required.

PURPOSE OF ISSUE

The sale of the bonds provided the company with funds which, it is estimated, will be sufficient to construct (with interest during construction) and equip a new plant to operate under the Guggenheim process, and to provide working capital therefor.

DESCRIPTION

The bonds are dated as of July 1, 1929, mature July 1, 1954, and bear interest at the rate of 6 per cent per annum, payable semiannually on January 1 and July 1 in each year. Both principal and interest of the bonds are payable at the principal office in the Borough of Manhattan, city of New York, State of New York, of City Bank Farmers Trust Co., or its successor as trustee under the indenture, in gold coin of the United States of America of or equal to the standard of weight and fineness as it existed on July 1, 1929. Both principal and interest of the bonds are also collectible, at the option of the holders, either at the city office of the National City Bank of New York, in London, England, in pounds sterling, or at the Amsterdamsche Bank, in Amsterdam, the Netherlands, in guilders, in each case at the buying rate of such bank for sight exchange on New York, current on the day when the bonds or the interest coupons (as the case may be) are presented for such collection. Both principal and interest are payable without deduction from either principal or interest, or from any premium on such principal, for or on account of any taxes, assessments, or other charges or duties now or hereafter levied or to be levied by the Republic of Chile or by any political subdivision thereof, or (except in the case of collection in London) for or on account of any taxes, assessments or other charges or duties now or hereafter levied or to be levied by the United Kingdom of Great Britain and northern Ireland, and all installments of interest are payable without deduction for any United States of America Federal income tax thereon not in excess of 2 per cent of such installment.

The bonds are issued in coupon form only, are of the denomication of $1,000 each and are registrable, as to principal only, at the principal office of the trustee in the Borough of Manhattan, city and State of New York, such registration being noted on the bonds.

WARRANTS

The company has been informed that a certain warrant, by its terms entitling the holder of each bond to receive on January, 1, 1930, without cost, 10 shares of common stock, without par value, of Lautaro Nitrate Corporation, a Delaware corporation, will not, as previously contemplated, accompany the definitive engraved bonds the listing of which is covered by this application, but that, for the convenience of the holders of interim receipts, in lieu of such warrant, there will be delivered, upon exchange of each said outstanding interim receipt of the National City Co., with each bond a certificate for 10 shares of common stock of said Lautaro Nitrate Corporation.

REDEMPTION—SINKING FUND

In the manner and subject to the terms and conditions set forth in the indenture, the bonds may be redeemed, in whole or in part, at the option of the company, on any interest date prior to maturity, upon at least 60 days' prior notice published in one daily newspaper, printed in the English language, published and of general circulation in the Borough of Manhattan, the city of New York, and in one daily newspaper printed in the Dutch language, published and of general circulation in Amsterdam, the Netherlands, at a redemption price equal to 105 per cent of the principal thereof. The bonds may also be redeemed, in whole or in part, upon like notice, on any interest date prior to maturity, at said redemption price, through the operation of the sinking fund provided for in the indenture. Redemption notices, in the case of partial redemptions, will designate the serial numbers of the bonds to be redeemed, such serial numbers having been determined by the trustee by lot, in any manner deemed by the trustee to be fair.

The sinking fund provided for in the indenture is sufficient to retire the entire issue of bonds by maturity. On or before April 15, 1933, and on or before each October 15 and April 15 thereafter, the company is required to pay to the trustee $782,250; provided, that, if the total tonnage of nitrate extracted after June 30, 1929, from any of the properties subject to a first mortgage in favor of the bonds, calculated in the manner provided in the indenture, up to and including the December 31 or June 30, as the case may be, next preceding the date of payment in each case, exceeds 274,000 metric tons multiplied by the number of semi-annual periods occurring subsequently to June 30, 1932, the company is required to make an additional sinking fund payment equivalent to $2.50 for each metric ton of such excess, less a sum equivalent to the aggregate amount of all additional payments (if any) previously made into the sinking fund. Sinking fund payments may be made in whole or in part, at the option of the company, in cash or in bonds taken at the redemption price thereof. Any cash paid to the trustee is to be applied by it to the redemption of bonds on the next succeeding redemption date. Upon conversion of any bonds into dollar preferred shares, the company will, at its option, be entitled to a credit on account of any sinking fund payment or payments, in an aggregate amount equal to 105 per cent of the principal amount of bonds so converted.

All bonds redeemed pursuant to any of the provisions of the indenture, all bonds delivered to the trustee in lieu of cash, in discharge, in whole or in part of any sinking fund payment, and all bonds converted into said shares, will be canceled by the trustee and permanently retired.

For certain detailed provisions of the indenture with respect to the sinking fund, reference is made to Exhibit A.

CERTAIN PROVISIONS WITH RESPECT TO DEFAULT

Events of default, declaration of maturity of bonds and waiver of default.—The indenture provides in Article X, section 51, as follows:

"Sec. 51. In case any one or more of the following events (hereinafter referred to as 'defaults') shall occur:

"(*a*) Default in the payment of the principal of, or any premium on, any of the bonds, when due, whether at maturity or pursuant to notice of redemption, or otherwise;

"(*b*) Default in the payment of any instalment of interest on any of the bonds, and any such default shall continue for a period of 30 days;

"(*c*) Default in the payment of any sinking fund payment, and any such default shall continue for a period of 60 days after the date when such payment shall have become due;

"(*d*) Default in the performance or observance of any other covenant or agreement contained in this indenture on the part of the company to be performed or observed, and any such default shall continue unremedied for a period of 60 days after written notice thereof shall have been given to the company by the trustee (which may give such notice, in its discretion, and shall do so upon the written request of the holders of 25 per cent in aggregate principal amount of the bonds then outstanding), unless, within such period, the company shall have, in good faith, commenced proceedings to remedy such default; or

"(*e*) The company shall become insolvent, or shall admit in writing its inability to pay its debts as they mature, or shall be wound up (except for the purpose of reconstruction or amalgamation).

"Then, in each and every such case, the trustee, upon written notice to the company may declare the principal of all the bonds then outstanding (with the premium thereon, in the case of any bonds which shall have been called for redemption at a premium) to be due and payable immediately; and, upon any such declaration, the said bonds shall become immediately so due and payable, anything in this indenture or in the bonds contained to the contrary notwithstanding: *Provided,* That if, at any time, either before or after the principal of the bonds shall have been so declared due and payable, all arrears of interest upon all the outstanding bonds, together with the reasonable charges and expenses of the trustee, its agents, attorneys, and counsel, and any and all other sums then payable hereunder for any purpose, shall have been paid, and any and every default in the performance or observance of any covenant or agreement in the bonds or in this indenture contained shall have been remedied or made good, or provision deemed by the trustee to be adequate shall have been made therefor, then in each and every such case, the holders of a majority in aggregate principal amount of the bonds then outstanding hereunder, by written notice to the company and to the trustee, may waive such default and its consequences and rescind any such declaration of maturity with respect to the principal of such of the bonds as, except for such declaration, would not have been or become so due and payable: *And provided further,* That no such rescission shall extend to or affect any subsequent default, or impair any right consequent thereon.

"Anything herein contained to the contrary notwithstanding, the trustee may, upon the written request of the holders of a majority in aggregate principal amount of the bonds at the time outstanding hereunder, waive any default hereunder and its consequences, except a default in the payment of the principal or interest of any of the bonds, or any premium on such principal, when and as the same shall become due and payable by the terms thereof or of this indenture."

Percentage of bonds controlling the trustee—The indenture provides in Article X, section 55, in part, as follows:

"SEC. 55. In case default shall occur in any of the respects specified in section 51 hereof, and such default shall have continued for the period (if any) therein specified, then, upon the written request of the holders of 25 per cent in aggregate principal amount of all the bonds then outstanding hereunder, and upon being indemnified as hereinafter provided, the trustee shall exercise any one or more of the powers herein conferred upon it and shall take all steps needful for the protection of the rights of the trustee and of the holders of the outstanding bonds, respectively, including, among other things, such appropriate judicial or administrative proceedings, by action, suit or otherwise, as the trustee, being advised by counsel, may deem most expedient in the interest of the holders of the outstanding bonds."

SECURITY

The bonds are direct obligations of the company and are secured, in the opinion of counsel, by first mortgages, in accordance with Chilean law, on the new plant and on approximately 40 square miles of nitrate lands available to the plant and estimated to contain approximately 13,800,000 metric tons of nitrate on the basis of estimated recovery under the Guggenheim process. Anglo-Chilean Consolidated Nitrate Corporation, a Delaware corporation, has guaranteed completion of the new plant free of any liens prior to the lien in favor of the bonds.

The bonds are also secured by mortgages on certain nitrate lands, estimated to contain approximately 7,800,000 metric tons of recoverable nitrate, subject to the mortgages securing the two issues of 6½ per cent first mortgage debenture stock, outstanding as of June 7, 1929, in the aggregate principal amount of £2,246,125 ($10,930,767.31).

CONSTRUCTION OF NEW PLANT

The indenture provides in Article V, section 26, as follows:

"SEC. 26. The company covenants that it will, with all reasonable dispatch, cause a plant (the word 'plant' being understood to include all buildings, mining, railway, and other equipment and accessories installed for the ultimate purpose of producing nitrate and iodine from the ore as it exists in the ground, and all houses and public buildings constructed for the benefit of the staff and workmen employed in connection with such production), with an approximate capacity of 540,000 metric tons of nitrate per year and with the necessary facilities for the extraction of nitrate under the Guggenheim process (hereinafter referred to as the 'mortgaged plant'), to be designed, constructed, and equipped upon lands to which the mortgaged properties are naturally tributary. The mortgaged plant and the right freely to use the land upon which it is constructed shall be subjected to the operation of this indenture through a local mortgage or local mortgages which shall be a first lien upon the mortgaged plant and upon the right to use the land for the purposes of the plant. Such use shall be available for the probable life of the plant and transferable upon the sale of the plant."

DEPOSITED MONEYS AND CONSTRUCTION FUND

The indenture provides in Article VI, sections 27 and 28, as follows:

"SEC. 27. Upon the issuance and delivery of the entire $32,000,000 aggregate principal amount, of bonds, as provided in section 2 hereof, the company covenants that it will forthwith deposit or cause to be deposited with the trustee a sum in cash equivalent to the net proceeds received by the company from the sale of the bonds, which sum, together with any other moneys which may, from time to time, be added thereto, is hereinafter referred to as the 'deposited moneys.'

"SEC. 28. The deposited moneys shall be held by the trustee, in trust, as part of the security for the bonds outstanding under this indenture, until paid out, from time to time, subject to the terms and conditions hereinafter in this Article VI set forth, for one or more of the following purposes:

"(*a*) To pay the expenses of the company in connection with the creation and issuance of the bonds, including, but without limiting the generality of the foregoing, expenses in connection with the preparation and execution of this indenture and the local mortgages, in connection with title examinations, reports and opinions, and in connection with the authorization and issuance of the dollar preferred shares of the company, including any duty, tax, or assessment in respect thereof, but not including discount upon the bonds.

"(*b*) To pay the installments of interest upon the bonds, from time to time, as the same shall become due, until such time as evidence that the mortgaged plant has been completed shall have been presented to the trustee, pursuant to the provisions of Section 31 hereof: *Provided*, That no installment of interest falling due after July 1, 1932, shall be payable out of the deposited moneys.

"(*c*) To pay the cost of designing, constructing and equipping the mortgaged plant.

"(*d*) Upon the completion of the mortgaged plant, to pay any balance remaining to or upon the order of the company for its corporate purposes, as provided in section 31 hereof."

For further information with respect to said Deposited Moneys and Construction Fund, reference is made to the indenture.

CONVERSION PRIVILEGE

Each bond is convertible, at the option of the holder, at the principal office of the trustee, in the Borough of Manhattan, city and State of New York, at any time after the issuance thereof and prior to July 2, 1939, or, in case such bond shall be called for earlier redemption, then at any time prior to 5 full days before the date designated for such redemption, into full paid and nonassessable 7 per cent cumulative preferred (dollar) shares of the company, of the par value (nominal amount) of $100 per share, as the same shall be constituted at the time of such conversion, at the rate of 10 such shares for the principal amount thereof, in the manner and subject to the terms and considerations provided in the indenture.

The company has been informed that upon conversion, on or prior to July 1, 1939, of any bond into 7 per cent cumulative preferred (dollars) shares of the company, in the manner provided in the indenture, City Bank Farmers Trust Co., as agent, will deliver to or upon the order of the bearer of such bond, or, if such bond is registered, to or upon the order of the registered owner thereof, a unit, comprising four shares of common stock of Lautaro Nitrate Corporation, said Delaware corporation, and/or such shares and/or other securities and/or cash as may from time to time, have been added to or substituted for such four shares of common stock of said Lautaro Nitrate Corporation in the manner provided in a certain letter of instructions, dated as of July 1, 1929, from The National City Co. to City Bank Farmers Trust Co., as depositary.

A legend is to be indorsed on the definitive engraved bonds in substantially the following form:

"Upon conversion of the within bond, at any time after the issuance thereof and prior to July 2, 1930, in the manner set forth therein and in the mortgage trust indenture therein referred to, the bearer, or in case the within bond shall be registered, the registered owner thereof, shall be entitled to receive, from the undersigned depositary, four shares of the common stock, without par value, of the Lautaro Nitrate Corporation, a Delaware corporation, or, in case of certain changes in the capitalization of the Lautaro Nitrate Corporation, of a character described in a certain letter of instructions, dated as of July 1, 1929, from The National City Co. to the undersigned, as depositary, such shares and/or other securities and/or cash as may, from time to time, have been added to or substituted for such four shares of common stock of the Lautaro Nitrate Corporation, in the manner set forth in and subject to the terms of the said letter of instructions.

City Bank Farmers Trust Company,
Depositary.
By ——— ———, *Authorized Officer.*"

CERTAIN PROVISIONS WITH RESPECT TO MUTILATED, DESTROYED, OR LOST BONDS

The indenture provides in Article II, section 6, as follows:

"Sec. 6. In case any bond issued hereunder, with its interest coupons (if any), shall be mutilated, destroyed, or lost, the company may execute and cause the trustee to authenticate and deliver a new bond in exchange and substitution for, and upon the cancellation of, the mutilated bond and its interest coupons (if any), or in lieu of and in substitution for the bond and its interest coupons (if any) so destroyed or lost. In any such case, the applicant for the substituted bond shall furnish to the company and to the trustee evidence to their satisfaction, in their discretion, of the ownership of such bond and of the destruction or loss thereof, and also such security or indemnity as may be required by the company and the trustee. Upon the issue of any substituted bond, the company, at its option, may require the payment of a sum sufficient to reimburse it for any stamp tax or other charge or expense connected therewith, and also a further sum, not exceeding two dollars for each bond so issued in substitution."

CONSOLIDATION, MERGER, AND SALE UNDER CERTAIN CONDITIONS

The indenture provides in Article VIII, section 44, as follows:

"Sec. 44. So long as the company shall not be in default hereunder, nothing contained in this indenture or in any bond issued hereunder shall prevent (and this indenture and the bonds issued hereunder shall be construed as permitting and authorizing, without acceleration of the maturity of any of the bonds) any lawful consolidation or merger of the company with or into any other company or companies lawfully authorized to acquire and operate the properties of the company, or a series of consolidations or mergers, or successive consolidations or mergers, in which the company or its successor shall be a party or parties, or any sale or transfer, subject to the continuing lien of the local mortgage or mortgages covering the same and to the continuing operation of this indenture and to all the provisions hereof, of all or substantially all the mortgaged properties of the company, as an entirety, to a company lawfully authorized to acquire and operate the same, or any lawful scheme for the amalgamation of the company with one or more other companies: *Provided,* That such consolidation, merger, sale, transfer, or scheme for amalgamation shall be upon such terms as fully to preserve and in no respect to impair the lien, priority, and security of the respective local mortgages and of this indenture and the rights and powers of the trustee, and of the holders of the bonds issued hereunder, with respect to the properties then subject to the lien of the respective local mortgages and to the operation of this indenture: *And provided further,* That upon any such consolidation, merger, sale, transfer, or scheme for amalgamation, the company formed by such consolidation, or into which such merger may be made, or to which such sale or transfer may be made, or resulting from such scheme for amalgamation, shall in writing assume the due and punctual payment of the principal and interest of all outstanding bonds according to their tenor and the due and punctual performance and observance of all covenants and agreements contained in this indenture on the part of the company to be performed or observed."

Capitalization and stock references

Stocks	Par value per share	Amount authorized	Amount outstanding
Classes:			
7 per cent cumulative preferred (sterling) shares (1,600,000)	£5	£8,000,000	£8,000,000
7 per cent cumulative preferred shares (320,000)	$100	$32,000,000	[1]
Ordinary shares (2,000,000)	1's.	£100,000	£100,000

[1] Entire authorized issue reserved for conversions of the first mortgage 6 per cent convertible gold bonds, due July 1, 1954.

The cumulative preferred (dollar) shares will be entitled to receive cumulative dividends at the rate of 7 per cent per annum on the capital paid up or credited as paid up thereon, payable quarterly on the 1st day of January, April, July, and October. Dividends will accumulate from the quarterly dividend date next preceding the issuance of such shares.

The cumulative preferred (dollar) shares shall be issued subject to the provision that the company may redeem all or any of such shares on any dividend date, upon 60 days' notice, at 105 per cent, plus accrued dividends.

In any liquidation the cumulative preferred (dollar) shares will be entitled to repayment of the capital paid up or credited as paid up thereon, plus a premium of 5 per cent thereof, and to all accumulated unpaid dividends thereon, calculated down to the date of repayment of capital, whether or not earned or declared, but to no further right to participate in profits or assets.

The cumulative preferred (dollar) shares and the cumulative preferred (sterling) shares shall, both as regards dividends and rights in case of liquidation, have priority over the ordinary shares. Such cumulative preferred (dollar) shares and cumulative preferred (sterling) shares shall rank pari passu, subject (1) to certain hereinafter described provisions with regard to redemption of the cumulative preferred (dollar) shares, (2) to the difference in premium payable in case of liquidation to the holders of such cumulative preferred (dollar) shares and cumulative preferred (sterling) shares respectively [such premium in the instance of the cumulative preferred (dollar) shares being 5 per cent and in the instance of the cumulative preferred (sterling) shares being 10 per cent], and (3) to due allowance being made in respect of the difference in the nominal amount of such respective shares; provided, that if it shall become necessary in case of liquidation, or for any other purpose, to ascertain the sterling equivalent of the cumulative preferred (dollar) shares, conversion shall be effected at the rate of exchange ruling at the time.

Cumulative preferred (dollar) shares, cumulative preferred (sterling) shares, and ordinary shares carry the right to one vote per share at general meetings of the company.

In the articles of association, the company has agreed as follows:

(1) On January 1 and July 1 of each year the company will pay to The National City Bank of New York at its head office in the city of New York (but only out of profits otherwise available for dividends and after provision has been made for dividends on the cumulative preferred (dollar) shares and cumulative preferred (sterling) shares, and subject to the pro rata rights of the cumulative preferred (sterling) shares with respect to the sinking fund), a sum of money equivalent to the half-yearly instalment sufficient to redeem, by equal half-yearly instalments, by July 1, 1954, all the cumulative preferred (dollar) shares which are at the time of any such payment outstanding.

(2) From time to time The National City Bank of New York shall pay over to the company out of such sum of money, $105 for each cumulative preferred (dollar) share redeemed or retired, upon production of evidence to the bank that the company has redeemed and retired or (if lawful) has purchased and retired such shares.

(3) If in any year the company has insufficient profits available to meet in full the requirements of the above-mentioned sinking fund and any sinking fund (up to but not exceeding an accumulative sinking fund of 1 per cent per annum, increased by 3 pence per metric quintal of nitrate sold by the company from lands owned by it on June 17, 1929, in excess of 1,600,000 tons in any year) which may at any time hereafter be established for the amortization, directly or

indirectly, of the cumulative preferred (sterling) shares, or of any income bonds for which the cumulative preferred (sterling) shares may be exchanged, the amount so available shall be appropriated to such sinking funds pro rata.

No cumulative preferred (dollar) shares redeemed or retired, in accordance with the foregoing provisions, shall be reissued.

HISTORY, BUSINESS, PROPERTY, AND SALES

The company was incorporated January 4, 1889, under the English companies acts and the duration of its charter is perpetual. The company is the largest present producer of Chilean nitrate. The company owns more than 1,100 square kilometers (approximately 418 square miles) of land, located in Chile (where the only known commercial deposits of nitrate exist), and conservatively estimated to contain approximately 30,000,000 metric tons of nitrate recoverable under the Shanks process. The company owns 26 plants equipped to operate under the Shanks process, which is the process exclusively used in Chile with the sole exception of the Maria Elena plant of Anglo-Chilean Consolidated Nitrate Corporation, which operates under the new Guggenheim process and is by far the largest present plant in Chile. Ten of the company's plants are in present operation producing at the annual rate of approximately 800,000 metric tons. The cost of production in these plants is believed to be as low as that attained by any other nitrate company in Chile, except Anglo-Chilean Consolidated Nitrate Corporation, and is considerably below the average for the industry.

The company has commenced operations looking to the construction on its property of a plant for the extraction of nitrate under the Guggenheim process. The new plant is designed for an ultimate capacity of 540,000 metric tons of nitrate per annum and, it is expected, will be in complete operation not later than July 1, 1932. Anglo-Chilean Consolidated Nitrate Corporation has acquired the patents and all rights, present and future, to the Guggenheim process and has licensed the company for the use of the process, free of royalty (except one initial payment of $485,000) on all lands now owned and unimproved lands hereafter acquired in Chile.

The outstanding features of the Guggenheim process are the ability to extract sodium nitrate efficiently from rock of lower grade than is considered economical for use in the Shanks process, the conservation of all heat wastes in the operation and the employment of about one-fourth of the men necessary for similar production under the old process. Thus, it is possible to introduce mechanical methods for handling the material on a larger scale than heretofore, the available reserves of nitrate are greatly expanded, the output per unit of fuel consumed is materially increased, and, incidentally, a purer product is delivered. The experience of Anglo-Chilean Consolidated Nitrate Corporation has shown that the quantity of nitrate recoverable from a given area of average nitrate land is about 100 per cent more and the unit production cost about 40 per cent less under the Guggenheim process than under the Shanks process.

The sales of nitrate in metric tons for the past three years and six months have been as follows: 286,476 in 1926; 483,656 in 1927; 283,796 in the six months ended June 30, 1928, and 541,449 in the year ended June 30,1929.

With the new plant to be constructed for operation under the Guggenheim process operating at full capacity the net earnings of the company, after depreciation and depletion, before interest, are estimated at approximately $13,400,000 per annum, equivalent to five times the combined maximum annual interest requirements on the present issues of debenture stock and the bonds. On the basis of the foregoing estimate, and deducting combined maximum annual interest requirements on the issues of debenture stock and the bonds, annual dividend requirements on the seven per cent cumulative preferred shares outstanding and United States Federal income taxes at the present rate of 12 per cent per annum, payable by said Lautaro Nitrate Corporation, the balance is equivalent to $1.66 per share of common stock, without par value, of said Lautaro Nitrate Corporation. The amount of depreciation and depletion deducted in this calculation is quivalent to more than 70 cents per share of common stock, without par value, said Lautaro Nitrate Corporation.

SUBSIDIARIES

The company has no subsidiaries.

FUNDED DEBT

In addition to the bonds the listing of which is covered by this application the company had outstanding on June 7, 1929, £1,119,745 first mortgage debenture stock, due December 1, 1940, and £1,126,380 first mortgage (Antofagasta) debenture stock, due December 1, 1940.

Said £1,119,745 debenture stock is issued under and secured by a certain trust deed, dated July 28, 1924, from the company to The Law Debenture Corporation (Ltd.). Said trust deed creates a first charge under Chilean law on certain properties of the company on part of which the bonds the listing of which is covered by this application are a junior lien as hereinbefore stated. The total authorized issue is £1,500,000, all of which has been issued and the balance of which, to wit, £380,255, has been retired through a sinking fund to June 7, 1929. Said debenture stock is subject to call on any interest date after June 1, 1932, on six months' notice or in the event of liquidation for amalgamation or reconstruction, at 102 per cent. Said trust deed provides for a sinking fund of £100,000 per annum, to operate by purchase at or under par or by drawings (in November for repayment on December 1) at par. The amount of the sinking fund is, in the event of the company selling in any one year more than 4,000,000 metric quintals of nitrate of 100 kilos each from the grounds specifically mortgaged, to be increased in the next year by an amount equal to 2s. for each quintal sold in excess of 4,000,000. Said debenture stock is listed on the London Stock Ex- Exchange.

Said £1,126,380 (Antofagasta) debenture stock is issued under and secured by a certain trust deed, dated October 22, 1925, from the company to The Law Debenture Corporation (Ltd.). Said trust deed creates a first charge under Chilean law on certain properties of the company on part of which the bonds the listing of which is covered by this application are a second lien (as hereinbefore stated), and creates a charge (subject to the charge of the said trust deed dated July 28, 1924) on the properties of the company subject to said trust deed, on part of which the bonds the listing of which is covered by this application are a junior lien (as hereinbefore stated). The total authorized issue is £1,500,000, all of which has been issued and the balance of which, to wit, £373,620, has been retired through a sinking fund to June 7, 1929. Said debenture stock is subject to call at 102 per cent on any interest date after June 1, 1932, on six months' notice. In a voluntary liquidation for amalgamation or reconstruction said debenture stock will not be redeemed at less than 102 per cent. In said trust deed provision is made for an annual sinking fund to operate by purchase at or under par or by drawings (in November for repayment on December 1) at par. The amount of the sinking fund is, in the event of the company selling in any year more than 7,200,000 metric quintals of nitrate produced from the grounds specifically mortgaged, to be increased in the next year by an amount equal to 2s. for each quintal sold in excess of 7,200,000 quintals. Said debenture stock is listed on the London Stock Exchange.

DIVIDENDS

Prior to October 1, 1929, the capitalization of the company consisted of 96,000 ordinary A shares, 96,000 ordinary B shares, and 96,000 ordinary C shares, not entitled to dividends until the happening of certain contingencies, and of 1,312,000 ordinary shares of £5 each. On that date a dividend of 6 per cent on the said 1,312,000 ordinary shares was declared, payable 3 per cent on October 25, 1929, and 3 per cent on December 31, 1929. On October 1, 1929, subject to and without prejudice to the said dividend, the capitalization of the company was altered and the said ordinary shares, ordinary A shares, ordinary B shares, and ordinary C shares became known as 7 per cent cumulative preferred (sterling) shares, dividends upon which accumulate from January 1, 1930.

The company has paid dividends on its ordinary shares as follows: 1919, 16 per cent; 3 years to 1922, nil; 1923, a share bonus of 42 6/7 per cent out of reserve; 2 years to 1925, 15 per cent each year; 1926, 5 per cent; 1927, nil; to June 30, 1928, 3 per cent; 12 months to June 30, 1929, nil.

EMPLOYEES

The number of employees of the company is approximately 15,000.

DEPRECIATION AND DEPLETION

The charges against earnings for the depreciation and depletion of the properties of the company for the last fiscal year were as follows:

Depreciation	$713, 727. 74
Depletion	433, 129. 11
Total	1, 146, 856. 85

FINANCIAL STATEMENTS

There are hereinafter set forth the following financial statements of the company:

(a) Income account for the years ended December 31, 1926, and December 31, 1927, the six months ended June 30, 1928, and the year ended June 30, 1929;

(b) Surplus account for the years ended December 31, 1926, and December 31, 1927, the six months ended June 30, 1928, and the year ended June 30, 1929; and

(c) Balance sheet at December 31, 1926, December 31, 1927, June 30, 1928, and June 30, 1929.

The Lautaro Nitrate Co. (Ltd.)

(A) INCOME ACCOUNT [1]

	Year ended Dec. 31, 1926	Year ended Dec. 31, 1927	6 months ended June 30, 1928	Year ended June 30, 1929
Net sales	$14, 961, 577. 82	$22, 409, 112. 23	$12, 123, 891. 25	$22, 238, 746. 04
Cost of sales (ex-depreciation)	12, 710, 882. 17	19, 151, 534. 57	9, 861, 916. 99	18, 361, 048. 27
Depreciation	452, 979. 18	490, 768. 51	586, 815. 71	1, 146, 856. 85
Total cost of sales	13, 163, 861. 35	19, 642, 303. 08	10, 448, 732. 70	19, 507, 905. 12
Gross profit	1, 797, 716. 47	2, 766, 809. 15	1, 675, 158. 55	2, 730, 840. 92
General and administrative expense	556, 504. 47	490, 508. 40	240, 107. 27	509, 347. 01
Net profit	1, 241, 212. 00	2, 276, 300. 75	1, 435, 051. 28	2, 221, 493. 91
Other income and deductions (net)	178, 421. 22	159, 148. 67	126, 064. 74	667, 604. 21
Income available for interest and taxes	1, 419, 633. 22	2, 435, 449. 42	1, 561, 116. 02	2, 889, 098. 12
Interest	957, 529. 86	967, 155. 07	389, 382. 78	823, 785. 26
Taxes	39, 779. 74	40, 000. 68		
Total interest and taxes	997, 309. 60	1, 007, 155. 75	389, 382. 78	823, 785. 26
Net income	422, 323. 62	1, 428, 293. 67	1, 171, 733. 24	2, 065, 312. 86

(B) SURPLUS ACCOUNT [1]

Surplus at the beginning of the period	$3, 370, 843. 03	$2, 143, 760. 89	$3, 527, 315. 85	$3, 642, 596 42
Less: Adjustments (net)	53, 193. 76	44, 738. 71	98, 725. 47	630, 415. 39
	3, 317, 649. 27	2, 099, 022. 18	3, 428, 590. 38	3, 012, 181. 03
Add: Net income for the year	422, 323. 62	1, 428, 293. 67	1, 171, 733. 24	2, 065, 312. 86
Balance	3, 739, 972. 89	3, 527, 315. 85	4, 600, 323. 62	5, 077, 493. 89
Less: Dividends paid	1, 596, 212. 00		957, 727. 20	
Surplus at end of period	2, 143, 760. 89	3, 527, 315. 85	3, 642, 596. 42	5, 077, 493. 89

[1] Fiscal year changed in 1928 to end June 30 instead of December 31.

NOTE.—Conversions of the company's accounts from pounds sterling into United States dollars have been made at the rate of $4 8665 to the pound.

The Lautaro Nitrate Co. (Ltd.)—Continued

(C) BALANCE SHEET[1]

	Year ended Dec. 31, 1926	Year ended Dec. 31, 1927	6 months ended June 30, 1928	Year ended June 30, 1929
ASSETS				
Cash	$505,052.67	$2,159,542.71	$1,168,983.18	$835,246.67
Cash deposit with respect to proposed issue of first mortgage 6 per cent convertible gold bonds				559,952.94
Sundry debtors and suspense items	1,148,117.82	909,968.10	1,051,766.23	1,615,430.90
Stocks of nitrate, iodine and general stores	8,970,353.02	5,018,614.38	6,695,387.88	12,129,781.57
Total current assets	10,623,523.51	8,088,125.19	8,916,137.29	15,140,412.08
Property, buildings, and equipment	46,904,306.14	47,382,404.48	47,610,356.70	54,849,253.18
Less: Reserve for depreciation	4,730,191.77	5,073,259.82	5,599,953.08	6,623,936.67
Net investments in property	42,174,114.37	42,309,144.66	42,010,403.62	48,225,316.51
Investment in and advances to Compania Salitrera Blanco Encalada	958,299.74	686,019.56	572,147.83	
Other investments	49,891.12	82,124.13	118,883.73	6,891.51
Deposits in guaranty (contra)		225,641.60	189,675.24	153,870.27
Guaranty for workmen's accident pension (contra)				123,077.90
Total assets	53,805,828.74	51,391,055.14	51,807,247.71	63,649,568.27
LIABILITIES				
Bankers for guaranties (contra)		225,641.60	189,675.24	153,870.27
Bank overdrafts	1,903,409.33			907,431.52
Bills payable	206,095.54	311,219.73	859,552.86	248,182.46
Accounts payable	2,062,968.48	1,468,491.19	1,966,342.90	1,881,393.87
Reserves for taxes	1,301,508.20	424,881.46	509,087.00	154,502.80
Export duties		574,956.05	125,117.96	64,794.99
Interest payable	75,485.74	69,819.19	65,600.42	
Unclaimed dividends	84,104.31	36,111.62	88,290.48	27,577.48
Customers' advances	146,733.25	82,406.15	4,037.74	4,413,542.06
Other current liabilities	2,725.24			
Total current liabilities	5,783,030.09	3,193,526.99	3,807,704.60	7,851,295.45
6½ per cent first-mortgage debenture stock	13,552,574.72	12,310,400.66	11,983,293.93	10,974,808.39
Mortgage guaranty for workmen's accident pensions (contra)				123,077.90
Reserves for workmen's accident insurance and pensions				225,986.08
Fire-insurance fund	331,950.78	362,574.20	376,415.26	391,909.06
Employees' pension fund	72,997.50	72,997.50	72,997.50	72,997.50
Capital stock issued and subscribed	31,921,514.76	*31,924,240.00	31,924,240.00	38,932,000.00
Profit and loss	2,143,760.89	3,527,315.85	3,642,596.42	5,077,493.89
Total liabilities	53,805,828.74	51,391,055.14	51,807,247.71	63,649,568.27

[1] Fiscal year changed in 1928 to end June 30 instead of December 31.

NOTE.—Conversions of the company's accounts from pounds sterling into United States dollars have been made at the rate of $4.8665 to the pound. The foregoing balance sheet does not give effect to the issue of the bonds the listing of which is covered by this application. The net proceeds of sale of the bonds were deposited with the trustee in accordance with the provisions of the indenture (as hereinbefore set forth under the caption "deposited Moneys and Construction Fund.") The present capitalization of the company is also hereinbefore set forth under the caption "Capitalization and Stock Preferences."

AGREEMENTS

The Lautaro Nitrate Co. (Ltd) agrees with the New York Stock Exchange as follows:

Not to dispose of an integral asset or its stock interest in any constituent, subsidiary, owned or controlled company, or allow any constituent, subsidiary, or owned or control companies to dispose of an integral asset or stock interest in other companies unless for retirement and cancellation without notice to the stock exchange.

To publish once in each year and submit to the stockholders, at least 15 days in advance of the annual meeting of the company a statement of its financial condition, a consolidated income account covering the previous fiscal year and a consolidated balance sheet showing the assets and liabilities at the end of the year; or an income account and balance sheet of the parent company and of all constituent, subsidiary or owned or controlled companies.

To maintain, in accordance with the rules of the stock exchange, a fiscal agency in the Borough of Manhattan, city of New York, where the principal of the bonds with interest thereon shall be payable; also a registry office in the Borough of Manhattan, city of New York, where the bonds shall be registerable as to principal.

To notify the stock exchange 30 days in advance of the effective date of any change in the authorized amount of the bonds.

Not to make any change in the bonds or of the trustee of the bonds without the approval of the committee on stock list and not to select as a trustee an officer or director of the company.

To make application to the stock exchange for the listing of additional amounts of listed securities prior to the issuance thereof.

To publish promptly to holders of the bonds any action in respect of interest on the bonds, notice thereof to be sent to the stock exchange.

To publish such notices as may be required by the indenture with rspect to redemption of bonds through the sinking fund or otherwise both in the United States of America and elsewhere on the same calendar day.

GENERAL

The fiscal year of the company ends June 30.

The annual meeting of the company is held once in every year at such time (not being more than 15 months after the holding of the last preceding annual meeting) and place as may be determined by the board of directors.

The company maintains offices at 53-54 Leadenhall Street, London, E. C. 3, and Calle Prat, 239, Valparaiso.

The directors are: E. A. Cappelen Smith, chairman; Alfred Houston, vice chairman; Carlos Cavallero, Jose M. Rios Arias, Jorge Vidal, Carlos Castro Ruiz, Edward Savage, Paul H. Mayer, Emiliano Figueroa, Robert Marsh, jr., Fernando Santa Cruz, and Joaquin Irarrazaval; Jorge Vidal, manager.

The London board is: Solomon Robert Guggenheim, chairman; Right Hon. The Earl Castle Setwart, M. P., John Hunter, William Egerton Mortimer, L. M. Florent Pasquet, Admiral Sir Aubrey Smith, K. B. E., C. B., M. V. O., and E. A. Cappelen Smith; John Hunter, secretary.

The registrar of the bonds is City Bank Farmers Trust Co., New York City.

Both interest and principal are payable at the head office of the National City Bank of New York, and are also collectible, at the option of the holder, at the city office of the National City Bank of New York in London, England, in pounds sterling, or, at the Amsterdamsche Bank, in Amsterdam, the Netherlands, in guilders, in each case at the then current buying rate of such banks for sight exchange on New York.

The outstanding interim receipts of the National City Co. for the bonds are exchangeable at the office of the National City Co., in New York City, for bonds, with certificates for common stock of said Lautaro Nitrate Corporation.

THE LAUTARO NITRATE CO. (LTD.),
By PAUL H. MAYER, *Director*.

This committee recommends that the above-described $32,000,000 first mortgage 6 per cent convertible gold bonds, due July 1, 1954, included in Nos. M-1 to M-32000 for $1,000 each be admitted to the list on official notice of issuance in exchange for outstanding and listed interim receipts of the National City Co., in accordance with the terms of this application.

ROBERT GIBSON, *Chairman*.

Adopted by the governing committee, December 26, 1929.

ASHBEL GREEN, *Secretary*.

This exhibit constitutes an essential part of the application. The statements of fact contained in it are made on the authority of the applicant corporation in the same manner as those in the body of the application.

EXHIBIT A

SINKING FUND

The indenture provides in article 4, sections 22, 23, and 24, as follows:

"Section 22. As and for a sinking fund for the retirement of the bonds, the company will pay to the trustee on April 15, 1930, and semiannually thereafter on October 15 and April 15 in each year, to and including October 15, 1932, a sum in each case equal to $2.50 for each ton of nitrate extracted from any part of the first mortgage properties during the six months' period ending on December 31 or June 30, as the case may be, next preceding the date of such payment, the sums (if any) so paid being hereinafter referred to as 'Preliminary sinking fund payments'; and on April 15, 1933, and semiannually thereafter, on October 15 and April 15 in each year, so long as any of the bonds remain outstanding and unpaid, the company will pay to the trustee the sum of $782,250 (hereinafter referred to as 'Fixed sinking fund payment') in each case: *Provided*, That, if the total aggregate number of tons of nitrate extracted from the first mortgage properties subsequently to June 30, 1929, and prior to the interest date next preceding the date of any fixed sinking fund payment, shall be in excess of 275,000 tons multiplied by the number of six months' periods elapsed between June 30, 1932, and said interest date, the company shall pay to the trustee, at the time of making such fixed sinking fund payment, an additional sum (hereinafter referred to as 'Additional sinking fund payment') equivalent to $2.50 for each ton of nitrate so extracted in excess, less a sum equivalent to the aggregate amount of all additional sinking fund payments (if any) previously made: *And provided further*, That the aggregate amount of all preliminary sinking fund payments (if any) shall be credited as payment on account of the fixed sinking fund payment due April 15, 1933, the excess (if any) to be credited against subsequent fixed sinking fund payments.

"Subsection A. For the purpose of the sinking fund, the number of tons of nitrate extracted from the first mortgage properties shall be calculated as follows:

"(*a*) In case of nitrate extracted from unmixed ore, the number of tons of nitrate actually extracted therefrom at the mortgaged plant shall be deemed to be the amount of nitrate, contained in such ore, extracted from the first mortgage properties.

"(*b*) In case of nitrate extracted from mixed ore, the aggregate nitrate content of such ore shall be determined as nearly as practicable on the basis of the aggregate tonnage and the average grade thereof, and the plant extraction (as defined in paragraph (*z*) of section 1 hereof) from such mixed ore shall be applied to the nitrate content of so much thereof as was mined from the first mortgage properties; and the resulting multiple shall be deemed to be the amount of nitrate, contained in such ore, extracted from the first mortgage properties: *Provided*, That, in such calculation, the plant extraction applies to the nitrate content of ore mined wholly from the first mortgage properties shall not be less than 84 per cent, irrespective of the actual plant extraction.

"(*c*) In case any ore mined from the first mortgage properties shall be delivered for treatment to any plant other than the mortgaged plant, the aggregate nitrate content of such ore shall be determined as nearly as practicable on the basis of the aggregate tonnage and grade thereof, and an arbitrary plant extraction of 88 per cent shall be applied thereto; and the resulting multiple shall be deemed to be the amount of nitrate, contained in such ore, extracted from the first mortgage properties.

"Section 23. Any sinking fund payment may be made, at the option of the company, either in cash or in bonds with all unmatured interest coupons attached, or partly in cash and partly in bonds, which bonds shall be accepted by the trustee at a value equivalent to the redemption price thereof. Upon conversion of any bond or bonds into dollar preferred shares, in accordance with the provisions of article 9 hereof, the company shall, at its option, be entitled to a credit on account of any sinking fund payment or payments becoming due subsequently thereto, in an aggregate amount equal to 105 per cent of the principal amount of any bond or bonds so converted.

"Section 24. Any cash at any time paid into the sinking fund shall be applied by the trustee to the redemption of bonds, in the manner provided in this article 4, on the next succeeding interest date, at the said redemption price: *Provided*, That such cash shall be sufficient to redeem not less than $50,000, aggregate principal amount, of bonds.

"Any such cash shall be so applied by the trustee in the following manner:

"If, 70 days prior to any interest date, there shall be on deposit with the trustee for account of the sinking fund, a sum in cash sufficient to redeem, at the said redemption price, bonds of an aggregate principal amount of $50,000, or more, the trustee shall select, by lot, in any manner deemed by the trustee to be fair, for redemption on such interest date, such number of bonds as shall equal the amount of such cash divided by 1,050, without taking into account any fractions in such result, and shall thereupon cause notice of redemption of the bonds so selected to be given in the manner provided in section 21 hereof."

AMERICAN I. G. CHEMICAL CORPORATION

(A corporation organized under the laws of Delaware on April 26, 1929)

GUARANTEED 5½ PER CENT CONVERTIBLE DEBENTURES

(Guaranteed by I. G. Farbenindustrie Aktiengesellschaft (I. G. Dyes), Frankfort on the Main, Germany)

Original listing: Definitive engraved debentures in exchange for outstanding listed interim receipts of the National City Co.

Total authorized issue	$30,000,000
Amount outstanding	29,990,000
Amount applied for	29,990,000

Authorized by board of directors, April 26, 1929; no other authority required.

Capital securities

	Par value	Number of shares			
		Authorized by charter	Authorized for issue	Previously listed	Outstanding
STOCK					
Classes:					
Common, class A	None.	$3,000,000	$910,000	None.	$400,170
Common, class B	None.	3,000,000	3,000,000	None.	3,000,000
BONDS	Interest rate	Amount authorized			
Guaranteed 5½ per cent convertible debentures, due May 1, 1949	5½	30,000,000	30,000,000	None.	29,990,000

NEW YORK CITY, *June 1, 1929*.

American I. G. Chemical Corporation, a corportation organized and existing under the laws of Delaware (hereinafter referred to as the "company") hereby makes application to have listed on the New York Stock Exchange $29,990,000, aggregate principal amount, of its definitive engraved guaranteed 5½ per cent convertible debentures (hereinafter called the "debentures"), due May 1, 1949, included in Nos. M-1 to M-29990 of the denomination of $1,000 each, on official notice of issuance and in exchange for outstanding and listed interim receipts of the National City Co.

AUTHORITY FOR ISSUE

The debentures issued under and secured by a trust agreement, dated May 1, 1929, executed by the company, I. G. Farbenindustrie Aktiengesellschaft (I. G. Dyes), as guarantor (hereinafter sometimes referred to as the "guarantor"), and the National City Bank of New York, as trustee (hereinafter referred to as the "trustee"). Execution of the said trust agreement and the issue of the debentures were authorized by resolution of the board of directors adopted April 26, 1929. No further authority required.

PURPOSE OF ISSUE

The proceeds from the sale of the debentures will be used to acquire the stock of certain American chemical companies and for the purpose of fostering and financing the development of chemical and allied industries.

The bonds were sold by bankers at 95 and interest.

SOCIETY

The debentures are the direct credit obligations of the company and are secured by various restrictive covenenats which are discussed in detail under the heading "covenents."

GUARANTY

The guarantor guarantees as and for its own debt the due and punctual payment of the debentures, at maturity, or, in case of redemption thereof prior to maturity, upon such redemption, and the premium, if any, in case of redemption thereof prior to maturity, and the due and punctual payment of the interest thereon as the same becomes due from time to time. The guaranty is indorsed upon each of the debentures, in form as provided in the said trust agreement, executive with the facsimile signatures of two duly authorized representaves of of the guarantor and countersigned by a duly authorized representative of the guarantor.

The guarantor has irrevocably appointed the company, as and for its duly authorized representatives during the life of the said trust agreement upon whom all notices and demands and any and all service of legal process with respect to the debentures and the said trust agreement may be served with the same legal force, effect, and validity as if served upon the guarantor.

DESCRIPTION OF THE DEBENTURES

The debentures referred to in the said trust agreement as "guaranteed 5½ per cent convertible debentures" are dated May 1, 1929, mature May 1, 1949 and bear interest at the rate of 5½ per cent per annum, payable semiannually on November 1 and May 1 in each year. Both principal and interest are payable at the head office of the trustee, in the Borough of Manhattan, city and State of New York, in gold coin of the United States of America of or equal to the standard of weight and fineness existing May 1, 1929; both principal and interest are also collectible, at the option of the holder, either at the city office of the National City Bank of New York, in London, England, in pounds sterling, or at the Deutsche Laenderbank Aktiengesellschaft, Berlin, Germany, in reichsmarks, in each case at the then current buying rate of the respective banks for sight exchange on New York.

The debentures are in coupon form in the denomination of $1,000 each and are not registerable.

The debentures are executed in the company's name by its president or a vice president, impressed or imprinted with the corporate seal or a facsimile thereof, attested by its secretary or assistant secretary, and are authenticated by the National City Bank of New York, as trustee; the interest coupons attached to the debentures are executed with the facsimile signature of the company's treasurer.

CONVERSION PRIVILEGE

The debentures are convertible, at the option of the holder, at any time prior to January 1, 1939, or, in case this debenture shall be called for earlier redemption, then at any time up to and including the sixth full day prior to the date designated for such redemption, into full paid and non-assessable common A shares of the company, without par value, as the same shall be constituted at the time of such conversion, at the rate of (*a*) 17 shares of such stock for the principal amount thereof, if converted on or before December 31, 1931, (*b*) 16 shares of such stock for the principal amount thereof, if converted after December 31, 1931 and before January 1, 1933, (*c*) 15 shares of such stock for the principal amount thereof, if converted after December 31, 1932, and before January 1, 1934, (*d*) 14 shares of such stock for the principal amount thereof, if converted after December 31, 1933, and before January 1, 1935, (*e*) 13 shares of such stock for the principal amount thereof, if converted after December 31, 1934, and before January 1, 1936, (*f*) 12 shares of such stock for the principal amount thereof, if converted after December 31, 1935 and before January, 1937, (*g*) 11 shares of such stock for the principal amount thereof, if converted after December 31, 1936 and before January 1, 1938, and (*h*) 10 shares of such stock, for the principal amount thereof, if converted after December 31, 1937, and before January 1, 1939, and at rates proportionate thereto in case of certain changes in the capitalization of the company of the character described in the said trust agreement, with a cash payment of accrued interest and a cash adjustment for any balance of principal not evenly converted (at the rate at which such principal is converted) into whole shares of stock all in the manner and subject to the terms and conditions as provided in the said trust agreement.

INDEBTEDNESS

The debentures constitute the only funded debt of the company, the aggregate principal amount of which, under the said trust agreement, is not to exceed $30,000,000.

DEFAULT

In the event that there is any default by the company and the guarantor in the payment of principal of any debenture when due, whether at maturity or pursuant to notice of redemption or otherwise, or, in the payment of the premium, if any, payable thereon, in the case of redemption thereof prior to maturity, or, in the the payment of any interest on any debenture which shall continue for a period thirty days, or, in the performance or observance of any other covenant or agreement on the part of the company in any of the debentures, or in the trust agreement contained, which shall continue for a period of sixty days after written notice thereof shall have been given to the company by the trustee, which may in its discretion give such notice as hereinafter provided, unless within such period the company shall have in good faith commenced proceedings to remedy such default, and/or the company or the guarantor shall be adjudicated a bankrupt by a court of competent jurisdiction or by order of any such court a receiver of any essential portion of the property of the company shall be appointed and such order shall have continued in effect for a period of ninety days, undischarged or unstayed, on appeal or otherwise, then in each and every case the trustee may, and upon the written request of the holders of 25 per cent of the aggregate principal amount of all the debentures than outstanding, shall by written notice, mailed or delivered to the company, declare the principal of all the debentures then outstanding to be due and payable immediately and, upon such declaration, the same shall become and be immediately due and payable, anything in the said trust agreement or in the debentures contained to the contrary notwithstanding, subject, however, to the condition that, if at any time after the principal of the debentures shall have been declared due and payable, all arrears of interest such debentures, with interest on overdue installments of interest at the rate of 6 per cent per annum and all expenses and charges of the trustee, its agents, attorneys and counsel, and all other sums payable under the said trust agreement for any purpose, shall be paid and every default in the performance or observance of any covenant or agreement in the said trust agreement or debentures contained shall have been made good or secured, then in each and every such case the holders of a majority of the aggregate principal amount of the debentures then outstanding, by written notice to the company and the trustee, may waive such default and rescind such declaration of maturity as, except for such declaration, would not have been or become so due and payable, and such waiver by a majority of the aggregate principal amount of the outstanding debentures shall bind all holders of the debentures then outstanding: *Provided*, That no such waiver or rescission shall extend to or affect any subsequent default or impair any right consequent thereon.

Anything in the said trust agreement contained to the contrary notwithstanding the trustee may at any time upon the written request of the holders of a majority of the aggregate principal amount of the debentures at the time outstanding, waive any default mentioned in the said trust agreement except a default in the payment of principal or interest of any of the debentures when and as the same shall become due and payable by the terms thereof.

REDEMPTION OF DEBENTURES

The company shall have the right at its option to redeem in the following manner all or any of the debentures outstanding under the said trust agreement, in whole or in part, on any interest date prior to maturity, at a redemption price equal to 110 per cent of the principal thereof, if redeemed on or before November 1, 1938, or for the principal amount thereof if redeemed thereafter. If at any time the company desires to redeem less than all the debentures at the time outstanding, it shall notify the trustee in writing of the aggregate principal amount thereof which it desires to redeem, specifying the interest date (which shall not be less than seventy-five days after such notification) on which it desires to make redemption. As soon as practicable thereafter (and in event within 10 days) the trustee shall select by lot in any manner deemed by the trustee to be fair, the particular serial numbers of the debentures to be redeemed and shall certify to the company the serial numbers so selected. The company shall thereupon publish in at least two daily newspapers, written in the English language, published and in general circulation in the Borough of Manhattan, city and State of New York, once a week for eight successive weeks, the first publication being not less than 60 days prior to the interest date on which redemption is to be made, notice of redemption of such debentures, specifying the serial numbers thereof and the date of redemption and requiring that such debentures be surrendered at the head office of the trustee in the Borough of Manhattan, city and State of New York, for redemption at the redemption price thereof payable out of the money deposited with the trustee as provided in the said trust agreement, and giving notice, also, that, on such date, interest on such debentures shall cease to accrue. In the event that the redemption shall be of the whole of the debentures outstanding at the time, it shall give notice thereof in like manner, except that the notice need not specify the serial numbers of the debentures to be redeemed. All debentures redeemed pursuant to any of the provisions of the said trust agreement shall forthwith be cancelled by the trustee and shall be delivered to or upon the written order of the company and no debentures shall thereafter be issued in lieu thereof.

COVENANTS

The company covenants with the trustee and with the respective holders of the debentures, that it will duly and punctually pay or cause to be paid the principal and interest of all the debentures issued under said trust agreement in accordance with the terms thereof, and, so long as any of the debentures remain outstanding and unpaid, the company (*a*) will at all times keep an office or agency in the Borough of Manhattan, city and State of New York, where notices and demands with respect to the debentures and said trust agreement may be served, and will, from time to time, give notice to the trustee of the location thereof and in case the company fails so to do, notices and demands may be served at the head office of the trustee in the Borough of Manhattan, city and State of New York; (*b*) will not directly, or indirectly, extend or assent to the extension of the time for the payment of any interest coupon or claim for interest of or upon any debenture, and it will not be a party to any arrangement by purchasing or refunding or in any manner keeping alive such interest coupon or claim for interest; (*c*) will not execute any mortgage upon, or make any pledge of, or create or suffer to be created any lien or charge on, any of its assets as security for any indebtedness of any character, without expressly providing that all debentures then outstanding so be secured ratably with any other indebtedness secured by such mortgage, pledge, lien or charge, provided, that this covenant shall not apply (1) to the execution of any purchase money mortgage on any fixed property, as defined in the said trust agreement, acquired by it or to the acquisition by it of fixed property subject to, and if the company so elects, the assumption by it of the payment of, an existing mortgage or mortgages thereon, if the aggregate indebtedness secured by such purchase money or other mortgage or mortgages shall not exceed 60 per cent of the cost or fair value (whichever shall be less) of the fixed property so acquired, or (2) to the pledge by the company of personal property as security for any notes, debts or other obligations incurred in the regular course of business and maturing within 12 months from the date of incurring the same; (*d*) will not consolidate or merge with or into any other corporation, or sell all, or substantially all, of its properties and assets to any other corporation, except upon the terms and conditions set forth in said trust agreement, and the company will not enter into any such consolidation or merger or make any such sale, if the holders of 66⅔ per cent or more, of the aggregate principal amount, of the debentures then outstanding shall object, in the manner as provided in the said trust agreement; (*e*) will at all times maintain, preserve and keep all its property, furnishings, and fixtures in thorough repair, working order and condition so far as advantageous (in the judgment of the board of directors of the company) to the business of the company; (*f*) will do or cause to be done all things necessary to preserve and keep, in full force and effect, its corporate existence and franchises, except as may be otherwise permitted by law or by its certificate of incorporation, and will comply with all lawful requirements of the laws of any State of the United States of America and of any other government applicable to the company, and will not voluntarily do, suffer or permit any act or thing designed to hinder, delay or imperil the payment of the indebtedness evidenced by the debentures; (*g*) will promptly pay and discharge, or cause to be paid and discharged, any and all lawful taxes, rates, levies, assessments, liens, claims or other charges levied or assessed against, or imposed or accruing on, the company, or against or on any of its properties or any part thereof, or upon the income derived therefrom, or from the operations of the company; provided, that the company shall not be required to pay or discharge, or to cause to be paid or discharged, any such tax, rate, levy, assessment, lien, claim or other charge so long as in good faith and by appropriate legal proceedings the validity shall be contested; (*h*) will keep or cause to be kept all the buildings, structures, machinery, equipment, furnishings, fixtures, products, materials, and supplies which the company may at any time own or acquire, of a character such as is customarily insured, insured in good and responsible insurance companies, or at the option of the company, by means of adequate insurance reserves set aside and maintained out of the gross earnings, against loss or damage to the extent and in the amount (if any) that similar properties are customarily insured; (*i*) will not, as provided in the said trust agreement, alter or amend its certificate of incorporation, as filed in the office of the Secretary of State of the State of Delaware on April 26, 1929; (*j*) will within 90 days after the close of each fiscal year, render to the trustee a statement of the income account of the company for such fiscal year and a balance sheet of the company taken at the close thereof, certified by the president or vice president and the treasurer or assistant treasurer of the company and audited by a competent accountant or firm of accountants satisfactory to the trustee; and (*k*) the company, so long as any of the conversion rights of any of the debentures have not been exercised, will not issue any of the stock or other securities convertible at any time into the common A shares of the company at a price less than the conversion price, determined in accordance with the provisions of the said trust agreement.

AMERICAN I. G. CHEMICAL CORPORATION

History and purpose.—As a result of the development of its world-wide activities, I. G. Farbenindustrie Aktiengesellschaft (as more fully described below) found it expedient and desirable to cause a corporation to be organized in the United States under the name of American I. G. Chemical Corporation. This company was incorporated on April 26, 1929, under the laws of the State of Delaware, and endowed with broad corporate powers to foster and finance the development of chemical and allied industries in the United States of America and elsewhere. All of its common stock now outstanding was issued against cash, or for the acquisition of stocks of certain American chemical companies, including substantial interests in Afga-Ansco Corporation and General Aniline Works (Inc.) (formerly Grasselli Dyestuff Corporation), which two companies are more fully described below. The company also intends to participate in other chemical enterprises, especially in the development of new fields of chemical activity.

Capitalization.—The capital structure of the American I. G. is as follows:

	Authorized	Outstanding
Guaranteed 5½ per cent convertible debentures	$30,000,000	$29,990,000
Common A shares, no par value ... shares	3,000,000	400,170
Common B shares, no par value ... do	3,000,000	3,000,000

A sufficient number of the common A shares will be at all times reserved to provide for the convertible debentures. In addition the I. G. Farbenindustie Aktiengesellschaft has been granted an option exercisable from time to time prior to January 1, 1935, to purchase as a whole or in part from the company, common A shares, the aggregate of any such purchase or purchases not to exceed 1,000,000 shares, at prices equivalent to the current prices at which the debentures are convertible, as provided in the said trust agreement.

Balance sheet as of May 31, 1929

ASSETS

Cash and demand loans	$10,956,107.29
Loans due within 30 dyas	5,690,000.00
Bills and accounts receivable	21,071,948.10
Securities	20,767,000.00
Organization expenses and deferred charges	2,768,321.42
Accrued interest	153,800.59
Total assets	61,407,177.40

LIABILITIES

Notes and accounts payable	408,053.00
Accrued interest payable	138,906.27

Guaranteed 5½ per cent convertible debentures:		
Original issue	$30, 000, 000. 00	
Converted	10, 000. 00	
Outstanding		$29, 990, 000. 00
Capital:		
Common stock A, no par value—		
Authorized shares	3, 000, 000. 00	
Unissued shares	2, 599, 830. 00	
Issued and outstanding	400, 170	10, 004, 250. 00
Common stock B no par value, authorized, issued, and outstanding		3, 000, 000. 00
Paid-in surplus		17, 771, 850. 00
Net profit to May 31, 1929		94, 118. 13
Total liabilities		61, 407, 177. 40

Earnings available for interest.—It is expected that the net earnings of the company from the securities acquired by it, together with an amount equal to 6 per cent interest upon the initial cash funds in its treasury, will amount to more than double the amount necessary for the payment of debenture interest.

AGFA-ANSCO CORPORATION

The Agfa-Ansco Corporation, incorporated in the State of New York, is engaged in the manufacturing and selling of films, photographic materials, and apparatus, and in this line is the second largest enterprise in the United States. The company has factories in Binghamton, Johnson City, and Afton, N. Y., and is now completing the construction of a large modern film plant in Binghamton. It has acquired all the assets of Ansco Photo Products (Inc.), at Binghamton, and of Agfa Photo Products of New York City, and, further, the entire capital stock of Agfa Raw Film Corporation of New York City. Under a contract with I. G. Farbenindustrie Aktiengesellschaft, Agfa-Ansco has the sole right in the United States to manufacture all photographic products developed by I. G. Farbenindustrie Aktiengesellschaft. Of the 300,000 common shares without par value outstanding, the company owns 120,000 and of the $5,050,000 par value 7 per cent cumulative preferred shares outstanding the company owns $2,020,000 par value.

GENERAL ANILINE WORKS (INC.), FORMERLY GRASSELLI DYESTUFF CORPORATION

The General Aniline Works (Inc.), is engaged in the manufacture of synthetic organic chemicals and dyestuffs. It has a plant in Albany, N. Y., and in Linden, N. J., where it manufactures a great variety of dyestuffs. Production has shown steady and consistent growth, so that during the past two years the plant equipment had to be considerably increased.

Under a contract with I. G. Farbenindustrie Aktiengesellschaft, it has the permanent right to exploit in the United States all duestuff patents and inventions developed by the plants of I. G. Farbenindustrie Aktiengesellschaft. The products of General Aniline Works, Inc. are sold by the General Dyestuff Corporation, New York, which maintains branches and warehouses in the industrial centers of the country. The corporation is also the beneficiary of profits derived from the manufacture and sale of medicinal and pharmaceutical products. Of the 130,000 capital shares of no par value, the Company owns 58,500 shares.

I. G. FARBENINDUSTRIE AKTIENGESELLSCHAFT

History.—The I. G. Farbenindustrie Aktiengesellschaft was originated at the end of 1925 from the merger of the following Stock Companies previously associated in chemical and allied industries:

Badische Anilin & Soda Fabrik in Ludwigshafen a.Rh.
Farbenfabriken vorm. Friedr. Bayer & Co. in Leverkusen
Farbenfabriken vorm. Meister Lucius & Bruening in Hoechst a/M
Actiengesellschaft fuer Anilin Fabrikation in Berlin
Chemische Fabrik Griesheim Elektron in Frankfurt a/M
Chemische Fabriken vorm. Weiler-ter Meer in Uerdingen

The absorbing company, the Badische Anilin & Soda Fabrik, was founded in 1865, with principal office in Ludwigshafen a/Rh. At the time of the merger its firm name was changed to I. G. Farbenindustrie Aktiengesellschaft and its principal office transferred to Frankfurt a/M. The business of the other companies are still carried on, as branches of the Company, with a corresponding addition to their firm names.

On the strength of the decision of the general meeting of the I. G. Farbenindustrie Aktiengesellschaft on September 1, 1926, the assets of the Koeln-Rottweil A. G. Berlin, were taken over as of January 1, 1926. The powder factories of this enterprise existing since 1872 were leased to the Dynamit A. G., formerly Alfred Nobel & Co., in Hamburg, while the other factories (artificial silk, linoleum, etc.) are operated by the I. G. Farbenindustrie Aktiengesellschaft.

Business.—The I. G. Farbenindustrie Aktiengesellschaft is one of the largest and most successful corporations in the world engaged in chemical and allied industries. I. G. Farbenindustrie Aktiengesellschaft manufactures and distributes practically every chemical product required to cover the ever increasing demands of modern commerce, industry, and agriculture. The more important products include dyestuffs; pharmaceutical products, insecticides, and fungicides; organic and inorganic chemical products; solvents and lacquers; light metals (elektroumetal); photographic articles and films; artificial silk; synthetic nitrogen, fertilizer, and other nitrogen products; synthetic gasoline.

The annual capacity of the synthetic nitrogen plants is over 600,000 tons of pure nitrogen, or over one-third of the present total world consumption. Within the last few years I. G. Farbenindustrie Aktiengesellschaft has also evolved a process (the so-called hydrogenation process) of making synthetic gasoline from coal, and is actually producing and marketing this product in Germany in increasing quanities.

In 1927 I. G. Farbenindustrie Aktiengesellschaft entered into a contract with the Standard Oil Co. of New Jersey for the joint exploitation in the United States of this hydrogenation process for treating crude oil. Negotiations are now proceeding looking to a broader working arrangement between the Standard Oil Co. of New Jersey and I. G. Farbenindustrie Aktiengesellschaft.

Properties and employees.—I. G. Farbenindustrie Aktiengesellschaft, directly or through its affiliated or constitutent companies, controls supplies of the principal raw materials needed in its manufacturing processes. Its real estate aggregates nearly 20,000 acres, including the sites of its great factories in excess of 100, and brown coal mines with an annual production of about 20,000,000 tons. It has 478 miles of private railway lines on which it operates over 12,000 privately owned freight cars and locomotives. Total employees number over 140,000, including some 2,000 chemists and engineers engaged in scientific research in its laboratories.

Earnings available for guarantee.—The net earnings of the guarantor, available for depreciation and dividends upon its stock, averaged during the three years 1926, 1927, and 1928 approximately $40,440,000, or over twenty-four times the maximum interest requirement ($1,650,000) on these debentures. For the year 1928 such earnings amounted to over twenty-seven times such interest requirements.

Policy as to maintenance and depreciation.—The company sets aside an exceptionally large portion of its earnings to depreciation.

Although the total fixed assets of the company are carried at approximately $107,500,000, the following amounts have been written off for depreciation, depletion, etc.:

1924	$10, 770, 000
1925	12, 800, 000
1926	17, 906, 000
1927	17, 788, 000
1928	17, 082, 000

Governmental restrictions.—There are no governmental restrictions against any payments which the I. G. Farbenindustrie Aktiengesellschaft might be called upon to make as guarantor of these debentures.

Currency.—Conversions of reichsmarks to dollars in this listing application have been made at par of exchange, $1 equal to 4.2 reichsmarks.

Capitalization

	Authorized		Outstanding	
	Reichsmark	Dollars	Reichsmark	Dollars
Convertible debentures, variable interest	250,000,000	59,523,810	[1] 249,823,600	59,481,810
6 per cent preferred stock, series A (Reichsmark 100,000,000 held for account of company)	100,000,000	23,809,524	None.	None.
3½ per cent preferred stock, series B	40,000,000	9,523,810	40,000,000	9,523,810
Common stock (Reichsmark 160,702,200 held for account of company)	960,000,000	228,571,429	799,297,800	190,309,000

[1] Entire Reichsmark 250,000,000 issued, but 176,400 already converted.

The present market value of the outstanding common stock of I. G. Dyes is approximately $500,000,000.

Financial statements, I. G. Farbenindustrie Aktiengesellschaft

1. Profit and loss account for the years ending December 31, 1926, 1927, and 1928.
2. Balance sheet for the years ending December 31, 1926, 1927, and 1928.

(1) PROFIT AND LOSS ACCOUNT

(The net following profit figures are arrived at after deducting annual payment on account of Dawes debenture charges)

	Dec. 31, 1926		Dec. 31, 1927		Dec. 31, 1928	
	Reichsmark	Dollars	Reichsmark	Dollars	Reichsmark	Dollars
Gross profit	186,074,525.56	44,285,700.00	224,303,485.26	53,384,200.00	257,139,238.00	61,199,100.00
Less expenses:						
General overhead	42,119,409.22	10,024,400.00	48,749,543.00	11,602,400.00	51,904,541.00	12,353,300.00
Interest on bonds					15,000,000.00	3,570,000.00
Depreciation	75,236,860.97	17,906,400.00	74,741,809.00	17,788,600.00	71,776,528.00	17,082,800.00
Total expenses	117,356,270.19	27,930,800.00	123,491,352.00	29,391,000.00	138,681,069.00	33,006,100.00
Net profit	68,718,255.37	16,354,900.00	100,812,133.26	23,993,200.00	118,458,169.00	28,193,000.00
Surplus carried forward	1,805,604.49	429,700.00	2,396,739.86	570,400.00	4,426,777.92	1,053,600.00
Total profit and loss account	70,523,859.86	16,784,600.00	103,208,873.12	24,563,600.00	122,884,946.92	29,246,600.00

(2) BALANCE SHEET

ASSETS						
Plant, buildings, machinery, equipment, railways	346,896,932.70	82,561,600.00	382,462,743.52	91,026,100.00	451,915,469.19	107,555,900.00
Bond and stock interests in affiliated and other companies	261,134,166.63	62,149,900.00	296,143,054.77	70,482,100.00	306,261,581.16	72,890,300.00
Inventories	226,034,585.44	53,796,200.00	245,914,828.46	58,527,700.00	342,126,143.36	81,426,000.00
Receivables	454,672,970.50	108,212,100.00	411,802,197.00	98,008,290.00	500,474,465.75	119,112,900.00
Cash on hand and in banks	215,363,482.35	51,256,500.00	191,274,227.96	45,523,300.00	251,088,752.17	59,759,100.00
Subscribed common stock in treasury:						
Paid in	67,880,200.00	16,155,500.00	67,880,200.00	16,155,500.00	80,212,200.00	19,089,500.00
Not paid in	35,490,000.00	8,446,600.00	35,490,000.00	8,446,600.00	80,490,000.00	19,1[illegible],300.00
	103,370,200.00	24,602,100.00	103,370,200.00	24,602,100.00	160,702,200.00	38,247,100.00
Subscribed preferred stock "A" in treasury:						
Paid in	40,000,000.00	9,520,000.00	40,000,000.00	9,520,000.00	25,000,000.00	5,950,000.00
Not paid in	120,000,000.00	28,560,000.00	120,000,000.00	28,560,000.00	75,000,000.00	17,850,000.00
	160,000,000.00	38,080,000.00	160,000,000.00	38,080,000.00	100,000,000.00	23,800,000.00
Subscribed preferred stocks series "B" unpaid	26,606,250.00	6,332,300.00	26,606,250.00	6,332,300.00	26,606,250.00	6,332,300.00
	1,794,078,587.62	426,990,700.00	1,817,573,501.71	432,582,500.00	2,139,174,861.63	509,123,600.00

(2) BALANCE SHEET—Continued

	Dec. 31, 1926		Dec. 31, 1927		Dec. 31, 1928	
	Reichsmark	Dollars	Reichsmark	Dollars	Reichsmark	Dollars
LIABILITIES						
Common stock	900,000,000.00	214,200,000.00	900,000,000.00	214,200,000.00	960,000,000.00	228,480,000.00
Preferred stock, series "A"	160,000,000.00	38,080,000.00	160,000,000.00	38,080,000.00	100,000,000.00	23,800,000.00
Preferred stock, series "B"	40,000,000.00	9,520,000.00	40,000,000.00	9,520,000.00	40,000,000.00	9,520,000.00
Reserve fund	173,154,993.95	41,210,900.00	176,254,618.53	41,948,600.00	188,291,355.68	44,813,300.00
Pension and support fund	43,400,000.00	10,329,200.00	43,400,000.00	10,329,200.00	43,400,000.00	10,329,200.00
Jubilee fund	3,000,000.00	714,000.00	3,000,000.00	714,000.00	3,000,000.00	714,000.00
Foundations	2,404,158.96	572,200.00	2,840,979.15	670,200.00	2,938,717.09	699,700.00
Funded debt	7,728,586.50	1,839,400.00	962,131.59	229,000.00	250,000,000.00	59,500,000.00
Called bonds outstanding	----------	----------	----------	----------	471,765.08	112,300.00
Unclaimed back dividend, etc.	201,157.13	47,900.00	366,691.57	87,300.00	614,040.19	146,100.00
Accrued bond interest	----------	----------	----------	----------	15,000,000.00	3,570,000.00
Accounts payable:						
Due banks	83,412,845.84	19,352,300.00	66,767,154.90	15,890,600.00	82,097,711.33	19,539,300.00
Due others	310,252,985.38	73,840,200.00	320,773,061.85	76,844,000.00	330,475,325.34	78,653,100.00
	393,665,831.22	92,692,500.00	387,540,207.75	92,234,600.00	412,573,036.67	98,192,400.00
Surplus from previous year	1,805,604.49	429,700.00	2,396,730.86	570,400.00	4,426,777.92	1,053,600.00
Profit from current year	68,718,255.37	16,354,900.00	100,812,133.23	23,993,200.00	118,458,169.00	28,193,000.00
Profit	70,523,859.86	16,784,600.00	103,208,873.12	24,563,600.00	122,884,946.92	29,246,600.00
	1,794,078,587.52	426,990,700.00	1,817,573,501.71	432,582,500.00	2,139,174,861.63	509,123,600.00

AGREEMENTS

American I. G. Chemical Corporation agrees with the New York Stock Exchange as follows:

To notify the stock exchange in the event of a change in the character of its business.

To notify the stock exchange in the event of any substantial change in the management or affiliations of the company.

To submit statement of earnings annually.

To publish once in each year and submit to stockholders at least 15 days in advance of the annual meeting of the company a statement of its financial condition, an income account covering the previous fiscal year, and a balance sheet showing assets and liabilities at the end of the year.

To maintain, in accordance with rules of the stock exchange, an agency in the Borough of Manhattan, city and State of New York, where the principal of all listed securities, with interest thereon, shall be payable, also a registry office in the Borough of Manhattan, city of New York, where all listed stocks shall be registered.

To notify the stock exchange 30 days in advance of the effective date of any change in the authorized amount of listed securities.

Not to make any change in listed securities, of a transfer agency or of a registrar of its stock, or of a trustee of its bonds or other securities without the approval of the committee on stock list and not to select as a trustee an officer or a director of the company.

To notify the stock exchange in the event of the issuance or creation in any form or manner of any rights to subscribe to or to be allotted its securities or of any other rights or benefits pertaining to ownership in its securities so as to afford the holders of its securities a proper period within which to record their interests, and that all rights to subscribe or to receive allotments and all other such rights and benefits shall be transferable and shall be transferable, payable, and deliverable in the Borough of Manhattan, city of New York.

To make application to the stock exchange for the listing of additional amounts of listed securities prior to the issuance thereof.

To publish promptly to holders of bonds any action in respect to interest on bonds or allotment of rights for subscription to securities, notices thereof to be sent to the stock exchange, and to give to the stock exchange at least 10 days' notice in advance of the closing of the transfer books or extensions or the taking of a record of holders for any purpose.

GENERAL

The fiscal year of the American I. G. Chemical Corporation is from January 1 to December 31.

The legal seat of the company is in the city of Wilmington, county of Newcastle, State of Delaware.

The annual general meeting of shareholders will be held at the office of the company in the city of New York, State of New York, on the second Tuesday in the month of April.

The board of directors consist of Prof. Dr. Carl Bosch, Walter Duisberg, Edsel B. Ford, W. Greif, Max Ilgner, Adolf Kuttroff, Dr. F. ter Meer, Herman A. Metz, Charles E. Mitchell, Hermann Schmitz, Walter Teagle, William H. Vom Rath, Paul M. Warburg, W. E. Weiss.

The officers of the corporation are: Hermann Schmitz, president; W. Greif, first vice president; Herman A. Metz, vice president and treasurer; Max Ilgner, vice president; William H. Vom Rath, secretary; R. W. Ilgner, assistant secretary; G. Frank Fahle, assistant treasurer.

The transfer agent, for the common A shares, of the company is the National City Bank of New York.

The registrar, for the common A shares, of the company is Bank of the Manhattan Co.

Both principal and interest on the debentures are payable at the head office of the National City Bank of New York, Borough of Manhattan, New York City.

AMERICAN I. G. CHEMICAL CORPORATION,
By WILLIAM H. VOM RATH, *Authorized Representative.*

This committee recommends that the above-described $29,900,000 5½ per cent convertible debentures, due May 1, 1949, included in Nos. M-1 to M-29990, for $1,000 each, be admitted to the list on official notice of issuance in exchange for outstanding interim receipts, in accordance with the terms of this application.

ROBERT GIBSON, *Chairman*.

Adopted by the governing committee, June 26, 1929.

ASHBEL GREEN, *Secretary*.

SALE OF FOREIGN BONDS OR SECURITIES IN THE UNITED STATES

WEDNESDAY, JANUARY 6, 1932

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met at 10 o'clock a. m., pursuant to adjournment on yesterday, in the committee hearing room in the Senate Office Building, Senator Reed Smoot presiding.

Present: Senators Smoot (chairman), Shortridge, Couzens, Thomas of Idaho, Jones, King, George, and Gore.

Present also: Senator Johnson.

The CHAIRMAN. The committee will come to order. Mr. James Speyer, of Speyer & Co., will be our witness. Mr. Speyer, if you will hold up your right hand and be sworn: You do solemnly swear that the evidence you are now to give in this hearing before the committee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. SPEYER. I do.

The CHAIRMAN. Just take a seat about the middle of the table there opposite the committee reporter.

TESTIMONY OF JAMES SPEYER, OF SPEYER & CO., NEW YORK CITY

(The witness was duly sworn by the chairman of the committee.)

The CHAIRMAN. Mr. Speyer, whom do you represent?

Mr. SPEYER. I represent Speyer & Co.

The CHAIRMAN. Just keep your seat. What is your business?

Mr. SPEYER. Investment bankers.

The CHAIRMAN. At New York City?

Mr. SPEYER. At New York City. The firm was established in 1837.

The CHAIRMAN. You deal in foreign bonds, do you not?

Mr. SPEYER. We deal also in foreign bonds. That is not our exclusive business. We deal in American railroad bonds.

The CHAIRMAN. You have with you a list of all foreign loans which you have made?

Mr. SPEYER. Yes, Mr. Chairman. This was gotten up in the last few days, only finished on yesterday, and there may be some slight errors, but I think it is correct, subject to some small corrections.

Senator JOHNSON. Mr. Speyer, is your concern a copartnership or a corporation?

Mr. SPEYER. A copartnership.

Senator JOHNSON. Will you give us the members of that copartnership, please?

Mr. SPEYER. Do you want all of their names?

Senator JOHNSON. If you can state them.

Mr. SPEYER. James Speyer, DeWitt Millhauser, Ralph Wolf, Leon H. Kronthal, Louis J. Grumbach, all residents of New York City; and Edward Beit von Speyer, my brother-in-law; and Herbert Beit von Speyer, his son, resident in Frankfort-on-Main.

Senator JOHNSON. Where do they reside?

Mr. SPEYER. The latter two are resident in Frankfort-on-Main, Germany.

Senator JOHNSON. And your residence is where?

Mr. SPEYER. New York City.

Senator JOHNSON. And you have resided there for a great many years?

Mr. SPEYER. I was born there, one of the few people.

Senator JOHNSON. Those are the names of all of the members of your copartnership?

Mr. SPEYER. Yes, sir.

Senator JOHNSON. And all are nonresidents except yourself?

Mr. SPEYER. Oh, no. They are all residents of New York except the last two members of my family.

Senator JOHNSON. That is, Mr. Edward Beit von Speyer and Mr. Herbert Beit von Speyer?

Mr. SPEYER. Yes; and they live in Frankfort-on-Main.

Senator JOHNSON. Pardon me. I misunderstood you.

Senator KING. Are they American citizens?

Mr. SPEYER. Not the last two I mentioned.

The CHAIRMAN. Were they born in this country?

Mr. SPEYER. No, sir.

Senator JOHNSON. Have you there before you a list of foreign loans that have been made by your firm?

Mr. SPEYER. Yes, sir; in detail. Here is a copy of the list.

Senator JOHNSON. Mr. Chairman, I ask first that the list be put into the record, and then I should like Mr. Speyer to run hastily through it if he will.

The CHAIRMAN. Very well. The list may be made a part of the record at the conclusion of Mr. Speyer's testimony.

Senator JOHNSON. Mr. Speyer, you will start out now with what loan?

Mr. SPEYER. This list contains the foreign bond issues that we have handled. It shows the purchase price, and sale price, and spread, so called, and profits.

Senator KING. Do you mean the gross profits as well as the profits to your firm?

Mr. SPEYER. The gross profits to the firm.

The CHAIRMAN. Mr. Speyer, will you speak out a little louder so that all members of the committee and the newspaper men can hear you?

Mr. SPEYER. This list contains details of all foreign loans in which Speyer & Co. participated, together with the amounts, prices, and gross profits to Speyer & Co.

Senator COUZENS. Over what period of time?

Mr. SPEYER. Since the war. I thought that was all that you wanted.

Senator COUZENS. Do you mean since 1918?

Mr. SPEYER. Well, in 1920 was the first foreign loan.

Senator JOHNSON. The first one, beginning November 1, 1920, city of Berne, Switzerland, and now I will turn to the last column of the statement where you have Speyer & Co.'s profits, if you will turn to that.

Mr. SPEYER. Yes.

Senator JOHNSON. The total amount of all profits from all these loans is shown as $1,806,647.27. Is that correct?

Mr. SPEYER. That is correct. That is the gross profits not counting overhead.

Senator JOHNSON. That is your gross profit?

Mr. SPEYER. Yes.

Senator JOHNSON. Very well, sir. Now, we start with the loan of $6,000,000 to the city of Berne, Switzerland, and will get the details of that first.

Mr. SPEYER. May I just say in that connection, talking about gross profit, that the total loans placed in this country was $276,000,000, and that the gross profit of Speyer & Co. is a little less than two-thirds of 1 per cent on that amount.

The CHAIRMAN. Do you say two-thirds of 1 per cent?

Mr. SPEYER. Two-thirds of 1 per cent; yes.

Senator JOHNSON. That is a very small profit indeed.

Mr. SPEYER. It is a very small profit.

Senator JOHNSON. And that amounts to $1,806,647.27. Is that correct?

Mr. SPEYER. Yes, sir. And, Mr. Chairman, if I might amend the statement just made, over the period of years shown we participated with the leading European bankers in foreign loans amounting to $568,000,000. Out of that amount, there were placed in this country by us $276,000,000, as per this statement. However, I wish to make clear that the total amount of the loans which we participated in with leading foreign bankers amounted to $568,000,000, and yet out of this amount there was placed in this country $276,000,000. I mean offered by us in this country. And out of that $276,000,000 there were taken in Europe $33,000,000, so that all of the balance was placed in this country by us, amounting to $242,000,000, in round figures.

Senator COUZENS. How did you come to sell some securities in Europe when you had so many European bankers engaged in this matter with you?

Mr. SPEYER. European bankers wanted to place some of it with their clients, and so they took some of the bonds back from us.

The CHAIRMAN. Was that done through your brother-in-law and nephew in Europe?

Mr. SPEYER. No. It was done through leading bankers, very little in Germany but through leading bankers in London, Paris, and in different countries where the loans came from.

The CHAIRMAN. Did they ask you for the loans or did you solicit the loans from them?

Mr. SPEYER. Frequently they approached us, or our agent informed us when the loans were coming out.

The CHAIRMAN. Do you mean your agent in London?

Mr. SPEYER. Well, there are five League of Nations loans, so-called, included here. I point to a League of Nations loan, so-called, which means under their supervision, made to the Kingdom of Hungary, and two Bulgarian loans, and two Greek loans. They were League of Nations loans.

Senator COUZENS. When you say League of Nations loans you mean they were only approved or requested by the League of Nations?

Mr. SPEYER. Yes, sir; and they supervised the proceeds of collections.

Senator COUZENS. But the League of Nations have nothing to do with guaranteeing the loans, do they?

Mr. SPEYER. No. In so far as the League of Nations is concerned, it generally appoints a commissioner to take in the receipts and supervise the finances of the country.

Senator COUZENS. But they do not guarantee the loans in any way?

Mr. SPEYER. The League of Nations guarantees nothing.

Senator COUZENS. Not even to keep the peace.

Mr. SPEYER. Well, I shouldn't like to discuss that.

Senator JOHNSON. What did you say, Senator Couzens?

Senator COUZENS. I remarked that the League of Nations do not even guarantee to keep peace.

Senator JOHNSON. Well, I should not dare to say that. Now, Mr. Speyer, let us look over this list, if you please. We start with a loan November 1, 1920, city of Berne, Switzerland, $6,000,000, a dollar loan, with interest of 8 per cent, and a spread of 5 per cent. Is that correct?

Mr. SPEYER. Yes.

Senator JOHNSON. Was your house the originator of the loan or the original agent for the loan?

Mr. SPEYER. We are in every instance. We are always the originators. We never participated under anybody in any public offering. Every loan mentioned here we were the originators of, and in most instances in association with leading European bankers.

Senator JOHNSON. Were there other loans in which you participated but which are not mentioned here on this list?

Mr. SPEYER. No; no foreign loans.

Senator JOHNSON. And each one in which you participated at all you were the originator of it?

Mr. SPEYER. In this country, yes; together with European bankers.

Senator JOHNSON. In this country but with European bankers.

Mr. SPEYER. Yes, sir.

Senator JOHNSON. If you don't mind stating it, with what European bankers would you act?

Mr. SPEYER. Well, it varies in the different countries. In England it was J. Henry Schraeder & Co., N. M. Rothschild & Sons, Baring Brothers & Co., and Hambros Bank (Ltd.). In Paris, Banque de Paris et de Pays Bas. In Amsterdam, Hope & Co., Pierson & Co., and Mendelssohn & Co. In Italy, Banca Commerciale Italiana. In Hungary, Pester Ungarische Commercial Bank. For instance, in Hungary that is the leading bank in Budapest. We always try to have the leading bankers of the particular country, or other bankers who know the country very well.

Senator JOHNSON. Have you a branch of your establishment or a representative in Paris?

Mr. SPEYER. We have a representative from time to time, but we have no branches.

Senator JOHNSON. You have no branches?

Mr. SPEYER. We have no branches anywhere. I will say that I am personally interested in the Frankfort firm of Lazard Speyer Ellissen, which is an old established family firm in Frankfort, Germany.

Senator JOHNSON. Engaged in what business?

Mr. SPEYER. Engaged in the same kind of business more or less.

Senator JOHNSON. Engaged in the sale of securities and the like?

Mr. SPEYER. Yes. Now, if I might say something?

Senator JOHNSON. Go right ahead and say anything you wish so far as that goes.

Mr. SPEYER. After our Civil War our firm sold millions of dollars of American railroad securities in Germany, Holland, Switzerland, and all over Europe, especially for railroads in California, such as the Southern Pacific and the Central Pacific, which were built with European money secured by us acting as intermediaries. We sold bonds of the Southern Pacific and Central Pacific in Europe in order to build railroads, particulary in California.

Senator JOHNSON. When you spoke of our war you meant the Civil War?

Mr. SPEYER. Yes, sir.

Senator JOHNSON. After our Civil War your house borrowed various sums of money that were expended in railroad construction in this country.

Mr. SPEYER. We did not borrow various sums of money, but we sold bonds of these railroads to investors in Europe.

Senator KING. Then you mean to say that your house brought a great deal of European money to the United States for industrial and railroad purposes.

Mr. SPEYER. Yes; a great deal of money. My father lived here, and he took the side of the Union at that time, and I will say that he sold United States Government bonds also.

Senator JOHNSON. All right. We have first on this list city of Berne, Switzerland, 25-year, 8 per cent sinking fund gold bonds, $6,000,000. Your original purchase price was 94 and your selling price was 99.

Mr. SPEYER. Yes.

Senator JOHNSON. With a spread of 5.

Mr. SPEYER. Yes.

Senator JOHNSON. Did you form a syndicate for the disposal of those bonds?

Mr. SPEYER. No.

Senator JOHNSON. You sold them yourselves?

Mr. SPEYER. Yes; a public issue. The prospectus is here and we can file it with you.

(Thereupon the witness handed to the committee reporter a folder of prospectuses, which will be found following the detailed statement, at the end of the day's proceedings.)

Senator JOHNSON. So that through your own intermediaries, you being the original purchasers of the bonds, you entrusted the sale of the bonds to the public, to whom they were sold.

Mr. SPEYER. There were 131 dealers who received a commission out of that for selling the bonds for us.

Senator JOHNSON. Did you make a price to your dealers?

Mr. SPEYER. The price was 99, less a 2½ per cent selling commission.

Senator JOHNSON. That is, the 2½ per cent selling commission was yours?

Mr. SPEYER. No. They got that.

Senator JOHNSON. They got a 2½ per cent selling commission; you mean those who sold the bonds at 99?

Mr. SPEYER. Yes, sir.

Senator COUZENS. You are not retailers at all?

Mr. SPEYER. No; we are not. And I should like to say right there that the whole of the loan to the City of Berne, Switzerland, has been paid off at 107, so that anybody who bought those bonds made a good profit. We sold them in 1920 at 99, and six years later the city of Berne called them for retirement, the whole lot, at 107, so that all purchasers of those bonds made a good profit.

Senator COUZENS. Can you tell us why the city of Berne had to pay 8 per cent and to sell those bonds at 94?

Mr. SPEYER. Yes. That was after the World War, when conditions were very much disturbed, and they could not get the money any cheaper anywhere else. Conditions were such that they had to pay that rate.

Senator COUZENS. Are all like communities paying a like amount?

Mr. SPEYER. Well, I will say that Berne was one of the very best cities, was in a neutral country, and yet they had to pay that rate of interest. That rate of interest was in line with other issues of that time. But they could afford to pay that much because they got so many Swiss francs for every dollar, and when the franc went up in proportion to the dollar they could afford to pay back the loan and still make a profit.

Senator JOHNSON. Well, Mr. Speyer, some of us have difficulty in the computation of these profits, and the only reason I ask you concerning them is that we may, if possible, unravel the situation. We think in the case of these Berne bonds it was very profitable to those who purchased the $6,000,000; there can be no doubt about that from what you state, but let us go on. There was a 2½ per cent commission paid to the distributors.

Mr. SPEYER. Yes.

Senator JOHNSON. and you had a spread of 5 per cent.

Mr. SPEYER. Yes, sir.

Senator JOHNSON. So that you had 2½ for yourself?

Mr. SPEYER. Yes, sir.

Senator JOHNSON. Now, on $6,000,000 that would be $150,000, would it not, at 2½ per cent?

Mr. SPEYER. I will explain that in a minute.

Senator JOHNSON. Just let me complete my question. That would be $150,000 in the first instance, on the first step-up price, and yet your profit is set out here as $64,000.

Mr. SPEYER. Yes.

Senator JOHNSON. Now, if you would explain that, please, so that we may get the record perfectly clear on those profits, I will appreciate it.

Mr. SPEYER. I can explain that in this way: One per cent went to the European agent who secured the loan for us, out of the 6 per cent spread——

Senator COUZENS (interposing). I thought it was a 5 per cent spread.

Mr. SPEYER. I beg pardon; I should have said out of the 5 per cent spread 1 per cent was paid in Europe to the agent who secured the loan for us. A quarter per cent went to the leading bank in Switzerland in helping to secure the loan. That makes one and one-quarter per cent, which is just half of it. Out of the remaining had to be paid expenses of advertising, lawyers' expenses in Switzerland and here in America, and so on, which reduced our share of the profit as stated here, to $64,000.

Senator JOHNSON. Is it the custom of a banker who deals in securities of this sort to pay a commission in the first instance to some individual, representative of a government, and the like, who may obtain the contract for the sale of the securities for him?

Mr. SPEYER. There was no representative of a government at all concerned in this.

Senator JOHNSON. Well, I am not saying there was.

Mr. SPEYER. Oh, no. There was no representative of the government. They were not interested in anything but the price.

Senator JOHNSON. It happened in some instances in South America that some representatives of governments did receive something, as I understand, but I was not speaking of your firm.

Mr. SPEYER. Well, Senator Johnson, I do not know of any such instance.

Senator JOHNSON. Well, you were correcting me in this matter, and I was explaining my understanding in some other matters. There was no imputation intended in respect of your firm with regard to this issue. What I asked was, is it customary for a bond house or for an investment banker in obtaining a loan to sell to the public, to pay a commission to some individual, to some representative of the government, or to some bank that may have obtained that particular issue for the house to sell?

Mr. SPEYER. I should say in a general way, no. You can not make a general rule about these things. It depends whether we deal with a government through an intermediary, or whether there is an intermediary to help us in these foreign countries.

Senator COUZENS. Who got the 1 per cent in this case?

Mr. SPEYER. Our own house, or rather, not our own but the family firm Lazard Speyer Ellissen, in Frankfort, who sent somebody to Berne to act in connection with securing the loan.

Senator COUZENS. And they got the first 1 per cent?

Mr. SPEYER. Yes, sir. And then there was the Credit Suisse in Zurich that got a quarter per cent. That makes 1¼ per cent out of the 2½ per cent. That left 1¼ per cent, which is about our amount after taking out expenses, $64,000. I am very glad to explain it all to you.

Senator JOHNSON. That is all right. Now, the next loan that we have is the United Railways in Habana, Cuba, which is only a 1-year loan.

Mr. SPEYER. Yes.

Senator JOHNSON. And that was paid off at maturity?

Mr. SPEYER. Yes; that is all over.

Senator JOHNSON. Sold at 90 flat, to you, I assume?

Mr. SPEYER. Yes, sir.

Senator JOHNSON. And sold at 97½ to the public, with a 7½ per cent spread.

Mr. SPEYER. No. We got a 1 per cent commission on that 1-year loan. You are looking at the wrong line on the statement there.

Senator JOHNSON. Yes. I was reading the next line. Now, I will go to the next loan, March 2, 1921, State of Sao Paulo, Brazil, 15-year, 8 per cent sinking fund gold bonds, $10,000,000.

Mr. SPEYER. Yes.

Senator COUZENS. Is that in default?

Mr. SPEYER. No, and, on the contrary, half of it has been repaid already at 105.

Senator KING. Did you say half of it has been repaid at 105?

Mr. SPEYER. Yes, sir.

Senator KING. So that the purchasers of those bonds made some money?

Mr. SPEYER. Yes, sir.

Senator JOHNSON. That was 90 flat that you paid?

Mr. SPEYER. Yes, sir.

Senator JOHNSON. And they were sold at 97½.

Mr. SPEYER. Yes, sir.

Senator JOHNSON. A 7½ per cent spread; is that correct?

Mr. SPEYER. Yes, sir.

Senator JOHNSON. Was there any intermediary in that case who was paid any commission?

Mr. SPEYER. The London banking firm of J. Henry Schrader & Co. were fiscal agents in Europe for Sao Paulo, and they got a commission on that. Our profit, as stated here on the $10,000,000 loan, was $91,000.

Senator KING. That is, your gross profit?

Mr. SPEYER. Yes, sir.

Senator JOHNSON. There is the statement here showing the amount sold in other countries, in their currencies, $16,000,000. Is that correct?

Mr. SPEYER. Yes, sir.

Senator JOHNSON. There is some mistake in that, because this was a loan for only $10,000,000.

Mr. SPEYER. No, it was a loan of $10,000,000 in this country. Other countries took $17,000,000 worth. The total loan was for $27,000,000.

Senator JOHNSON. Are any of the State of Sao Paulo bonds in default now?

Mr. SPEYER. There are some that we will come to later. On this particular loan, which was the first one, for $10,000,000 sold in this country, there have been redeemed at 105 an amount of $5,500,000, so that only about $4,500,000 are outstanding. So the purchasers of these bonds made a very good profit. They bought them at 97½ and they were called at 105.

Senator JOHNSON. I see by this statement that there are $4,568,000 still outstanding.

Mr. SPEYER. Yes, sir.

Senator JOHNSON. The next one is Dominican Republic, 4-year loan——

Mr. SPEYER (interposing). I should like to call attention to the first Sao Paulo loan, that it shows how good this credit was, being issued in 1921, and has been called for the amount shown.

Senator JOHNSON. They are in default now, however?

Mr. SPEYER. Oh, no, not this loan. They are a little in default on one loan.

Senator JOHNSON. They have not paid either interest or the sinking fund due on that loan, have they?

Mr. SPEYER. They have not paid the interest on one loan, and we will come to that later.

Senator JOHNSON. All right. We will pass that point temporarily.

Mr. SPEYER. And you see this was paid off to that amount eight years later.

Senator JOHNSON. Was the Dominican Republic loan paid at maturity?

Mr. SPEYER. That was a short time loan.

Senator JOHNSON. It was a 4-year loan.

Mr. SPEYER. Yes, sir.

Senator JOHNSON. For only $2,500,000.

Mr. SPEYER. Yes, sir. And we made $27,000 on that.

Senator JOHNSON. There was a spread in the case of that Dominican loan of 3½.

Mr. SPEYER. Yes.

Senator JOHNSON. Was that a guaranteed loan by other than the Dominican Republic?

Mr. SPEYER. We have all the details of those loans here, in print. I can not remember the dollars and cents. They were secured by the customs receipts but not guaranteed.

Senator JOHNSON. All right.

Mr. SPEYER. With the consent of the United States there was secured a pledge of the customs receipts on this bond issue. Our Government figured somehow in it.

Senator JOHNSON. In other words, we took charge of the customs.

Mr. SPEYER. Yes.

Senator JOHNSON. And it was secured by the customs receipts.

Mr. SPEYER. Yes, sir. That made it good, you know.

Senator JOHNSON. Now the next loan is to the Kingdom of Hungary, after which you have a statement, "League of Nations loan," July 2, 1924.

Mr. SPEYER. Yes.

Senator JOHNSON. $9,000,000, 7½ per cent.

Mr. SPEYER. Yes.

Senator JOHNSON. By the way, that Dominican Republic loan was 8 per cent, I neglected to state, I believe.

Mr. SPEYER. Yes, but it is all included here in the statement submitted.

Senator JOHNSON. This League of Nations loan was for $9,000,000 to the Kingdom of Hungary. What about that?

Mr. SPEYER. There were $9,000,000 of the bond issue sold in this country, and there were sold in Europe simultaneously $60,000,000. So that the whole loan was for about $70,000,000, while we in this country took only $9,000,000. The leading banks in Europe took the balance.

Senator THOMAS of Idaho. Does the record show just what you mean by a League of Nations loan?

Mr. SPEYER. Yes, it is all contained in the prospectus which I have submitted.

Senator SHORTRIDGE. In short, what does it mean, for the record?

Mr. SPEYER. The League of Nations, as I think, felt after the World War was over that they ought to help some of those countries that had been so badly cut up. Hungary lost about 70 per cent of its territory.

The CHAIRMAN. And the richest part.

Mr. SPEYER. Yes. And the League of Nations thought they ought to be helped on their feet. So they sent a commissioner to the country to look into the matter, and after he made his report the League of Nations said they thought the country ought to be good for a $70,000,000 loan, and that was a sort of moral indorsement.

Senator SHORTRIDGE. Was it a legal indorsement, or only a moral indorsement?

Mr. SPEYER. It was a moral indorsement. I do not know what rights the League of Nations has in such a matter, but I do not think they have any right to guarantee loans.

Senator JOHNSON. Did you say that you would have liked to have it guaranteed by the League of Nations?

Mr. SPEYER. No, I did not say that. On the contrary, I said I did not think the League of Nations had any such right.

Senator THOMAS of Idaho. Is it customary for the League of Nations to intercede in the matter of loans of any of those countries?

Mr. SPEYER. They have never guaranteed any loans so far as I know. I do not think that is their function. But they do send a commissioner, who stays there. You will remember that Mr. Jeremiah Smith, an American, stayed there for quite a while and helped supervise their finances. That, no doubt added to the confidence, and this loan of $70,000,000 was made, of which we only took about $9,000,000. The balance of $60,000,000 was sold by the leading bankers all over Europe, including Hungary.

Senator KING. At this point I should like to put into the record a statement concerning the activity of the League of Nations, especially in regard to Greece. In Greece, as we know, there were expatriated, or rather, driven out of Turkey, a large number of Hellenic people, nearly a million, who went to Greece. There were 150,000 Armenians who had been driven out of Smyrna, and they were in a very serious condition. The League of Nations being appealed to by Greece, it interceded and aided Greece in getting a loan, and Great Britain and others who made the loan said that would like to have the League of Nations' supervision. So the League of Nations sent a representative there with the consent of Greece, to see that the funds which were loaned were distributed for the purpose of saving those people from starvation. I have visited many of the houses built under the guidance of the League of Nations, and can say that the work was greatly beneficial. That was the function of the League of Nations, in work like that, and that is analogous to the work performed by the League of Nations in other countries where it is said the league aided in securing loans.

Mr. SPEYER. And that was this loan we were speaking of.

Senator JOHNSON. The Hungarian loan?

Mr. SPEYER. No; the Greek loan.

Senator JOHNSON. Well, we will reach that shortly.

Mr. SPEYER. In the case of Hungary the League of Nations appointed an American as financial adviser to the Government, who was Mr. Jeremiah Smith. And that gave us bankers additional confidence. I visited the country myself and know about it.

Senator KING. Did Germany take any of these Hungarian or Greek or other loans? And when I speak of Germany I mean German banks or German investment companies, or German nationals. I was wondering if Germany was so poor whether it was buying bonds of other countries.

Mr. SPEYER. They were not publicly offered in Germany so far as I know, and Germany did not participate. That was in 1924, however, when Germany was not as poor as she is to-day, but even then, as I understand it, she did not take any of the bonds.

Senator KING. Did your house here in America or your house in Frankfort sell any of these bonds which your house handled, I mean sell any bonds to Germans?

Mr. SPEYER. No, I do not think so.

Senator KING. Were any of the city of Berne bonds taken by Germany?

Mr. SPEYER. Not that I know of. We have not got the figures here, but I do not think they took any. At any rate they did not offer them publicly there, because there was no market in Germany for the bonds.

Senator THOMAS of Idaho. Are any of the League of Nations bonds in default that were sold to the people of the United States?

Mr. SPEYER. No; I do not think so.

Senator GORE. Well, there is one Hungarian issue that is in default, is there not?

Mr. SPEYER. It is not a League of Nations loan. We issued three Hungarian loans and none of them is in default to-day. They are paying their coupons. But there is only one League of Nations loan and that is the big one I just mentioned. The others are not. We call them League of Nations loans for short, because the League of Nations had a financial adviser present in the country. But the League of Nations does not guarantee them.

Senator JOHNSON. Of this Kingdom of Hungary loan you say you floated $9,000,000 in this country?

Mr. SPEYER. Yes, sir.

Senator JOHNSON. And that was for 7½ per cent interest, was it not?

Mr. SPEYER. Yes; that is the first one.

Senator JOHNSON. I presume you were interested in doing that in order that Hungary might be put upon her feet and to aid her in her endeavors, or to aid Greece in her endeavors to be rehabilitated?

Mr. SPEYER. I should like to say in answer to that question, for I do not want to be misunderstood, that we are business people, and when we buy securities we do the best we can. As to this particular loan, it had an especial attraction for us because it was devoted to a good purpose, but if we had not had the thought that we could make some money it is not likely that we would have been interested. I am not so good as all that.

Senator JOHNSON. Mr. Speyer, I want to congratulate you on your frankness.

Mr. SPEYER. No; we are business people.

Senator JOHNSON. But we have been examining, as you know, a great many moralists here, and I appreciate your frankness. I just want to carry out here the story of what transpired. You bought this loan for a flat rate, did you not, of 80, $7,500,000?

Mr. SPEYER. Yes.

Senator JOHNSON. And you bought $1,500,000 at a flat rate of 84.

Mr. SPEYER. Yes.

Senator JOHNSON. Now, those bonds which you bought at a flat rate of 80 were sold to the public at 87½?

Mr. SPEYER. Yes, sir.

Senator JOHNSON. Giving you a 7½ per cent spread.

Mr. SPEYER. Yes.

Senator JOHNSON. And those bonds which you bought at 84 flat were sold at 88 at public subscription, giving you a 4 per cent spread.

Mr. SPEYER. Yes, sir.

Senator JOHNSON. And out of those loans your profit as stated in your statement was $131,219.31?

Mr. SPEYER. Yes; on $9,000,000.

The CHAIRMAN. Gross profit?

Mr. SPEYER. Yes.

Senator JOHNSON. The committee will understand me as saying gross profit each time, because that is the testimony here, that it represents gross profit.

Mr. SPEYER. Yes, sir. Do you want to know where the balance of that spread went?

Senator JOHNSON. I should be very glad to have you give that so that the record may show it if you can tell us, please, where the balance of the spread went.

Mr. SPEYER. There were a number of other leading banks that shared with us in that business.

Senator JOHNSON. In the original purchase?

Mr. SPEYER. In the original purchase. And it was a most difficult business because a good many people in our country did not know where Hungary was. We published books with pictures. As you may know, we had a regular campaign in order to let the public know the circumstances. We got some men to make speeches and to explain to the people what the purpose of the loan was. It was quite a campaign. And I enjoyed it particularly because it was for an especially good purpose. These other people with us were the Chase Securities Corporation, Equitable Trust Co., and Blair & Co. They shared with us in the original purchase.

Senator GORE. These Americans who purchased bonds and who knew so little about geography that they did not know where Hungary was——

Mr. SPEYER (interposing). Well, Senator Gore, perhaps I am exaggerating a little on that.

Senator GORE. If they bought bonds when they knew nothing about Hungary, then they must have purchased them because of the feeling of confidence they reposed in you, did they not?

Mr. SPEYER. Well, I think I might say that it had something to do with it, because they know we try to be careful.

Senator GORE. And what they found out about Hungary they found out through your activities?

Mr. SPEYER. Well, the League of Nations' moral indorsement of course had a great deal of weight with many people; the fact that they had Mr. Jeremiah Smith there.

Senator THOMAS of Idaho. In that connection let me ask: In the prospectus that you issued in order to sell the Hungarian bonds to the American public did you refer to the interest of the League of Nations in that issue?

Mr. SPEYER. Certainly. And I have the prospectus right here.

Senator KING. And I suppose to some degree there are bonds issued by corporations about which the American people know but little, either about the corporation itself or its particular locality, but which bonds they buy in part at least, upon the reputation of the house that is selling them. Isn't that true?

Mr. SPEYER. I think that is true. And that is why the responsibility as I take it, is very great. And that responsibility continues on for 20 or 30 years. We talk here about gross profits, but no account is taken, in fact little or no account can be taken of the responsibility assumed by the issuing house for watching these bonds. The sums of money that we spend in looking after these things, and trying to straighten them out, nobody knows anything about. It is not like a thing that soon ends. It goes on for years.

Senator THOMAS of Idaho. That is a moral but not a legal responsibility.

Mr. SPEYER. Yes, but the moral responsibility is the good will of our business after all.

Senator King. When you sell bonds you feel a moral responsibility to see that the purchasers get their money?

Mr. SPEYER. We take the matter very seriously.

Senator THOMAS of Idaho. Recurring to my inquiry—and yet it is being made a matter of record, this statement, and I do not care to take up the time of the committee.

Mr. SPEYER. I do not want to appear here as being so awfully goody-goody. You asked me the question and I was trying to answer it.

Senator THOMAS of Idaho. All right.

Mr. SPEYER. There is the statement here in the prospectus in regard to the $7,500,000 State loan of the Kingdom of Hungary, 1924:

> The loan is issued pursuant to the Geneva protocol, dated March 14, 1924, approved by the Council of the League of Nations and ratified by the Hungarian Government, for the purpose of effecting the financial and economic reconstruction of Hungary in accordance with the plan of the Council of the league.

Then the prospectus goes on to say:

> The execution of this plan is under the supervision of the commissioner-general appointed by the Council of the league and responsible to it. Hon. Jeremiah Smith, jr., of Boston, has been appointed to this office. The proceeds of the loan will be placed under the control of the commissioner general and will be used to cover the excess of expenditures over revenues during this period of reconstruction.

Then it goes on to explain the whole thing.

Senator THOMAS of Idaho. Very well. Then you proceeded to buy bonds at 80 flat.

Mr. SPEYER. Well, it seemed that practically nobody in this country, and I do not want to mention names, but at least several bankers in this country declined to have anything to do with this matter. And it was a very difficult business. We did get these friends to join us, but as to Hungary, the American people did not know much about it.

Senator THOMAS of Idaho. I was not criticising the transaction, but 80 flat was the price you paid for the bonds.

Mr. SPEYER. Yes, sir. That was the same price that the European bankers paid. They took $60,000,000 and we took $9,000,000.

Senator THOMAS of Idaho. Then the indorsement of the League of Nations did not add much if they sold at 80 flat.

Mr. SPEYER. Well, I do not think they could have been sold at any price without the indorsement of the League of Nations.

Senator GORE. What are the bonds now quoted at?

Mr. SPEYER. In spite of the fact that about $1,700,000 out of the total of $9,000,000 handled by us have been redeemed, the balance of the bonds are selling now at—or rather not selling, but are quoted at 45.

Senator JOHNSON. When you say redeemed I see here by your statement it says $1,684,900 paid into the sinking fund.

Mr. SPEYER. No; $1,684,900 par value bonds have been purchased in the market and have been redeemed and canceled through the sinking fund.

Senator JOHNSON. Are you the fiscal agent for Hungary in this country?

Mr. SPEYER. Yes, sir; for this loan.

The CHAIRMAN. Has there been default in the payment of any of these bonds or of interest?

Mr. SPEYER. Not on this loan. But you know that Hungary within the last two weeks has declared a moratorium on certain things—but we will come to that later. This loan is particularly mentioned in that moratorium decree as coming first. They are going to pay on that.

Senator JOHNSON. Hungary has declared a moratorium on this specific loan, has it not?

Mr. SPEYER. No; and on the contrary——

Senator JOHNSON (interposing). At any rate, it has declared a moratorium on this loan if not specifically.

Mr. SPEYER. No; the contrary. The decree about a moratorium mentions particularly that League of Nations loans will take preference.

Senator THOMAS of Idaho. But in this case the bonds are now selling at 45.

Mr. SPEYER. They are quoted at 45. But like all bonds, including American railroad bonds, they are quoted at figures which make one ashamed as an American citizen.

Senator THOMAS of Idaho. I suppose you would be really ashamed to buy those bonds and offer them again to the public?

Mr. SPEYER. What do you mean?

Senator THOMAS of Idaho. I mean based on the condition and trend of the market.

Mr. SPEYER. I do not think there would be any use offering any bonds to the public at the present time, a railroad bond or any other.

Senator KING. Railroad bonds have suffered as much decline, have they not?

Mr. SPEYER. Even worse, and they were issued under the supervision and control of the I. C. C. and the bankers who are watching them, and they are selling way down.

The CHAIRMAN. And they are not in default either.

Mr. SPEYER. No.

Senator JOHNSON. And the Hungarian bonds were the governmental bonds of Hungary?

Mr. SPEYER. Yes, sir.

Senator JOHNSON. I see that you, like the other gentlemen who have been on the stand, compare the governmental bonds with bonds of private corporations in this country that have decreased.

Mr. SPEYER. No; I did not compare them.

Senator JOHNSON. Well, that is what you have been doing.

Mr. SPEYER. No; we have been talking about prices. I did not compare the value of bonds at all. You have been speaking of quotations on the stock market.

Senator JOHNSON. Exactly. But you speak of quotations on the stock market on private or corporation bonds in comparison with governmental bonds of the Kingdom of Hungary. That is what you are speaking of.

Mr. SPEYER. I would not put it that way.

Senator JOHNSON. I thought that was the accurate way of putting it. If not, please correct me.

Mr. SPEYER. I want to point out that at the present time all securities, fixed interests and shares, all over the world, are quoted at prices which do not correspond to their value.

Senator JOHNSON. The only fair comparison would be as to governmental securities, would it not?

Mr. SPEYER. Well, I do not like to compare Hungarian securities with our own Government securities at all.

Senator KING. What are our Federal bonds voted at at the present time?

Mr. SPEYER. Our 3 per cent bonds issued in September of last year at 100 are quoted now at about 84. That refers to our own 3 per cent bonds which were sold at par by the Treasury Department.

Senator GORE. Mr. Speyer, let me ask you right there: Is the difficulty which our railroads are having at the present time in refinancing due at all to the drain of capital out of this country to European countries?

Mr. SPEYER. Not one cent.

Senator GORE. You think there is as much left as would have been if none had gone abroad?

Mr. SPEYER. It has nothing to do with it at all in my judgment. I can not prove that, but that is my opinion.

Senator THOMAS of Idaho. It would be difficult to float foreign loans in the near future, would it not?

Mr. SPEYER. I should think it would be difficult to float any kind of loans.

Senator THOMAS of Idaho. But the point I make is that it is difficult to float foreign loans and you will have difficulty in developing foreign trade.

Mr. SPEYER. I think there is that difficulty.

Senator THOMAS of Idaho. To put the question in another way. Does the cutting off of the flotation of these loans affect the foreign trade situation?

Mr. SPEYER. There is no doubt about that. If I may say so, you know that the whole economic and financial world is very much disturbed at the present time, and until these things are rearranged in a big and comprehensive way our exports will suffer just as surely as we are sitting here, because our best customers have no money with which to buy anything. And everybody is putting up a tariff wall.

Senator GORE. That has a lot to do with the tariff.

Mr. SPEYER. An awful lot to do with the tariff.

Senator THOMAS of Idaho. Do you mean the tariffs in foreign countries?

Mr. SPEYER. I mean our own tariff, too.

Senator GORE. We have some troubles along the same lines.

Mr. SPEYER. Of course, I am not an expert, gentlemen of the committee, in tariffs. But that is just my own opinion.

Senator JOHNSON. Well, my colleagues will talk to you about the tariff.

The CHAIRMAN. we are not adverse to doing it right now.

Senator GORE. I want to inquire if the trouble you would encounter now in offering a foreign loan, or a domestic loan, either one, would be due to lack of confidence rather than lack of capital?

Mr. SPEYER. Yes, certainly.

Senator JOHNSON. This Kingdom of Hungary loan bore 7½ per cent interest. And there was a spread on $7,500,000 of it purchased at 80 flat of 7½.

Mr. SPEYER. Yes.

Senator JOHNSON. The profit that you show on your statement is $131,219.31. That is correct, is it not?

Mr. SPEYER. Yes.

Senator JOHNSON. So it was as you stated before, a business proposition so far as you were concerned, done in the regular course of your business, was it not?

Mr. SPEYER. I would not say it was a purely business proposition. But as I stated before, business considerations come first; and yet this loan had a particular appeal to us because it helped to rehabilitate a country that had been very unjustly treated, in my opinion.

Senator JOHNSON. Yet you sold a 7½ per cent issue.

Mr. SPEYER. We sold it as best we could.

Senator JOHNSON. Oh, I do not doubt that. Now take the next one: November 5, 1924, city of Berlin, one-year loan, $3,000,000. That, I take it, has been paid off?

Mr. SPEYER. Yes.

Senator JOHNSON. And that was a 7 per cent loan.

Mr. SPEYER. Yes; just for one year.

Senator JOHNSON. The next one is November 25, 1924, German State Railway Credit. That was only a two-year credit.

Mr. SPEYER. Yes.

Senator JOHNSON. I see I quoted the wrong figure there. That was a $15,000,000 loan, and $5,000,000 out of the total of $15,000,000, was reserved for Europe.

Mr. SPEYER. For European bankers.

Senator JOHNSON. Or was it $5,000,000 out of a total of $20,000,000?

Mr. SPEYER. No; it was $5,000,000 out of $15,000,000.

Senator JOHNSON. All right.

Mr. SPEYER. And it was never used.

Senator JOHNSON. That was not used at all?

Mr. SPEYER. No, sir.

Senator JOHNSON. Now the next one was December 17, 1924, Greek Government, $11,000,000 loan, with $5,000,000 of bonds withdrawn for sale in London, a League of Nations loan.

Mr. SPEYER. That was for $11,000,000, of which London took $5,000,000. In other words, Europe took of that loan $48,665,000, and then they asked for $5,000,000 more of ours here. They thought very well of that Greek loan, and it turned out that it was all right.

The CHAIRMAN. What was that loan for?

Mr. SPEYER. It was a Refuge Settlement loan under the auspices of the League of Nations, too.

Senator JOHNSON. You had $11,000,000 of that loan. It was a 7 per cent loan, and you got it at 81¼.

Mr. SPEYER. Yes.

Senator JOHNSON. Which was equal to 80.07 and interest.

Mr. SPEYER. Yes, sir.

Senator JOHNSON. And you had a 7.93 spread in it?

Mr. SPEYER. Yes, sir.

Senator JOHNSON. And you recievid a profit of $139,758.97.

Mr. SPEYER. Yes, sir; on $11,000,000.

Senator JOHNSON. The next loan is March 31, 1925, the State of San Paulo, Brazil, $15,000,000, 8 per cent. That is in the situation, or is it, that you referred to?

Mr. SPEYER. No, that comes later. Those were all good and have been paid so far.

Senator JOHNSON. There you had a 6¼ per cent spread.

Mr. SPEYER. Yes, sir.

Senator JOHNSON. And with a profit of $98,849.08.

Mr. SPEYER. Yes.

Senator JOHNSON. The next loan is July 1, 1925, to the city of Berlin, Germany, $15,000,000, with a 6½ per cent interest rate, and a 5.40 per cent spread.

Mr. SPEYER. Yes.

Senator JOHNSON. In the matter of that loan to the city of Berlin were you the sole agent in this country?

Mr. SPEYER. We closed the contract, and the Chase Securities Corporation, Equitable Trust Co., and Blair & Co. were with us.

Senator JOHNSON. What are the names of the other three with you?

Mr. SPEYER. Chase Securities Corporation, Equitable Trust Co. and Blair & Co. It is all shown here in the prospectus.

Senator JOHNSON. Were they with you in the beginning?

Mr. SPEYER. Yes, sir.

Senator JOHNSON. I mean in the first acquisition of the bonds?

Mr. SPEYER. Yes, sir. Now, out of that loan to the city of Berlin of $15,000,000 there have been redeemed $2,756,500 by the sinking fund, so that only $12,243,500 are outstanding now.

Senator JOHNSON. The next loan is July 15, 1925, to the Hungarian Consolidated Municipalities.

Mr. SPEYER. Yes, sir.

Senator JOHNSON. A loan for $10,000,000 bearing 7½ per cent, original purchase price 82 flat, or equal to 81.54 and interest.

Mr. SPEYER. Yes.

Senator JOHNSON. And you sold them in this country at 89?

Mr. SPEYER. Yes.

Senator JOHNSON. With a spread of 7.46 per cent?

Mr. SPEYER. Yes.

Senator JOHNSON. Now, this loan relates to municipalities. Was that guaranteed by the Hungarian Government?

Mr. SPEYER. No. The Hungarian Government, and I do not want to go into detail, but it collects taxes and sees that they are applied through a trustee to paying the interest on the loan. It is not a guaranty by the Hungarian Government.

Senator JOHNSON. Their tax system is a very different thing from what we have here?

Mr. SPEYER. Well, I do not care to try to go into that.

Senator JOHNSON. Well, that is obvious. So you need not bother answering unless you wish.

Mr. SPEYER. Well, I do not know just what you have in mind.

Senator JOHNSON. At any rate, the Hungarian Government while not guaranteeing the bonds endeavors to apportion these taxes in such fashion as to enable you to collect the interest upon them?

Mr. SPEYER. That is right. I think the Government itself collects them and guarantees if there is not enough they will see that it is made up.

Senator SHORTRIDGE. Well, it is a guaranty, isn't it?

Mr. SPEYER. No; it is not a direct guaranty, not what we bankers would call a direct guaranty. But it is a moral guaranty. We would not have taken the loan otherwise.

Senator JOHNSON. The next loan is November 23, 1925, to the city of Frankfort on the Main, Germany, $4,000,000, 7 per cent, with a 6¾ per cent spread, purchased at 90.60 which equals 90 and interest, by you.

Mr. SPEYER. Yes, sir.

Senator JOHNSON. Were you alone in that particular issue?

Mr. SPEYER. Blyth, Witter & Co. were with us in that. Of that loan to the city of Frankfort there has been paid $1,200,000, leaving $2,800,000 outstanding.

Senator SHORTRIDGE. What was the life of those bonds?

Mr. SPEYER. They are serial bonds; a certain amount matures each year.

Senator JOHNSON. They run from 1926 to 1945.

Senator SHORTRIDGE. What is the interest rate?

Mr. SPEYER. Seven per cent.

Senator SHORTRIDGE. What is the market for them to-day?

Mr. SPEYER. Thirty cents on the dollar.

Senator SHORTRIDGE. And there has been no default?

Mr. SPEYER. No; and they are paying $200,000 every year regularly.

Senator SHORTRIDGE. What is the reason for that low price?

Mr. SPEYER. Well, what is the reason for the quotation Pennsylvania Railroad bonds, and other bonds?

Senator SHORTRIDGE. Well, it is fear, lack of confidence, the state of panic that exists in the minds of the people all over the world, is it not?

Mr. SPEYER. Well, it exists all over the world. Of all these loans that we have sold there is only one in default in interest to-day, and that is one of the San Paulo loans which we will come to in a minute. In spite of that, and they have been all paying, they are selling at receivership prices, just like American railroad bonds.

Senator GORE. What was that last issue, Senator Johnson?

Senator JOHNSON. The city of Frankfort on the Main. Now we come on November 23, 1925, to city of Dresden, Germany.

Mr. SPEYER. Yes, $5,000,000.

Senator JOHNSON. There were $1,250,000 of those bonds sold in Europe.

Mr. SPEYER. Yes, sir.

Senator JOHNSON. Do you know where in Europe?

Mr. SPEYER. We could look that up.

Senator JOHNSON. All right. But I will go ahead: The spread there was 5¾ per cent, if you will look at your list that you have before you.

Mr. SPEYER. Yes, and of those $1,110,500 have already been redeemed.

Senator JOHNSON. Were you the originators of that loan?

Mr. SPEYER. We are always the originators.

Senator JOHNSON. But you have said that you had these other banks in conjunction with you in the matter of certain issues.

Mr. SPEYER. I know, but the contract is always made by us. They share in it.

Senator JOHNSON. The contract is made with you and you alone?

Mr. SPEYER. Yes.

Senator JOHNSON. All right. Now, when you take in the Equitable Trust Co. and the Chase Securities Corporation and Blair & Co., as you stated in the previous loan, do you have a step-up price to them?

Mr. SPEYER. No; not in that instance.

Senator JOHNSON. Well, generally speaking do you have a step-up price to those who come in with you?

Mr. SPEYER. No; not with our original contractors, or only in one instance. As a rule they come in pari passu in the purchase price. That is why our profit is small. It is divided up.

Senator JOHNSON. The only way in which we can reach the profit at all obtained by you would be by taking the spread and simply computing upon the original issue sold and the amount of that spread. For instance, if there is a spread of 10——

Mr. SPEYER (interposing). Well, Senator, I am very much interested how to increase my profit if you can tell me.

Senator JOHNSON. I am not at all interested in telling you how to increase your profit. I am speaking of the profit upon the issue. Here is a $10,000,000 bond issue and there is a 5 per cent spread, so there is a 5 per cent profit, and that is divided among those who participated. There isn't any question on that score, is there?

Mr. SPEYER. Well, it is not quite that way.

Senator JOHNSON. Well, it is in substance that way.

Mr. SPEYER. No, not quite; because there is a regular selling commission.

Senator JOHNSON. I understand that there is a regular selling commission, but what difference does that make? There is a spread of 5 per cent upon the $100,000,000 bond issue.

Mr. SPEYER. I do not know of anybody ever getting 10 per cent, but go ahead.

Senator JOHNSON. I can show you some that are in reports that have been handed in recently. But that is neither here nor there. I am taking that as the mode of obtaining the return. All right. Now, if you are the original progenitor of a loan and you in your kindness or your wisdom take in four or five of us with you in the loan, and we then take in 40 or 50 or 100, as the case may be, and there is a 5 per cent spread or a 10 per cent spread, then out of that loan everybody together make 5 per cent or 10 per cent on the loan, whoever they may be.

Mr. SPEYER. You forget expenses.

Senator JOHNSON. You forget with what emphasis each one of you gentlemen has spoken of gross profits. All right. I am speaking of gross profits, too. Your gross profits would be 10 per cent upon the amount of the loan, with a 10 per cent spread, would they not?

Mr. SPEYER. Yes.

Senator JOHNSON. Certainly. We have agreed on that. Now, the reason that I make that plain to you is that that is one mode in which the profits that are derived from these loans may be computed; not that you have it, or that a single individual has all of that, but that is the profit that is made by the people who are floating a loan in this country—the gross profit, is it not?

Mr. SPEYER. In Europe, too.

Senator JOHNSON. I am not speaking of Europe.

Mr. SPEYER. But these figures relate largely to European banks.

Senator JOHNSON. We will say that is the profit in Europe, too. Make the profit in Europe anything you wish; but the people who deal with it in this country make that gross profit, and divide it among themselves, in one fashion or another, as you have indicated?

Mr. SPEYER. Yes.

Senator JOHNSON. Your answer is in the affirmative?

Mr. SPEYER. Yes.

Senator JOHNSON. Now, we will have a mode by which we can figure the profits that have been made out of these loans, that will be understandable by the ordinary man. I am not ascribing these profits to you alone. Do not misunderstand me there. I am speaking of gross profits to all concerned in a specific loan.

Mr. SPEYER. But you do intimate, Senator, that the profits are exorbitant, and that the people are not entitled to make that much profit.

Senator JOHNSON. I am not intimating anything at this time concerning that at all. I am seeking the information, and an easy mode of computation. That easy mode of computation in some instances—not in yours, by any means—has been denied the committee, it seems to me, in some of the statements that have been submitted, and it is my intention, as I told the chairman this morning, to have somebody, for this committee, compute the entire amount of profits—gross profits, mind you, made out of all these loans.

Senator GEORGE. By all the groups engaged in handling them.

Senator JOHNSON. By all the groups engaged in handling them.

Senator GEORGE. I think that is a very fair statement.

Mr. SPEYER. Of course, I am not interested so much in that general statement. I only know that we sold here $276,000,000 of bonds on which we made not quite two-thirds of 1 per cent profit.

Senator JOHNSON. I realize that.

Mr. SPEYER. We made the contract and did all the work, and that is all we got as originators, having the chief responsibility, which I think is less profit than a man makes who sells shoes. A pair of shoes lasts, perhaps, for two years, but for 30 or 40 years our responsibility is continuous. I think the profit is very small.

Senator SHORTRIDGE. You say your responsibility continues?

Mr. SPEYER. Yes.

Senator SHORTRIDGE. Legal responsibility?

Mr. SPEYER. Our moral responsibility, which is much more serious than legal responsibility.

Senator SHORTRIDGE. It does not cost you anything.

Mr. SPEYER. Yes; it does.

Senator GORE. That is rather solicitude than responsibility.

Mr. SPEYER. I think it costs us a great deal.

Senator SHORTRIDGE. This is rather vague.

Mr. SPEYER. If a banking house takes seriously the bonds that their people have bought, it affects its reputation.

Senator SHORTRIDGE. In that sense, it is a moral responsibility.

Mr. SPEYER. Yes. It has to do with the good will of the firm.

Senator GORE. It is rather anxiety than responsibility.

Mr. SPEYER. No. I think it is a moral responsibility. I stick to that word. I think it is correct.

Senator GORE. Very slight concrete results grow out of the responsibility, further than anxiety or solicitude.

Mr. SPEYER. I do not agree with you.

Senator GORE. These bonds that you bought at 80 are selling at 45 cents. Just what figure does your responsibility cut in that case?

Mr. SPEYER. I can not control world conditions, but I would like to say here for your information that I myself have some of these bonds which I bought at that price. We have a very heavy depreciation on the very securities you are speaking about. You make it appear as if we just cashed that profit and then were through. That is not the case. I have the figures here. On all these issues—I do not mind telling you, but I do not care to have it published.

Senator JOHNSON. You can not help having it published if you tell us.

Mr. SPEYER. I do not mind saying it.

Senator JOHNSON. I was just telling you, because behind us sits the members of the press, who will publish it.

Mr. SPEYER. All right.

Senator JOHNSON. All right, sir. Let it be published, then.

Mr. SPEYER. I myself, and members of my family, have a loss on our books, or depreciation to-day, on all these securities here, of $1,457,692. We have not simply sold them to the public. We have some ourselves.

Senator GORE. I think that is pretty game. Did you never sell them, or did you buy them back? Did you hold them in the first instance?

Mr. SPEYER. Most of these we bought at the original issue price. Since then, we have bought back a good many, trying to keep up the market, but we can not go against world conditions. We can not go against prevailing railroad credit in this country, either.

The CHAIRMAN. Do you remember, in all your history as a business man, conditions such as exist to-day all over the world?

Mr. SPEYER. Never; and I have been at it almost 50 years.

Senator JONES. Let me interrupt a moment. As I understand, this gentleman takes the same attitude as the other gentlemen, and objects to giving anything but the gross profit on these transactions?

Mr. SPEYER. I do not object to answering any questions you ask me. What is it you want to know?

Senator JONES. Gross profits are mentioned here on each of these loans. I would like to know what your net profit is on one of these transactions.

Mr. SPEYER. That is more or less what I have here, the profit of Speyer & Co. Here is the net profit, except the overhead expenses. It is just so much less. That is all it would be.

Senator SHORTRIDGE. Is it gross, or net? Note what the Senator asks you.

Mr. SPEYER. I could not tell you exactly. The net profit would be even less. This is the gross profit.

Senator SHORTRIDGE. Observe the question of Senator Jones.

Senator JONES. What I would like to get would be the net income you got from handling one of these loans.

Mr. SPEYER. We can call this net income.

Senator JONES. That is, then, your net profit?

Mr. SPEYER. Yes.

Senator JONES. After you have deducted all your expenses, and so forth?

Mr. SPEYER. Not the salaries of clerks and things like that; but I will let that go.

Senator JONES. All commissions?

Mr. SPEYER. Yes; all commissions are deducted, but we have not deducted the income tax we paid on it, either.

Senator JONES. Then, this profit that you have been referring to all the time is your net income, without deducting your proportionate part of your ordinary expenses?

Mr. SPEYER. Yes. It would be somewhat less than this; $1,806,000 is our profit. If you want to figure up the salaries of clerks, you know, it can not be very much. Let it go at that.

Senator JONES. I am glad to take that.

Mr. SPEYER. I will file that with the committee. It is no secret.

Senator JONES. I understand the other gentlemen had refused to give that information.

The CHAIRMAN. I do not see how they could give it.

Senator JONES. They could tell what commissions they got, and what their expenses of advertising were, and all that sort of thing.

The CHAIRMAN. That is gross. I do not see how Mr. Speyer or anybody else could say what the net profits were, because, in order to do that you would have to allocate so much on every single small loan you made, and all the interest collected, and that is an impossibility

Senator JONES. I realize the difficulties of that part of it, but, as I understood the attitude of the other gentlemen was that they did not propose to go into the matter of their gross profits and take anything out of that at all, and give us any information with reference to that.

Senator SHORTRIDGE. That was not their attitude.

Senator JONES. My idea is that they are making a great mistake from their own standpoint. We may go out and argue that the real profit was all that money, that that large sum is the real profit they made, if they do not give us the information upon which we can argue on any other basis.

Senator SHORTRIDGE. In fairness to them, they repeatedly said that it would be very difficult to segregate, allocate, and then measure the net profit as to a given issue; that they had large expenses, large organizations, many clerks, lawyers, and so forth, and hence it was difficult, if not impossible, accurately to state the profit in the handling of a given issue of bonds. I do not know that they have declined to give it.

Senator JONES. What I am suggesting is in the interest of fairness to them. I recognize that they can not take out of this particular loan the proportionate part of the permanent office expenses.

Senator SHORTRIDGE. Precisely.

Senator JONES. But they could tell us what extra expenses they went to in advertising this loan, and special expenses they went to, to dispose of it. But they have refused to do that. So, we will probably argue, and might be justified in arguing, that this gross profit they give us here is their actual profit; that they made that much money, without any other expenses.

Senator SHORTRIDGE. In view of their statements, you could not candidly argue that that was essentially a net profit.

Senator JONES. We can not get any information to the contrary.

The CHAIRMAN. I do not see how you can get the information.

Mr. SPEYER. I do not want to appear to be any better than any of the other bankers. I take those figures back.

Senator JONES. What I am suggesting is in your interest, and in the interest of the other people.

Mr. SPEYER. I think they will tell you everything that I am telling you. I am not better than anybody else. I am not better than the others.

Senator JOHNSON. I have observed constantly running through the answers that have been made as to the expenses incurred in the sale of these bonds, that lawyers' compensation is mentioned.

Mr. SPEYER. Yes.

Senator JOHNSON. Don't you tax that against the bonds?

Mr. SPEYER. Certainly. That all comes out of the spread.

Senator JOHNSON. Don't you tax it up against the people who give you the bonds for sale?

Mr. SPEYER. No. We do not tax anybody. The Government does the taxing.

Senator JOHNSON. You misunderstand the use of the word. Don't you charge it against those who give you the securities to sell? If I came to your office, for instance, with a bond issue that I desired you to be the progenitor of, the agent, or sponsor, the first thing you would do would be to look into its legality, isn't that true—or among the first things?

Mr. SPEYER. I think the first thing I would look to would be the man who brought us the business.

Senator JOHNSON. I would hate to have you do that. In the instance I gave you, I would dislike exceedingly that that should be the case; but you would have the legality of an issue submitted to you examined, would you not?

Mr. SPEYER. Certainly.

Senator JOHNSON. All right. The charge that is thus made by the lawyers for the examination you would require the individual presenting the issue to pay, would you not?

Mr. SPEYER. No.

Senator JOHNSON. You would not?

Mr. SPEYER. No. Sometimes that happens, but as a rule the purchaser pays the expense of the legal examination.

Senator JOHNSON. The only experience I have had is in the submission to various houses of municipal bonds.

Mr. SPEYER. That is different.

Senator JOHNSON. In each instance they have insisted upon charging their attorneys' fees to the municipality, to determine the legality of the issue.

Mr. SPEYER. I think there is an explanation for that. That is a little different proposition. As a rule the municipalities ought to take the responsibility of having it declared legal. That is why they do it. Furthermore, the bonds are sold by public bidding, at a net price, and they want to be sure that they have no expenses.

Senator JOHNSON. I think you have said that these profits of $1,806,000 were your gross profits. Then, in answer to Senator Jones, you said that they may be taken as your net profits.

Mr. SPEYER. Yes.

Senator JOHNSON. I think we may take those as your gross profits, or your net profits. We may argue, as lawyers do, and as Senators sometimes do, from either premise.

Senator JONES. It may do you a great injustice.

Mr. SPEYER. I am accustomed to that.

The CHAIRMAN. You have certain expenses of maintaining your institution.

Mr. SPEYER. That is right.

The CHAIRMAN. They are not allocated to every loan that you make.

Mr. SPEYER. That is right, Mr. Chairman.

The CHAIRMAN. And this is exactly the same.

Mr. SPEYER. Yes.

The CHAIRMAN. Whatever expenses you had in putting this out have gone into your general expense account, and not to any particular loan.

Mr. SPEYER. Except for the advertising.

The CHAIRMAN. Of course that is another matter. That is understood in the banking business always.

Mr. SPEYER. The salaries of our clerks, and that sort of thing—office rent, and all that—we do not allocate to any particular loan, and that is not considered. You are perfectly right.

Senator SHORTRIDGE. I do not want to prolong the matter, but what items of expense do you charge to that particular transaction?

Mr. SPEYER. Everything we can think of, except the regular office expenses, salaries, rents, and things like that. Everything else is charged to the spread. It is taken out of the cost of it. Everything we can think of is taken out.

Senator GEORGE. You do not handle foreign bonds exclusively?

Mr. SPEYER. No.

Senator GEORGE. You handle domestic issues as well?

Mr. SPEYER. Yes, sir.

Senator JOHNSON. This statement you have furnished here represents a very small part of your business, of course, does it not?

Mr. SPEYER. No; I would not like to say that.

Senator JOHNSON. Does it represent a very large part of your business?

Mr. SPEYER. I do not know. We only picked out here these things you are interested in.

Senator JOHNSON. Of course; but you conduct a regular business, do you not, that is of far greater volume than is indicated by this statement, which runs over a period of 10 years?

Mr. SPEYER. Well, yes. There have been some other things.

Senator JOHNSON. Of course. All right, let us get to the next one, and you are willing—November 24, 1925, Westphalia United Electric Power Corporation, Germany. Was that an industrial institution of Germany?

Mr. SPEYER. Those shares are owned by the communities. It is semipublic, Senator. The shares of that concern are owned by the towns in that territory, so we have, to some extent, a municipal aspect.

Senator JOHNSON. That is, the electric power corporations in that territory are owned by municipalities, is that correct?

Mr. SPEYER. The majority stock is owned by municipalities and by the Free State of Prussia.

Senator JOHNSON. There is $7,500,000, at 6½ per cent. That was called June 1, 1928, at 100.

Mr. SPEYER. That is paid.

Senator JOHNSON. It was paid off there, was it?

Mr. SPEYER. Yes.

Senator JOHNSON. You got it at 81, and sold it at 87½, with 6½ per cent spread. Is that correct?

Mr. SPEYER. Yes; and the public got par for it. They made more than anybody else.

Senator JOHNSON. That is one place where the public came out in good shape on an issue of bonds.

Mr. SPEYER. There are others here, too.

Senator JOHNSON. There are others, too, but I am just as proud of them as you are. However, there was a 6½ per cent spread there.

Mr. SPEYER. Yes.

Senator JOHNSON. Were you alone in the original agency?

Mr. SPEYER. Harris, Forbes & Co.—the prospectus is all here.

Senator JOHNSON. I am going to ask you to give us some of the prospectuses.

Mr. SPEYER. We are going to leave them all.

Senator JOHNSON. Thank you very much. That is very kind.

Mr. SPEYER. The names are all in there.

Senator JOHNSON. Harries, Forbes & Co. was the one originally with you in that?

Mr. SPEYER. Yes.

Senator JOHNSON. Do you know whether you had a step-up price there?

Mr. SPEYER. We paid 81, and sold the bonds to a purchase syndicate at 83¾.

Senator JOHNSON. How many were in that syndicate?

Mr. SPEYER. Thirteen.

Senator JOHNSON. And then from them to the distributors, at 87½.

Mr. SPEYER. To a distributing group at 87½, less 2½ per cent commission. There were 326 people in the distributing group.

Senator JOHNSON. The next is the Hamburg-American Line, December 11, 1925. That is a steamship line?

Mr. SPEYER. Yes.

Senator JOHNSON. $6,500,000, at 6½ per cent.

Mr. SPEYER. They pay off $500,000 each year at par, and they have done it. On the 1st of December, they paid off another $500,000, so that there are outstanding to-day only $4,500,000 out of the original issue of $6,500,000. They have paid the interest punctually. We bought them at 94½.

Senator JOHNSON. 94½ and 93.98.

Mr. SPEYER. The $500,000 which mature next year are selling 15 points under par. That shows what the markets are.

Senator JOHNSON. That is a good record, is it not, under existing conditions?

Mr. SPEYER. A good record; but they have paid regularly $500,000 each year.

Senator JOHNSON. I say, under existing circumstances, that is a good record.

Mr. SPEYER. Yes.

Senator JOHNSON. You had a spread there of 5.45.

Mr. SPEYER. Yes.

Senator JOHNSON. Were you alone in the agency for the Hamburg-American loan?

Mr. SPEYER. No, sir; J. Henry Schroder Banking Corporation, and Freeman & Co. It is all there.

Senator JOHNSON. Where are they?

Mr. SPEYER. New York; specializing in equipment-trust securities.

Senator JOHNSON. The next one is the city of Leipzig, Germany, $5,000,000, 7 per cent, bought at 90 flat, and 89.42 and interest; sold at 94¾ and interest; spread, 5.33. Were you the original agency for that?

Mr. SPEYER. Yes; alone.

Senator JOHNSON. You were alone in that?

Mr. SPEYER. Yes. Of that, there have been redeemed about $700,000.

Senator JOHNSON. I notice that there were $1,250,000 of those bonds sold in Europe.

Mr. SPEYER. In Holland and Switzerland.

Senator JOHNSON. The next one is March 23, 1926, State of San Paulo, Brazil, $7,500,000, 7 per cent.

Mr. SPEYER. Of which there have been redeemed about $600,000.

Senator JOHNSON. $586,000?

Mr. SPEYER. Yes.

Senator JOHNSON. They were brought at 90 flat; sold at 96½; spread, 6½ per cent. Is that correct?

Mr. SPEYER. Yes.

Senator JOHNSON. The next one is city of Budapest. That was a six months' credit only.

Mr. SPEYER. Yes. That was paid.

Senator JOHNSON. That was paid at maturity?

Mr. SPEYER. Yes.

Senator JOHNSON. The next is Hungarian Consolidated Municipalities, October 29, 1926, $6,000,000, 7 per cent, bought at 89 flat, and 87.43 and interest; sold at 93½; spread, 6.07; is that correct?

Mr. SPEYER. Yes.

Senator JOHNSON. Were you alone in that?

Mr. SPEYER. No; the Chase Securities Corporation, Bank of Manhattan Co., W. A. Harriman & Co., and the Interstate Trust Co. of New York.

Senator JOHNSON. All original with you?

Mr. SPEYER. On original conditions.

Senator JOHNSON. On the original purchase?

Mr. SPEYER. Yes.

Senator JOHNSON. The next is Berlin Electric Elevated & Underground Railways, $15,000,000; bought at 90⅝ flat; sold at 94½; spread 5¼. Were you alone in that, or did you have anybody with you?

Mr. SPEYER. In that case we charged an originating commission of one-half of 1 per cent, and took in the Equitable Trust Co., Blyth Witter & Co., and the J. Henry Schroder Banking Corporation, and the Interstate Trust Co. We were originally alone. We got half of 1 per cent on the whole thing.

Senator Johnson. Your step-up was just one-half of 1 per cent?

Mr. SPEYER. Yes.

Senator JOHNSON. That was the Berlin Electric Elevated?

Mr. SPEYER. Yes.

Senator JOHNSON. I see that there is a note here that $3,000,000 of those bonds were sold in Europe. Where?

Mr. SPEYER. Only in Amsterdam.

Senator JOHNSON. December 22, 1926, Kingdom of Bulgaria (League of Nations loan), $4,500,000, 7 per cent, purchased at 87, sold at 92, with a 5 per cent spread. What is the condition of that loan at the present time?

Mr. SPEYER. They are all paying.

Senator JOHNSON. It is paying, is it?

Mr. SPEYER. Yes. All these loans pay, except one Sao Paulo loan.

Senator JOHNSON. Did you have that loan in the first instance?

Mr. SPEYER. Blair & Co. and the J. Henry Schroder Banking Corporation were associated with us.

Senator JOHNSON. The three of you originally?

Mr. SPEYER. Yes.

Senator JOHNSON. Original associates?

Mr. SPEYER. And there was $12,000,000 of that same issue sold in Europe by other prominent bankers there.

Senator JOHNSON. The next one is Vereinigte Glanzstoff-Fabriken. What is that?

Mr. SPEYER. That is an artificial silk manufacturing company.

Senator JOHNSON. What is it, a private corporation?

Mr. SPEYER. No. It is a public corporation. It was paid off—$3,000,000 paid at maturity.

Senator JOHNSON. A public corporation located where?

Mr. SPEYER. In Germany.

Senator JOHNSON. Owned by the Government?

Mr. SPEYER. No. They make artificial silk. It is a private corporation. That was a 3-year loan, and that was paid off at maturity.

Senator JOHNSON. The next one is Westphalia United Electric Power Corporation, Germany, $20,000,000, 6 per cent.

Mr. SPEYER. The same company we had before.

Senator JOHNSON. Purchased at 88, sold at 92¾; a spread of 4¾ per cent.

Mr. SPEYER. You will notice that that is the same company we had before.

Senator JOHNSON. That is, the State is——

Mr. SPEYER. Municipalities and the Free State of Prussia own the majority of shares of stock.

Senator JOHNSON. The next one is the Greek Government loan of January 31, 1928, $2,000,000 bonds sold in Europe, $17,000,000 issued; bought at 86 flat, and 85.77; sold at 91; a spread of 5.23, is that correct?

Mr. SPEYER. Yes.

Senator JOHNSON. Were you alone in that?

Mr. SPEYER. No, sir; the National City Co. was with us. Senator, may I just call your attention to the fact that the Westphalia Electric, which we bought in 1928, we bought for almost 6 per cent below the price we paid in 1925? It shows how the bond market has gone down.

Senator JOHNSON. That is the Westphalia Electric. You bought 6 points higher than the second one you bought.

Mr. SPEYER. Six and a half.

Senator JOHNSON. The rate of interest would make your difference, would it?

Mr. SPEYER. Yes. That is correct.

Senator JOHNSON. The Greek Government, League of Nations' loan—were you alone in that?

Mr. SPEYER. The National City Co. was with us.

Senator JOHNSON. Was your agency there direct from the Greek Government, or direct from the League of Nations?

Mr. SPEYER. No. The League of Nations has nothing to do with selling the securities.

Senator JOHNSON. I understand that, but I wondered whence came the authorization to you and to the National City Co?

Mr. SPEYER. We had taken the previous Greek loan before, so when they had another Greek loan to sell, the bankers over there—I think it was the Greek National Bank—the National Bank of Greece approached us first through London bankers.

Senator JOHNSON. They had approached you in the other instance, where you had the first loan?

Mr. SPEYER. I do not know whether they did, or whether the London bankers did. I think it came through the Hambros Bank, (Ltd.) in London. Hambros Bank (Ltd.) in London are agents for the Greek Government, very largely. They approached us.

Senator JOHNSON. July 23, 1928, State of San Paulo, Brazil, $15,000,000, 6 per cent; bought at 92¾; 90; 89.92; sold at 94½; spread, 4.58 per cent. That is correct, is it not?

Mr. SPEYER. Yes. That is a loan that is now in default.

Senator JOHNSON. That is a loan that is now in default. Do your recall the history of that loan?

Mr. SPEYER. Yes.

Senator JOHNSON. Do you remember whether or not the Department of Commerce had anything to say to you concerning that loan?

Mr. SPEYER. We bankers only asked the State Department whether they had any objections. We do not ask the Department of Commerce.

Senator JOHNSON. Whether you asked the Department of Commerce, or whether you did not, do you know whether or not the Department of Commerce opposed that loan?

Mr. SPEYER. No; I do not know.

Senator JOHNSON. You know nothing about that?

Mr. SPEYER. No.

Senator JOHNSON. Do you know exactly what transpired with the State Department, between you and the State Department, in respect to that loan?

Mr. SPEYER. I could not say; exactly. I know we got a letter—we asked them whether they had any objection. They only gave a negative answer, that they had no objection, no interest, or something of that sort. I could not tell you exactly now.

Senator JOHNSON. But there was no objection on the part of the State Department?

Mr. SPEYER. No; or we would not have taken it.

Senator JOHNSON. Was this loan made for the purpose of what was called the valorization of coffee?

Mr. SPEYER. No. That is not it.

Senator JOHNSON. That had nothing to do with it?

Mr. SPEYER. May I say, in that connection, that of this total loan we took, for this country, $15,000,000. That was in 1928, and there was sold in Europe——

Senator JOHNSON. And $4,000,000 was sold in Europe—no, I am in error on that.

Mr. SPEYER. $15,000,000 were offered by us here, and simultaneously, the bankers in Europe offered $17,000,000. The whole loan was about $32,000,000.

Senator JOHNSON. The San Paulo, Brazil, loan.

Mr. SPEYER. Yes.

Senator JOHNSON. You offered $15,000,000 here, and the bankers over there offered $17,000,000?

Mr. SPEYER. Yes.

Senator JOHNSON. Were you alone in the origin of that loan?

Mr. SPEYER. No, sir.

Senator JOHNSON. Who was with you?

Mr. SPEYER. Blair & Co.; the J. Henry Schroder Banking Corporation; Ladenburg-Thalman & Co.; E. H. Rollins & Son; the Equitable Trust Co.; and Blyth Witter & Co. Senator, we are going to leave all these papers here.

Senator JOHNSON. Thank you very much.

Senator SHORTRIDGE. When did they default?

Mr. SPEYER. Only now.

Senator JOHNSON. Last month?

Mr. SPEYER. The 1st of January, last week. Their explanation is that they can not buy the foreign exchange. That is their explanation. One of our partners is in London now, and has been conferring with the London bankers. They took it up with us immediately to see what could be done. It is no doubt difficult to get foreign exchange.

Senator SHORTRIDGE. What is the amount of the default?

Mr. SPEYER. It is the half-yearly interest. They have redeemed, of the original $15,000,000, $300,000. They paid off $300,000. They have lived up to it so far, but they have stopped now. The interest is $440,940, which the State ought to have paid on January 1st.

Senator JOHNSON. The next is the Kingdom of Bulgaria, $4,000,000, sold in Europe, $13,000,000 sold by you here; 7½ per cent; purchased at 92; sold at 97 and interest; with a 5 per cent spread. Is that correct?

Mr. SPEYER. Yes. They have been paying regular interest, sinking fund, and everything, and they are quoted at 35 in the market.

Senator JOHNSON. $4,000,000 of these bonds were sold in Europe. Where?

Mr. SPEYER. $1,000,000 in Belgium; $1,500,000 in Italy; and $1,500,000 in Switzerland, by leading bankers in each country.

Senator JOHNSON. Were there any other sales of bonds that you have in Italy, besides that one, in any of these issues of yours?

Mr. SPEYER. I will have to look back, Senator.

Senator JOHNSON. There is no hurry about that.

Mr. SPEYER. I do not know.

Senator JOHNSON. The next is April, 1930, State of San Paulo, Brazil, $35,000,000, 7 per cent, purchased at 90 flat; sold at 96, with a spread of 6.72 per cent. Do you recall what that loan was for?

Mr. SPEYER. Yes. I can tell you all about that, because that only happened the other day.

Senator JOHNSON. All right.

Mr. SPEYER. That is the coffee realization loan.

Senator JOHNSON. The coffee valorization loan?

Mr. SPEYER. No; realization. It is just the opposite. Excuse me. The Brazilian Government saw it made a mistake in trying to keep up the price of coffee by buying coffee, and it changed the policy, gradually realizing the coffee which it had bought. The whole loan was $100,000,000. That was only two years ago—April, 1930—and they redeemed $1,750,000 of the $35,000,000 each six months, and they have so far done it. The whole loan runs for 10 years, and one-tenth is paid off every year, or one-twentieth every six months, at par, by drawings, and the bonds are selling at 49. Only the other day they paid off $1,750,000 at par.

Senator SHORTRIDGE. You can not explain that either, can you?

Mr. SPEYER. No.

Senator SHORTRIDGE. Why they are selling at such a low rate?

The CHAIRMAN. It is a world situation.

Mr. SPEYER. That is it. It is very discouraging for the fellow who has them, but if he keeps them long enough, I think he will get his money.

Senator JOHNSON. Do you know whether or not the Department of Commerce objected to that loan?

Mr. SPEYER. No. The State Department did not. We only asked the State Department, but I should think the Department of Commerce would have been very glad to approve of it, because it just carries out the policy against government buying of natural products.

Senator JOHNSON. I do not follow you.

Mr. SPEYER. Our Department of Commerce and everybody was opposed to Brazil trying to buy coffee to keep up the price, and through this loan it changed the policy of the San Paulo government entirely. This loan was contracted to help them to liquidate what they had bought, so that was carrying out the policy which our Department of Commerce had been advocating, especially for other nations.

(Mr. Speyer in a letter addressed to the chairman dated January 17, 1932, made the following explanatory statement.)

Referring to the question asked by Senator Johnson as to whether or not the Department of Commerce objected to the San Paulo coffee realization loan, and the answer thereto, I find, on returning home and looking over our files, that the Department of State requested us in April, 1930, to send a representative to Washington to discuss the matter with that department, as the Department of Commerce had asked the State Department certain questions regarding this loan. My partner, Mr. Ralph Wolf, then went to Washington and discussed the matter with representatives of the State Department and of the Department of Commerce. The objections theretofore made were withdrawn. Nevertheless, prior to the final approval of the loan, the contract and prospectus of the loan were again submitted by us to the department. After such submission, Mr. Wolf was again requested to come to Washington for further discussion. The State Department thereafter informed us that "they had no interest in the proposed loan," as per copy of their letter "A" inclosed herewith, and the loan was then formally offered by us to the public for subscription.

COPY A

DEPARTMENT OF STATE,
Washington, April 8, 1930.

Messrs. SPEYER & Co.,
24 and 26 Pine Street, New York, N. Y.

SIRS: Acknowledgment is made of the receipt of your letter dated April 3, 1930, regarding a contemplated loan of the equivalent of about £10,000,000 of 7 per cent bonds of the State of Sao Paulo, Brazil.

In reply you are informed that the department is not interested in the proposed financing.

Very truly yours,

(Signed) JOSEPH P. COTTON,
Acting Secretary of State.

Senator JOHNSON. You observe that we have altered the policy, do you not, in the United States, in regard to wheat?

Senator SHORTRIDGE. Is that the coffee they are burning down there?

Mr. SPEYER. Partly; low-grade coffee only.

Senator SHORTRIDGE. To keep up the price?

Mr. SPEYER. No. They can not sell it. The people with more coffee object to the government selling all that coffee, because it makes it more difficult for the planters to sell the balance of their coffee. The government has not bought that coffee now. It was bought in the previous administration.

Senator SHORTRIDGE. Is the government now burning the coffee?

Mr. SPEYER. So I saw in the papers. I have no official information.

The CHAIRMAN. There is more coffee than the world can consume, Senator. That is the answer to the whole thing.

Senator SHORTRIDGE. Does that coffee purchased by the government have to do with the exchange of American wheat for coffee?

Mr. SPEYER. The particular coffee pledged as security for this loan was not exchanged for American wheat.

Senator JOHNSON. Will you state, please, whether any objection, so far as you are aware, was made by the Department of Commerce to that loan originally?

Mr. SPEYER. No.

Senator JOHNSON. Was any objection made by any department of our Government to that loan?

Mr. SPEYER. Not so far as I know.

Senator JOHNSON. Was that one of the loans that you took with the State Department, to which they replied negatively, in the fashion you have indicated?

Mr. SPEYER. Yes. I can not remember all the details, but I am sure that if our State Department had objected, we would not have taken it. One of my partners went to the State Department and explained the whole situation to them, and they were satisfied to have us go ahead.

Mr. HERMAN. They stated that the department had no interest in the transaction before we issued the loan.

Senator JOHNSON. Was there objection to it in the beginning?

Mr. SPEYER. At first they did not quite understand it. I think they thought the Government was going on to accumulate and store more coffee, or someting like that. I can refresh my memory.

Senator JOHNSON. Do you remember anything being said at that time by any of the departments of the Government, or any of the officials of the Government, concerning the prices of coffee, and the like?

Mr. SPEYER. I do not remember. I do recall that the Government did not object to our issuing that loan.

Senator JOHNSON. Finally so.

Mr. SPEYER. Yes.

Senator JOHNSON. But you have no recollection of any difficulties being presented for a considerable period of time, or any objection being presented?

Mr. SPEYER. No; it can not have been, because one of my partners went to Washington to explain the situation, and they said they understood what was intended.

Senator JOHNSON. Was it your associate here, Mr. Herman?

Mr. HERMAN. No.

Senator JOHNSON. Do you know to whom he explained the situation?

Mr. SPEYER. No; I do not remember that.

Senator JOHNSON. Was it essential for him to go to Washington because of some objection that had been made?

Mr. SPEYER. I think there was some delay. I could refresh my memory. There was some delay in getting approval, or the negative approval of the State Department.

Senator JOHNSON. Can you, from the documents you have at hand, refresh your recollection on that?

Mr. SPEYER. No. We do not have that here. There was not anything much. The whole thing——

Senator JOHNSON. The whole thing made little or no impression on you, is that what you mean?

Mr. SPEYER. It may not have been much of a delay, because these things are done very quickly, and I think that after the Government understood the situation—I forget how it was—I could not tell you now.

Senator JOHNSON. It is not usual for you to send a member of your firm down here on a loan, is it?

Mr. SPEYER. I do not know that it is usual, as a rule. It is not necessary. Sometimes—you know how those things are done—sometimes one can write, sometimes one telephones, you know.

Senator JOHNSON. Certainly.

Mr. SPEYER. But in this case, as I remember—I do not know what department it was—I could not tell you that, but at first they did not quite understand that it was changing the policy.

Senator JOHNSON. Is there any other instance you know of in connection with any loan, that you had, that you sent a member of your firm down here to talk to the State Department concerning it?

Mr. SPEYER. There may have been. I do not recall.

Senator JOHNSON. You do not recall any others, do you?

Mr. SPEYER. I do not. There may have been.

Senator JOHNSON. Your usual practice was, I assume, like the practice of all those indulging in these loans, that you sent a note saying that you were going to make such a loan, and asking if there was any objection?

Mr. SPEYER. That is the usual way.

Senator JOHNSON. That was your usual practice?

Mr. SPEYER. In the second Greek loan, No. 24, where our Government bought and paid for $12,000,000 of that second Greek issue of bonds in settlement of some credit claim Greece had against our Government, we had some negotiation. We sent somebody there then. On this second Greek loan our Government bought $12,000,000 in settlement of a claim for a credit Greece had against the United States Government.

The CHAIRMAN. They did have a claim against Greece?

Mr. SPEYER. Yes; and they took $12,000,000.

The CHAIRMAN. In this loan you paid the Government $12,000,000 to cancel that obligation?

Mr. SPEYER. Yes. The Greek Government did.

(Mr. Speyer in a letter addressed to the chairman dated January 11, 1932, made the following explanatory statement):

In reply to a question by Senator Johnson regarding the sale by us of $17,000,000 Greek Government 6 per cent bonds, I stated that, "Our Government took $12,000,000 of these bonds in settlement of some claim against the Greek Government." In this connection, I regret that my memory was somewhat at fault, as regards the purchase of bonds by our Government. The facts are as follows, as stated in our prospectus which we filed with you at the hearing.

Under the terms of an agreement already approved by the Greek Parliament and recommended by the State and Treasury Departments of the United States, which is to be submitted to Congress for its authorization, the United States Government is to advance to Greece $12,167,000 to bear interest at the rate of 4 per cent per annum and to be repaid through a sinking fund within 20 years. This advance will be equally secured with the above $17,000,000 6 per cent dollar bonds and £4,070,960 6 per cent sterling bonds (equal at par of exchange to $19,811,327) by a charge, subject to existing charges and ranking in priority to any future charge, on revenues under the control of the International Financial Commission. This advance (if authorized) will be turned over in its entirety to the Refugee Settlement Commission for its refugee settlement work and accordingly will reduce the total amount authorized to be raised by the Greek Government under the League of Nations. If not, a further portion of this loan equal to an effective sum of $12,167,000 will have to be raised, in addition to the above bonds, to constitute the total amount of this loan.

This recommendation by the State and Treasury Departments was approved by the House of Representatives in the first session of the Seventieth Congress as per report No. 9553 (to accompany H. R. 10760).

Senator JOHNSON. That is the only instance you recall in which you came to Washington to make any explanation to any of the departments, is it not?

Mr. SPEYER. I do not recall any others.

Senator JOHNSON. Do you recall any others, Mr. Herman?

Mr. HERMAN. I do not recall any others.

The CHAIRMAN. The State Department took no other course in this particular case than it followed in the case of all such appeals to it?

Mr. SPEYER. Just the same thing.

Senator SHORTRIDGE. I think you have said it again and again, but is it a fact that you never handled a given issue of foreign bonds without inquiring of the State Department?

Mr. SPEYER. That is a fact.

Senator SHORTRIDGE. Should they express dissent or objection——

Mr. SPEYER. We would have dropped it.

Senator GEORGE. Did you ever meet any objection from the State Department on any offer which you submitted?

Mr. SPEYER. In 1925 the State and Commerce Departments did not approve of a loan to the State of Sao Paulo to stop speculation in coffee, which we were considering (see attached copy "B") and naturally, we did not proceed with this Sao Paulo business, the loan being offered and sold only in London.

COPY B

DEPARTMENT OF STATE,
Washington, November 6, 1925.

Messrs. SPEYER & Co.,
24 and 26 Pine Street, New York City.

SIRS: I beg to acknowledge the receipt of your letter of November 4, 1925, regarding your interest in a proposed loan to the State of Sao Paulo, Brazil, in the amount of from $25,000,000 to $35,000,000, for the purposes and under the terms set forth therein, and in reply thereto to state that in view of the policy of coffee valorization followed by the authorities of Sao Paulo, this department is unable to view the proposed financing with favor at this time.

I am, sirs, your obedient servant,

LELAND HARRISON,
Assistant Secretary.

Senator JOHNSON. The only other two loans that are mentioned here are those of June 26, 1930—by the way, first, in this State of Sao Paulo, Brazil, loan, concerning which we have just been talking, were you alone, as the original agent?

Mr. SPEYER. No.

Mr. HERMAN. Do you want me to read the names, Senator?

Senator JOHNSON. If you please.

Mr. SPEYER. This loan came originally from London. The London bankers have been the fiscal agents of Sao Paulo for a long time, and we got the Sao Paulo business working with them. Here in this country we took in the following: J. Henry Schroder Banking Corporation; the National City Co.; Bancamerica Blair Corporation; Dillon, Read & Co.; Ladenburg, Thallman & Co.; Continental Illinois Co., of Chicago; E. H. Rollins & Sons; Blyth & Co.; G. L. Ohrstrom & Co.; Otis & Co.; and the Dominion Securities Corporation of Canada.

Senator JOHNSON. Those were all original agents with you?

Mr. HERMAN. No, sir.

Senator JOHNSON. That is what I am driving at.

Mr. HERMAN. The ones that were on original conditions with us stop after Blyth & Co. They were on original terms; but Speyer & Co. and the Schroder Banking Corporation were the contractors.

Senator JOHNSON. It started with two, Speyer & Co. and the other. Then there was a step-up price on that?

Mr. HERMAN. No, sir; not for the original participants. We charged no management commission.

Senator JOHNSON. They came into the deal the same as you?

Mr. HERMAN. Yes, sir. Then there was a banking syndicate formed at 92½, consisting of 81 members.

Senator JOHNSON. The other two you have here are the Greek Government 1-year notes and the Kingdom of Hungary 1-year treasury bills.

Mr. SPEYER. Yes. Those we have now.

Senator JOHNSON. Those are renewed?

Mr. SPEYER. Yes; they are running now.

Senator JOHNSON. They are running now, by virtue of renewal?

Mr. SPEYER. Yes; one for three months, and the other to expire in May.

Senator JOHNSON. Those are all the questions, Mr. Chairman, that I desire to propound to Mr. Speyer.

The CHAIRMAN. Does any other member of the committee desire to interrogate the witness?

Senator SHORTRIDGE. You may have given this information in some of your answers already; you may have covered some of the questions which I wish to put, but you have told us that you are a business man, a merchant-banker, would you say, or banker-merchant?

Mr. SPEYER. Yes.

Senator SHORTRIDGE. You buy and sell bonds and securities?

Mr. SPEYER. Yes; not shares.

Senator SHORTRIDGE. Foreign and domestic issues?

Mr. SPEYER. Yes.

Senator SHORTRIDGE. And engage, of course, for the purpose of making a legitimate profit?

Mr. SPEYER. Yes.

Senator SHORTRIDGE. You said again and again that in addition to your legal responsibility you have, or feel, a moral responsibility.

Mr. SPEYER. I do.

Senator SHORTRIDGE. And that feeling continues in your mind or heart during the life of the bonds which you handle, is that right?

Mr. SPEYER. Yes.

Senator SHORTRIDGE. Before you engage to handle a given issue of foreign bonds you make inquiry as to the validity of the bonds.

Mr. SPEYER. Yes, sir.

Senator SHORTRIDGE. And also as to the history, character, and reputation of the municipality or the corporation that is issuing the given bonds.

Mr. SPEYER. Yes, sir.

Senator SHORTRIDGE. Do you make inquiry as to the purpose to which the borrower contemplates putting the money?

Mr. SPEYER. Certainly. It is very important.

Senator SHORTRIDGE. You do?

Mr. SPEYER. Certainly. I might add that I have been in every one of these countries myself. I have been in Hungary three times. I have been in Greece twice. I have been in Bulgaria twice, and, of course, I have been in Germany and all the other countries myself, and I have met the people with whom I have made the contracts myself.

Senator SHORTRIDGE. In and about the inquiry touching the purpose for which the loan was sought, you inquired?

Mr. SPEYER. Certainly. That is very important.

Senator SHORTRIDGE. As to government bonds, you handle them?

Mr. SPEYER. Yes.

Senator SHORTRIDGE. You make like inquiry as to the purpose the government has in seeking the loan?

Mr. SPEYER. Certainly. It is a very important part of the consideration.

Senator SHORTRIDGE. Do you inquire as to whether they are seeking the money to carry on the legitimate expenses of their government?

Mr. SPEYER. Yes; certainly. It is a very important part of the examination.

Senator SHORTRIDGE. I have in mind, now, the moral responsibility that you feel or have.

Mr. SPEYER. Yes; certainly.

Senator SHORTRIDGE. Do you specifically inquire as to whether they are building up their navy or their army?

Mr. SPEYER. We inquire what they are going to do with the proceeds of the loan that we make to them. Of course, we can not control their budget, but frequently they tell us that they are doing public works, you know, and they are doing this and that.

There is one point I would like to bring out about the foreign loans, while Senator Johnson is here, that the credit of these countries, when we took the loans, had gone down very much. The Hungarian government use to sell, say, four per cent bonds near par. The City of Berlin used to sell three and a half per cent bonds, if I remember correctly. When we took these loans, by the time this country came into the foreign security market, all the loans were taken very much cheaper than the home consumer had ever gotten them at. I think that is a very important point. When it came to taking the loan of Hungary—I could give you instances of the other loans, too—Hungary used to sell 4 per cent bonds near par; and the City of Berlin at 3½ per cent.

Senator SHORTRIDGE. They had good reputations.

Mr. SPEYER. Absolutely. The first thing you asked me was what care we take. First, we take the general character. When any business is offered to us, we first see who it is.

Senator SHORTRIDGE. Certainly.

Mr. SPEYER. Then comes the legal examination. We have lawyers in these different countries, apart from our American lawyers. We have representatives over there, and then we are very careful to have local leading banks in with us, because they know these countries. London, as you know, gentlemen, has been the financial power of the world for two or three generations and the London bankers have had more experience in foreign loans, almost, than any other. Therefore we always made it a rule, in every transaction, to try to have the leading London bankers with us, pari passu, to issue the securities at the same time to their public.

Senator SHORTRIDGE. Did you handle any bonds issued by any of the existing governments of Russia?

Mr. SPEYER. No. We never have had any business with Russia at all.

Senator SHORTRIDGE. At no time?

Mr. SPEYER. No. Never.

Senator SHORTRIDGE. If you had discovered, or had reason to believe that the money was being sought in order to build up the navy or army of a given country, what would you have done?

Mr. SPEYER. Of course, it is a more or less theoretical question to put.

Senator SHORTRIDGE. This is touching your moral responsibility, now.

Mr. SPEYER. I do not think one ought to help other countries build up their navies or military establishments.

Senator SHORTRIDGE. I suppose you think we ought to have a navy?

Mr. SPEYER. I do.

Senator SHORTRIDGE. And equal to that of any country?

Mr. SPEYER. That is a very ticklish question to answer. I am a big Navy man.

Senator SHORTRIDGE. We will have you before our committee to-morrow.

The CHAIRMAN. Let us confine ourselves to the question before the committee.

Senator JOHNSON. The only South American loans that I observe upon your list are those of the State of San Paulo.

Mr. SPEYER. Yes.

Senator JOHNSON. Have you dealt in any others at all?

Mr. SPEYER. No.

Senator JOHNSON. Have you dealt, as distributors, participants, or otherwise, in any of them?

Mr. SPEYER. We are not distributors. We are only wholesalers.

Senator JOHNSON. In any capacity, have you dealt in any of the others?

Mr. SPEYER. We may have had some participation with other people, without our name appearing, but not on original conditions. We have had no contracts with South American countries.

Senator JOHNSON. Have you participated in the distribution of some of them?

Mr. SPEYER. No; never.

Senator JOHNSON. In the sale of some of the bonds of South American countries?

Mr. SPEYER. No.

Senator JOHNSON. What do you mean by saying you may have participated with some others?

Mr. SPEYER. If somebody offers a syndicate—the first group, you know.

Senator JOHNSON. Exactly. Have you dealt with South American bonds in that capacity?

Mr. HERMAN. We took a small participation in the Peruvian syndicate once, and in the Brazilian syndicate, but sold no bonds to any of our clients.

Mr. SPEYER. We have never sold any other South American bonds to any of our customers.

Senator JOHNSON. Did I understand you to say you had a small participation in the Peruvian issue?

Mr. HERMAN. Not in the distribution of it, Senator; in an underwriting syndicate that was formed in the case of one Peruvian issue we took a small participation, but took no bonds.

Mr. SPEYER. And did not indorse them with our name.

Mr. HERMAN. And in one Brazilian syndicate, the same thing.

Senator JOHNSON. That is some small participation?

Mr. HERMAN. A few hundred thousand dollars.

Senator JOHNSON. Does that involve profit and loss, or does it involve activity?

Mr. SPEYER. No activity at all. It means a money engagement to that extent, and you may make or you may lose. It is very small. It is not worth mentioning.

(Mr. Speyer in a letter addressed to the chairman, dated January 11, 1932, made the following explanatory statement:)

In reply to questions by Senator Johnson, as to whether or not my firm had participated in any way in the distribution of any other South American loans, I find, on my return, that we had accepted 10 small participations from others in such loans, aggregating $2,100,000.

But in no way were we negotiators or contractors nor did we appear publicly with our name as participants in the offering of the bonds. Of the above loans, we sold to private clients $128,000 par value of bonds, and of this amount, $68,000 par value were sold in Europe. Our total profits on all of these participations and sales were approximately $34,000. We further accepted participations in two short-term South American offerings (since repaid), our participations therein being $900,000, and placed $25,000 thereof with clients. Our total profits on these two latter transactions was $9,900.

Senator JOHNSON. Is there such a thing as the allocation of territory to different houses—different territory in Europe to different houses doing business in New York, for their bonds or securities? Is there such a thing as that? Have you ever heard of it?

Mr. SPEYER. I do not quite understand.

Senator JOHNSON. Have the various houses that are dealing in securities, like yours, divided up the territory of Europe so that each would have a particular part of the bonds or securities issued by that territory?

Mr. SPEYER. No. It is not done in this country that way. It is done in Europe somewhat that way.

Senator JOHNSON. It is done in Europe?

Mr. SPEYER. Yes. It is not done here.

Senator JOHNSON. Does it exist here at all?

Mr. SPEYER. I do not think so.

Senator JOHNSON. I think that is all.

Mr. SPEYER. Mr. Chairman, if I may say something, Senator Johnson, you know, we are investment bankers, and, of course, we are in that business for profit. I do think investment bankers, especially doing an international business, fulfill a very useful function to the world. You know, coming from California, that your railroads were built with European money, and it was my firm—my father and I, myself, to some extent—who sold the Central and Southern Pacific Railroad bonds in Europe to enable the building of those lines, because this country at that time did not have the surplus capital.

Senator JOHNSON. I wonder if you are as familiar as I am with the building of those roads, and what transpired?

Mr. SPEYER. I am familiar with the financial end of it. I do not pretend at all to know anything about the construction of railroads. I am very limited. I only know something about the financing. If you asked me whether, when we make a given loan to any foreign government, or anybody, we see that the proceeds are applied in a certain way, of course, you have to have some confidence in the people. If you make a loan to an American railroad company and they tell you they are going to use that money for construction and improvements, you must trust the people sufficiently to let them do that. But you know that people lost a great deal of money in Europe on the investments they made in the building up of the American railroads. The Southern Pacific and the Central Pacific did not fail because Mr. Huntington, perhaps to some extent with our help, stood by, but the Northern Pacific, the Atchison, and others, were all reorganized, and the European investors lost their money.

Senator JOHNSON. What is the object of what you are saying—to justify the present situation in regard to foreign securities in this country? If it is, you are entitled to your opinion, and I am very glad to hear you express it.

Mr. SPEYER. No. I would like to explain that the international banker, whom some people thing of as having horns and hoofs, has performed some useful function in the world, and that this country would not have been built up after the Civil War without the international banker getting the money from Europe over here.

Senator JOHNSON. We will concede exactly what you say. The only thing is that up to October, 1929, we put these bankers upon a pedestal, high up.

Mr. SPEYER. I would not do that.

Senator JOHNSON. They were supermen. To-day they are stripped, and they are down here with just as much knowledge as we have, and no more.

Mr. SPEYER. Who put them on a pedestal?

Senator JOHNSON. Generally speaking.

Mr. SPEYER. I am sorry I did not know it. That was the time to get out.

Senator JOHNSON. These financial giants we have had the last three years, we have proven are just common clay like the rest of us. However, that is neither here nor there. I do not care to enter into an argument with you.

Senator SHORTRIDGE. Did you finance any of the Hill enterprises?

Mr. SPEYER. No; but I knew about them. I knew Mr. Hill very well. The Northern Pacific was built with German money. The bonds of the Southern Pacific and the Central Pacific were sold in

Holland, Switzerland, and elsewhere in Europe. The railroads had even issued their bonds in foreign currencies. The Baltimore & Ohio and the Pennsylvania had sterling bonds, to make them palatable to the British public.

The CHAIRMAN. We thank you for your appearance here. If there are no further questions you may be excused.

Foreign loans underwritten by Speyer & Co.

Date	Borrower	Face amount of issue	Interest rate	Date of maturity	Face amount now outstanding	Face amount paid off	Remarks
			Per cent				
Nov. 1, 1920	City of Berne, Switzerland	$6,000,000.00	8	1945		$6,000,000.00	Called May 1, 1926, at 107.
Dec. 8, 1920[1]	United Rys. of Habana & Regla Warehouses (Ltd.) 1-year loan.	1,250,000.00	9	1921		1,250,000.00	Paid at maturity.
Mar. 2, 1921	State of Sao Paulo, Brazil	10,000,000.00	8	1936	[3] $4,568,000.00	5,432,000.00	Sinking fund redeems at 105.
June 20, 1921	Dominican Republic, 4-year loan	2,500,000.00	8	1925		2,500,000.00	Paid at maturity.
July 2, 1924	Kingdom of Hungary (League of Nations loan)	9,000,000.00	7½	1944	7,315,100.00	1,684,900.00	Sinking fund purchases below or redeems at 100.
Nov. 5, 1924[1]	City of Berlin, Germany, 1-year loan	3,000,000.00	7	1925		3,000,000.00	Paid at maturity.
Nov. 25, 1924[1]	German State Ry. Co. credit 2-year credit ($5,000,000 reserved for Europe).	15,000,000.00	[5] 7	1926		(6)	
Dec. 17, 1924	Greek Government ($5,000,000 bonds withdrawn for sale in London) (League of Nations loan).	11,000,000.00	7	1964	10,361,000.00	639,000.00	Sinking fund redeems at 100.
Mar. 31, 1925	State of Sao Paulo, Brazil ($6,276,000 bonds sold in Europe).	15,000,000.00	8	1950	14,719,000.00	281,000.00	Sinking fund purchased below or redeems at 105.
July 1, 1925	City of Berlin, Germany	15,000,000.00	6½	1950	12,243,500.00	2,756,500.00	Sinking fund purchases below or redeems at 100.
July 15, 1925	Hungarian Consolidated Municipalities	10,000,000.00	7½	1945	[3] 8,174,000.00	1,826,000.00	Sinking fund redeems at 100.
Nov. 23, 1925	City of Frankfort on the Main, Germany ($1,200,000bonds sold in Europe).	4,000,000.00	7	1926–1945	2,800,000.00	1,200,000.00	Paid $200,000 per year at 100.
Nov. 23, 1925	City of Dresden, Germany ($1,250,000 bonds sold in Europe).	5,000,000.00	7	1945	3,889,500.00	1,110,500.00	Sinking fund purchases at or below 100.
Nov. 24, 1925	Westphalia United Electric Power Corporation, Germany.	7,500,000.00	6½	1950		7,500,000.00	Called June 1, 1928, at 100.
Dec. 11, 1925	Hamburg-American Line	6,500,000.00	6½	1928–1940	4,500,000.00	2,000,000.00	Paid $500,000 per year at 100.
Mar. 2, 1926	City of Leipzig, Germany ($1,250,000 bonds sold in Europe).	5,000,000.00	7	1947	4,292,000.00	708,000.00	Sinking fund purchases below or redeems at 100.
Mar. 23, 1926	State of Sao Paulo, Brazil	7,500,000.00	7	1956	6,914,000.00	586,000.00	Do.
June 15, 1926[1]	City of Budapest, Hungary, 6 months credit	2,000,000.00	6⅞	1926		2,000,000.00	Paid at maturity.
Oct. 29, 1926	Hungarian Consolidated Municipalities	6,000,000.00	7	1946	5,264,500.00	735,500.00	Sinking fund redeems at 100.
Nov. 12, 1926	Berlin Electric Elevated & Underground Railways Co. ($3,000,000 bonds sold in Europe).	15,000,000.00	6½	1956	13,600,000.00	1,400,000.00	Sinking fund purchases below or redeems at 100.
Dec. 22, 1926	Kingdom of Bulgaria (League of Nations loan)	4,500,000.00	7	1966	4,330,000.00	170,000.00	Do.
May 19, 1927	Vereinigte Glanzstoff-Fabriken A. G., Germany, 3-year loan.	3,000,000.00	5½	1930		3,000,000.00	Paid at maturity.
Jan. 23, 1928	Westphalia United Electric Power Corporation, Germany.	20,000,000.00	6	1953	19,723,000.00	277,000.00	Sinking fund purchases or redeems at 100.

[1] Of the above, the following are short-term loans: $1,250,000 United Railways of Habana & Regla Warehouses (Ltd.) 1-year loan; $3,000,000 city of Berlin 7 per cent 1-year loan; $15,000,000 German State railway credit, 2-year credit (not used); $2,000,000 city of Budapest treasury bills 6 months; $7,500,000 Greek Government 1-year treasury notes; $5,000,000 Kingdom of Hungary 1-year treasury bills; total, $33,750,000.

[3] Giving effect to Jan. 1, 1932, redemptions.

[5] If used.

[6] Credit not used.

Foreign loans underwritten by Speyer & Co.—Continued

Date	Borrower	Face amount of issue	Interest rate	Date of maturity	Face amount now outstanding	Face amount paid off	Remarks
			Per cent				
Jan. 31, 1928	Greek Government ($2,000,000 bonds sold in Europe) (League of Nations loan).	$17,000,000.00	6	1968	$16,646,500.00	$353,500.00	Sinking fund redeems at 100.
July 23, 1928	State of Sao Paulo, Brazil	15,000,000.00	6	1968	14,698,000.00	302,000.00	Do.
Nov. 21, 1928	Kingdom of Bulgaria ($4,000,000 bonds sold in Europe) (League of Nations loan).	13,000,000.00	7½	1968	12,848,500.00	151,500.00	Do.
Apr. —, 1930	State of Sao Paulo, Brazil ($5,000,000 bonds sold in Europe).	35,000,000.00	7	1940	31,489,000.00	3,511,000.00	Do.
June 26, 1930 [1]	Greek Government, 1-year notes	7,500,000.00	5½	1931	7,500,000.00		Renewed to May 5, 1932.
Nov. 21, 1930 [1]	Kingdom of Hungary, 1-year treasury bills	5,000,000.00	5¾	1931	5,000,000.00		Renewed to Feb. 22, 1932.
		276,250,000.00			210,875,600.00	65,374,400.00	

Date	Borrower	Original purchase price	Public subscription price	Spread	Amounts sold in other countries and currencies	Speyer & Co. profit
				Per cent		
Nov. 1, 1920	City of Berne, Switzerland	94 and interest	99 and interest	5		$64,155.48
Dec. 8, 1920 [1]	United Rys. of Habana & Regla Warehouses (Ltd.) 1-year loan.			[2] 1		6,250.00
Mar. 2, 1921	State of Sao Paulo, Brazil	90 flat (90 days drafts' drawn thereagainst)	97½ and interest	7½	$16,969,000.00	91,242.73
June 20, 1921	Dominican Republic, 4-year loan	96½ and interest	100 and interest	3½		27,353.60
July 2, 1924	Kingdom of Hungary (League of Nations loan)	{$7,500,000, 80 flat [4] {$1,500,000, 84 flat [4]	87½ and interest	7½		
Nov. 5, 1924 [1]	City of Berlin, Germany, 1-year loan		88	4	59,762,894.00	131,219.31
Nov. 25, 1924 [1]	German State Ry. Co. credit 2-year credit ($5,000,000 reserved for Europe).			[2] ½ [2] 1¾		2,482.06 14,092.09
Dec. 17, 1924	Greek Government ($5,000,000 bonds withdrawn for sale in London) (League of Nations loan).	84¼ flat=80.07 and interest	88 and interest	7.93	48,665,000.00	139,758.97
Mar. 31, 1925	State of Sao Paulo, Brazil ($6,276,000 bonds sold in Europe).	92¾ and interest	99½ and interest	6¾		98,849.08
July 1, 1925	City of Berlin, Germany	85½ flat=83.60 and interest	89 and interest	5.40		68,382.05
July 15, 1925	Hungarian Consolidated Municipalities	82 flat=81.54 and interest	89 and interest	7.46		139,210.16
Nov. 23, 1925	City of Frankfort-on-the-Main, Germany ($1,200,000 bonds sold in Europe).	90.60 flat=90 and interest	96¾ and interest (average)	6¾		41,947.21
Nov. 23, 1925	City of Dresden, Germany ($1,250,000 bonds sold in Europe).	88½ flat=88¼ and interest	94 and interest	5¾		33,406.78

Nov. 24, 1925	Westphalia United Electric Power Corporation, Germany.	81 and interest	87½ and interest	6½		65,203.16
Dec. 11, 1925	Hamburg American Line	94½ flat=93.98 and interest	99.43 and interest	5.45		53,681.18
Mar. 2, 1926	City of Leipzig, Germany ($1,250,000 bonds sold in Europe).	90 flat=89.42 and interest	94¾ and interest	5.33		37,694.14
Mar. 23, 1926	State of Sao Paulo, Brazil	90 flat (90-day drafts drawn thereagainst)	96½ and interest	6½	12,166,250.00	55,439.50
June 15, 1926 [1]	City of Budapest, Hungary, 6 months' credit	6⅞ per cent basis	6¼ per cent basis			1,973.71
Oct. 29, 1926	Hungarian Consolidated Municipalities	89 flat=87.43 and interest	93½ and interest	6.07		63,070.54
Nov. 12, 1926	Berlin Electric Elevated & Underground Railways Co. ($3,000,000 bonds sold in Europe).	90⅜ flat=89¼ and interest	94½ and interest	5¼		140,523.01
Dec. 22, 1926	Kingdom of Bulgaria (League of Nations loan)	87 and interest	92 and interest	5	11,679,600.00	23,958.12
May 19, 1927	Vereinigte Glanzstoff-Fabriken A. G., Germany, 3-year loan.	97	98.65	1.65		19,781.96
Jan. 23, 1928	Westphalia United Electric Power Corporation, Germany.	88 and interest	92¾ and interest	4¾		121,390.13
Jan. 31, 1928	Greek Government ($2,000,000 bonds sold in Europe) (League of Nations loan).	86 flat=85.77 and interest	91 and interest	5.23	[7] 31,978,327.00	123,607.57
July 23, 1928	State of Sao Paulo, Brazil	92¾ flat (90-day drafts drawn thereagainst) =89.92 and interest.	94½ and interest	4.58	17,032,750.00	51,245.76
Nov. 21, 1928	Kingdom of Bulgaria ($4,000,000 bonds sold in Europe) (League of Nations loan).	92 and interest	97 and interest	5	13,855,700.00	48,000.00
Apr. —, 1930	State of Sao Paulo, Brazil ($5,000,000 bonds sold in Europe).	90 flat=89.28 and interest	96 and interest	6.72	62,330,000.00	130,140.42
June 26, 1930 [1]	Greek Government, 1-year notes	99.73 flat=99.12 and interest	99.80 and interest	.68	7,299,750.00	10,170.57
Nov. 21, 1930 [1]	Kingdom of Hungary, 1-year treasury bills	5¾ per cent discount less three-fourths per cent commission.	5¾ per cent discount less one-half per cent commission.	¼	10,296,230.00	2,417.98
					292,035,501.00	[8] 1,806,647.27

NOTE.—We have omitted Habana Electric Railway Light & Power Co. and Habana Electric Railway Co. as these are domestic corporations. Total face amount issued, $276,250,000; of which there were placed abroad, $33,976,000; leaving amount placed in America, $242,274,000.

[1] Of the above, the following are short-term loans: $1,250,000 United Railways of Habana & Regla Warehouses (Ltd.) 1-year loan; $3,000,000 city of Berlin 7 per cent 1-year, loan; $15,000,000 German State railway credit, 2-year credit (not used); $2,000,000 city of Budapest treasury bills 6 months; $7,500,000 Greek Government 1-year treasury notes; $5,000,000 Kingdom of Hungary 1-year treasury bills; total, $33,750,000.

[3] Commission.

[4] Paid in installments.

[7] Includes $12,167,000 bonds of this loan, bearing 4 per cent interest, which were taken by the United States Government.

[8] Equal to 0.6543 per cent on $276,250,000 face amount issued.

About 5¼ per cent default in interest of whole amount sold.

Five Million Dollar Kingdom of Hungary 1-Year Dollar Treasury Bills Due November 21, 1931

To be discounted at 5¾ per cent.

£1,620,000 and Sw. Fcs. 12,500,000 Kingdom of Hungary treasury bills of the same type have been taken as follows: £1,000,000 sterling bills in London by Messrs. Baring Bros. & Co. (Ltd.), N. M. Rothschild & Sons, and J. Henry Schröder & Co.; £250,000 by Banca Commerciale Italiana; £200,000 in Holland by Messrs. Hope & Co.; £170,000 in Sweden by Stockholms Enskilda Bank; and Sw. Fcs. 12,500,000 Swiss franc bills in Switzerland by Crédit Suisse.

The dollar treasury bills are in denominations of $10,000 and $25,000 and multiples thereof, and are payable to bearer in New York at the office of Speyer & Co., or at the head office of the National City Bank of New York, in United States gold coin, without deduction for any present or future Hungarian taxes.

His Excellency the Royal Hungarian Minister of Finance has authorized the following statement:

These treasury bills (aggregate amount issued equivalent to about $15,300,000) are the direct obligation of the Royal Hungarian Government which covenants that, if at any time while these bills are outstanding it shall issue any loan secured by a lien upon any of its revenues pledged for the time being to secure the 7½ per cent state loan of 1924, it will secure these bills equally and ratably therewith.

The proceeds of these bills are to be used for productive purposes including expenditures on railways and highways and additional capital for credit institutions.

The ordinary revenues of Hungary for each of the past seven years have exceeded expenditures; revenues for the fiscal year ended June 30, 1930, amounted to $166,500,000, and were over nine and one-half times the estimated total payments during the year for interest and amortization of the Government's external and internal funded debt, including reparations and treaty charges.

All proceedings in connection with the issuance of the above bills are subject to the approval of Messrs. Cadwalader, Wickersham & Taft, and associate Hungarian counsel.

November 21, 1930.

Seven Million Five Hundard Thousand Dollars Greek Government 1-Year 5½ Per Cent Secured Treasury Gold Notes, Dated May 5, 1931, Due May 5, 1932

Price, 99¾ per cent to yield 5¾ per cent.

Principal and coupons (November 5, 1931 and May 5, 1932) payable in New York at the office of Speyer & Co. in United States gold coin, without deduction for any present or future Greek taxes. Denominations $10,000 and $25,000 and multiples thereof. Callable, as a whole, for redemption at par and accrued interest, at any time, on 30 days' previous notice.

His Excellency, G. Maris, Minister of Finance, has authorized the following statement:

These $7,500,000 notes will be the direct obligation of the Greek Government and will be secured by a pledge of £2,679,750 ($13,041,003) principal amount of bonds of the Greek Government 5 per cent loan of 1914, due March 1, 1964, heretofore unissued, the value of which, at the current price in London of bonds of this loan (about 78 per cent), equals approximately $10,171,982, or 135 per cent of the principal amount of these notes. The high and low quotations in London of bonds of the 5 per cent loan of 1914, during the last three years, were 81½ and 70¼, respectively.

The 5 per cent loan of 1914 is secured by a charge, ranking prior to the charges securing the 7 per cent refugee loan of 1924, the 8 per cent water loan of 1925, the 6 per cent stabilization and refugee loan of 1928, and the 6 per cent public-works loans of 1928 and 1931, on revenues under the control of the International Financial Commission, the receipts from which in 1930 after deducting prior charges thereon (equal to about $6,900,000), were about $33,350,000, or over six and one-half times the annual service requirements of the total authorized amount of the 5 per cent loan of 1914.

All proceedings in connection with the issuance of the above notes are subject to the approval of Messrs. Cadwalader, Wickersham & Taft and associate Greek counsel.

May 1, 1931.

SEVEN MILLION, FIVE HUNDRED THOUSAND DOLLARS GREEK GOVERNMENT 1-YEAR 5½ PER CENT SECURED TREASURY GOLD NOTES, DUE MAY 5, 1931

Price to yield 5¾ per cent. Accrued interest from May 6, 1930, to be added. £1,500,000 Greek Government treasury bills of the same maturity and similarly secured have been placed in England by Hambros Bank (Ltd.) and Erlangers (Ltd.).

Principal and coupons (November 5, 1930 and May 5, 1931) payable in New York at the office of Speyer & Co. in United States gold coin, without deduction for any present or future Greek taxes. Denominations $10,000 and $25,000 and multiples thereof. Callable, as a whole, for redemption at par and accrued interest, at any time, on 30 days' previous notice.

His Excellency, G. Maris, Minister of Finance, has authorized the following statement:

These $7,500,000 notes will be the direct obligation of the Greek Government and will be secured by pledge of £2,679,750 ($13,041,003) principal amount of bonds of the Greek Government 5 per cent loan of 1914, due March 1, 1964, heretofore unissued, the value of which, at the current price in London of bonds of this loan (about 78 per cent), equals approximately $10,171,982, or 135 per cent of the principal amount of these notes.

The 5 per cent loan of 1914 is secured by a charge, ranking prior to the charges securing the 7 per cent refugee loan of 1924, the 8 per cent water loan of 1925 and the 6 per cent stabilization and refugee loan of 1928, on revenues under the control of the International Financial Commission, the receipts from which in 1929, after deducting prior charges thereon (equal to about $6,950,000), were about $35,200,000, or about six and nine-tenths times the annual service requirements of the total authorized amount of the 5 per cent loan of 1914.

All proceedings in connection with the issuance of the above notes are subject to the approval of Messrs. Cadwalader, Wickersham & Taft and associate Greek counsel.

JUNE 26, 1930.

THIRTY-FIVE MILLION DOLLARS STATE OF SAO PAULO (UNITED STATES OF BRAZIL) 7 PER CENT SECURED SINKING FUND GOLD BONDS COFFEE REALIZATION LOAN 1930, DUE OCTOBER 1, 1940

Dated April 1, 1930, interest payable April 1 and October 1. Principal and interest payable, without deduction for any present or future Brazilian taxes, in New York in United States gold coin at the office of Speyer & Co. or of J. Henry Schröder Trust Co. or, at the option of the holder, in London, at the office of J. Henry Schröder & Co., in sterling, at the fixed rate of exchange of $4.8665 to the pound sterling, or at the offices of Lippmann, Rosenthal & Co. in Amsterdam, Crédit Suisse in Zurich, Stockholms Enskilda Bank in Stockholm, and Banca Commerciale Italiana in Milan, in local currencies at the current buying rates for sight exchange on New York. Coupon bonds in denominations of $1,000 and $500, registerable as to principal.

Sinking fund, beginning July 1, 1930, sufficient to repay at least one-tenth of these bonds annually, to be applied to the semiannual redemption of bond by lot at par, the first redemption to be on April 1, 1931. Sinking fund payments may be anticipated.

These $35,000,000 bonds are part of an international loan of an authorized principal amount equivalent to £20,000,000 ($97,330,000). Of the balance £10,000,000 sterling bonds are being offered simultaneously as follows: £8,000,000 bonds in London by Messrs. Baring Brothers & Co. (Ltd.), N. M. Rothschild & Sons, and J. Henry Schröder & Co.; and £500,000 bonds each in Amsterdam, Stockholm, and Milan. £500,000 bonds are being placed privately in Zurich. Banco do Estado de Sao Paulo has contracted to purchase the remainder of the loan, equivalent to £2,807,973 ($13,665,000) principal amount.

His Excellency Dr. A. C. de Salles, jr., Secretary of Finance and of the Treasury, has authorized the following statement in behalf of the Government of the State of San Paulo; having been transmitted by cable, it is subject to correction:

The government of the State of San Paulo, in order to dispose of the accumulation within the State of large amounts of unsold coffee, and to prevent such accumulation in the future, has adopted a new plan, to become operative July 1, 1930, by which it undertakes to liquidate gradually the present unsold coffee and to place future crops on the market currently. The government has agreed that it will not, directly or indirectly, accumulate any coffee during the life of this loan except, in agreement with the bankers, as further security for the loan.

Purpose: Under this plan the liquidation of the accumulated unsold coffee in the State on July 1, 1930, which is expected to amount to approximately 16,500,000 bags, is to be financed through the issuance of an international loan of an authorized principal amount equivalent to £20,000,000 ($97,330,000). The proceeds of the $35,000,000 bonds and £10,000,000 bonds, now being issued, are to be used to finance approximately 14,000,000 bags as follows: £4,500,000 ($21,899,250) will be applied toward the purchase by the Government, prior to June 1, 1931, of 3,000,000 bags of coffee, and approximately £11,000,000 ($53,531,500) will be used in refunding existing advances of £1 per bag on about 11,000,000 bags of coffee. The remainder of the unsold coffee on July 1, 1930, estimated to be approximately 2,500,000 bags, will be financed by advances thereon of £1 per bag with the proceeds of the £2,807,973 ($13,665,000) principal amount of bonds which Banco do Estado de Sao Paulo has contracted to purchase. Should the above remainder not amount to 2,500,000 bags, the reserved bonds will be sold only to the extent necessary and any surplus bonds will be canceled.

Coffee security: The loan will be the direct obligation of the Government of the State of Sao Paulo and will be specifically secured by pledge, to the extent of 50 shillings ($12.166) per bag, of the above 3,000,000 bags of coffee to be purchased by the Government, and by pledge, to the extent of £1 ($4.8665) per bag, of the approximately 13,500,000 other bags of coffee referred to above. The value of the total 16,500,000 bags at current Santos prices equals about $198,000,000. Should the unsold coffee not amount to approximately 16,500,000 bags on July 1, 1930, the principal amount of the loan will be correspondingly reduced. The pledged coffee will be deposited in warehouses in the port of Santos or in other parts of the State of Sao Paulo. Documents of title for the pledged coffee will be deposited with Banco do Estado de Sao Paulo in trust for the bankers' representatives in the State of Sao Paulo. Documents of title for newer coffee of at least equal quality may be substituted at any time for documents then on deposit.

The Government has agreed that, beginning July 1, 1930, the pledged coffee is to be liquidated at the rate of 1,650,000 bags in each year, and from the proceeds thereof £2,000,000 ($9,733,000) will be applied to the redemption of bonds, and £100,000 ($486,650) will be placed in a reserve account. Any deficiency in the proceeds will be made up by the Government, and the Government may, in agreement with the bankers, anticipate in whole or in part these annual liquidations and redemptions.

Pledged revenue: The interest on the loan will be secured by a first charge on the receipts from a new tax on all coffee transported from any point within the State for export, to be levied initially at the rate of 3 shillings ($0.73) per bag and thereafter at rates decreasing as the outstanding amount of the loan is reduced. The receipts from this tax, based on the minimum quantities of coffee which the Government has agreed to have transported to the port of Santos, together with available amounts in the above-mentioned reserve account, are estimated to exceed in each year the interest requirements on the amount of the loan then outstanding.

Marketing of coffee: The Government has agreed that, during the life of this loan, the minimum quantity of coffee to be placed on the market in each month thereof shall be equal to the following: (1) In the year July 1, 1930, to June 30, 1931, to one twenty-fourth of the aggregate of the coffee crop of said year plus the estimate of the aggregate of the coffee crop for the succeeding year, which shall include 137,500 bags of pledged coffee (1,650,000 bags of pledged coffee per annum) as above stated; (2) In each year thereafter, to one twenty-fourth of the aggregate of the coffee crop for that year plus the estimate of the aggregate of the coffee crop for the succeeding year, plus 137,500 bags of pledged coffee (1,650,000 bags of pledged coffee per annum) referred to above. In every year beginning July 1, 1930, the Government undertakes that such minimum quantities shall aggregate at least 10,000,000 bags per annum, any deficiencies being made up with additional pledged coffee, the liquidation of which will accelerate the redemption of bonds. The Government may make new advances on coffee from the proceeds of liquidation of pledged coffee in excess of 4,950,000 bags in any year. The Government has further agreed that the stock of coffee in Santos for sale shall be at all times a minimum of 1,000,000 bags and that no coffee inferior to No. 8 Santos quality is to be exported from the states.

Debt: The external funded debt of the State, including this loan, amounts to about $203,000,000. The State in effect guarantees loans amounting to about

$47,000,000. The internal funded debt, as of December 31, 1929, amounted to about $41,000,000.

State revenues: The total revenues of the State for 1929 are estimated at about $55,000,000, or about four and one-half times the requirements during the year for interest and sinking funds of the State's funded debt, both external and internal.

General: Sao Paulo, the principal agricultural and industrial State of Brazil, has about 6,000,000 inhabitants, chiefly of European extraction, and occupies an area of over 112,000 square miles, or about the area of the State of New York and the New England States combined. Over one-half of the world production of coffee is grown in the State. During the past ten years (ending June 30, 1930), Sao Paulo coffee crops have averaged 11,100,000 bags per annum and exports of coffee have averaged 9,350,000 bags per annum. Other leading agricultural products include cotton, tobacco, and sugar. Cattle raising and meat packing are important industries and rapid progress has been made in textile and other industries. Sao Paulo is served by over 4,800 miles of railroads, of which about 1,400 miles are owned by the State.

Conversions from milreis into dollars have been made at the rate of 11.7 cents per milreis, approximately the current rate of exchange. Other currencies have been converted at par of exchange. One bag of coffee contains 132 pounds.

Application will be made to list these bonds on the New York Stock Exchange.

All proceedings in connection with the issuance of the above bonds are subject to the approval of our counsel, Messrs. Curtis, Mallet-Prevost, Colt & Mosle.

We offer the above bonds for subscription, if, as, and when issued and received by us, at 96 per cent and accrued interest, to yield to maturity 7.56 per cent. (average yield, based on minimum retirement through sinking fund, 7.92 per cent).

We reserve the right to close the subscription at any time without notice, to reject any application, and to allot a smaller amount than applied for. Amounts due on allotment will be payable at the office of Speyer & Co., 24 and 26 Pine Street, in New York funds, on or about May 8, 1930, as called for, against delivery of interim receipts exchangeable for definitive bonds when ready.

Speyer & Co.
J. Henry Schroder Banking Corporation.
The National City Co.
Bancamerica-Blair Corporation.
Dillon, Read & Co.
Ladenburg, Thalmann & Co.
Continental Illinois Co. (Inc.).
E. H. Rollins & Sons.
Blyth & Co. (Inc.).
G. L. Ohrstrom & Co. (Inc.).
Otis & Co.
Dominion Securities Corporation.

April, 1930.

Thirteen Million Dollars Kingdom of Bulgaria 7½ Per Cent Stabilization Loan, 1928, 40-Year Secured Sinking Fund Gold Bonds (Part of International Stabilization Loan of 1928)

Authorized and approved by the Council of the League of Nations.

Dated November 15, 1928, due November 15, 1968. Interest payable May 15 and November 15. Principal and interest payable in New York at the office of Speyer & Co. or of J. Henry Schroder Banking Corporation, in United States gold coin, without deduction for any Bulgarian taxes, present or future. Principal and interest will also be collectible, at the option of the holder, in Belgian francs in Brussels, in lire in Milan and in Swiss francs in Zurich, at the banking houses referred to below, at the current buying rates for sight exchange on New York. Coupon bonds in denominations of $1,000 and $500.

Cumulative sinking fund sufficient to repay all of these bonds at or before maturity, to be applied to the semi-annual redemption of bonds by lot at par, the first redemption to be on November 15, 1929.

Not subject to call before November 15, 1938, except for sinking fund. The Government reserves the right to repay at par on that date, or on any interest date thereafter, all or any part of the bonds then outstanding, upon six months' previous notice.

Four million dollar bonds of the above issue have been withdrawn for sale as follows: $1,000,000 in Belgium by Banque Belge pour l'Etranger, Brussels, $1,500,000 in Italy by Banca Commerciale Italiana, Milan, and $1,500,000 in Switzerland by Crédit Suisse, Zurich.

These $13,000,000 bonds are part of an international loan, limited (as authorized by the council of the League of Nations) to yield to the Government a net amount equivalent to £5,000,000 sterling; the balance of this loan is being offered as follows: £1,500,000 sterling bonds in London by the Ottoman Bank, J. Henry Schroder & Co. and Stern Bros.; £200,000 in Amsterdam by Hope & Co. and Banque de Paris et des Pays-Bas; £100,000 in Prague by Zivnostenská Banka v Praze on behalf of a Czechoslovakian banking syndicate, and Fcs. 130,000,000 bonds in Paris by Banque de Paris et des Pays-Bas, Banque de l'Union Parisienne, Comptoir National d'Escompte de Paris, Crédit Lyonnais, Crédit Mobilier Français and Société Générale pour Favoriser le Développement du Commerce et de l'Industrie en France.

His Excellency Wladimir Molloff, Minister of Finance, has authorized the following statement in behalf of the Bulgarian Government; having been transmitted by cable, it is subject to correction:

The loan is issued pursuant to the Geneva protocol of March 10, 1928, as amended September 8, approved by the council of the League of Nations by resolutions of March 10, June 9, and September 17, 1928, ratified by acts of the Bulgarian Parliament of April 13 and September 27, 1928, and pursuant to an act of the parliament of November 15, 1928, approving the loan contract. the amount of the loan is limited to $13,000,000 dollar bonds, £1,800,000 sterling bonds, and French francs 130,000,000 bonds.

The loan will be the direct obligation of the Bulgarian Government and will be secured by a first charge on all receipts from the import, exports, and other customs duties. The receipts from these revenues for the two years ended March 31, 1928, and the estimated amount for the current fiscal year, are approximately as follows:

Fiscal year ending Mar. 31—	
1927	$8,753,000
1928	9,282,000
1929	9,021,000

or, for each year, over four times the annual interest and sinking fund on the entire loan.

By resolution of September 24, 1928, the Inter-Allied Commission (established under the treaty of Neuilly) released the customs revenues from the first charge for reparations and costs of occupation and the general charge for treaty obligations.

If at any time the receipts from the above revenues should fall below 150 per cent of the annual service requirements of the loan, the Inter-Allied Commission has agreed to release, at the request of the council of the League of Nations, from the above general charge additional revenues sufficient to insure total revenues equal to at least 150 per cent of the service requirements; and the additional revenues so released shall be forthwith assigned to the service of the loan.

The pledged revenues will be paid as collected into a special account (with the National Bank of Bulgaria), to be controlled by a commissioner appointed by the council of the League and, after the termination of his functions, by the trustees for the bondholders to be appointed by the council of the League. The sum required for the service of the loan will be remitted to the fiscal agents in monthly installments for the account of the trustees.

From the proceeds of the loan approximately $7,300,000 will be paid to the National Bank of Bulgaria for stabilizing the currency, and approximately $3,163,000 to the Agricultural Bank and to the Central Cooperative Bank for additional working capital; the balance will be expended under the direct control of the commissioner, approximately as follows: $6,083,000 for the improvement of roads, railways, and ports; $2,433,000 for reconstruction work necessitated by the earthquakes of last spring; and $5,353,000 for the payment of floating debt in order that the revenues of the State may be used to maintain a balanced budget.

The currency, which has been subject to only small fluctuations during the past five years, will be stabilized in relation to gold by law.

For the year ended March 31, 1928, revenues were about $50,290,000, and the surplus over expenditures was about $435,000.

Bulgaria, with an area of about 40,000 square miles, has over 5,000,000 inhabitants, or a larger population than Denmark, Finland, Norway, or Switzerland. The country is mainly agricultural, and exports considerable quantities of tobacco, cereals, and other farm products.

External loans of Bulgaria were sold before the war in England and leading countries of continental Europe; the 4½ per cent bonds of 1907 and 1909 (the last pre-war loans) were marketed on a 5 per cent basis.

Conversions have been made at 138 leva to the dollar and at par of exchange for other currencies.

Application will be made to list these bonds on the New York Stock Exchange.

For further information, reference is made to the accompanying letter dated November 16, 1928, from His Excellency Wladimir Molloff, Minister of Finance of the Kingdom of Bulgaria. All proceedings in connection with the issuance of the above bonds are subject to the approval of our counsel, Messrs. Cadwalader, Wickersham & Taft and associate Bulgarian counsel.

We offer the above bonds for subscription, if, as and when issued and received by us, at 97 per cent and accrued interest, to yield to maturity 7¾ per cent.

We reserve the right to close the subscription at any time without notice and to reject any application or to allot a smaller amount than applied for. Amounts due on allotment will be payable at the office of Speyer & Co., 24–26 Pine Street, in New York funds, on or about December 3, 1928, as called for, against delivery of interim receipts exchangeable for definitive bonds when ready.

November 21, 1928.

The following letter, having been transmitted by cable, is subject to correction:

SEVEN AND ONE-HALF PER CENT STABILIZATION LOAN, 1928, AUTHORIZED AND APPROVED BY THE COUNCIL OF THE LEAGUE OF NATIONS

Kingdom of Bulgaria,
November 16, 1928.

Speyer & Co., J. Henry Schroder Banking Corporation, New York; Banque Belge pour l'Etranger, Brussels; Banca Commerciale Italiana, Milan; Crédit Suisse, Zurich; Ottoman Bank, J. Henry Schröder & Co., Stern Bros., London; Živnostenská Banka v Praze, Prague; Hope & Co., Banque de Paris et des Pays-Bas, Amsterdam; Banque de Paris et des Pays-Bas, Banque de l'Union Parisienne, Comptoir National d'Escompte de Paris, Crédit Lyonnais, Crédit Mobilier Français, Société Générale pour Favoriser le Développement du Commerce et de l'Industrie en France, Paris

Gentlemen: I have pleasure in giving you below the following information regarding the Kingdom of Bulgaria 7½ per cent stabilization loan, 1928.

A delegation of the financial committee of the League of Nations consisting of Sir Otto Niemeyer, G. B. E., K. C. B. (chairman), M. Alberti, M. le Comte de Chalendar, M. Janssen, and Doctor Pospisil visited Sofia recently to investigate plan for the financial reconstruction of Bulgaria through the issue of a foreign loans.

A protocol summarizing the scheme for this loan was prepared by the financial committee and was approved by the Council of the League of Nations and immediately signed on behalf of Bulgaria after a definite agreement on all questions, including the transformation of the Bulgarian National Bank, had been reached in March, 1928.

Previous to this agreement the customs revenues, which were to be allocated as security for the new loan, were subject to two charges: (*a*) Under Article 132 of the Peace Treaty of Neuilly reparations payments and other treaty obligations were secured by a general charge on all Bulgarian state assets and revenues; (*b*) By two protocols signed at Sofia on March 21, 1923, and March 28, 1924, respectively, it was agreed between the Bulgarian Government and the interallied commission that reparations payments and costs of occupation should be secured by a specific charge on the customs.

In order that the security for the new loan should be a first charge on these customs revenues, it was necessary that they should be released from the abovementioned existing charges. This object was accomplished by a resolution of the interallied commission of September 24, 1928, excepting in favor of the loan the customs duties and, if necessary, other revenues from the general charge for reparations and other treaty obligations; moreover by the same resolution the specific charge on the customs for reparations and costs of occupation was subordinated to the new loan and the necessary approval of the reparation commission was given on October 6, 1928.

The Disconto Gesellschaft, Berlin, which had made a contested claim to a charge on the customs, has subordinated in favor of the new loan any charge which it may have.

PURPOSES

The amount of the loan authorized by the Council of the League of Nations is £5,000,000 ($24,332,500) net, mainly for the purpose of enabling the Government to stabilize the currency, more than half of the loan being earmarked to reinforce the bank of issue and to pay off budget arrears.

The proceeds of the loan will be allocated approximately as follows:

	Amount (pound)	Equivalent in dollars		Amount (pound)	Equivalent in dollars
National Bank	1,500,000	7,299,750	Means of communication	1,250,000	6,083,125
Agricultural Bank	500,000	2,433,250	Earthquake expenditure	500,000	2,433,250
Central Cooperative Bank	150,000	729,975			
Budget arrears	1,100,000	5,353,150	Total	5,000,000	24,332,500

Firstly, the Bulgarian National Bank will be repaid a considerable part of its advances made to the state, or to the Agricultural and Central Cooperative Banks (state banks), or made under the guaranty of the state.

Secondly, new working capital will be provided for the Agricultural Bank and for the Central Cooperative Bank, thus rendering these institutions sufficiently liquid.

Thirdly, the budget arrears amounting to £1,100,000 ($5,353,150) as established in the report of the financial committee will be paid off. The Government has undertaken to carry out any reforms necessary to attain equilibrium of the budget.

Quarterly reports will be made by the Bulgarian Government on its financial situation to the Council of the League of Nations for a period of five years.

Fourthly, £1,250,000 ($6,083,125) will be expended on communications in accordance with the detailed proposals of Monsieur Regnoul, which received the general approval of the Council of the League on June 8, 1928. This sum will be divided as follows:

	Leva
Railways:	
Upkeep	239,233,000
Improvements	329,255,000
Construction of new lines	72,312,000
Total	640,800,000
Ports	31,500,000
Roads	172,700,000
Total	845,000,000

or about $6,083,125.

The commissioner, Charron, appointed by the Council of the League of Nations, will supervise expenditure under this heading.

Fifthly, £500,000 ($2,433,250) is to be devoted to repairing damage caused by the recent earthquake, subject to the approval of the commissioner.

Transfers may be made on the authority of the financial committee of the League of Nations from one heading to another if any part of the above appropriations to the last three items remains unexpended.

The statutes of the bank have been amended in accordance with the recommendations of the financial committee of the League of Nations and Monsieur Charron has been appointed the technical adviser at the bank on the nomination of the Council of the League.

The Bulgarian Government has undertaken to protect the independence of the Bulgarian National Bank from any political influence whatsoever and has undertaken to effect the transformation of the bank into an independent corporation with a private capital at a date to be fixed by agreement between the Council of the League of Nations and the Bulgarian Government.

Stabilization of the Bulgarian currency on a gold basis will be carried out as soon as the loan is issued and all restrictions on the foreign exchange market will be removed six months later, or within such further period as may be approved by the adviser to the Bulgarian National Bank.

SECURITY

The loan is secured by a first charge on the customs duties, the yield on which for the financial years 1926-27, 1927-28, and the estimated yield for 1928-29 are as follows:

	Results (000,000 omitted)		Estimated (000,000 omitted)
	1926-27	1927-28	1928-29
	Leva	*Leva*	*Leva*
Import duties, etc	973	1,087	1,050
Export duties, etc	138	108	105
Ad valorem taxes	23	19	20
Bonding, statistical, sealing charges, and other customs charges	74	67	70
Total	1,208	1,281	1,245
Equal, at 138 leva to the dollar, to approximately	$8,753,000	$9,282,000	$9,021,000

The yield of these duties is sufficient to cover the service of the stabilization loan over four times.

If at any time the total yield of the above-mentioned revenues should fall below 150 per cent of the annual sum required to meet the service of the loan, the interallied commission, established under article 130 of the treaty of Neuilly, has undertaken to release at the request of the Council of the League from the charge laid down in article 132 of the said treaty, such additional revenues as may be sufficient to assure the immediate restoration of the yield to the above percentage and such additional revenues so released shall be forthwith assigned to the service of the loan.

The Bulgarian Government has undertaken that the proceeds of the loan shall be applied only for the purposes specified in and in strict accordance with the terms of the protocol, and further that all moneys received from the issuing houses shall be paid into such accounts as may be requested by the Bulgarian Government with the consent of the commissioner appointed by the Council of the League of Nations.

I remain, gentlemen, yours very truly,

WLADIMIR MOLLOFF,
Minister of Finance.

STATE OF SAO PAULO (UNITED STATES OF BRAZIL)

FIFTEEN MILLION DOLLARS 40-YEAR 6 PER CENT SINKING FUND GOLD BONDS, EXTERNAL DOLLAR LOAN OF 1928

Messrs. Baring Brothers & Co. (Ltd.), N. M. Rothschild & Sons, and J. Henry Schröder & Co. have purchased a sterling loan of £3,500,000 (the terms of which are substantially identical with those of this loan) which is being offered on July 24, 1928, in London and on the continent.

Dated July 1, 1928, due July 1, 1968, interest payable January 1 and July 1. Principal and interest payable, without deduction for any present or future Brazilian taxes, in New York in United States gold coin at the office of Speyer & Co. or of J. Henry Schröder Banking Corporation or, at the option of the holder, in London in sterling at the fixed rate of exchange of $4.8665 to the pound sterling. Coupon bonds in denominations of $1,000 and $500, registerable as to principal.

Cumulative sinking fund, sufficient to repay all of these bonds at or before maturity, to be applied to the semiannual redemption of bonds by lot at par, the first redemption to be on January 1, 1929. Not subject to call before July 1, 1938, except for sinking fund. Callable as a whole for redemption at 102 per cent, on that date, or on any interest date thereafter, upon six months' previous notice.

The following information has been received from Dr. Mario Rolim Telles, Secretary of Finance and of the Treasury of the State of Sao Paulo; having been transmitted by cable, it is subject to correction:

These bonds will be the direct and unconditional obligation of the State of Sao Paulo, which covenants that, if in the future it shall issue or guarantee any loan secured by a lien or charge on any of its revenues or assets, either (1) it will, prior thereto, secure pari passu this loan and the £3,500,000 sterling loan issued simultaneously herewith by a lien or charge on revenues or assets approved by Speyer & Co. and J. Henry Schröder & Co., or (2) in lieu thereof, this loan and the sterling loan shall, without further action by the State, be secured pari passu by a prior lien or charge on the same revenues and assets given as security for every such future loan or guaranty.

The proceeds of this loan are to be used for additions, betterments, and extensions to the water supply and sewerage systems of the city of Sao Paulo and for extension of the Sorocabana Railway from Mayrink to the port of Santos.

The external funded debt of the State, including this loan and the sterling loan, amounts to about $112,000,000, equal to about $19 per capita. In addition, the State in effect guarantees loans amounting to about $85,000,000. The internal funded debt, as of December 31, 1927, amounted to about $42,000,000.

The total revenues of the State for 1927 were about $50,600,000, or about five and one-half times the annual service requirements of the State's funded debt, external and internal, including this loan and the sterling loan.

Sao Paulo, the principal agricultural and industrial State of Brazil, has about 6,000,000 inhabitants, chiefly of European extraction, and occupies an area of over 112,000 square miles, or about the area of the State of New York and the New England States combined. Over one-half of the world production of coffee is grown in the State. The value of the coffee exported in 1927 was about $224,000,000. Other leading agricultural products include cotton, tobacco, and sugar. Cattle raising and meat packing are important industries and rapid progress has been made in textile and other industries. Sao Paulo is served by over 4,800 miles of railroads, of which about 1,400 miles are owned by the State.

The State's foreign trade is more than one-third of that of the United States of Brazil. The exports and imports in 1927 amounted to about $233,000,000 and $154,000,000 respectively. Exports to the United States were valued at over $145,000,000, the chief item of which was coffee. The wealth of the State, public and private, is estimated at over $4,000,000,000.

Conversions from milreis into dollars have been made at the rate of 12 cents per milreis, approximately the current rate of exchange. Other currencies have been converted at par of exchange.

Application will be made to list these bonds on the New York Stock Exchange.

All proceedings in connection with the issuance of the above bonds are subject to the approval of our counsel, Messrs. Curtis, Mallet-Prevost, Colt & Mosle.

We offer the above bonds for subscription, if, as, and when issued and received by us, at 94½ per cent and accrued interest, to yield over 6⅜ per cent.

We reserve the right to close the subscription at any time without notice, to reject any application and to allot a smaller amount than applied for. Amounts due on allotment will be payable at the office of Speyer & Co., 24 and 26 Pine Street, in New York funds, on or about August 7, 1928, as called for, against delivery of interim receipts exchangeable for definitive bonds when ready.

SPEYER & CO.,
J. HENRY SCHRÖDER BANKING CORPORATION,
E. H. ROLLINS & SONS,
BLYTH, WITTER & CO.,
BLAIR & CO. (INC.),
LADENBURG, THALMANN & CO.,
THE EQUITABLE TRUST CO. OF NEW YORK.

JULY 23, 1928.

GREEK GOVERNMENT

SEVENTEEN MILLION DOLLARS 40-YEAR 6 PER CENT SECURED SINKING FUND GOLD BONDS (PART OF THE STABILIZATION AND REFUGEE LOAN OF 1928) APPROVED BY THE COUNCIL OF THE LEAGUE OF NATIONS

$2,000,000 bonds of the above issue have been withdrawn for sale in Switzerland.

Dated February 1, 1928, due February 1, 1968, interest payable February 1 and August 1. Principal and interest payable in New York, at the office of Speyer & Co., or at the head office of The National City Bank of New York, in

United States gold coin of, or equal to, the present standard of weight and fineness, without deduction for any present or future Greek taxes. Principal and interest will also be collectible, at the option of the holder, in Switzerland at the office of Credit Suisse, Zurich, in Swiss Francs at its current buying rate for sight exchange on New York. Coupon bonds in denominations of $1,000 and $500.

Cumulative sinking fund, sufficient to repay all of these bonds at or before maturity, to be applied to the semiannual redemption of bonds by lot at par, the first redemption to be on February 1, 1929.

Not subject to call before August 1, 1938, except for sinking fund. The Government reserves the right to repay at par, on that date, or on any interest date thereafter, all or any part of the bonds then outstanding, upon three months' previous notice.

Under the terms of an agreement already approved by the Greek Parliament and recommended by the State and Treasury Departments of the United States, which is to be submitted to Congress for its authorization, the United States Government is to advance to Greece $12,167,000, to bear interest at the rate of 4 per cent per annum and to be repaid through a sinking fund within 20 years. This advance will be equally secured with the above $17,000,000 6 per cent dollar bonds and £4,070,960 6 per cent sterling bonds (equal at par of exchange to $19,811,327) by a charge, subject to existing charges and ranking in priority to any future charge, on revenues under the control of the International Fiancial Commission. This advance (if authorized) will be turned over in its entirety to the Refugee Settlement Commission for its refugee settlement work and accordingly will reduce the total amount authorized to be raised by the Greek Government under the League of Nations. If not, a further portion of this loan equal to an effective sum of $12,167,000 will have to be raised, in addition to the above bonds, to constitute the total amount of this loan.

£3,370,960 bonds are being offered in London by Hambros Bank Limited and Erlangers and £700,000 bonds in Italy and Sweden.

M. Demetrius Caclamanos, Envoy Extraordinary and Minister Plenipotentiary of Greece in Great Britain, and M. Emanuel Tsouderos, Deputy Governor of National Bank of Greece, have authorized the following statement on behalf of the Greek Government.

The loan is issued pursuant to the Geneva protocol signed September 15, 1927, and approved by the council of the League of Nations by resolution of the same date and ratified by the decree of law of the Greek Republic on November 10, 1927, and signed by the president of the republic and ratified by the Greek Parliament and published in the Official Gazette on December 7, 1927. The amount of the loan is limited to these $17,000,000 6 per cent dollar bonds, £4,070,960 6 per cent sterling bonds, and the advance of $12,167,000 from the United States Government, if authorized by Congress (or in place thereof bonds which may be sold to others to yield the equivalent amount).

The loan will be the direct obligation of the Greek Government and will be secured by a charge, subject to existing charges and ranking in priority to any future charge, on revenues under the control of the International Financial Commission, including receipts from the salt, match, and other monopolies and from customs, tobacco, stamp, and alcohol duties. The receipts from these revenues for the year 1927 were $49,526,507; after deducting the maximum annual prior charges, the surplus is $28,638,092, or more than eight and one-half times the annual interest and sinking fund requirements of the entire loan.

The International Financial Commission, referred to above, was formed in 1898 to control the collection of and to administer the revenues assigned to the service of certain Greek Government loans. The members of the commission are representatives of the Governments of Great Britain, France, and Italy. The commission has accepted an irrevocable mandate of the Greek Government to assure the payment, from the revenues pledged for this loan, of the interest and sinking fund requirements.

Since 1898, during which time the country has passed through two Balkan wars and the Great European War, Greece has consistently maintained the service of the external debt.

The proceeds of the loan will be applied for stabilizing the currency, for paying floating debt in order that the revenues of the State may be used to maintain a balanced budget, and for continuing the work of the refugee settlement commission.

Greek currency has been subject to relatively small fluctuations in the past year and the protocol provides for its legal stabilization in relation to gold within six months. A new bank of Greece is to be established, which will be the only bank of issue, and it is planned that, on commencing business, its reserves in gold and gold exchange will be equal to about 50 per cent of the note circulation and other demand liabilities; the legal reserve requirements will be 40 per cent.

It is expected that the Government revenues and expenditures for the fiscal year ending March 31, 1928, will balance.

The refugee settlement commission was established in 1923 with the approval of the League of Nations and the council of the league supervises the operations of the commission and appoints two members, one of them an American citizen to serve as chairman. The commission has expended about $50,000,000 to establish in agriculture and industry Greeks who were obliged to leave other countries as a result of the war and subsequent treaties. The Government provided land for settlement and a large number of houses. The refugees, who number about 1,500,000, have added materially to the production of tobacco, cereals, and other crops and to the development of industry, particularly the manufacture of rugs and other textiles.

Greece, with an area of about 49,900 square miles, has about 7,000,000 inhabitants. The country is mainly agricultural but industry has made substantial progress. Greece has a merchant marine of about 1,000,000 tons.

Greece funded its war debt to Great Britain in 1927 and the Greek Parliament has adopted a plan for funding such debt to the United States, which, together with the advance referred to above, is to be recommended to the United States Congress for its authorization.

All conversions have been made at 1.30 cents per drachma and, except as otherwise stated, at $4.875 per pound sterling.

Application will be made to list these bonds on the New York Stock Exchange. For further information reference is made to the accompanying letter dated January 30, 1928, from M. Demetrius Caclamanos, envoy extraordinary and minister plenipotentiary of Greece in Great Britain, and M. Emanuel Tsouderos, deputy governor of National Bank of Greece. All proceedings in connection with the issuance of the above bonds are subject to the approval of our counsel, Messrs. Cadwalader, Wickersham & Taft, and associate Greek counsel. The above statements are subject to correction for cable errors.

We offer the above bonds for subscription, if, as and when issued and received by us, at 91 per cent and accrued interest, to yield about 6.65 per cent.

We reserve the right to close the subscription at any time without notice, to reject any application and to allot a smaller amount than applied for. Amounts due on allotment will be payable at the office of Speyer & Co., 24 and 26 Pine Street, in New York funds, on or about February 15, 1928, as called for, against delivery of interim receipts exchangeable for definitive bonds when ready.

SPEYER & CO.
THE NATIONAL CITY CO.

JANUARY 31, 1928.

The following letter is subject to correction for cable errors.

STABILIZATION AND REFUGEE LOAN OF 1928 APPROVED BY THE COUNCIL OF THE LEAGUE OF NATIONS

GREEK GOVERNMENT,
London, January 30, 1928.

Messrs. SPEYER & CO., and the NATIONAL CITY CO.,
New York.

GENTLEMEN: With regard to the Greek Government stabilization and refugee loan of 1928, of which you have contracted to purchase $17,000,000 40-year 6 per cent secured sinking fund gold bonds and of which £4,070,960 6 per cent sterling bonds (equal at par of exchange to $19,811,327) are to be offered in London and on the Continent, we beg to give you the following information:

The loan is issued pursuant to the Geneva Protocol signed September 15, 1927, and approved by the council of the League of Nations by resolution of the same date and ratified by the decree law of the Greek Republic on November 10, 1927, and signed by the President of the Republic and ratified by the Greek Parliament and published in the Official Gazette on December 7, 1927. The amount of the loan is limited to these $17,000,000 6 per cent dollar bonds, £4,070,969 6 per cent sterling bonds and, the advance, referred to below, of $12,167,000 from the United States Government, if authorized by Congress. This advance (if authorized) will be turned over in its entirety to the Refugee Settlement Commission for its refugee settlement work and accordingly will reduce the total amount authorized to be raised by the Greek Government under the League of Nations. If not, a further portion of this loan equal to an effective sum of $12,167,000 will have to be raised, in addition to the above bonds, to constitute the total amount of this loan.

Under the terms of an agreement already approved by the Greek Parliament and recommended by the State and Treasury Departments of the United States, which is to be submitted to Congress for its authorization, the United States Government is to advance to Greece $12,167,000, to bear interest at the rate of 4 per cent per annum and to be repaid through a sinking fund within 20 years. This advance will be equally secured with the above $17,000,000 6 per cent dollar bonds and £4,070,960 6 per cent sterling bonds by a charge, subject to existing charges and ranking in priority to any future charge, on revenues under the control of the International Financial Commission.

The loan will be the direct obligation of the Greek Govrenment. The revenues pledged as security for the loan include the salt, match, and other monopolies and customs, tobacco, stamp and alcohol duties. The receipts from these revenues for the year 1927 and the maximum annual charges ranking in priority to the service of this loan are as follows:

	Drachmae	Eqtivalent in dollars
Receipts from revenues under control of International Financial Commission, after deducting expenses of collection	3,809,731,336	$49,526,507
Maximum annual service requirements of loans ranking in priority to this loan [1]	1,606,801,164	20,888,415
Surplus [2]	2,202,930,172	28,638,092

[1] This amount includes about $1,002,500 for service of the water loan of 1925, for which there are pledged water receipts and special taxes, which it is expected will ultimately cover the entire service requirements, £345,000 (approximately $1,681,875) for the service of the unissued portion of the 5 per cent loan of 1914, and 150,000,000 drachmae (approximately $1,950,000) for the service of the share in the Ottoman debt allotted to Greece.

[2] Subject to a single payment of £500,000 (approximately $2,437,500) in accordance with the Greco-Turkish convention on the exchange of populations.

The above surplus is equal to more than eight and one-half times the annua interest and sinking fund requirements (about $3,350,000) of this loan, and such surplus for 1928 is estimated at about ten times these service requirements.

The International Financial Commission, referred to above, was formed in 1898 to control the collection of and to administer the revenues assigned to the service of certain Greek Government loans. The members of the commission are representatives of the Governments of Great Britain, France, and Italy. The commission has accepted an irrevocable mandate of the Greek Government to assure the payment, from the revenues pledged for this loan, of the interest and sinking fund requirements.

Since 1898, during which time the country has passed through two Balkan wars and the great European war, Greece has consistently maintained the service of the external debt.

The proceeds of the loan will be applied for stabilizing the currency, for paying floating debt in order that the revenues of the State may be used to maintain a balanced budget, and for continuing the work of the Refugee Settlement Commission.

Greek currency has been subject to relatively small fluctuations in the past year. A new and independent bank, to be called the Bank of Greece, with the exclusive right of issuing bank notes, is to be established and is to commence business within six months after the issue of the loan. As provided in the protocol, all necessary steps are to be taken to effect the legal stabilization of the currency in relation to gold from the day on which the Bank of Greece commences business. It is planned that the new bank will then have reserves in gold and gold exchange of about 50 per cent of the note circulation and its other demand liabilities. The statutes of the bank provide that these reserves shall be at least 40 per cent. There will be centralized in the bank all receipts and payments of the State and of State enterprises.

The Government has agreed to make every effort to keep the budget within the limit of about 9,000,000,000 drachmae (approximately $117,000,000) until the end of the financial year 1929–30 and to maintain thereafter equilibrium between the current revenues and current expenses of the State, the current expenses being taken to mean all expenditure except such capital outlay for revenue-producing purposes as may be provided for from other sources. The revenues and expenditures for the fiscal year ending March 31, 1928, are estimated at $114,794,310 and $115,455,800, respectively, and it is expected that the actual receipts and expenditures for this period will balance.

The Refugee Settlement Commission was established in 1923 with the approval of the League of Nations and the council of the league supervises the operations of the commission and appoints two members, one of them an American citizen to serve as chairman. The commission has expended about $50,000,000 to establish in agriculture and industry Greeks who were obliged to leave other countries as a result of the war and subsequent treaties. The Government provided land for settlement and a large number of houses. The refugees, who number about 1,500,000, have added materially to the production of tobacco, cereals, and other crops, and to the development of industry, particularly the manufacture of rugs and other textiles.

Greece, with an area of about 49,900 square miles, has about 7,000,000 inhabitants. The country is mainly agricultural but industry has made substantial progress. Greece has a merchant marine of about 1,000,000 tons.

Greece funded its war debt to Great Britain in 1927 and the Greek Parliament has adopted a plan for funding such debt to the United States, which, together with the advance referred to above, is to be recommended to the United States Congress for its authorization.

The total national debt, exclusive of the present loan and of the American war debt, is equal to approximately $63 per capita.

All conversions have been made at 1.30 cents per drachma and, except as otherwise stated, at $4.875 per pound sterling.

Application will be made to list the dollar bonds on the New York Stock Exchange.

For and on behalf of the Greek Government:

D. CACLAMANOS,
Envoy Extraordinary and Minister Plenipotentiary of Greece in Great Britain.

E. TSOUDEROS,
Deputy Governor of National Bank of Greece.

WESTPHALIA UNITED ELECTRIC POWER CORPORATION (VEREINIGTE ELEKTRIZITÄTSWERKE WESTFALEN G. m. b. H.) $20,000,000 FIRST MORTGAGE 6 PER CENT SINKING FUND GOLD BONDS, SERIES A, DUE JANUARY 1, 1953

Interest payable January 1 and July 1 at the office of Speyer & Co., New York, or of Harris Trust & Savings Bank, Chicago, in United States gold coin, without deduction for any present or future German taxes. Principal payable at the office of Speyer & Co. Coupon bonds in denominations of $1,000 and $500, registerable as to principal. The corporation reserves the right to call series A bonds for reedmption at par, as a whole or in part, on any interest date, upon 60 days' previous notice.

Annual cumulative sinking fund, beginning in 1931, sufficient to redeem 60 per cent of series A bonds at or before maturity, to be applied to the purchase of such bonds at or below par and accrued interest, or, if not so obtainable, to redemption by lot at par, the first redemption to be on January 1, 1932. In lieu of cash payments, the corporation may tender series A bonds at par.

Mr. M. Krone and Dr. M. Fischer, general directors of Westphalia United Electric Power Corporation, have summarized in part their accompnying letter of January 14, 1928, as follows:

Westphalia United Electric Power Corporation is one of the largest producers and distributors of electricity in Germany and furnishes the greater part of the electric light and power used in an industrial section with approximately 3,000,000 inhabitants. The corporation supplies, directly or through local distributing systems, electricity to about 440,000 consumers in 530 communities and gas to over 21,000 consumers in 14 communities. The cities served include Dortmund, Barmen, Bochum, and Munster.

The entire capital stock of the corporation, approximately $10,000,000 par value, is owned, directly or indirectly, by municipalities served and by the Free State of Prussia.

The bonds will be the direct obligation of Westphalia United Electric Power Corporation and will be secured, upon redemption of $7,500,000 first mortgage 6½ per cent bonds to be called for payment on June 1, 1928, by a direct first mortgage on substantially all the fixed properties now owned by the corporation and its subsidiary companies, subject only to charges under laws enacted to give effect to the Dawes plan (payments in respect of which, on the basis of present provisional assessments, will be $92,132 per annum) and to a real-estate mortgage of $33,333 on a small portion of the property of the corporation. The lien of the mortgage is to be extended to all fixed property, mortgageable under German law, hereafter acquired by the corporation or its present subsidiary operating companies and by future subsidiary companies the properties of which may be subjected to the mortgage.

The bonds will be issued under an indenture to Deutsche Treuhand-Gesellschaft, trustee, and Harris Trust & Savings Bank, Chicago, cotrustee. The total amount of bonds to be at any time outstanding will be limited to $50,000,000 (or equivalent in other currencies). These $20,000,000 series A bonds and the $33,333 mortgage will, upon completion of this financing, be the only secured funded debt of the corporation or of its subsidiary companies. Additional bonds (other than bonds for refunding) may be issued for a principal amount not to exceed 66⅔ per cent of the cost or fair value, whichever is less, of additional fixed properties, under restrictions to be set forth in the indenture, but only if combined net earnings (as defined therein) shall have been not less than three times the annual interest on all bonds to be outstanding under the indenture.

The properties of the corporation and its subsidiary companies include four steam electric power plants with an aggregate installed generating capacity of 160,000 kilowatts, now being increased to 235,000 kilowatts, about 2,669 circuit miles of transmission lines and about 3,460 circuit miles of distribution lines, over 194 miles of gas mains and four coal mines with adequate reserves for the system's requirements. The electric and gas properties to be mortgaged have been appraised by an independent American engineer at about $36,000,000, and the coal properties by an independent German engineer at more than $3,000,000; the total value of these properties is thus about twice the principal amount of these series A bonds.

The proceeds of this issue will be applied to the payment of the above first mortgage 6½ per cent bonds and of floating debt incurred for capital expenditures, and to additions, and improvements to the properties of the corporation and its subsidiary companies.

Combined earnings of the corporation and its subsidiary companies (intercompany transactions eliminated), as certified by Messrs. Haskins & Sells, were as follows:

	12 months ended	
	Aug. 31, 1927	Dec. 31, 1926
Gross operating earnings	$10,523,107	$8,580,736
Non-operating income	359,371	386,812
Total	10,882,478	8,967,548
Operating expenses, maintenance, depletion and taxes	6,792,011	5,634,516
Net earnings (before interest and reserves for renewals and replacements)	4,090,467	3,333,032

The above net earnings for the twelve months ended August 31, 1927, after deducting therefrom the Dawes plan charges referred to, were equal to about 3¾ times the annual interest on these bonds. The net earnings include $221,177 for the 12 months ended August 31, 1927, and $133,329 for the year 1926, applicable to interests not owned by the corporation in subsidiary companies, substantially all the fixed properties of which are to be subject to the mortgage securing these bonds.

During the past two years additions to properties amounted to over $15,800,000, the effect of which is only partially reflected in the above earnings, and substantial sums from the proceeds of this issue will be expended for the further development of the system.

All conversions from German to United States currency have ben made at 4.20 reischsmarks to the dollar.

Application will be made to list these bonds on the New York Stock Exchange.

All proceedings in connection with the issuance of the above bonds are subject to the approval of our counsel, Messrs. Sullivan & Cromwell, New York, and Messrs. Albert & Westrick, Berlin. The above statements are subject to correction for cable errors.

We offer the above bonds for subscription, if, as, and when issued and received by us, at 92¾ per cent and accrued interest, to yield about 6.60 per cent.

Westphalia United Electric Power Corporation first mortgage sinking fund gold bonds, 6½ per cent series, due 1950, to be called, will be accepted in payment for these bonds at the redemption price of par and interest to June 1, 1928, discounted at 4½ per cent from date of delivery, provided notice of the amount of bonds to be so tendered is given not less than five days before the date fixed for delivery of the new bonds.

We reserve the right to close the subscription at any time without notice, to reject any application and to allot a smaller amount than applied for. Amounts due on allotment will be payable at the office of Speyer & Co., 24 & 26 Pine Street, in New York funds, on or about February 21, 1928, as called for, against delivery of interim receipts exchangeable for definitive bonds when ready.

SPEYER & CO.
HARRIS, FORBES & CO.

JANUARY 23, 1928.

The following letter is subject to correction for cable errors.

WESTPHALIA UNITED ELECTRIC POWER CORPORATION,
DORTMUND, GERMANY, *January 14, 1928.*

Messrs. SPEYER & CO., and HARRIS, FORBES & CO.,
New York.

DEAR SIRS: In connection with your purchase of $20,000,000 Westphalia United Electric Power Corporation (Vereinigte Elektrizitätswerke Westfalen G.m.b.H.) first mortgage 6 per cent sinking fund gold bonds, series A, due January 1, 1953, we take pleasure in giving you the following information:

Westphalia United Electric Power Corporation is one of the largest producers and distributors of electricity in Germany and furnishes the greater part of the electric light and power used in one of the most important industrial sections of western Germany with an area of over 4,255 square miles and approximately 3,000,000 inhabitants. The corporation supplies, directly or through local distributing systems, electricity to about 440,000 consumers in 530 communities (serving directly more than 180,000 consumers in 395 communities), and gas to over 21,000 consumers in 14 communities.

The entire capital stock of the corporation is owned, directly or indirectly, by municipalities served and by the Free State of Prussia.

The territory served includes most of the industrial areas in the valleys of the Ems, Lippe, Ruhr, and Wupper Rivers, including the cities of Dortmund, Barmen, Bochum, Munster, Buer, Herne, Recklinghausen, Horde, and Witten; it is one of the most important coal mining sections of Europe and a highly developed manufacturing district with iron and steel works; foundries; machine shops; rolling, stamping, and forging mills; enamelling plants; cotton, linen, and jute spinning and weaving mills; cement, lime, tile, and brick plants; chemical works; glass, leather, woodworking, and other factories.

SECURITY

The bonds will be the direct obligation of Westphalia United Electric Power Corporation and will be secured, upon redemption of outstanding bonds to be called as stated below, by a direct first mortgage on substantially all the fixed properties now owned by the corporation and its subsidiary companies, subject only to charges under laws enacted to give effect to the Dawes plan and to a real estate mortgage of $33,333 on a small portion of the property of the corporation. The lien of the mortgage is to be extended to all fixed property, mortgageable under German law, hereafter acquired by the corporation or its present subsidiary operating companies and by uture subsidiary companies the properties of which may be subjected to the mortgage.

Under the Dawes plan and the law of industrial charges of August 30, 1924, the corporation and its subsidiary companies have issued approximately $1,378,000 principal amount of industrial debentures, the maximum annual payments in respect of which, amounting to about $82,680, are secured by a first charge upon their fixed properties. The total charges, in accordance with the above law and other legislation for carrying out the Dawes plan on the basis of present provisional assessments, will be $92,132 per annum.

The corporation owns at least 93½ per cent of the capital stock of each of its subsidiary companies except Gemeinschaftswerk Hattingen G.m.b.H. and a half interest in this company; the other half is owned by the city of Barmen. Gemeinschaftswerk Hattingen G.m.b.H. owns one of the power plants to be subject to the mortgage securing these bonds.

The outstanding $7,500,000 first mortgage sinking fund gold bonds, 6½ per cent series due 1950, are to be called for redemption on June 1, 1928, and funds from the proceeds of this issue will be deposited for this purpose with the cotrustee under the indenture for those bonds.

The bonds will be issued under an indenture to Deutsche Treuhand-Gesellschaft, trustee, and Harris Trust & Savings Bank, Chicago, cotrustee. The total amount of bonds to be at any time outstanding will be limited to $50,000,000 (or equivalent in other currencies). These $20,000,000 series A bonds and the $33,333 mortgage will, upon completion of this financing, be the only secured funded debt of the corporation or of its subsidiary companies. Additional bonds may be issued as series A bonds or bonds of other series with such rates of interest, maturity dates and other provisions as may be determined by the corporation, under restrictions to be set forth in the indenture, for a principal amount not to exceed 66⅔ per cent (in the case of coal properties not to exceed 50 per cent of the cost or fair value, whichever is less, of (*a*) additions and improvements made by the corporation or by subsidiary companies, the fixed properties of which are subject to the mortgage, and (*b*) fixed properties, subjected to the mortgage, of additional subsidiary companies; but bonds may be so issued only if, for a period of 12 consecutive months (within 15 months preceding application for such issue), combined net earnings (as defined in the indenture), shall have been not less than three times the annual interest on all bonds to be outstanding under the indenture, including bonds then to be issued. Bonds may be issued also for refunding, but only for an amount not to exceed the bonds to be refunded. The indenture will provide that hereafter only $8,000,000 bonds may be issued in respect of gas properties and only $3,000,000 bonds in respect of coal properties.

PROPERTIES

The electric properties include four steam power plants with an aggregate installed generating capacity of 160,000 kilowatts, now being increased to 235,000 kilowatts; about 2,669 circuit miles of transmission lines (including about 474 miles of 50,000 and 100,000 volt lines carried on steel towers, 1,268 miles of 10,000 and 15,000 volt lines, and about 927 miles of underground cable); and about 3,460 circuit miles of distribution lines (of which about 670 miles are underground). The corporation operates a hydroelectric plant with an installed capacity of 6,000 kilowatts under a lease from the Ruhr Valley Stream Control Association (Ruhrtalsperre-Verein), extending to 1948, and has, in addition, contracts for the purchase of power from hydroelectric plants with an aggregate capacity of 6,000 kilowatts and from steam plants with an aggregate capacity of 33,000 kilowatts.

The gas properties include 194 miles of mains (of which 39 miles are high-pressure transmission mains) and six small generating plants. Two plants are operated under lease. The greater part of the gas distributed is purchased from by-product coke oven plants. Four coal mines, owned by subsidiary companies, have reserves adequate for the system's requirements, on the basis of present operations, for a period extending beyond the maturity of these bonds.

The electric and gas properties to be mortgaged have been appraised as of August 31, 1927, by W. S. Hulse, esq., an independent American engineer, at about $36,000,000 and the coal properties by Doctor Weise, director of the government mines department for the Westphalia district, an independent German engineer, at more than $3,000,000; the total value of these properties is thus about twice the principal amount of these series A bonds.

PURPOSE

The proceeds of this issue will be applied to the payment of the above first mortgage 6½ per cent bonds and of floating debt incurred for capital expenditures, and to additions and improvements to the properties of the corporation and its subsidiary companies

Capitalization upon completion of this financing

First mortgage sinking fund gold bonds total amount to be at any time outstanding limited to $50,000,000 (or equivalent in other currencies); to be presently issued; 6 per cent series A bonds due Jan. 1 1953	$20,000,000
Real-estate mortgage: 140,000 reichsmarks	33,333
Unsecured funded debt (including advance of 2,857,647 reichsmarks from city of Barmen to Gemeinschaftswerk Yattingen G.m.b.H.), about 11,721,000 reichsmarks	2,790,714
Subsidiary companies' stock owned by minority interests, 1,478,769 reichsmarks	352,088
Capital stock: Authorized and issued 42,000,000 reichsmarks [1]	10,000,000

EARNINGS

Combined earnings of the corporation and its subisdiary companies (intercompany transactions eliminated), as certified by Messrs. Haskins & Sells, were as follows:

	12 months ended—	
	Aug. 31, 1927	Dec. 31, 1926
Gross operating earnings	$10,523,107	$8,580,736
Nonoperating income	359,371	386,812
Total	10,882,478	8,967,548
Operating expenses, maintenance, depletion, and taxes	6,792,011	5,634,516
Net earnings (before interest and reserves for renewals and replacements)	4,090,467	3,333,032

The above net earnings for the 12 months ended August 31, 1927, after deducting therefrom the Dawes plan charges referred to, were equal to about three and one-third times the annual interest on these bonds. The net earnings include $221,177 for the 12 months ended August 31, 1927, and $133,329 for the year 1926, applicable to interests not owned by the corporation in subsidiary companies, substantially all the fixed properties of which are to be subject to the mortgage securing these bonds.

During the past two years additions to properties amounted to over $15,800,000, the effect of which is only partially reflected in the above earnings, and substantial sums from the proceeds of this issue will be expended for the further development of the system.

GROWTH OF BUSINESS

The sales of electricity and gas of Westphalia United Electric Power Corporation, its subsidiary and predecessor companies (exclusive of intercompany sales), have been as follows:

	Electricity	Gas
	Kilowatt-hours	*Cubic meters*
12 months ended Dec. 31—		
1924	241,887,735	5,788,441
1925	333,188,414	6,656,703
1926	334,117,001	6,532,603
Oct. 31, 1927	422,436,892	7,300,272

[1] Including 324,000 reichsmarks treasury stock.

FRANCHISES

The operations of the corporation are conducted under concessions for the 405 communities served directly. For Dortmund, the most important city served, and for a large number of other municipalities, the concessions extend beyond the maturity of these bonds. Most of the concessions provide that, under conditions specified therein, the municipalities may purchase the distribution systems within their limits.

BOND PROVISIONS

Series A bonds will be dated January 1, 1928, mature January 1, 1953, and bear interest at the rate of 6 per cent per annum, payable semiannually January 1 and July 1. Principal will be payable at the office of Speyer & Co., New York, and interest will be payable at their office, or, at the option of the holder, at the office of Harris Trust & Savings Bank, Chicago, in United States gold coin of the standard of weight and fineness existing on January 1, 1928, without deduction for any present or future German taxes. The bonds will be issued in coupon form in denominations of $1,000 and $500, registerable as to principal.

SINKING FUND AND REDEMPTION

An annual cumulative sinking fund, beginning in 1931, is provided for, sufficient to redeem 60 per cent of series A bonds at or before maturity, to be applied to the purchase of such bonds at or below par and accrued interest, or, if not so obtainable, to redemption by lot at par, the first redemption to be on January 1, 1932. In lieu of cash payments, the corporation may tender series A bonds at par.

The corporation reserves the right to call series A bonds for redemption at par, as a whole or in part, on any interest date, upon 60 days' previous notice.

All conversions from German to United States currency have been made at 4.20 reichsmarks to the dollar.

Application will be made to list these bonds on the New York Stock Exchange.

Very truly yours,

VEREINIGTE ELEKTRIZITATSWERKE WESTFALEN G. M. B. H.
KRONE, *General Director.*
FISCHER, *General Director.*

UNITED GLANZSTOFF MANUFACTURING CORPORATION

(Vereinigte Glanzstoff-Fabriken Aktiengesellschaft) Elberfeld, Germany

THREE-YEAR 5½ PER CENT GOLD NOTE

Delivery will be made in the form of coupon participation certificates, in denominations of $10,000 and $25,000, issued by the Equitable Trust Co. of New York, which will hold a note of the corporation for $3,000,000 principal amount, dated July 1, 1927, due July 1, 1930.

Interest payable January 1 and July 1. Principal and interest payable in New York City at the office of the Equitable Trust Co. of New York, in United States gold coin of, or equal to, the present standard of weight and fineness, without deduction for any present or future German taxes. The corporation reserves the right to call the note for redemption at par and interest, at any time, upon not less than 60 days' notice.

Dr. F. Blüthgen and Dr. W. Springorum, managing directors of United Glanzstoff Manufacturing Corporation, have furnished the following statement:

United Glanzstoff Manufacturing Corporation (Vereinigte Glanzstoff-Fabriken Aktiengesellschaft, Elberfeld, Germany), established in 1899, is one of the leading producers of artificial silk. The chief plants of the corporation and of its subsidiary companies are located in Oberbruch (near Heinsberg, District of Aachen), Sydowsaue (near Stettin), Waldniel (near Dülken, Rhineland), Munich, Petersdorf-Riesengebirge and Frankfort-on-Main.

In addition, the corporation owns important stock interests in other companies manufacturing artificial silk in Germany and other countries, including J. P.

Bemberg, Aktiengesellschaft in Barmen (plants in Barmen, Augsburg, and Crefeld, Germany), American Bemberg Corporation, which is now operating its recently completed plant in the United States, Erste Oesterreichische Glanzstoff-Fabrik A. G. (plant in Austria), Bohmische Glanzstoff-Fabrik, System Elberfeld (plant in Czechoslovakia), N. V. Erste Nederlanosche Kunstzijdefabriek (plant in Holland) and La Seta Bemberg S. A. (plant in Italy). The corporation, jointly with the German Dye Combination (I. G. Farbenindustrie Aktiengesellschaft), organized in 1925 the Aceta G. m. b. H. (with a plant in Lichtenberg, Germany, which is now in operation); jointly, with Courtaulds (Ltd.), it organized in the same year Glanzstoff-Courtaulds G. m. b. H. (with a plant in Köln-Niehl, Germany, which it is expected will be in operation in the fall of this year).

The note will be the direct obligation of the corporation which has agreed that as long as the note is outstanding, neither the corporation nor any of its subsidiary companies, as defined therein, will (*a*) mortgage any fixed assets (except by way of purchase money mortgages) or (*b*) pledge any other assets (except current assets in the ordinary course of business for indebtedness maturing in less than 12 months), as security for any loan or other obligation, without securing this note equally and ratably with such loan or obligation.

The net assets of the corporation, as of December 31, 1926, together with the proceeds of the note, are equal to about five and one-half times the principal amount of the note. Patents and processes are included among the assets at 1 Reichsmark.

The proceeds of this note will be used for general corporate purposes.

The capitalization, authorized and issued, is:

6 per cent preferred stock (600,000 Reichsmarks)	$142, 857
Common stock (42,000,000 Reichsmarks)	10, 000, 000

The market value of the capital stock, at present quotations (about 575 per cent for the common stock), is approximately $57,500,000.

Neither the corporation nor any of its subsidiary companies has any funded debt.

In connection with the Dawes plan, the corporation and its subsidiary companies have issued in the aggregate $———, principal amount, industrial debentures, secured by a first charge on their property; the maximum liability in respect of such debentures is 6 per cent per annum for interest and amortization. The total payments required under laws enacted to give effect to the Dawes plan, including amounts for the service of the above debentures, were for the year 1926 about $32,600 and will not (on the basis of present assessments of about $———) exceed $——— in any one year.

Net earnings, after operating expenses, maintenance and taxes and Dawes plan payments, but before depreciation, other reserves and management bonuses, were as follows: 1924, $1,757,786; 1925, $2,189,445; 1926, $2,316,448.

Such net earnings in 1926 (after deducting maximum yearly Dawes plan charges) were equal to over thirteen and one-half times the annual interest on this note.

Since 1901 the corporation has paid dividends on its common stock in every year. The dividend rate was 10 per cent for 1924 and 15 per cent for 1925 and 1926.

All conversions from German to United States currency have been made at 4.20 Reichsmarks to the dollar.

All proceedings in connection with the issuance of the above note are subject to the approval of our counsel, Messrs. Cadwalader, Wickersham & Taft, New York, and ———, Berlin.

We offer the above certificates of participation subject to prior sale, if, as and when issued and received by us, at 98.65 per cent and accrued interest, to yield 6 per cent.

Payment is to be made in New York funds on or about July 1, 1927, at the office of Speyer & Co., 24–26 Pine Street, against delivery of participation certificates.

SPEYER & CO.
LEHMAN BROS.

The above statements have been obtained from official and other sources believed to be reliable.

KINGDOM OF BULGARIA 7 PER CENT SETTLEMENT LOAN, 1926

FOUR MILLION FIVE HUNDRED THOUSAND DOLLARS 40-YEAR SECURED SINKING FUND GOLD BONDS

(Part of international loan for settlement of refugees), authorized and approved by the Council of the League of Nations

Dated January 1, 1927, due January 1, 1967. Interest payable January 1 and July 1. Principal and interest payable in New York City, at the office of Speyer & Co. or of J. Henry Schroder Banking Corporation, fiscal agents, in United States gold coin of the present standard of weight and fineness, without deduction for any Bulgarian taxes, present or future. Coupon bonds in denominations of $1,000 and $500.

Cumulative sinking fund sufficient to repay the entire loan at or before maturity. This sinking fund is to be increased by all sums received after November 1, 1928, from settlers in payment for land, buildings, or material, or repayment of advances. The sinking fund is to be applied to the purchase of bonds at or below par, or, if not so obtainable, to semiannual redemption by lot at par, the first redemption to be on January 1, 1928.

Not subject to call before January 1, 1939, except for sinking fund. The government reserves the right to repay at par on that date, or on any interest date thereafter, all or any part of the bonds then outstanding, upon not less than six months' previous notice.

These $4,500,000 bonds and £2,400,000 sterling bonds constitute the total amount of the loan. One million seven hundred and fifty thousand pounds of the sterling bonds are being offered in London by the Ottoman Bank, J. Henry Schroder & Co. and Stern Bros., and the remaining £650,000 sterling bonds are being offered in Holland, Italy, and Switzerland.

His Excellency Wladimer Molloff, Minister of Finance, has authorized the following statement in behalf of the Bulgarian Government:

The loan is authorized and approved by the Council of the League of Nations and is issued pursuant to its resolution of September 7, 1926, the Geneva protocol of September 8, 1926, ratified by an act of the Bulgarian Parliament of September 30, 1926, and an act of Parliament of December 16, 1926, approving the loan contract. These $4,500,000 bonds and £2,400,000 sterling bonds constitute the total amount of the loan.

Purpose: The purpose of this loan is to provide funds for the settlement of approximately 120,000 Bulgarian refugees from other countries, for the repayment of short-term indebtedness incurred in anticipation of the loan and of about 76,000,000 French francs (about $3,040,000) Bulgarian Treasury bills. The proceeds of the loan, after deducting the above repayments, will be expended under the direct control of a commissioner appointed by the Council of the League of Nations.

The Government of Bulgaria has undertaken to provide not less than 132,000 hectares (about 326,000 acres) of suitable unencumbered land, to be approved by the commissioner.

Security: The loan will be the direct obligation of the Bulgarian Government and will be secured by a first charge on the following revenues: (*a*) excise duty on alcohol, beer, etc.; (*b*) excise duty on salt, sugar, and various imported commodities; (*c*) net receipts of the match monopoly.

The receipts from the above revenues are estimated by the financial committee of the League of Nations, on the basis of last year's yield, to amount to a total of 19,700,000 gold francs (about $3,800,000), or over three times the annual interest and sinking fund on the loan.

(*d*) All payments made after November 1, 1928, by settlers for rent or interest. Sums received in payment for land, buildings, or material, or repayment of advances are to be added to the sinking fund for the loan.

If, at any time, the receipts from the above revenues should fall below 150 per cent of the annual sum required to meet the service of the loan, the Bulgarian Government agrees to provide additional revenues (other than the customs), sufficient to insure total revenues equal to at least 150 per cent of the service requirements.

The pledged revenues will be paid, as collected, into a special account (with the National Bank of Bulgaria), to be controlled by the commissioner and, after the termination of his functions, by trustees to be appointed for the bondholders by the council of the League of Nations. The sum required to meet the service of the loan will be remitted to the fiscal agents in monthly installments for the account of the trustees.

By decisions of the Inter-Allied Commission, the revenues now or hereafter pledged for the loan are, or (as the case may be) will be, released from the charge for reparation payments.

A reserve fund, equal to one-half year's service of the loan, is to be deposited with the trustees and any amount drawn therefrom to complete service requirements, is to be forthwith restored.

Bulgaria, with an area of about 40,000 square miles, has over 5,000,000 inhabitants, or a larger population than Denmark, Finland, Norway, or Switzerland. The country is mainly agricultural and exports considerable quantities of tobacco, cereals, and other farm products. The currency has been stable since 1922.

External loans of Bulgaria were sold before the war in England and leading countries of Continental Europe; the 4½ per cent bonds of 1907 and 1909 (the last pre-war loans) were marketed on a 5 per cent basis.

Application will be made to list these bonds on the New York Stock Exchange.

For further information reference is made to the accompanying letter, dated December 15, 1926, from His Excellency Wladimer Molloff, Minister of Finance.

All proceedings in connection with the issuance of the above bonds are subject to the approval of our counsel, Messrs. Cadwalader, Wickersham & Taft.

We offer the above bonds for subscription, if, as and when issued and received by us, at 92 per cent and accrued interest, to yield about 7.65 per cent.

We reserve the right to close the subscription at any time without notice, to reject any application and to allot a smaller amount than applied for. Amounts due on allotment will be payable a the office of Speyer & Co., 24–26 Pine Street, in New York funds on or about January 4, 1927, as called for, against delivery of interim receipts exchangeable for definitive bonds when ready.

SPEYER & CO.
BLAIR & CO., INC.
J. HENRY SCHRODER BANKING CORPORATION.

DECEMBER 22, 1926.

The following letter has been received by cable and is subject to correction:

BULGARIAN LEGATION,
London, S. W. 7, December 15, 1926.

Messrs. SPEYER & CO., BLAIR & CO. (INC.), and
J. HENRY SCHRODER BANKING CORPORATION.

GENTLEMEN: With reference to the Kingdom of Bulgaria 7 per cent settlement loan 1926 of which £2,400,000 is to be issued in Great Britain, Italy, Holland, and Switzerland and $4,500,000 in the United States of America, I beg to give you the following information:

On May 3 of this year the Bulgarian Government approached the League of Nations with a request for raising, under its auspices, a foreign loan for the settlement of those of the refugees (who in large numbers have since 1913 flocked into Bulgaria from the adjacent countries), for whom the country was unable to provide out of its own resources. After investigation the Council of the League of Nations adopted resolutions authorizing the Bulgarian Government to issue abroad a loan, the net proceeds of which were not to exceed £2,250,000 and were to be applied, under the control of a commissioner responsible to the council, to the settlement of the refugees who are certified by the Bulgarian Government to be Bulgarian nationals and who have declared in writing that they will consider themselves in future as such. The Council of the League of Nations, being satisfied that the holders of certain Bulgarian Treasury bills, issued in Paris in 1912 and 1913, have a contractual right to repayment out of the proceeds of the first loan raised abroad by the Bulgarian Government, further agreed to allow the settlement loan to be increased by an amount sufficient to provide the sum required to liquidate the balance outstanding of the bills and the total nominal amount of the settlement loan has thus been increased by £727,779.

The conditions under which the settlement loan should be issued, the purposes for which it should be used, the securities and charges to be set aside for its service, the organization for the settlement of, and the land to be assigned for the use of the refugees, as also the appointment of trustees, and of a commissioner for carrying out the functions ascribed to him, are embodied in a protocol which was signed in Geneva on September 8, 1926, on behalf of the Bulgarian Government.

The proceeds of the settlement loan up to an amount of £2,250,000, after providing for the repayment of certain short term indebtedness incurred in anticipation of such loan, will be placed to the credit of a special account with the National Bank of Bulgaria, under the direct control of a special commissioner appointed by the League of Nations.

For the purpose of settlement the Bulgarian Government has undertaken to provide not less than 132,000 hectares of land which is, or may be made suitable for agricultural settlement (exclusive of pasture land).

All assistance given to refugees out of the loan will be on terms of repayment and no part of the loan will be used for any charitable purposes, or for the acquisition of land. Nevertheless when settlements on a large scale are established, such disbursements of a general or social nature may be made, on such terms as the commissioner may approve, as may serve to promote the development of these settlements and improve the health conditions of the population.

The settlement loan will be amortized by the application half yearly of an accumulative sinking fund sufficient to redeem the total issue in 40 years.

In accordance with the protocol the Bulgarian Government, with the approval of the Interallied Commission and the Reparation Commission, has undertaken to furnish as security for the settlement loan the following revenues:

1. The excise duty on alcohol and other articles enumerated in chapter 15 of the State budget for 1925-26.

2. The excise duty on salt and other articles enumerated in chapter 16 of the budget.

3. The net receipts of the match monopoly.

4. All sums received after the expiry of two years from the appointment of the commissioner in respect of rent or interest due from persons assisted out of the yield of the settlement loan. Sums received from such persons as payment for the purchase of land, building or material or as repayment of advances in cash or in kind, shall be applicable to the additional amortization of the settlement loan.

5. Such other revenue or revenues, if any (excluding the customs), as may from time to time be assigned in accordance with the following paragraph:

"If at any time the total yield of the above-mentioned revenues should fall below 150 per cent of the annual sum required to meet the service of the settlement loan, the trustees may request the council to call upon the Interallied Commission, established under article 130 of the treaty of Neuilly, to release from the charge laid down in article 132 of the treaty of Neuilly, in accordance with the decision taken by the Interallied Commission on July 22, 1926, such additional revenues (other than the customs) as may be sufficient to assure the immediate restoration of the yield to the above percentage and such additional revenue so released shall be forthwith assigned to the service of the settlement loan."

The revenues from the security pledged under Nos. 1, 2, and 3 above, which have been under the control of the commissioner since October 15, 1926, are estimated by the financial committee of the League of Nations, on the basis of last year's yield, to amount to a total of gold francs 19,700,000 per annum, which is more than three times the amount required for the service of the settlement loan. The stability of the security is assured by the undertaking of the Government that it will not take any measures which, in the opinion of the trustees for the loan, would be such as to diminish the aggregate value of the assigned revenues.

The Bulgarian Government has undertaken to collect and pay all the pledged revenues into a special account with the National Bank of Bulgaria for the purpose of assuring the service of the settlement loan. The commissioner and, after the termination of his functions, the trustees appointed by the League of Nations, may alone control this account. Any balance of the account, not required or retainable for the service and the expenses of the settlement loan in accordance with the protocol, will be released to the Bulgarian Government.

At least one-twelfth of the annual service of the settlement loan has to be remitted monthly to the trustees' account with the bankers charged with such service.

There will be reserved out of the proceeds of the settlement loan and deposited with the trustees a sum sufficient to cover one-half year's service of the total nominal amount of the loan. Such sum is to be drawn upon in case of need to complete the amount required to provide for the service of the loan in any half year, but, in such case, any amount so drawn is to be made good out of the next receipts of the assigned revenues.

During the three fiscal years 1922-23 to 1924-25 the budget of the State of Bulgaria showed a surplus, and for the year 1925-26 it is estimated that the budget will balance.

In their report dated June 9, 1926, the financial committee of the league gave it as their opinion that the statutes of the National Bank of Bulgaria might with advantage be modified in order to bring them into conformity with the best principles of central banking. Such modifications have been assured to come into force on January 1, 1927. Bulgarian currency has been stable since 1922.

In order that the demands for the payments in foreign exchange required for the payment of reparations should not be pressed without due regard to the exchange position in Bulgaria and the stability of the currency be thereby endangered, the reparation commission agreed, by a decision dated July 23, 1926, that the Bulgarian Government will have the right, at any time during the existence of the settlement loan, to make to the interallied commission a request that, in the interest of the stability of the Bulgarian exchange, purchases of foreign currency necessary for the payment of reparations under the protocol signed at Sofia on March 31, 1923, be suspended either in whole or in part. Upon such request a transfer committee will be appointed which will be responsible for purchasing foreign exchange for reparation payments to the extent to which it considers that the stability of Bulgarian currency allows.

The Bulgarian Government has undertaken, in the terms of a letter dated December 7, 1926, addressed by the Finance Minister of Bulgaria to the Ottoman Bank and others, that the holders of those pre-war Bulgarian bonds, in respect of which no settlement had up to then been reached for the payment of the interest and amortization of their bonds, should as from April 1, 1927, be treated similarly to certain other bondholders with whom agreements had been reached and has also arranged for the settlement of outstanding questions concerning certain coupons.

The settlement loan is the direct obligation of the Bulgarian Government and the principal and interest of the loan are payable without deduction of any present or future Bulgarian taxes whatsoever.

Yours faithfully,

WLADIMER MOLLOFF, *Minister of Finance.*

BERLIN ELECTRIC ELEVATED & UNDERGROUND RAILWAYS CO. (GESELLSCHAFT FÜR ELEKTRISCHE HOCH- UND UNTERGRUNDBAHNEN IN BERLIN)

FIFTEEN MILLION DOLLARS 30-YEAR FIRST-MORTGAGE 6½ PER CENT SINKING FUND GOLD BONDS

($3,000,000 bonds of this issue have been withdrawn for sale in Holland by Messrs. Hope & Co., Teixeira de Mattos Brothers, and Deutsche Bank, Amsterdam)

The city of Berlin, as stated below, owns a majority of the company's capital stock. The city has entered into an agreement with the company providing that fares will be maintained adequate to insure earnings which will cover operating expenses, interest, and sinking fund on all loans and proper provision for depreciation and other necessary reserves and that if, for any reason, the fares should not be maintained at rates adequate to insure sufficient earnings available for such purposes, the city will provide the funds necessary therefor.

Dated October 1, 1926, due October 1, 1956. Interest payable April 1 and October 1. Principal and interest payable in New York City, in United States gold coin of, or equal to, the present standard of weight and fineness, without deduction for any present or future German taxes, at the office of Speyer & Co., fiscal agent for the loan.

Such principal and interest shall also be collectible, at the option of the holders, in Holland at the offices of the above named Dutch banking houses, at the equivalent in guilders, the rate of exchange being fixed from time to time by houses. Coupon bonds in denominations of $1,000 and $500, registerable as to principal.

Cumulative annual sinking fund sufficient to repay the entire issue at or before maturity, to be applied to the purchase of bonds at or below par and interest, or, if not so obtainable, to redemption by lot at par and interest. The company reserves the right to call for redemption on any interest date, upon not less than three months' notice, all of any part of the bonds then outstanding at 102½ per cent and interest, up to and including October 1, 1931, and thereafter at par and interest.

DEUTSCHE TREUHAND-GESELLSCHAFT, *Trustee,*
THE EQUITABLE TRUST CO. OF NEW YORK, *Cotrustee.*

Doctor Karding, treasurer of the city of Berlin, and Messrs P. Wittig and H. Dettmar, managing directors of the company, have summarized their accompanying letter of November 11, 1926, as follows:

Capitalization upon completion of present financing

30-year first-mortgage 6½ per cent sinking fund gold bonds, due Oct. 1, 1956	$15,000,000
Unsecured loan from city of Berlin, repayable with interest at 6½ per cent through cumulative annual sinking fund by Apr. 1, 1950, 15,000,000 reichsmarks	3,571,000
Mortgages on real estate not used for railway operation, about 420,000 reichsmarks	100,000
Capital stock, authorized and issued, 175,244,000 reichsmarks (including 62,000,000 reichsmarks ($14,761,905) par value, capital stock, 50 per cent paid, the balance subject to call)	41,724,762

There are also outstanding 1,250 profit-sharing certificates (no par value), the holders of which are entitled to one-quarter of the net profits after payment of dividends at the rate of 8 per cent on the stock of the company.

The Berlin Electric Elevated & Underground Railways Co., now controlled by the city of Berlin, was organized in 1897 as a private corporation and began operation in 1902. The company owns about 28.7 miles of elevated and underground lines and operates a total, including connecting lines, of about 33.1 miles. These lines constitute the entire electric rapid transit system now in operation in the city of Berlin, the third largest city of the world, with about 4,000,000 inhabitants.

Security: The city of Berlin, directly or through a corporation wholly owned by the city, now owns more than a majority of the 175,244,000 reichsmarks ($41,724,762) capital stock of the company, viz, 97,000,000 reichsmarks ($23,095,238) par value, including 62,000,000 reichsmarks ($14,761,905) par value on which 50 per cent has been paid, the balance being subject to call. The city has entered into an agreement with the company providing that fares will be maintained adequate to ensure earnings which will cover operating expenses, interest, and sinking fund on all loans and proper provision for depreciation and other necessary reserves and that if, for any reason, the fares should not be maintained at rates adequate to ensure sufficient earnings available for such purposes, the city will provide the funds necessary therefor.

The bonds will be issued under an indenture to the Deutsche Treuhand-Gesellschaft, trustee, and the Equitable Trust Co. of New York, cotrustee, and will be secured by a direct first mortgage on all the elevated and underground railway properties of the company, including equipment and power plant, subject only to charges under the laws enacted to give effect to the Dawes plan, payments in respect of which (on the basis of present assessments) are conservatively estimated as not exceeding $225,000 in any one year. It is estimated that the principal amount on which such charges are computed will not exceed $3,750,000. The company covenants to extend the lien of this mortgage to all property hereafter acquired with the proceeds of bonds issued thereunder.

The total authorized amount of bonds is limited to $25,000,000 (or equivalent in reichsmarks). There will be presently issued $15,000,000 in bonds. The remaining bonds may be issued for additions, betterments, extensions, etc., under restrictions to be set forth in the indenture.

The rapid-transit system owned includes 6 miles of elevated and 22.7 miles of underground lines with a total of about 71.5 miles of track. The company owns its power plant which generates most of the electric current required, the remainder being supplied chiefly by the Berlin City Electric Co., all the capital stock of which is owned by the city. The equipment of the company includes about 800 cars. The cost of the existing properties was over $60,000,000 and the cost of reproduction is estimated at over $100,000,000.

Purpose: The proceeds of this issue will be used for betterments, additions, and equipment, for the payment of floating debt incurred in the construction of lines acquired from the city and of extensions recently placed in operation, for the redemption of 13,463,700 reichsmarks ($3,205,261) par value of the company's outstanding bonds and other obligations, and for other corporate purposes.

Earnings: The gross revenues of the lines now owned by the company were for the year 1925, $7,367,000 and the net earnings after operating expenses, maintenance, and taxes, were $3,290,000, equal (after deducting the above Dawes plan charges) to over three times the annual interest on these bonds. For the year 1926, gross revenues are estimated at about $6,891,000, and net earnings at about $2,911,000, equal (after deducting the above Dawes plan charges) to about two and three-quarters times such interest requirements. The decrease in earnings for 1926 is mainly due to diversion of traffic to the surface lines owned by the city, in consequence of the lower fares still maintained on these lines. There is, however, impending a general revision of fares on all the transit lines now controlled by the city (including also the bus lines), which, it is confidently expected, will result in increased traffic and earnings for the elevated and underground lines. Furthermore, earnings should be materially increased through the operation of over 4 miles of important extensions, service on which began during 1926.

Annual dividends have been paid since 1903 (the first complete year of operation), with the exception of 1923; the dividend rate was 5 per cent for 1924 and 7 per cent for 1925. The stock of the company is quoted on the Berlin Stock Exchange at about par.

All conversions from German to United States currency have been made at 4.20 reichsmarks to the dollar.

Application will be made to list these bonds on the New York Stock Exchange.

All proceedings in connection with the issuance of the above bonds are subject to the approval of our counsel, Messrs. Sullivan & Cromwell, New York, and Messrs. Albert & Westrick, Berlin.

We offer the above bonds for subscription, if, as and when issued and received by us, at 94½ per cent and accrued interest, to yield about 6.95 per cent.

We reserve the right to close the subscription at any time without notice, to reject any application and to allot a smaller amount that applied for. Amounts due on allotment will be payable at the office of Speyer & Co., 24 and 26 Pine Street, in New York funds on or about December 6, 1926, as called for, against delivery of interim receipts exchangeable for definitive bonds when ready.

SPEYER & CO.
BLYTH, WITTER & CO.
THE EQUITABLE TRUST CO. OF NEW YORK.

NOVEMBER 12, 1926.

The following letter has been received partly by cable and is subject to correction:

BERLIN ELECTRIC ELEVATED & UNDERGROUND RAILWAYS CO.,
(Gesellschaft für Elektrische Hoch- und Untergrundbahnen in Berlin)
Berlin, November 11, 1926.

Messrs. SPEYER & CO., *New York.*

DEAR SIRS: In connection with your purchase of $15,000,000 Berlin Electric Elevated & Underground Railways Co. (Gesellschaft für Elektrische Hoch- und Untergrundbahnen in Berlin) 30-year first mortgage 6½ per cent sinking fund gold bonds, due October 1, 1956, we take pleasure in giving you the following information:

The Berlin Electric Elevated & Underground Railways Co., organized in 1897 as a private corporation to construct and operate electric elevated and underground lines in the city of Berlin and its suburbs, began operation in 1902. The company owns about 28.7 miles of elevated and underground lines and operates a total, including connecting lines, of about 33.1 miles. These lines constitute the entire electric rapid transit system now in operation in the city of Berlin, the third largest city of the world, with about 4,000,000 inhabitants.

Control by city of Berlin.—The city of Berlin, directly or through a corporation wholly owned by the city, now owns more than a majority of the 175,244,000 reichsmarks ($41,724,762) capital stock of the company, viz, 97,000,000 reischmarks ($23,095,238) par value, including 62,000,000 reichsmarks ($14,761,905) par value on which 50 per cent has been paid, the balance being subject to call. Furthermore, over 69,000,000 reichsmarks ($16,428,571) par value, or about seven-eighths of the remaining stock outstanding, has been deposited under an agreement which provides that the city has the right to acquire all of the deposited stock on or after April 1, 1931, and is obligated to buy any part thereof on or after April 1, 1936, on the demand of the owner. For granting this right to the city, the depositing stockholders are to receive warrants for an amount equal to 20 per cent of the par value of the deposited stock (such warrants to be redeemed by the city in five annual instalments beginning in 1927) and, upon acquisition of the stock, the city will pay the par value thereof, the total payments by the city thus aggregating 120 per cent. Until acquired, the city will pay interest on the par value of the deposited stock at the rate of 7 per cent per annum.

The city recently transferred to the company about 10.4 miles of underground lines, the cost of which was about $24,000,000.

The city is represented on the board of directors through a majority of its members, including Doctor Karding, the treasurer of the city, and Doctor Adler, the chief city engineer.

The city owns the surface lines, operated through a company all the stock of which is owned by the city, and also controls through stock ownership the companies owning and operating the bus lines. The city thus owns or controls all of the transit facilities with the exception of the local steam railroad lines (Stadt- und Ringbahn) of the German National Railway Co.

Security.—The city has entered into an agreement with the company providing that fares will be maintained adequate to ensure earnings which will cover operating expenses, interest and sinking fund on all loans and proper provision for depreciation and other necessary reserves and that if, for any reason, the fares should not be maintained at rates adequate to ensure sufficient earnings available for such purposes, the city will provide the funds necessary therefor.

The bonds will be issued under an indenture to the Deutsche Treuhand-Gesellschaft, trustee, and the Equitable Trust Co. of New York, cotrustee, and will be secured by a direct first mortgage on all the elevated and underground railway properties of the company including equipment and power plant, subject only to charges under the laws enacted to give effect to the Dawes plan, payments in respect of which (on the basis of present assessments) are conservatively estimated as not exceeding $225,000 in any one year. It is estimated that the principal amount on which such charges are computed will not exceed $3,750,000. The company covenants to extend the lien of this mortgage to all property hereafter acquired with the proceeds of bonds issued thereunder.

The total authorized amount of bonds is limited to $25,000,000 (or equivalent in reichsmarks). There will be presently issued $15,000,000 bonds. The remaining bonds may be issued for additions, betterments, extensions, etc., under restrictions to be set forth in the indenture, for an amount not to exceed 60 per cent of the cost or fair value (whichever is less), but only if for a period of 12 consecutive months (within the 15 months preceding application for such issue) net earnings, to be defined in the indenture, shall have equalled at least one and one-half times the annual interest and sinking fund requirements on all bonds issued under the indenture and on the bonds then to be issued.

Purpose.—The proceeds of this issued will be used for betterments, additions and equipment, for the payment of floating debt incurred in the construction of lines acquired from the city and of extensions recently placed in operation, for the redemption of 13,463,700 reichsmarks ($3,205,261) par value of the company's outstanding bonds and other obligations, and for other corporate purposes.

Properties.—The rapid transit system owned included 6 miles of elevated and 22.7 miles of underground lines with a total of about 71.5 miles of track. These lines are of standard gage and are equipped with automatic signals. Furthermore, the company owns a surface railway extension about two miles in length. The company owns its power plant with a capacity of 32,500 kilowatts, which generates most of the electric current required, the remainder being supplied chiefly by the Berlin City Electric Co., all the capital stock of which is owned by the city. The equipment of the company included about 800 cars. Plant and equipment are modern and have been maintained at a high standard of operating efficiency. The cost of the existing properties was over $60,000,000 and the cost of reproduction is estimated at over $100,000,000.

In addition to its own lines the company operates about 4.4 miles of connecting lines under favorable contracts.

Franchises.—None of the franchises expire before 1975. While the city has the right to acquire certain lines of the company in 1937 and at intervals of 10 years thereafter, such purchase can only be made subject to the mortgage securing this issue of bonds. The franchises are free from burdensome restrictions.

Capitalization.—The capitalization of the company, upon the completion of the present financing, will be as follows:

30-year first mortgage 6½ per cent sinking fund gold bonds, due Oct. 1, 1956	$15, 000, 000
Unsecured loan from city of Berlin, repayable with interest at 6½ per cent through cumulative annual sinking fund by Apr. 1, 1950, 15,000,000 reichsmarks	3, 571, 0000
Mortgages on real estate not used for railway operation, about 420,000 reichsmarks	100, 000
Capital stock authorized and issued 175,244,000 reichsmarks	41, 724, 762

including 62,000,000 reichsmarks ($14,761,905) par value, capital stock, 50 per cent paid, the balance subject to call.

There are also outstanding 1,250 profit-sharing certificates (no par value), the holders of which are entitled to one-quarter of the net profits after payment of dividends at the rate of 8 per cent on the stock of the company.

Earnings.—The aggregate earnings of the lines now owned by the company for 1925 and the estimated earnings for 1926 are as follows:

Year	Gross revenues	Operating expenses, maintenance, and taxes	Net earnings after operating expenses, maintenance, and taxes
1925	$7,367,000	$4,077,000	$3,290,000
1926[1]	6,891,000	3,980,000	2,911,000

[1] 3 months estimated.

The net earnings in 1925 were equal (after deducting the above Dawes plan charges) to over three times the annual interest on these bonds. For the current year the estimated net earnings are equal (after deducting the above Dawes plan charges) to about two and three-quarters times such interest requirements. The decrease in earnings for 1926 is mainly due to diversion of traffic to the surface lines owned by the city in consequence of the lower fares still maintained on these lines. There is, however, impending a general revision of fares on all the transit lines now controlled by the city (including also the bus lines) which, it is confidently expected, will result in increased traffic and earnings for the elevated and underground lines. Furthermore, earnings should be materially increased through the operation of over 4 miles of important extensions, service on which began during 1926.

GROWTH OF TRAFFIC

The traffic of the entire rapid-transit system operated by the company has been as follows:

Year	Length of lines (miles)	Number of passengers
1903	7.0	29,628,463
1913	17.2	71,525,270
1921	23.5	95,928,574
1922	23.5	121,186,650
1923	28.0	167,547,008
1924	29.0	183,070,192
1925	29.0	172,531,558

DIVIDEND RECORD

Annual dividends have been paid since 1903 (the first complete year of operation), with the exception of 1923; the dividend rate was 5 per cent for 1924 and 7 per cent for 1925. The stock of the company is quoted on the Berlin Stock Exchange at about par.

BOND PROVISIONS

The bonds will be dated October 1, 1926, mature October 1, 1956 and bear interest at the rate of 6½ per cent per annum, payable semiannually April 1 and October 1. Principal and interest will be payable in United States gold coin of the standard of weight and fineness existing on October 1, 1926, without deduction for any present or future German taxes, in New York City, at the office of Speyer & Co., fiscal agent for the loan. Such principal and interest shall also be collectible, at the option of the holders, in Holland at the offices of Messrs. Hope & Co., Teixeira de Mattos Brothers and Deutsche Bank, Amsterdam, at the equivalent in Guilders, the rate of exchange being fixed from time to time by such houses. The bonds will be issued in coupon form, registerable as to principal, in denominations of $1,000 and $500.

SINKING FUND AND REDEMPTION

A cumulative sinking fund of approximately 1.2 per cent per annum is provided, sufficient to repay the entire issue at or before maturity, to be applied to the purchase of bonds at or below par and interest, or, if not so obtainable, to redemption by lot at par and interest.

The company reserves the right to call for redemption on any interest date, upon not less than three months' notice, all or any part of the bonds then outstanding at 102½ per cent and interest, up to and including October 1, 1931, and thereafter at par and interest.

GENERAL

All conversions from German to United States currency have been made at 4.20 Reichsmarks to the dollar.

Application will be made to list these bonds on the New York Stock Exchange.

Doctor KARDING,
Treasurer of the City of Berlin.
P. WITTIG,
H. WETTMAR,
Managing Directors.

CONSOLIDATED MUNICIPAL LOAN

SIX MILLION DOLLAR 20-YEAR 7 PER CENT SECURED SINKING FUND GOLD BONDS, EXTERNAL LOAN OF 1926

Authorized by and issued with the approval and under the control of the Royal Hungarian Government.

Dated September 1, 1926, due September 1, 1946. Interest payable January 1 and July 1. Principal and interest payable in New York City, in United States gold coin of the present standard of weight and fineness, free from all Hungarian taxes, present or future, at the office of Speyer & Co., fiscal agents for the loan.

Coupon bonds in denominations of $1,000 and $500, registerable as to principal.

Cumulative sinking fund of about 2.36 per cent per annum, beginning January 1, 1927, sufficient to redeem the entire issue at or before maturity, to be applied semiannually to redemption of bonds by lot at par.

Redeemable, as a whole or in part, on any interest date, upon not less than three months' previous notice, at 102 per cent up to and including July 1, 1929, thereafter at 101 per cent up to and including July 1, 1931, and thereafter at par. Hungarian Commercial Bank of Pest, Trustee.

Dr. John Bud, Minister of Finance, and Dr. Bela Scitovszky, Minister of Interior, of the Kingdom of Hungary, have furnished us the following statement:

SECURITY

The total authorized sisue of these bonds is limited to $6,000,000. The bonds are issued with the approval and under the control of the Royal Hungarian Government and will be the direct obligations of 32 Hungarian municipalities, each being liable in proportion to its share in the proceeds of this loan. These municipalities include most of the important cities, except Budapest, and have about 1,000,000 inhabitants. In the event of any municipality for any reason not being allotted its proportion of the loan and not becoming liable therefor the Government will allot this sum to one or more other municipalities so that the security as provided in the loan contract remains unimpaired.

The bonds will be secured by a direct charge on all the revenues of these municipalities, subject only to the charge of the consolidated municipal loan of 1925 on the revenues of those municipalities which participated therein. The aggregate revenues of these municipalities were in 1925 about $5,500,000, equal (after deducting annual charges of about $645,000 for the service of that loan) to more than eight times the annual interest and sinking fund on this loan.

For the service of this loan there have been specifically set aside revenues of these municipalities to be collected by the Royal Hungarian Government, viz., their revenues from the income tax and turnover tax on sales (in excess of the charges for the loan of 1925) and from the supplementary municipal tax (a surtax on the government taxes on land, buildings, corporations, etc.). If in any 6-month period the receipts from these revenues, applicable to the service of this loan, should fall below twice the requirements and if the municipalities do not provide their due proportion out of other revenues, the government agrees to increase the rates of the income and supplementary municipal taxes and/or to collect and make available additional revenues, so that the applicable revenues shall always amount to twice the interest and sinking fund on this loan.

The Royal Hungarian Government will place monthly in a special account, to be controlled by a trustee for the bondholders, appointed by the bankers, the revenues specifically set aside for the service of this loan, as stated above, and other revenues collected by it applicable thereto. The trustee will retain from these funds the sums required for semiannual interest and sinking fund on this loan and remit monthly the amounts so retained to Speyer & Co., fiscal agents.

The bonds will be further secured by a direct charge on all the assets of these municipalities, subject only to the charge of the consolidated municipal loan of 1925 on the assets of those municipalities which participated therein. These municipalities agree that, so long as any of the bonds are outstanding, they will not, without the consent of the trustee, sell any part of their real property. The aggregate value of their lands, buildings, public utility and other properties is estimated at more than $60,000,000, whereof about $50,000,000 is the estimated value of income producing properties, to which substantial additions will be made from the proceeds of this loan.

The assessed value of property subject to taxation in these municipalities is about $210,000,000. The revenues of each of the municipalities in 1925 exceeded its expenditures.

The bonds are legal investments for trust funds in Hungary and for the Royal Hungarian Postal Savings Bank.

The Royal Hungarian Government exercises a large measure of supervision and control over the administration and finances of the municipalities.

PURPOSE

The proceeds of this loan will be expended under the control of the Royal Hungarian Government for capital purposes, about 90 per cent income-producing properties and the remainder for schools, public buildings, etc.

DEBT

The total external debt of these municipalities including this loan is equal to about $13 per capita and their internal debt is equal to about $1.10 per capita.

GENERAL

Hungary, with over 8,000,000 inhabitants, has a larger population than either Holland or Belgium. In accordance with the plan of the League of Nations for the financial and economic reconstruction of Hungary, an international loan was issued in 1924 in the United States, England and other countries, yielding over $50,000,000, about one-third of the proceeds of which is still available. This reconstruction plan was so successful in the two years during which Hon. Jeremiah Smith, jr., was commissioner general, that in June of this year the council of the league declared that the financial stability of Hungary was assured and it therefore terminated control by a commissioner general. During this period the currency of the country was stabilized and a new monetary unit, the pengö (the gold parity of which is equal to 17.49 cents), was adopted, to be effective on January 1, 1927. The reserves in gold and foreign exchange of the National Bank of Hungary, the bank of issue, are equal to more than 55 per cent of the notes in circulation. The revenues of Hungary for the past two years have greatly exceeded expenditures and the surplus for the fiscal year ended June 30, 1926, according to preliminary figures, exceeded $12,000,000.

All conversions from gold crowns to United States currency have been made at the rate of 20.26 cents to the gold crown.

Application will be made to list these bonds on the New York Stock Exchange.

All proceedings in connection with the issuance of the above bonds are subject to the approval of our counsel, Messrs. Cadwalader, Wickersham & Taft, New York, and Dr. Paul Mezei, Budapest.

We offer the above bonds for subscription, if, as, and when issued and received by us, at 93½ per cent and accrued interest, to yield about 7.65 per cent.

We reserve the right to close the subscription at any time without notice, to reject any application and to allot a smaller amount than applied for. Amounts due on allotment will be payable at our office in New York on or about November 22, 1926, as called for, against delivery of interim receipts exchangeable for definitive bonds when ready.

SPEYER & CO.

OCTOBER 29, 1926.

HABANA ELECTRIC RAILWAY CO.

FIVE MILLION DOLLARS 6 PER CENT CUMULATIVE PREFERRED STOCK WITH COMMON STOCK

Par value $100. Preferred to as assets and dividends. Dividends cumulative from September 1, 1926. First dividend covering six months payable on March 1, 1927, dividends thereafter payable quarterly. Dividends free from present normal Federal income tax. Redeemable as a whole or in part at any time at $110 per share and accrued dividends on 30 days' notice.

The company will set apart in January of each year, beginning in 1932, out of surplus or net profits a sinking fund of $100,000, to be applied on April 1 to the purchase by tender of preferred stock, if obtainable at or below $100 per share and accrued dividends; sinking fund moneys which can not be so applied revert to the company.

Delivery will be made in the form of the company's allotment certificates described below calling for preferred stock and for common stock at the rate of six-tenths of a share for each share of preferred stock.

Reference is made to the accompanying letter from Frank Steinhart, Esq., president of Habana Electric Railway Co., dated August 13, 1926, summarized as follows:

CAPITALIZATION

(To be outstanding upon acquisition of properties)

Capital stock:	
Preferred stock 6 per cent cumulative, authorized and issued	$5,000,000
Common stock (no par value), authorized 326,500 shares (of which 126,500 shares will be reserved for subscription by holders of common stock subscription warrants); to be presently issued and outstanding shares	200,000
Funded debt:	
Consolidated (first, closed) mortgage 5 per cent gold bonds of predecessor company, due February 1, 1952, amount outstanding $7,942,111, less $1,195,941 in treasury	$6,746,170
Twenty-five year 5½ per cent gold debentures, due September 1, 1951	$5,500,000

SYSTEM

Habana Electric Railway Co. (incorporated in Maine, August 11, 1926) will acquire the street railways now owned by Habana Electric Railway, Light & Power Co., by Camaguey Electric Co., S. A. and by Santiago Electric Light & Traction Co. and all of the stock, except directors' qualifying shares, of Insular Railway Co., which will own and operate a line from Habana to and within the town of Marianao. The company will own and operate the street railways in Habana, Camaguey, and Santiago, the three most important cities of Cuba, with an aggregate of about 600,000 inhabitants.

The system will include a total of about 128 miles of railway (single track measurement), viz. 107.6 miles in Habana and Marianao, 8.6 miles in Camaguey, 11.8 miles in Santiago. The company will own over 640 passenger cars, together with other equipment, car barns, car construction and repair shops, etc. The properties of the company are modern and have been maintained in a condition of high operating efficiency. The value of the assets to be acquired, as shown by the books of account of the companies above referred to, is in excess of $25,000,000.

The indenture securing the consolidated mortgage bonds provides for a cumulative annual sinking fund sufficient to redeem these bonds by maturity.

Debentures may be tendered in lieu of cash at 103½ per cent with adjustment for accrued interest, by holders of the common stock subscription warrants referred to above, in payment for common stock at $45 per share at any time prior to September 1, 1951. For such subscription 126,500 shares of common stock will be reserved.

EARNINGS

The aggregate net earnings in 1925 of the lines which will form the new system and the average of such earnings for the past six years were as follows:

	1925	Average 1920-1925
Net earnings after operating expenses, maintenance and taxes	$1,881,128.00	$2,021,179.00
Interest requirements of funded debt	639,809.00	639,809.00
Balance (before reserve for depreciation and consolidated mortgage sinking fund)	1,241,319.00	1,381,370.00
Dividend requirements of $5,000,000, 6 per cent cumulative preferred stock	300,000.00	300,000.00
Balance	941,319.00	1,081,370.00
Equal per share of preferred stock to	24.82	27.62
Equal per share of common stock to be presently outstanding (200,000 shares) to	4.70	5.40

As shown by the above earnings, the system of the new company has been profitably operated under a 5-cent fare in accordance with the terms of the franchises. Since the beginning of electric operation in 1901 the street railways in Havana have never had an unprofitable year. During the past 15 years the minimum earnings in any year, of the Havana lines alone, after operating expenses, maintenance and taxes, were $1,445,185 and the average earnings were $1,697,341 per annum.

GENERAL

The lines will be operated under existing franchises none of which expires before 1958.

The new company will be under the same management which has successfully operated the properties of Havana Electric Railway, Light & Power Co. and predecessor companies for about 20 years. Havana Electric & Utilities Co., which is controlled by Electric Bond & Share Co., will either itself or through a subsidiary have a substantial interest in the common stock of the new company and will be represented on its board of directors.

PREFERRED STOCK ALLOTMENT CERTIFICATES

The allotment certificates of the company will be exchangeable for definitive certificates of preferred stock and of common stock on October 1, 1927, or earlier at the option of Speyer & Co., and will provide that dividends in respect of stock called for by the allotment certificates will be paid to the holders of the allotment certificates.

Application will be made to list the allotment certificates on the New York Stock Exchange.

All proceedings in connection with the issuance of the above stock and allotment certificates are subject to the approval of our counsel, Messrs. Root, Clark, Howland and Ballantine.

Allotment certificates for a large part of the above stock having been withdrawn for sale in Cuba and abroad, we offer the balance for subscription if, as and when issued and received by us, at $100 per share of preferred stock with six-tenths of a share of common stock (dividends accruing on preferred stock from September 1 to be added).

Subscriptions in Cuba will be received by Banco del Comercio, Havana.

We reserve the right to close the subscription at any time without notice, to reject any application and to allot a smaller amount than applied for. Amounts due on allotment will be payable at the office of Speyer & Co., 24-26 Pine Street, in New York funds, on or about September 1, 1926, as called for, against delivery of interim receipts exchangeable for allotment certificates of the company when ready.

SPEYER & CO.
J. & W. SELIGMAN & CO.
HEMPHILL, NOYES & CO.
OTIS & CO.

HABANA ELECTRIC RAILWAY CO.,
New York, August 13, 1926.

MESSRS. SPEYER & CO., *New York.*

DEAR SIRS: I take pleasure in giving you the following information concerning Habana Electric Railway Co.

SYSTEM

Habana Electric Railway Co. (incorporated in Maine, August 11, 1926), will acquire the street railways now owned by Habana Electric Railway, Light & Power Co., by Camaguey Electric Co., S. A. and by Santiago Electric Light & Traction Co. (Compañia Electrica de Alumbrado y Traccion de Santiago) and all of the stock, except directors' qualifying shares, of Insular Railway Co., which will own and operate a line from Habana to and within the town of Marianao. The dompany will own and operate the dtreet railways in Habana, Camaguey, and Santiago,, the three most important cities of Cuba, with an aggregate of about 600,000 inhabitants.

The system will include a total of about 128 miles of railway (single track measurement), viz. 107.6 miles in Habana and Marianao, 8.6 miles in Camaguey, 11.8 miles in Santiago. The company will own over 640 passenger cars, together with other equipment, car barns, car construction, and repair shops, etc. The properties of the company are modern and have been maintained in a condition of high operating efficiency. The value of the assets to be acquired, as shown by the books of account of the companies above referred to, is in excess of $25,000,000.

CAPITALIZATION

The capitalization of the company to be outstanding upon acquisition of the properties is as follows:

Capital stock:	
Preferred stock 6 per cent cumulative, authorized and issued	$5,000,000
Common stock (no par value), authorized 326,500 shares (of which 126,500 shares will be reserved for subscription by holders of common stock subscription warrants); to be presently issued and outstanding (shares)	200,000
Funded debt:	
Consolidated (first, closed) mortgage 5 per cent gold bonds of predecessor company, due Feb. 1, 1952, amount outstanding, $7,942,111, less $1,195,941 in treasury	$6,746,170
Twenty-five year 5½ per cent gold debentures, due Sept. 1, 1951	5,500,000

The company will also issue transferable subscription warrants entitling the holders to subscribe in the aggregate for 126,500 shares of common stock, at any time prior to September 1, 1951, at $45 per share and to tender the above debentures in lieu of cash at 103½ per cent of their principal amount with adjustment for accrued interest.

The indenture securing the consolidated mortgage bonds provides for a cumulative annual sinking fund sufficient to redeem these bonds by maturity. Payments for this purpose under the terms of the mortgage will be about $169,000 (in cash or in these bonds at 105 per cent of their principal amount) for the current year and will increase each year as the interest, in respect of bonds so redeemed hereafter, is added to the sinking fund.

The debenture agreement will provide that additional debentures may be issued for additions, betterments and improvements and for refunding of funded debt, but only if, for a period 12 consecutive months within the 15 months preceding application to the trustee for such issue, net earnings (as defined in the agreement) have amounted to at least two and one-half times the annual interest charges on the debt of the company, including interest on debentures which it is proposed to issue.

EARNINGS

The aggregate earnings for the past six years of the lines to be acquired by the new company were as follows:

Year	Gross revenues	Operating expenses, maintenance and taxes	Net earnings, after operating expenses, maintenance and taxes	Year	Gross revenues	Operating expenses, maintenance and taxes	Net earnings, after operating expenses, maintenance and taxes
1920	$5,747,722	$3,962,626	$1,785,096	1923	$6,541,941	$4,231,951	$2,309,990
1921	6,645,581	4,777,133	1,868,448	1924	6,640,897	4,589,801	2,051,096
1922	6,385,179	4,153,862	2,231,317	1925	6,967,054	5,085,926	1,881,128

During the year 1925, the lines of the system carried approximately 136,000,000 passengers (121,625,500 in Habana and Marianao, 8,600,000 in Santiago, and 5,500,000 in Camaguey). The gross revenues were equal to about $54,500 per mile of all track, or about 50 per cent more than the average as reported for street railways in representative cities of the United States. The ratio of operating expenses (including taxes) to gross revenues in 1925 was approximately 73 per cent, or about 7 per cent lower than the ratio as reported for street railways in the cities of the United States referred to.

The traffic which had developed by 1921 on the lines in Habana taxed existing facilities and to provide for growth considerable additions were made during 1924 and 1925, which resulted in larger gross revenues. Service on extensions has for the time being added disproportionately to operating expenses, but as these facilities are more fully utilized, net earnings should increase.

The aggregate net earnings in 1925 of the lines which will form the new system and the average of such earnings for the past six years were as follows:

	1925	Average, 1920-1925
Net earnings after operating expenses, maintenance, and taxes	$1,881,128.00	$2,021,179.00
Interest requirements of funded debt	639,809.00	639,809.00
Balance (before reserve for depreciation and consolidated mortgage sinking fund)	1,241,319.00	1,381,370.00
Dividend requirements of $5,000,000, 6 per cent cumulative preferred stock	300,000.00	300,000.00
Balance	941,319.00	1,081,370.00
Equal per share of preferred stock to	24.82	27.62
Equal per share of common stock to be presently outstanding (200,000 shares) to	4.70	5.40

As shown by the above earnings, the system of the new company has been profitably operated under a 5-cent fare in accordance with the terms of the franchises. Since the beginning of electric operation in 1901 the street railways in Habana have never had an unprofitable year. During the past 15 years the minimum earnings in any year, of the Habana lines alone, after operating expenses, maintenance and taxes, were $1,445,185 and the average earnings were $1,697,341 per annum.

PREFERRED STOCK

The amount of preferred stock authorized and to be issued is $5,000,000.

The preferred stock will be entitled in preference to the common stock to dividends at the rate of 6 per cent per annum cumulative from September 1, 1926. Dividends will be payable quarterly March 1, June 1, September 1, and December 1, except that the first dividend covering six months will be payable March 1, 1927. In any distribution of assets other than by dividends from surplus or net profits, the preferred stock shall be entitled, in preference to the common stock, to receive the par value, $100 per share, and accrued dividends. The preferred stock may be redeemed as a whole or in part at any time at $110 per share together with all accrued dividends, on 30 days' notice. Each share is entitled to one vote. No class of stock entitled to priority over the preferred stock as to dividends or assets shall be created without the consent of at least two-thirds of the holders of the preferred stock present and voting at the meeting at which the creation of such class of stock is considered. The written consent of the holders of at least two-thirds of the preferred stock then outstanding or the affirming vote of the holders of two-thirds of the shares of preferred stock present at the meeting at which such vote is cast, is required for sale of all of the property, franchises or privileges of the company, consolidation or merger with any other corporation, transfer of all of its property or franchises to a new corporation, execution and delivery of any mortgage creating a lien on any of the company's property, or the creation of any funded debt, other than debentures issuable under the terms of the debenture agreement to be dated September 1, 1926, purchase money mortgages, or acquisition of property subject to mortgage.

PREFERRED-STOCK SINKING FUND

During the month of January in each year, beginning in 1932, the company will set apart out of surplus or net profits as a sinking fund the sum of $100,000 to be applied to the purchase of preferred stock at a price not exceeding par and accrued dividends. The company will advertise for written proposals to sell to it, on the first day of April next succeeding, shares of the preferred stock and the company will apply the above amount to the purchase of shares offered at the lowest price not exceeding par and accrued dividends. Sinking-fund moneys which can not be so applied will revert to the company. All stock purchased or acquired through the operation of such sinking fund will be canceled and not resold or reissued.

PREFERRED-STOCK ALLOTMENT CERTIFICATES

The allotment certificates of the company will be exchangeable for definitive certificates of preferred stock and of common stock on October 1, 1927, or earlier at your option, and will provide that dividends in respect of stock called for by the allotment certificates will be paid to the holders of the allotment certificates.

GENERAL

The company will be assured of an ample and dependable supply of power through favorable long term contracts with the companies furnishing electric service to the cities of Habana, Camaquey, and Santiago.

The lines of the company will be operated under existing franchises none of which expires before 1958.

The new company will be under the same management which has successfully operated the properties of Habana Electric Railway, Light & Power Co. and predecessor companies for about 20 years. Habana Electric & Utilities Co., which is controlled by Electric Bond & Share Co., will either itself or through a subsidiary have a substantial interest in the common stock of the new company and will be represented on its board of directors.

The company will make application to list the allotment certificates, preferred stock, and common stock on the New York Stock Exchange.

Very truly yours,

FRANK STEINHART, *President.*

HABANA ELECTRIC RAILWAY CO.

TWENTY-FIVE YEAR 5½ PER CENT GOLD DEBENTURES WITH 25-YEAR SUBSCRIPTION WARRANTS FOR COMMON STOCK. FIVE MILLION FIVE HUNDRED THOUSAND DOLLARS. DATED SEPTEMBER 1, 1926; DUE SEPTEMBER 1, 1951

Interest payable March 1 and September 1 without deduction for any normal Federal income tax up to 2 per cent. Principal and interest payable in New York City or in Habana in United States gold coin. Coupon debentures in denomination of $1,000, registerable as to principal.

The company reserves the right to call for redemption on the 1st day of any month, upon not less than 30 days' previous notice, all or any part of the above debentures at 103½ per cent and accrued interest.

Central Union Trust Co. of New York, trustee. With each debenture will be delivered a transferable subscription warrant entitling the holder to subscribe at any time prior to September 1, 1951, for 23 shares of common stock of the company at $45 per share and to tender debentures in lieu of cash at 103½ per cent of their principal amount, with adjustment for accrued interest.

Reference is made to the accompanying letter from Frank Steinhart, Esq., president of Habana Electric Railway Co., dated August 13, 1926, summarized as follows:

CAPITALIZATION

(To be outstanding upon acquisition of properties)

Funded debt:	
25-year 5½ per cent gold debentures, due Sept. 1, 1951	$5,500,000
Consolidated (first, closed) mortgage 5 per cent gold bonds of predecessor company, due Feb. 1, 1952, amount outstanding $7,942,111, less $1,195,941 in treasury	$6,746,170
Capital stock:	
Preferred stock 6 per cent cumulative, authorized and issued	$5,000,000
Common stock (no par value), authorized 326,500 shares (of which 126,500 shares will be reserved for subscription by holders of common stock subscription warrants); to be presently issued and outstanding shares	200,000

SYSTEM

Habana Electric Railway Co. (incorporated in Maine, August 11, 1926) will acquire the street railways now owned by Habana Electric Railway, Light & Power Co., by Camaguey Electric Co., S. A., and by Santiago Electric Light & Traction Co., and all of the stock, except directors' qualifying shares, of Insular Railway Co., which will own and operate a line from Habana to and within the town of Marianao. The company will own and operate the street railways in Habana, Camaguey, and Santiago, the three most important cities of Cuba, with an aggregate of about 600,000 inhabitants.

The system will include a total of about 128 miles of railway (single-track measurement), viz, 107.6 miles in Habana and Marianao, 8.6 miles in Camaguey, 11.8 miles in Santiago. The company will own over 640 passenger cars, together with other equipment, car barns, car construction and repair shops, etc. The properties of the company are modern and have been maintained in a condition of high operating efficiency. The value of the assets to be acquired, as shown by the books of account of the companies above referred to, is in excess of $25,000,000.

The indenture securing the consolidated mortgage bonds provides for a cumulative annual sinking fund sufficient to redeem these bonds by maturity.

EARNINGS

The aggregate net earnings in 1925 of the lines which will form the new system and the average of such earnings for the past six years, as stated below, were equal to about three times the total annual interest requirements of the funded debt of the new company and, after deducting the interest requirements of the consolidated mortgage 5 per cent bonds, to more than five times the annual interest on the debentures.

	1925	Average, 1920–1925
Net earnings after operating expenses, maintenance and taxes	$1,881,128	$2,021,179
Interest requirements of funded debt:		
Consolidated mortgage 5 per cent bonds	337,309	
$5,500,000 5½ per cent debentures	302,500	
	639,809	639,809
Balance (before reserve for depreciation and consolidated mortgage sinking fund)	1,241,319	1,381,370
Dividend requirements of $5,000,000 6 per cent cumulative preferred stock	300,000	300,000
Balance	941,319	1,081,370
Equal per share of common stock to be presently outstanding (200,000 shares) to	4.70	5.40

As shown by the above earnings, the system of the new company has been profitably operated under a 5-cent fare in accordance with the terms of the franchises. Since the beginning of electric operation in 1901 the street railways in Habana have never had an unprofitable year. During the past 15 years the minimum earnings in any year, of the Habana lines alone, after operating expenses, maintenance, and taxes, were $1,445,185 and the average earnings were $1,697,341 per annum, or about $1,060,000 more than the annual requirements of the new company for interest on its funded debt.

GENERAL

The lines will be operated under existing franchises none of which expires before 1958.

The new company will be under the same management which has successfully operated the properties of Habana Electric Railway, Light & Power Co. and predecessor companies for about 20 years. Habana Electric & Utilities Co., which is controlled by Electric Bond & Share Co., will either itself or through a subsidiary have a substantial interest in the common stock of the new company and will be represented on its board of directors.

Application will be made to list these debentures on the New York Stock Exchange.

All proceedings in connection with the issuance of the above debentures and subscription warrants are subject to the approval of our counsel, Messrs. Root, Clark, Howland & Ballantine.

We offer the above debentures with subscription warrants for common stock, if, as and when issued and received by us, at 92 per cent and accrued interest, to yield 6⅛ per cent.

Subscriptions will also be received in Cuba by Banco del Comercio, Habana.

We reserve the right to close the subscription at any time without notice, to reject any application, and to allot a smaller amount than applied for. Amounts due on allotment will be payable at the office of Speyer & Co., 24–26 Pine Street, in New York funds on or about September 1, 1926, as called for, against delivery of interim receipts exchangeable for definitive debentures and subscription warrants when ready.

SPEYER & CO.,
J. & W. SELIGMAN & CO.,
HEMPHILL, NOYES & CO.,
OTIS & CO.

AUGUST 16, 1926.

HABANA ELECTRIC RAILWAY CO.,
New York, August 13, 1926.

Messrs. SPEYER & CO.,
New York.

DEAR SIR: I take pleasure in giving you the following information concerning Habana Electric Railway Co.:

System.—Habana Electric Railway Co. (incorporated in Maine August 11, 1926) will acquire the street railways now owned by Habana Electric Railway, Light & Power Co., by Camaguey Electric Company, S. A., and by Santiago Electric Light & Traction Co. (Compania Electrica de Alumbrado y Traccion de Santiago), and all of the stock, except directors' qualifying shares, of Insular Railway Co., which will own and operate a line from Habana to and within the town of Marianao. The company will own and operate the street railways in Habana, Camaguey, and Santiago, the three most important cities of Cuba, with an aggregate of about 600,000 inhabitants.

The system will include a total of about 128 miles of railway (single-track measurement), viz, 107.6 miles in Habana and Marianao, 8.6 miles in Camaguey, 11.8 miles in Santiago. The company will own over 640 passenger cars, together with other equipment, car barns, car construction and repair shops, etc. The properties of the company are modern and have been maintained in a condition of high operating efficiency. The value of the assets to be acquired, as shown by the books of account of the companies above referred to, is in excess of $25,000,000.

Capitalization.—The capitalization of the company to be outstanding upon acquisition of the properties is as follows:

Funded debt:	
25-year 5½ per cent gold debentures, due Sept. 1, 1951	$5,500,000
Consolidated first (closed) mortgage 5 per cent gold bonds of predecessor company, due Feb. 1, 1952—amount outstanding $7,942,111, less $1,195,941 in Treasury	$6,746,170
Capital stock:	
Preferred stock, 6 per cent cumulative, authorized and issued	$5,000,000
Common stock (no par value)—authorized 326,500 shares (of which 126,500 shares will be reserved for subscription by holders of common-stock subscription warrants); to be presently issued and outstanding (shares)	200,000

The company will also issue transferable subscription warrants entitling the holders to subscribe in the aggregate for 126,500 shares of common stock, at any time prior to September 1, 1951, at $45 per share and to tender the above debentures in lieu of cash at 103½ per cent of their principal amount with adjustment for accrued interest.

The indenture securing the consolidated mortgage bonds provides for a cumulative annual sinking fund sufficient to redeem these bonds by maturity. Payments for this purpose under the terms of the mortgage will be about $169,000 (in cash or in these bonds at 105 per cent of their principal amount) for the current year and will increase each year as the interest, in respect of bonds so redeemed hereafter, is added to the sinking fund.

The debenture agreement will provide that additional debentures may be issued for additions, betterments, and improvements and for refunding of funded debt, but only if, for a period of 12 consecutive months within the 15 months preceding application to the trustee for such issue, net earnings (as defined in the agreement) have amounted to at least two and one-half times the annual interest charges on the debt of the company, including interest on debentures which it is proposed to issue.

Earnings.—The aggregate earnings for the past six years of the lines to be acquired by the new company were as follows:

Year	Gross revenues	Operating expenses, maintenance, and taxes	Net earnings after operating expenses, maintenance, and taxes
1920	$5,747,722	$3,962,636	$1,785,086
1921	6,645,581	4,777,133	1,868,448
1922	6,385,179	4,153,862	2,231,317
1923	6,541,941	4,231,951	2,309,990
1924	6,640,897	4,589,901	2,051,096
1925	6,967,054	5,085,926	1,881,128

During the year 1925 the lines of the system carried approximately 136,000,000 passengers (121,625,500 in Havana and Marianao, 8,600,000 in Santiago, and 5,500,000 in Camaguey). The gross revenues were equal to about $54,500 per mile of all track, or about 50 per cent more than the average as reported for street railways in representative cities of the United States. The ratio of operating expenses (including taxes) to gross revenues in 1925 was approximately 73 per cent, or about 7 per cent lower than the ratio as reported for street railways in the cities of the United States referred to.

The traffic which had developed by 1921 on the lines in Habana taxed existing facilities and to provide for growth considerable additions were made during 1924 and 1925, which resulted in larger gross revenues. Service on extensions has for the time being added disproportionately to operating expenses, but as these facilities are more fully utilized, net earnings should increase.

The aggregate net earnings in 1925 of the lines which will form the new system and the average of such earnings for the past six years, as stated below, were equal to about three times the total annual interest requirements of the funded debt of the new company and, after deducting the interest requirements of the consolidated mortgage 5 per cent bonds, to more than five times the annual interest on the debentures.

		1925	Average 1920-1925
Net earnings after operating expenses, maintenance and taxes		$1,881,128	$2,021,179
Interest requirements of funded debt:			
Consolidated mortgage 5 per cent bonds	$337,309		
$5,500,000 5½ per cent debentures	302,500		
		639,809	639,809
Balance (before reserve for depreciation and consolidated mortgage sinking fund)		1,241,319	1,381,370
Dividend requirements of $5,000,000 6 per cent cumulative preferred stock		300,000	300,000
Balance		941,319	1,081,370
Equal per share of common stock to be presently outstanding (200,000 shares) to		4.70	5.40

As shown by the above earnings, the system of the new company has been profitably operated under a five-cent fare in accordance with the terms of the franchises. Since the beginning of electric operation in 1901 the street railways in Habana have never had an unprofitable year. During the past 15 years the minimum earnings in any year, of the Habana lines alone, after operating expenses, maintenance and taxes, were $1,445,185 and the average earnings were $1,697,341 per annum or about $1,060,000 more than the annual requirements of the new company for interest on its funded debt.

DEBENTURE PROVISIONS

These $5,500,000 debentures will be issued under a debenture agreement with Central Union Trust Co. of New York as trustee, will be dated September 1, 1926, mature September 1, 1951 and bear interest at the rate of 5½ per cent per annum, payable semiannually September 1 and March 1. Principal and interest will be payable in United States gold coin of the standard of weight and fineness existing on September 1, 1926, in New York or at the option of the holder in Habana, interest to be payable without deduction for the normal Federal income tax up to 2 per cent per annum. All or any part of the debentures will be redeemable, at the option of the company, on the first day of any month upon not less than 30 days' previous notice at 103½ per cent and accrued interest. The debentures will be issued in coupon form, registerable as to principal, in the denomination of $1,000.

GENERAL

The company will be assured of an ample and dependable supply of power through favorable long-term contracts with the companies furnishing electric service to the cities of Habana, Camaguey, and Santiago.

The lines of the company will be operated under existing franchises none of which expires before 1958.

The new company will be under the same management which has successfully operated the properties of Habana Electric Railway, Light & Power Co. and predecessor companies for about 20 years. Habana Electric & Utilities Co., which is controlled by Electric Bond and Share Co., will either itself or through a subsidiary have a substantial interest in the common stock of the new company and will be represented on its board of directors.

The company will make application to list the debentures on the New York Stock Exchange.

Very truly yours,

(Signed) FRANK STEINHART,
President.

State of Sao Paulo (United States of Brazil)

SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS 7 PER CENT SECURED SINKING FUND GOLD BONDS, EXTERNAL WATER WORKS LOAN OF 1III

Dated March 1, 1926; due September 1, 1956.

These bonds and £2,500,000 sterling bonds to be offered simultaneously in London by Messrs. Baring Brothers & Co., (Ltd.), N. M. Rothschild & Sons, and J. Henry Schröder & Co., constitute the total authorized amount of this loan.

Interest payable March 1 and September 1. Principal and interest payable in New York City either at the office of Speyer & Co. or of J. Henry Schröder Banking Corporation, in United States gold coin of the present standard of weight and fineness, without deduction for any Brazilian taxes, present or future. Coupon bonds in denominations of $1,000 and $500, registerable as to principal.

Cumulative sinking fund of approximately 1 per cent per annum, sufficient to redeem the entire issue at or before maturity, to be applied semiannually to redemption of bonds through purchase in the market at or below par and accrued interest, or, if not so obtainable, through drawings by lot at par and accrued interest.

Not subject to call *before September* 1, 1936, except for sinking fund—Callable as a whole at 102 per cent and accrued interest on that date or any interest date thereafter, at the option of the Government, upon not less than six months' notice.

Security: These bonds will be the direct obligation of the State of Sao Paulo, the most important State of Brazil, and together with £2,500,000 sterling bonds will be secured by (*a*) A first direct mortgage on the water supply and sewerage systems serving the city of Sao Paulo, the capital of the State, with a population of about 800,000, and on all additions, betterments and extensions thereto to be constructed out of the proceeds of this loan. The water supply and sewerage systems pledged are owned by the State and their value, together with the estimated cost of the additions, betterments and extensions, will amount to about $33,000,000. (*b*) A first charge on the receipts from the water and sewerage taxes in the city of Sao Paulo, levied and collected by the State, the dollar bonds sharing in these receipts to the extent of three-eighths of the total. The receipts from these taxes for the past three years, calculated on the basis of rates now in effect, would have averaged about $2,125,000 per annum and for the year 1925 would have amounted to about $2,330,000, equal to approximately 1½ times the total annual interest and sinking fund requirements of the loan. These revenues, it is expected, will be materially increased as a result of the extension of the water supply and sewerage systems.

The loan contract provides for remittance of the funds required for the annual service of these bonds in monthly installments to the fiscal agents of the dollar bonds in New York.

Purpose: The proceeds of this loan are to be used for additions, betterments, and extensions to the water supply and sewerage systems of the city of Sao Paulo.

Debt: The external funded debt of the State, including this loan and also approximately $24,300,000 bonds in effect guaranteed by the State, amounts to about $110,000,000, equal to about $22 per capita. The internal debt as of December 31, 1925, amounted to about $68,000,000.

State-owned properties: The State owns properties, the present value of which may be estimated at about $225,000,000; the most important of these properties are railways, the water-supply system of the city of Sao Paulo and the sanitary works of this and other cities.

General: Sao Paulo, known as the Empire State of the Republic of Brazil, occupies an area of about 112,000 square miles and is substantially equal in size to the State of New York and the New England States combined. The population is estimated at over 5,000,000. Sao Paulo is the principal agricultural and industrial State of Brazil and more than one-half of the total world production of coffee is grown in the State. The value of Sao Paulo coffee exported in 1925 was (at the official rate of exchange) about $239,000,000. Other leading agricultural products include cotton, tobacco, and sugar. Cattle raising and meat packing are important industries and rapid progress has been made in textile and other industries.

The value of commodities produced in the State, which were exported through the port of Santos to foreign countries and shipped to other States of Brazil during the year 1924, amounted (at the official rate of exchange) to about $273,000,000. This amount includes exports to the United States valued at about $142,000,000, the chief item of which was coffee. The foreign commerce passing through the port of Santos during that year consisted of exports of the value of about $255,-000,000, or about one-half of the total for Brazil, and imports of the value of about $116,000,000, or about one-third of the total.

The wealth of the State, public and private, has been estimated at about $4,000,000,000.

The credit of Sao Paulo has always ranked high and the State has always met its obligations. The outstanding external bonds of the State, issued before the war, bear interest at the rate of 5 per cent and were placed in England, France, Germany, Belgium, Holland and Switzerland on a 5.10 per cent to a 5.40 per cent basis.

Conversion from milreis into dollars has been made at the rate of 15 cents per milreis, approximately the current rate of exchange, except as otherwise stated. Other currencies have been converted at par of exchange.

Application will be made in due course to list these bonds on the New York Stock Exchange.

All proceedings in connection with the issuance of these bonds are subject to the approval of our counsel, Messrs. Curtis, Mallett-Prevost, Colt & Mosle.

We offer the above bonds for subscription if, as, and when issued and received by us, at 96½ per cent and accrued interest, to yield about 7.30 per cent.

We reserve the right to close the subscription at any time without notice, to reject any application, and to allot a smaller amount than applied for. Amounts due on allotment will be payable at the office of Speyer & Co., 24 and 26 Pine Street, in New York funds on or about April 23, 1926, as called for, against delivery of interim receipts exchangeable for definitive bonds when ready.

SPEYER & CO.
BLAIR & CO. (INC.)
LADENBURG, THALMANN & CO.
THE EQUITABLE TRUST CO. OF NEW YORK.
J. HENRY SCHRODER BANKING CORPORATION.
E. H. ROLLINS & SONS.
BLYTH, WITTER & CO.

The above statements have been obtained partly by cable from official and other sources which we consider reliable.

MARCH 23, 1926.

CITY OF LEIPZIG, GERMANY

FIVE MILLION DOLLARS 7 PER CENT SINKING-FUND GOLD BONDS, EXTERNAL LOAN OF 1926

One million two hundred and fifty thousand dollars bonds of the present offering have been withdrawn for sale in Holland and Switzerland. Dated February 1, 1926. Due February 1, 1947.

Interest payable February 1 and August 1. Principal and interest payable in New York City, in United States gold coin of, or equal to, the present standard of weight and fineness, free from all past, present, or future taxes of the German Republic, or of any State, municipality, or other taxing authority therein, at the office of Speyer & Co., fiscal agents for the loan.

COUPON BONDS IN DENOMINATIONS OF $1,000 AND $500, REGISTERABLE AS TO PRINCIPAL

Annual cumulative sinking-fund payments, beginning October 1, 1927, sufficient to redeem the entire issue at or before maturity, to be applied to redemption of bonds by purchase in the market at or below par and accrued interest, or, if not so obtainable, through drawings by lot for payment at par and accrued interest on February 1 of each year, beginning in 1928. In lieu of cash payments the city may tender bonds at par.

The city reserves the right to call for redemption, upon not less than six weeks' notice, on February 1, 1931, or any interest date thereafter, all or any part of the bonds then outstanding, at 102 per cent and accrued interest up to and including August 1, 1935, and thereafter at par and accrued interest.

Doctor Rothe, mayor in chief of the city of Leipzig, has furnished the following statement:

The total authorized issue of these bonds is limited to $5,000,000. The bonds are issued with the approval of the German and Saxon governmental authorities and will be the direct obligation of the city of Leipzig. The city covenants that, if in the future it shall issue any loan secured by a lien on any of its revenues or assets, these bonds shall be secured equally and ratably with such loan.

The city of Leipzig, with about 680,000 inhabitants, is the largest city of the Free State of Saxony, ranks fifth in population among the cities of Germany, and is one of its most important industrial and commercial centers. Its leading industries include the manufacture of woolen, cotton, and other textiles, machinery, and electrical equipment. The city is famous for its book trade and has an extensive fur trade. The Leipzig Sample Fair, the oldest in Germany, held twice a year, attracts large numbers of buyers from Germany and other countries. The city is the seat of the Supreme Court of Germany, and the University of Leipzig is one of the oldest and largest in the country.

The value of property subject to taxation in the city is estimated at $600,000,000 and the taxable income of the inhabitants for the year 1924 was over $170,000,000. The city owns productive enterprises (including water supply, gas, electric light and power plants, street railways, markets, stockyards) and valuable real estate, municipal buildings, etc., the value of which is conservatively estimated, after very liberal deductions for depreciation, at approximately $57,200,000. The gross revenues of productive enterprises, for the year ended March 31, 1925, were about $12,725,000; each was operated at a profit and their total net profits were about $2,100,000, after substantial reserves for depreciation. The total revenues of the city, derived principally from taxation and from municipally owned properties, were for the above fiscal year about $34,672,000 as against expenditures of about $34,094,000 for the same period.

The proceeds of the loan will be used for additions and betterments to the city's electric light and power plants and gas works, which should add substantially to its revenues.

These $5,000,000 bonds are the only external debt of the city. The internal debt, other than about $1,200,000 secured by mortgages on real estate owned by the city, consists of obligations heretofore incurred in the former currency of Germany, the total liability for which (under the terms of the law of the German Republic of July 16, 1925, for the revaluation of public obligations), it is estimated, will not exceed $21,100,000. The property of the city and its revenues from taxes are not subject to any charges for reparation payments under the Dawes plan. Certain municipal enterprises are by law required to make unsecured annual payments in place of secured yearly payments imposed under the Dawes plan on similar private industrial undertakings. Payments in respect of Leipzig's municipally owned utilities for this purpose are estimated at not to exceed $13,000 per annum.

The credit of the city of Leipzig has always ranked high, and for a period of over 30 years before the war the city issued only 3, 3½, or 4 per cent bonds.

All conversions from German to United States currency have been made at par of exchange (4.20 Reichsmarks to the dollar).

Application will be made to list these bonds on the New York Stock Exchange.

All proceedings in connection with the issuance of the above bonds are subject to the approval of our counsel, Messrs. Cadwalader, Wickersham & Taft.

We offer the above bonds for subscription, if, as and when issued and received by us, at 94¾ per cent and accrued interest, to yield 7½ per cent.

We reserve the right to close the subscription at any time without notice, to reject any application and to allot a smaller amount than applied for. Amounts due on allotment will be payable at our office, 24 and 26 Pine Street, in New York funds on or about March 26, 1926, as called for, against delivery of interim receipts exchangeable for definitive bonds when ready.

SPEYER & Co.

MARCH 2, 1926.

HAMBURG-AMERICAN LINE, HAMBURG-AMERIKANISCHE PACKETFAHRT-ACTIEN-GESELLSCHAFT (HAPAG)

SIX MILLION FIVE HUNDRED THOUSAND DOLLARS FIRST MORTGAGE 6½ PER CENT MARINE EQUIPMENT SERIAL GOLD BONDS

Dated December 1, 1925. Due $500,000 annually December 1, 1928–1940.

Interest payable June 1 and December 1. Principal and interest payable in New York City, either at the office of Speyer & Co. or of J. Henry Schroder

Banking Corporation, in United States gold coin of, or equal to, the present standard of weight and fineness, free from all past, present, or future taxes of the German Republic, or of any State, municipality, or other taxing authority therein.

COUPON BONDS IN DENOMINATION OF $1,000, REGISTERABLE AS TO PRINCIPAL

Not callable before December 1, 1930. The company reserves the right to call for redemption at 101 per cent, on that date or any interest date thereafter, all of the bonds then outstanding, or any part (in the reverse order of their maturity), upon not less than 60 days' previous notice.

Guaranty Trust Co. of New York, trustee, Treuhand-Gesellschaft, Berlin, cotrustee.

Herr Max Warnholtz and Dr. Albert Hopff, managing directors of the Hamburg-American Line, have summarized their accompanying letter of December 5, 1925, as follows:

Security: The bonds will be issued pursuant to an indenture with the Guaranty Trust Co. of New York, trustee, and the Deutsche Treuhand-Gesellschaft, cotrustee, and will be secured by a direct first mortgage to the cotrustee on the company's entire fleet of 74 seagoing ships now in operation, with an aggregate of about 373,000 gross register tons, including the two new first-class twin-screw oil-burning passenger ships, the *Albert Ballin* and the *Deutschland*, each of about 21,000 gross register tons. This fleet is modern, about 80 per cent of the tonnage having been built during the past five years. The value of the ships subject to the lien of this mortgage, according to a recent independent appraisal, is over $25,000,000, or two and one-half times the $10,000,000 total authorized issue of the bonds,such authorized amount being equal to only about $27 per gross register ton.

The present issue is $6,500,000 bonds, the remaining $3,500,000 bonds authorized are reserved for future issue for corporate purposes, subject to the restrictions of the indenture. The indenture will provide that the company's ships will be adequately insured against damage by fire, destruction by the elements, perils of the sea, collision and other losses arising from marine risks.

Purpose: The proceeds of this loan will be used to reimburse the company for part of the cost of its seagoing fleet and to repay a loan made for this purpose.

Business: The Hamburg-American Line, established in 1847, is the oldest and largest German steamship company and before the war was one of the leading steamship companies in the world. The company, itself and jointly with other companies, operates 18 different services, including lines to the east and west coasts of the United States, Cuba, the West Indies and Mexico, Central America, the east and west coasts of South America, Eastern Asia, Africa and the Levant. It is also engaged in German coastwise and river traffic. Hamburg, the company's home port, is the leading port of Germany.

Property: In addition to the sea-going fleet referred to above, the company has nearing completion, the "Hamburg," a sister ship of the "Albert Ballin" and of the "Deutschland," which, it is expected, will be in service in May, 1926. The company owns other property conservatively valued at about $6,000,000, including river, harbor and other craft (with an aggregate of about 35,000 gross register tons), warehouses and other valuable real estate at Hamburg and at other cities and shares in shipbuilding and other companies.

Debt: After application of the proceeds of this issue, the only funded debt, other than these bonds, will be a loan from the German Government maturing in 1936 of $1,552,380 (total authorized amount about $1,900,000), bearing interest at graduated rates not exceeding 6 per cent per annum, secured on the steamship "Hamburg," referred to above. Under the Dawes plan, which is now in successful operation, to assure reparation payments under the Versailles Treaty, it has been arranged to impose charges on private industrial undertakings. Payments by the company for this purpose (if such charges should be imposed upon shipping) are estimated at not to exceed $75,000 per annum. The charge securing these reparation payments is not a lien upon the ships mortgaged to secure these bonds.

Earnings: Earnings for the current year, after taxes, available for interest and depreciation, are estimated (on the basis of actual results for the first 10 months of the year) at about $2,350,000, or about five and one-half times the $422,500 maximum annual interest requirements of the bonds to be presently issued.

About 90 per cent of the payments for the company's passenger and freight service are made in United States dollars or pounds sterling.

All conversions from German to United States currency have been made at 4.20 gold marks to the dollar.

All proceedings in connection with the issuance of the above bonds are subject to the approval of our counsel, Messrs. Sullivan & Cromwell.

We offer these bonds for subscription if, as and when issued and received by us, as follows:

Maturities and prices (accrued interest to be added)

Maturity Dec. 1	Price	To yield about	Maturity Dec. 1	Price	To yield about
		Per cent			*Per cent*
1928	$100.00	6.50	1935	$99.30	6.60
1929	99.90	6.53	1936	99.20	6.60
1930	99.80	6.55	1937	99.10	6.61
1931	99.70	6.56	1938	99.00	6.62
1932	99.60	6.57	1939	99.00	6.61
1933	99.50	6.58	1940	99.00	6.61
1934	99.40	6.59			

Hamburg-American Line

Hamburg-Amerikanische Packetfahrt-Actien-Gesellschaft (Hapag)

Hamburg, *December 5, 1925.*

Messers. Speyer & Co., J. Henry Schroder Banking Corporation,
New York.

Dear Sirs: In connection with your purchase of $6,500,000 Hamburg-American Line (Hamburg-Amerikanische Packetfahrt-Actien-Gesellschaft) first mortgage 6½ per cent marine equipment serial gold bonds, due $500,000 annually December 1, 1928–1940 inclusive, we take pleasure in giving you the following information:

The Hamburg-American Line, established in 1847, is the oldest and largest German steamship company.

BUSINESS

The company, itself and jointly with other companies, operates eighteen different services, including lines to the east and west coasts of the United States, Cuba, the West Indies, Mexico, Central America, the east and west coasts of South America, Eastern Asia, Africa and the Levant. The company is also engaged in German coastwise and river traffic. The above lines reach directly a total of about 175 ports and through connecting lines serve many additional ports. The most important of the joint services referred to are maintained with the United American Lines, for which the company acts as general agent in Europe, securing passengers and freight, providing pier facilities, loading, discharging, and provisioning ships, etc., which functions are performed for the company in the United States by the United American Lines. Other companies cooperating with the Hamburg-American Line include the Kosmos Line, the Roland Line, the North German Lloyd, Alfred Holt & Co., the Ellerman & Bucknall Steamship Co. (Ltd.), the Woerman Line, the German East African Line, and the German Levant Line.

Hamburg, the company's home port, is the leading port of Germany.

FLEET

The company owns a fleet of 74 sea-going ships with an aggregate of about 373,000 gross register tons, including the two new first class twin-screw oil-burning passenger ships, the *Albert Ballin* and the *Deutschland*, each of about 21,000 gross register tons, now in operation, and in addition a sister ship, the *Hamburg*, which is nearing completion and, it is expected, will be in service in May, 1926. This fleet is modern, about 80 per cent of the tonnage having been built during the past five years. According to an appraisal made in November of this year by an independent appraiser, the value of the above ships, exclusive of the *Hamburg*, is over $25,000,000, after liberal allowances for depreciation. The cost of reproducing this fleet at prices now prevailing in Germany is estimated at in excess of $40,000,000, and is substantially lower than the cost of building such ships in most other countries.

Besides these sea-going vessels, the company owns and operates a fleet of 149 vessels, including excursion steamers, sea and river tugs, launches, barges, and other auxiliary craft, with a total of 34,858 gross register tons. The company, furthermore, has extensive holdings of real estate and long-term leaseholds used in connection with its passenger and freight business. At Hamburg the company owns a large central administration building, an emigrant hotel, a number of service buildings, warehouses and workingmen's homes and holds, under long-term leases, piers with several miles of water front; it owns also similar properties at Emden and Cuxhaven and office buildings in Berlin, Frankfort-on-Main and other cities. The company is a shareholder in a number of seagoing shipping companies and companies engaged in towing, lighterage, river navigation, shipbuilding, marine insurance, aerial service, etc.

The value of the company's property, other than its seagoing fleet, and of its investments is conservatively estimated at approximately $6,000,000.

SECURITY

The bonds will be the direct obligation of the company, they will be issued pursuant to an indenture with the Guaranty Trust Co. of New York, trustee, and the Deutsche Treuhand-Gesellschaft, cotrustee, and will be secured by a direct first mortgage to the cotrustee on the company's entire fleet of 74 seagoing ships now in operation referred to above. The total authorized amount of these bonds is limited to $10,000,000, which amount is equal to about 40 per cent of the value of the ships mortgaged to secure these bonds, and only about $27 per gross register ton. The present issue is $6,500,000 bonds, the remaining $3,500,000 bonds authorized are reserved for future issue for corporate purposes, subject to the restrictions of the indenture.

The indenture will provide that the company's ships will be adequately insured against damage by fire, destruction by the elements, perils of the sea, collision and other losses arising from marine risks.

PURPOSE

The proceeds of this loan will be used to reimburse the company for part of the cost of its sea-going fleet and to repay a loan made for this purpose.

CAPITALIZATION

(After application of the proceeds of the present issue)

Funded debt:		
First mortgage 6½ per cent marine equipment serial gold bonds authorized $10,000,000; to be outstanding (this issue) due $500,000 annually Dec. 1, 1928-1940		$6, 500, 000
Loan from German Government secured on the S. S. Hamburg (authorized amount estimated at about $1,900,000)		1, 552, 380
Capital stock:		
First preferred 5 per cent (5,000 shares, par value 20 marks)	$23, 810	
Second preferred 6 per cent (50,000 shares, par value 20 marks)	238, 095	
Common (180,000 shares, par value 300 marks)	12, 857, 143	
		13, 119, 048

After application of the proceeds of this issue, the only funded debt, other than these bonds, will be the secured loan from the German Government maturing in 1936 referred to above, (authorized amount approximately $1,900,000) of which $1,552,380 is now outstanding, bearing interest at graduated rates not exceeding six per cent per annum.

Under the Dawes plan, which is now in successful operation, to assure reparation payments under the Versailles Treaty, it has been arranged to impose charges on private industrial undertakings. Payments by the company for this purpose (if such charges should be imposed upon shipping) are estimated at not to exceed $75,000 per annum. The charge securing these reparation payments is not a lien upon the ships mortgaged to secure these bonds.

BALANCE SHEET

The balance sheet of the company, as of October 31, 1925, after giving effect to the application of the proceeds of this issue, is as follows:

Assets:		
Fixed assets—		
Ships (including $2,829,528 payments on ships under construction)	$21, 906, 192	
Real estate, buildings, and equipment	1, 793, 434	
		$23, 699. 626
Investments in companies engaged in shipping and allied undertakings	2, 727, 287	
Investments in other companies	154, 896	
		2, 882, 183
Current assets—		
Cash	2, 996, 579	
Bills receivable	1, 107, 754	
Accounts receivable	1, 896, 771	
Ship stores	702, 340	
		6, 703. 444
Total		33, 285. 253
Liabilities:		
Funded debt—		
First Mortgage 6½ per cent marine equipment serial gold bonds (this issue)		6, 500, 000
Loan from German Government secured on S. S. "Hamburg"		[1] 1, 164, 285
Current liabilities—		
Accounts payable, etc		1, 559, 283
Uncompleted voyages and other pending accounts (including reserve for revalued obligations amounting to about $1,200,000)		7, 202, 552
General reserve		1, 904, 762
Reserve for property taxes		42, 857
Capital stock—		
First preferred 5 per cent	$23, 810	
Second preferred 6 per cent	238, 095	
Common	12, 857, 143	
		13, 119, 048
Surplus		1, 792, 466
Total		33, 285, 253

EARNINGS

The earnings of the company for the first 10 months of the current year, after taxes, available for interest and depreciation, amounted to approximately $2,000,000 and such earnings for the entire year 1925 are estimated at about $2,350,000, or about five and one-half times the $422,500 maximum annual interest requirements of the bonds to be presently issued. The outlook is for more favorable earnings in 1926.

About 90 per cent of the payments for the company's passenger and freight service are made in United States dollars or pounds sterling.

All conversions in the above statements from German to United States currency have been made at 4.20 gold marks to the dollar.

DESCRIPTION OF BONDS

The bonds will be dated December 1, 1925, and will bear interest at the rate of 6½ per cent per annum, payable semiannually June 1 and December 1, and will be due in equal annual installments of $500,000 each on December 1, 1928–1940, inclusive. Principal and interest will be payable in New York City, either at the office of Speyer & Co., or of J. Henry Schroder Banking Corporation, in United

[1] $388,095 additional in November, 1925.

States gold coin of, or equal to, the present standard of weight and fineness, free from all past, present, or future taxes of the German Republic, or of any State, municipality, or other taxing authority therein.

The bonds will be in coupon form in denomination of $1,000, registerable as to principal only, and will not be callable before December 1, 1930. The company reserves the right to call for redemption at 101 per cent, on that date or any interest date thereafter, all of the bonds then outstanding, or any part (in the reverse order of their maturity), upon not less than 60 days' previous notice.

All proceedings in connection with the issuance of the bonds are subject to the approval of your counsel here and in the United States.

GENERAL

Before the war the Hamburg-American Line was one of the leading steamship companies in the world, with a fleet of approximately 1,360,000 gross register tons, operating over 50 services reaching more than 300 ports. As a result of the war and the settlements made by the Treaty of Versailles, the company lost almost its entire ocean-going fleet. Since then rapid strides have been made in the construction of new ships and, in spite of disturbed economic conditions in Germany during this period and the general depression in the shipping industry in recent years, the company has again established for itself a position among the leading shipping companies of the world.

Very truly yours,

HAMBURG-AMERICAN LINE,
MAX WARNHOLTZ,
DR. ALBERT HOPFF,
Managing Directors.

HAMBURG-AMERICAN LINE

Regular services from Hamburg to the following ports (*as officially reported*):

New York.—Weekly sailings in conjunction with the United American Lines. Ports of call: Buologne, Southampton, Cherbourg, Queenstown (Cobh), Boston.

United States North Atlantic ports.—Triweekly sailings in conjunction with the United American Lines. Ports of call: Philadelphia, Baltimore, Norfolk.

United States North Pacific ports.—Biweekly sailings in conjunction with the United American. Kosmos and Roland Lines. Ports of call: Antwerp, Los Angeles, San Diego, San Francisco, Seattle, Portland, Tacoma, and Vancouver.

Cuba and Mexico.—Sailings every 20 days in conjunction with the Ozean Line. Ports of call: Antwerp, Dover, Southampton, Vigo, Habana, Vera Cruz, Tampico. Puerto Mexico, Plymouth.

Cuba.—Monthly sailings. Ports of call: Antwerp, Habana, Matanzas, Cienfuegos, Cardenas, Caibarien, Sagua.

Venezuela, Colombia. and Central America (east coast).—Biweekly sailings in conjunction with the Kosmos and Roland Lines. Ports of call: Antwerp, Dover, Trinidad, La Guayra, Puerto Cabello, Colon, Puerto Barrios, Livingston, Curacao, La Vela de Coro, Aruba, Bonaire, San Juan de Porto Rico, Ponce, Arecibo, Aguadilla, Mayaguez, Puerto Colombia, Cartagena, Port Limon. (Some of these ports by way of transshipment.)

Central America and Mexico (west coast).—Monthly sailings in conjunction with the Kosmos and Roland Lines. Ports of call: Antwerp, Colon, Punta Arenas (Costa Rica), Corinto, Amapala, Acajutla, San Jose de Guatemala, Champerico.

South America (west coast via Panama Canal).—Sailings every 10 days in conjunction with the Kosmos and Roland Lines. Ports of call: Bremen, Rotterdam, Antwerp, Buenaventura, Guayaquil, Callao, Mollendo, Arica, Iquique, Antofagasta, Valparaiso, San Antonio.

South America (west coast via Straits of Magellan).—Biweekly sailings in conjunction with the Kosmos and Roland Lines. Ports of call: Bremen, Rotterdam, Antwerp, Punta Arenas, Corral, Coronel, Talcahuano, Valparaiso, San Antonio, Antofagasta.

Brazil and La Plata.—Monthly sailings. Ports of call: Spain, Rio de Janeiro, San Francisco do Sul, Rio Grande do Sul, Montevideo, Buenos Aires.

La Plata.—Biweekly sailings to Montevideo, Buenos Aires, and Rosario.

Brazil.—Monthly sailings. Ports of call: Antwerp, Pernambuco, Bahia, Victoria, Rio de Janeiro. In addition a steamer to Santos every three weeks and transshipment service to all Brazilian ports.

Eastern Asia.—Weekly sailings in conjunction with the North German Lloyd, Alfred Holt & Co. and Ellermann and Bucknall Steamship Co., Ltd. Ports of call: Bremen, Rotterdam, Antwerp, Genoa, Port Said, Colombo, Penang, Belawan, Singapore, Hong Kong, Shanghai, Takao, Keelung, Moji, Kobe, Yokohama, Dalny. Additional service in conjunction with the North German Lloyd every three weeks. Ports of call: Antwerp, Bremen, Rotterdam, Port Said, Port Swettenham, Belawan, Manila, Yokohoma, Yokka-ichi, Kobe, Osaka, Moji, Tsing-tao, Dalny.

African Ports.—In conjunction with the Woermann, German East Africa and Hamburg-Bremen-Africa Lines. Monthly sailings: To the *Gold Coast:* Rotterdam, Madeira, Tenerife, Las Palmas, Dakar, Bathurst, Bissao, Conakry, Freetown, Sherbro, Cape Palmas, Ivory Coast, Gold Coast, and Kotonou. Main Line *West Coast:* Rotterdam, Southampton, Tenerife, Las Palmas, Monrovia, Sekondi, Accra, Lagos, Iddo, Victoria, Santa Isabel, San Carlos. *Gold Coast Express and Benin Line:* Rotterdam, Tenerife, Las Palmas, Monrovia, Sekondi, Accra, Addah, Quitta, Kotonou, Forcados, Burutu, Wari, Koko, Sapelli. *Lagos and Oil River Line:* Rotterdam, Tenerife, Las Palmas, Freetown, Monrovia, Grand Bassa, Cape Coast Castle, Salt Pond, Winnebah, Lagos, Iddo, Bonny, Port Harcourt, Degana, Abonema, Opobo, Calabar, Victoria. *Liberia and Guinea Line:* Tenerife, Las Palmas, Freetown, Manoh, Sulymah, Liberia, Tiko, Victoria, Mokun, Dange, Bibundi, Debundje, Santa Isabel, San Carlos, Bata, Benito, Eloby. *Angola Line:* Bremen, Antwerp, Madeira, Tenerife, Las Palmas, Monrovia, San Thome, Port Gentil, Libreville, Landana, Cabinda, Banana, Bomas, Angola Ports. *Western* Voyage around Africa; Rotterdam, Southampton, Lisbon, Tenerife, Loanda, Lobito Bay, Walfisch Bay, Luederitz Bay, Capetown, Port Elizabeth, East London, Durban, Lourenco Marquez, Beira, Mozambique, Port Amelia, Dar-es-Salam, Zanzibar, Tanga, Kilindini, Suez, Port Said, Genoa, Marseille, Malaga, Lisbon. *Eastern* Voyage around Africa: Antwerp, Southampton, Lisbon, Malaga, Marseille, Genoa, Port Said, Suez, Killindini, Tanga, Zanzibar, Dar-es-Salam, Port Amelia, Mozambique, Beira, Lourenco Marquez, Durban, East London, Port Elizabeth, Capetown, Luederitz Bay, Walfisch Bay, Tenerife, Las Palmas. Freight Service to *South Africa.* Rotterdam, Antwerp, Walfisch Bay, Luederitz Bay, Capetown, Port Elizabeth, East London, Durban.

The Levant.—Regular sailings from Stettin, Hamburg, Bremen and Antwerp to Malta, Egypt, Syria, Greece, Turkey, Bulgaria, Rumania, and Adriatic ports, in conjunction with the German Levant, German Orient, Roland and Bremen-Atlas Lines.

Rhine service.—River Rhine ports (by way of the North Sea). Weekly sailings.

Emden service.—Via Emden to the canal system of Germany.

North Sea service.—Cuxhaven, Heligoland and Westerland. Sailings every two day.

WESTPHALIA UNITED ELECTRIC POWER CORPORATION—(VEREINIGTE ELEKTRIZITATSWERKE WESTFALEN G. M. B. H.)

SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS FIRST-MORTGAGE SINKING FUND GOLD BONDS

Dated December 1, 1925. Six and one-half per cent series due 1950. Due December 1, 1950. Interest payable June 1 and December 1. Principal payable at the office of Speyer & Co., New York. Interest payable at the option of the holder at the office of Speyer & Co., New York, or Harris Trust & Savings Bank, Chicago, in United States gold coin without deduction for any German taxes of any nature. Callable as a whole or in part on any interest date after 60 days, notice at 100 and accrued interest. Coupon bonds in $1,000 and $500 denominations, registerable as to principal only. Deutsche Treuhand-Gesellschaft, Berlin, Germany, trustee, and Harris Trust & Savings Bank, Chicago, Ill., cotrustee.

Sinking fund commencing August 1, 1931 calculated to retire all bonds of this series at or before maturity.

Information regarding the company, these bonds and the security therefor is given in the accompanying copy of a letter signed by Messrs. Krone & Fischer, the general directors of Westphalia United Electric Power Corporation, which is summarized as follows:

Businss.—The Westphalia United Electric Power Corporation is one of the most important producers and distrubutors of electricity in Germany. Practically all of the capital of the company is owned by the municipalities served.

It supplies by far the greater part of all the electricity used in one of the foremost industrial sections of Europe, serving directly over 138,000 customers in more than 240 communities and supplying at wholesale most of the power requirements of various local distributing systems which in the aggregate supply electricity to over 160,000 additional customers in 106 communities. The company also distributes gas to over 19,500 customers in 22 communities.

Property.—The property comprising the system of Westphalia United Electric Power Corporation includes four large modern steam electric generating plants with an aggregate installed generating capacity of 160,000 kilowatts. The transmission and distribution systems comprise over 390 circuit miles of 50,000-volt and 100,000-volt steel tower lines and approximately 3,937 circuit miles of medium and low voltage lines, of which 1,470 circuit miles are underground.

Security.—These bonds will be the direct obligations of Westphalia United Electric Power Corporation and will be secured, in the opinion of counsel, by direct first mortgages on all of the more important fixed property of the system including the four large modern power plants. Westphalia United Electric Power Corporation will agree that the lien of these mortgages will be extended to cover all fixed properties hereafter acquired.

These bonds will constitute the company's sole funded debt. The authorized issue is $25,000,000 (or equivalent in other currency). Additional bonds to the amount of $17,500,000 may be issued to reimburse the company for 50 per cent of the cost of future additions to its property when net earnings are three times bond interest, all as provided in the indenture.

Valuation.—The present reproduction value of the properties which will be directly subject to the lien of the mortgages, less a liberal allowance for depreciation, as shown by a recent appraisal by independent American engineers, amounts to over four times the total funded debt presently to be outstanding. A like valuation, based on costs prevailing in the United States, would be at least 50 per cent greater.

Earnings, as reported by Messrs. Haskins & Sells

	12 months ended—	
	July 31, 1925	Dec. 31, 1924
Gross earnings	$6,396,467	$6,196,970
Operation, maintenance, and taxes	3,870,188	3,936,823
Net earnings available for interest, depreciation, etc	2,526,279	2,260,147
Annual interest charge on funded debt (this issue)	487,500	....
Balance	2,038,779	....

ABOVE NET EARNINGS OVER FIVE TIMES THE ANNUAL INTEREST CHARGES

Relation to Dawes plan.—The annual payments which the company will be required to make under the Dawes plan and the German laws enacted to carry the Dawes plan into effect are estimated as not exceeding $75,000 per annum, a portion of which will be secured in accordance with the so-called industrial charges law of August 30, 1924. Neither German law nor any international engagements assumed by the German Government involve any restrictions upon the acquisition by the company of the foreign exchange requisite to permit the company to meet the external obligations to be evidenced by these bonds.

All conversions from German to United States currency have been made at 4.20 gold marks to the dollar.

Application will be made to list these bonds on the New York and Boston Stock Exchanges. We offer the above bonds, subject to prior sale, when, as, and if received by us, and subject to approval of counsel, at 87½ and interest, to yield 7.62 per cent.

We reserve the right to reject any subscription and to allot a smaller amount than applied for. It is expected that interim receipts of Speyer & Co. will be ready for delivery on or about December 21, 1925, against payment in New York funds.

SPEYER & Co.

WESTPHALIA UNITED ELECTRIC POWER CORPORATION,
Dortmund, Germany, November 21, 1925.

Messers. SPEYER & Co., and Messers. HARRIS, FORBES & Co.,
New York.

GENTLEMEN: In connection with the purchase of $7,500,000 first mortgage sinking fund gold bonds, 6½ per cent series due 1950, of this company, we take pleasure in giving you the following information:

Business.—The Westphalia United Electric Power Corporation is one of the most important producers and distributors of electricity in Germany. It supplies by far the greater part of all the electricity used in one of the foremost industrial sections of Europe, serving directly more than 138,000 consumers, and supplying at wholesale most of the power requirements of local distributing systems which in the aggregate supply electricity to over 160,000 additional consumers. Among the consumers of electricity served directly by the company there are included many of the important industrial enterprises of Germany. In addition to electric light and power, manufactured gas is distributed to more than 10,500 consumers in 22 communities.

Territory.—The territory served by Westphalia United Electric Power Corporation embraces an area of over 4,255 square miles in western Germany, including most of the very highly industrialized districts in the Ems, Lippe, and Ruhr River Valleys, and having a present population estimated at 2,900,000.

The principal cities of this district which are supplied with electric light and power by Westphalia United Electric Power Corporation either directly or through local distributing systems are Dortmund, Bochum, Münster, Buer, Herne, Recklinghausen, Hörde, and Witten. In addition service is rendered directly in 240 other communities and 106 communities are supplied through local distributing systems. The aggregate population of the communities served directly is estimated at 1,200,000 and the aggregate population served through local distributing systems is estimated at 1,700,000.

In addition to being one of the most important coal mining sections of Europe, this district is one of the most highly developed manufacturing sections of the Continent, its manufacturing enterprises including iron and steel works, foundries and machine shops, rolling, stamping, plating and forging mills, enamelling plants, cotton, linen, and jute spinning and weaving mills, cement and lime plants, tile and brick plants, chemical works, glass and leather plants, wood finishing concerns, etc. The territory served also includes a large amount of excellent agricultural land which is highly developed and in the northern and eastern portions of the territory dairying is carried on extensively.

Property.—The property comprising the system of Westphalia United Electric Power Corporation includes four large modern steam electric generating plants with an aggregate installed generating capacity of 160,000 kilowatts; a transmission system consisting of over 390 circuit miles of 50,000 volt and 100,000 volt transmission lines carried on steel towers; 951 circuit miles of 10,000 and 25,000 volt transmission lines and 817 miles of underground cable; 14 principal substations containing 91,000 kilovolt amperes of transformers; 874 transformer and switching stations containing over 250,000 kilovolt amperes of transformers; and an extensive distribution system reaching over 138,000 customers in 241 communities and including more than 1,516 circuit miles of overhead conductors and 653 miles of underground cables. A large part of the property is of recent construction and all is in first-class operating condition.

In addition the company operates a hydroelectric plant having an installed capacity of 6,000 kilowatts under a lease extending to 1948 from Ruhr Valley Stream Control Association (Ruhrtalsperre-Verein). Power is also purchased at wholesale on very favorable terms under contracts with various coal mining companies operating within the territory served. These contracts add approximately 33,000 kilowatts to the power resources of the Westphalia United system.

Capitalization.—The capitalization of Westphalia United Electric Power Corporation will be as follows: Funded debt: First mortgage sinking fund gold bonds, 6½ per cent series due 1950 (this issue) authorized, $25,000,000;[1] outstanding, $7,500,000; capital, authorized, $9,523,809; outstanding, 9,523,809.[2]

---

[1] Or equivalent in other currency.
[2] Practically all owned by municipalities served.

Description of bonds.—These bonds will be the direct obligations of Westphalia United Electric Power Corporation and will be secured, in the opinion of counsel, by direct first mortgages on all of the more important fixed property of the system including the four large modern power plants. While title to one of these plants is vested in a subsidiary company, half of the capital of which is owned by the city of Barmen, this plant will be covered by the first mortgage lien of these bonds. Westphalia United Electric Power Corporation will agree that the lien of these mortgages will be extended to cover all fixed properties hereafter acquired.

These bonds are to be dated December 1, 1925, and will be due December 1, 1950. Principal will be payable at the office of Speyer & Co., New York. Interest will be payable at the option of the holder at the office of Speyer & Co., New York, or Harris Trust & Savings Bank, Chicago, in United States gold coin of the standard of weight and fineness existing on December 1, 1925, without deduction for any German taxes of any nature. Interest will be payable June 1 and December 1.

The bonds will be in coupon form in $1,000 and $500 denominations, registerable as to principal only, and will be callable at the option of the company, as a whole or in part by lot, on any interest date after 60 days' notice, at 100 and accrued interest. The company has agreed to apply for the listing of these bonds on the New York and Boston Stock Exchanges.

Valuation.—The present reproduction value of the properties which will be directly subject to the lien of the mortgages securing these bonds, less a liberal allowance for depreciation, as shown by a recent appraisal by independent American engineers, amounts to over four times the total funded debt presently to be outstanding. A like valuation based on costs prevailing in the United States would be at least 50 per cent higher.

Sinking fund.—The indenture will provide for progressively increasing annual sinking fund payments commencing August 1, 1931 which are calculated to be sufficient to retire the entire amount of this series at or before maturity. The company may tender bonds for cancellation in lieu of making cash payments into the sinking fund.

Issuance of additional bonds.—These bonds will constitute the company's sole funded debt. Additional bonds of this series, or of other series, having such rates of interest, maturity dates and other provisions and payable in such currency as may be determined by the company and as are permitted by the indenture, pursuant to which these bonds are to be issued, may be issued from time to time to reimburse the company for not to exceed 50 per cent of the cost or fair value, whichever is less, of the construction or acquisition of additions to the electric light and power property of the company made subsequent to June 30, 1925, provided that net earnings (to be defined in the indenture) for 12 consecutive calendar months out of the 15 months immediately preceding application for issue shall have been at least equal to three times the actual annual interest requirements on all bonds issued and outstanding under the indenture including those proposed to be issued.

Earnings.—The consolidated earnings and expenses of the system operated by Westphalia United Electric Power Corporation (after eliminating all inter-company charges) as reported by Messrs. Haskins & Sells have been as follows:

	12 months ended—	
	July 31, 1925	Dec. 31, 1924
Gross earnings	$6,396,467	$6,196,970
Operation, maintenance and taxes	3,870,188	3,936,823
Net earnings available for interest, depreciation, etc	2,526,279	2,260,147
Annual interest charge on funded debt (this issue)	487,500	....
Balance	2,038,779	....

Net earnings available for the payment of interest charges on these bonds as shown above, amounted, for the 12 months ended July 31, 1925, to over five times the annual interest charges on all bonds which will be outstanding. The business is growing steadily and it is calculated that for the calendar year 1925 the net earnings of the system available as above for the payment of bond interest charges will amount to approximately $3,000,000. The expenditure of the proceeds from the sale of these bonds will, it is expected, still further increase the earnings of the system.

Franchises.—In all communities served, either directly or through local distributing systems, service is rendered, in the opinion of counsel, under exclusive rights, which, in practically all important cases, will not expire before the maturity of these bonds. In the opinion of counsel, the rights under which the transmission lines of the system have been constructed were validly obtained and extend well beyond the maturity of these bonds.

Relation to Dawes plan.—The annual payments which the company will be required to make under the Dawes plan and the German laws enacted to carry the Dawes plan into effect are estimated as not exceeding $75,000 per annum, a portion of which will be secured in accordance with the so-called industrial charges law of August 30, 1924. Neither German law nor any international engagements assumed by the German Government involve any restrictions upon the acquisition by the company of the foreign exchange requisite to permit the company to meet the external obligations to be evidenced by these bonds.

Purpose of issue.—The proceeds of this issue of bonds will be used primarily for the development and enlargement of the electric light and power plants, transmission system and distribution system of Westphalia United Electric Power Corporation. The balance will be used for the enlargement of the gas distributing systems.

Except where reference is made to these bonds, all dollar amounts in this letter represent conversion from marks at the rate of 4.20 gold marks to the dollar.

Very truly yours,

VEREINIGTE ELEKTRIZITÄTSWERKE WESTFALEN G. M. B. H.,
KRONE, *General Director.*
FISCHER, *General Director.*

The properties of the company have been examined by our experts and engineer, as well as by an independent engineer. The books have been audited by Messrs. Haskins & Sells.

All legal matters in connection with this issue will be passed upon by Messrs. Sullivan & Cromwell, New York City, except as to matters of German law which will be passed upon by Dr. Heinrich F. Albert and Mr. G. A. Westrick, Berlin, Germany.

As the accompanying letter and the information contained herein have in large part been transmitted by cable, the contents of this circular are subject to cable errors.

NOVEMBER, 1925.

CITY OF DRESDEN, GERMANY

FIVE MILLION DOLLAR 20-YEAR 7 PER CENT SINKING FUND GOLD BONDS, EXTERNAL LOAN OF 1925

One million two hundred and fifty thousand dollar bonds of the present offering have been withdrawn for Holland by Messrs. Teixeira de Mattos Bros., the Nederlandsche Handel-Maatschappij, Messrs. Mendelsshon & Co., Amsterdam, Messrs. Peirson & Co., the Rotterdamsche Bankvereeniging, Amsterdam, and Messrs. R. Mees & Zoonen, Rotterdam. Dated November 1, 1925. Due November 1, 1945.

Interest payable May 1 and November 1. Principal and interest payable in New York City, in United States gold coin of, or equal to, the present standard of weight and fineness, free from all past, present, or future taxes of the German Republic, or of any State, municipality, or other taxing authority therein, at the office of Speyer & Co., fiscal agents for the loan.

Such principal and interest shall also be collectible, at the option of the holders, in Holland at the offices of the above-named Dutch banking houses, in Dutch guilders at their then current buying rate for sight exchange on New York.

Coupon bonds in denominations of $1,000 and $500, registrable as to principal.

A sinking fund is provided sufficient to retire all bonds by maturity. A sum equal to 5 per cent of the total amount of bonds issued will be applied during each year for the first 10 years to the purchase of bonds, if obtainable at not exceeding par and accrued interest; unexpended funds are to revert to the city. During the 10 years beginning November 1, 1935, not less than one-tenth of the amount of bonds outstanding on that date is to be redeemed each year through purchase at not exceeding par and accrued interest, or, if not so obtainable, through drawings by lot at par.

Not callable before November 1, 1935. The city reserves the right to call for redemption at par on that date, or any interest date thereafter, all or any part of the bonds then outstanding upon not less than 60 days' previous notice.

Herr Bernhard Blüher, mayor in chief of the city of Dresden, has furnished the following statement:

The total authorized issue of these bonds is limited to $5,000,000. The bonds are issued with the approval of the German and Saxon Governments and will be the direct obligation of the city of Dresden. None of the revenues or assets of the city are specifically pledged for any loan and the city convenants that, if in the future it shall issue any loan secured by a lien on any of its revenues or assets, these bonds shall be secured equally and ratably with such loan.

The city of Dresden, one of the oldest cities of Germany and an important industrial and commercial center, is the capital of the Free State of Saxony, which ranks first in density of population and second in industrial development among the German States. The city, with a population of about 620,000, is located on the River Elbe, has direct connection by water with Hamburg, the leading port of Germany and excellent railroad connections, particularly with Bavaria, Czechoslovakia, Poland, Austria, and Hungary. The leading industries of the city include the manufacture of porcelain, glassware, tobacco products, machinery, scientific instruments, cameras, and typewriters. The value of property subject to taxation in the city is estimated at $714,000,000 and the taxable income of the inhabitants for the year 1924 was about $95,000,000.

The city owns valuable real estate, municipal buildings, and productive enterprises, including water supply, gas, electric light, and power plants, docks, street railways, markets, stockyards, etc., the value of which is conservatively estimated at approximately $90,500,000, of which about $27,800,000 is the estimated value of income-producing properties. The gross revenues of these productive enterprises were, for the year ended March 31, 1925, about $12,090,000; each was operated at a profit and their total net profits were about $1,890,000, after substantial reserves for depreciation. The total revenues of the city, derived principally from taxation and from municipally owned properties, were for the above fiscal year about $22,400,000, as against expenditures of about $19,940,000, leaving a surplus of about $2,460,000 for the period. Since 1900 the city has had a surplus each year.

The proceeds of this loan will be used for additions and betterments to the city's electric light and power plants, street railways, water and gas works, which should add substantially to its revenues.

The debt of the city, other than the above $5,000,000 bonds and an internal loan equal to about $35,000, consists of obligations heretofore incurred in the former currency of Germany, the total liability for which (under the terms of the law of the German Republic of July 16, 1925, for the revaluation of public obligations), it is estimated, will not exceed $10,952,000. Under the Dawes plan, which is now in successful operation, to assure reparation payments under the Versailles treaty (art. 248), it has been arranged to impose charges on municipally owned works similar to those on private industrial undertakings. Payments by Dresden's municipally owned utilities for this purpose are estimated at not to exceed $60,000 per annum.

The credit of the city of Dresden has always ranked high and for a period of about 30 years before the war the city issued only 3½ per cent or 4 per cent bonds.

All conversions from German to United States currency have been made at 4.20 gold marks to the dollar.

Application will be made to list these bonds on the New York Stock Exchange.

All proceedings in connection with the issuance of the above bonds are subject to the approval of our counsel, Messrs. Cadwalader, Wickersham & Taft.

We offer these bonds for subscription, when, as, and if issued and received by us, at 94 per cent and accrued interest, to yield about 7.60 per cent.

Subscription lists will be opened at the office of Speyer & Co. at 10 o'clock a. m., Monday, November 23, 1925, and will be closed in our discretion. We reserve the right to reject any application and to allot a smaller amount than applied for. Amounts due on allotment will be payable at the office of Speyer

& Co., 24 and 26 Pine Street, in New York funds on or about December 7, 1925, as called for, against delivery of interim receipts exchangeable for definitive bonds when ready.

SPEYER & Co.
BLYTH, WITTER & Co.

NOVEMBER 23, 1925.

CITY OF FRANKFORT-ON-MAIN, GERMANY

FOUR MILLION DOLLAR 7 PER CENT SERIAL GOLD BONDS, EXTERNAL LOAN OF 1925

One million two hundred thousand dollars in bonds of the present offering have been withdrawn for Holland by Messrs. Mendelssohn & Co., Amsterdam, the Nederlandsche Handel-Maatschappij, Messrs. Pierson & Co., Messrs. Teixeira de Mattos Brothers, Amsterdam, and Messrs. R. Mees & Zoonen, Rotterdam, and for Switzerland by the Swiss Bank Corporation, Basle. Dated October 1, 1925. Due $200,000 annually, October 1, 1926–1945.

Interest payable April 1 and October 1. Principal and interest payable in New York City, in United States gold coin of, or equal to, the present standard of weight and fineness, free from all past, present, or future taxes of the German Republic, or of any State, municipality, or other taxing authority therein, at the office of Speyer & Co., fiscal agents for the loan.

Such principal and interest shall also be collectible, at the option of the holders, in Holland at the offices of the above named Dutch banking houses, in Dutch guilders at their then current buying rate for sight exchange on New York.

Coupon bonds in denominations of $1,000 and $500, registerable as to principal.

Not callable before October 1, 1930. The city reserves the right to call for redemption at 103 per cent on that date or any interest date thereafter, all or any part of the bonds then outstanding, upon not less than 60 days' previous notice.

Dr. Ludwig Landmann, mayor-in-chief of the city of Frankfort-on-Main, has furnished the following statement:

The total authorized issue of these bonds is limited to $4,000,000. The bonds are issued with the approval of the German and Prussian Governments and will be the direct obligation of the city of Frankfort. None of the revenues or assets of the city are specifically pledged for any loan and the city covenants that, if in the future it shall issue any loan secured by a lien on any of its revenues or assets, these bonds shall be secured equally and ratably with such loan.

The city of Frankfort, one of the oldest and most important financial and commercial centers of Germany, has a population of about 460,000 inhabitants and with surrounding communities forms a metropolitan district with about 1,000,000 inhabitants. The city has excellent railroad connections with all parts of Germany and other countries and direct connection by water with the Rhine. Its leading industries include the manufacture of machinery and electrical equipment and in and around the city are located some of the most prominent German dye and chemical plants. Frankfort is an important market for hides and leather, grain, lumber, and textiles. The value of property subject to taxation in the city is estimated at $1,090,000,000 and the taxable income of the inhabitants for the year 1924 was about $120,000,000.

The city owns valuable real estate, municipal buildings, and productive enterprises, including water supply, gas, electric light and power plants, street railways, docks, markets, stockyards, etc., the value of which is conservatively estimated at about $83,500,000, of which about $28,405,000 is the estimated value of income-producing properties. The gross revenues of these productive enterprises were, for the year ended March 31, 1925, about $10,956,000; each was operated at a profit and their total net profits were about $3,118,000 after substantial reserves for depreciation. The total revenues of the city, derived principally from taxation and from municipally owned properties, were, for the above fiscal year, about $23,270,000, as against expenditures of about $22,910,000 for the period.

The proceeds of this loan will be used for additions and betterments to the city's electric light and power plants, water and gas works, which should add substantially to its revenues.

The debt of the city, other than the above $4,000,000 bonds, consists of obligations heretofore incurred in the former currency of Germany, the total liability for which (under the terms of the law of the German Republic of July 16, 1925, for the revaluation of public obligations), it is estimated, will not exceed $17,-

500,000. Under the Daws plan, which is now in successful operation, to assure reparation payments under the Versailles treaty (article 248), it has been arranged to impose charges on municipally owned works similar to those on private industrial undertakings. Payments by Frankfort's municipally owned utilities for this purpose are estimated at not to exceed $20,000 per annum.

The credit of the city of Frankfort has always ranked high; for a period of more than 30 years before the war, its bonds, bearing interest at the rate of 3½ or 4 per cent, were issued at prices at which the yield was between 3½ and 4.20 per cent per annum.

All conversions from German to United States currency have been made at 4.20 gold marks to the dollar.

All proceedings in connection with the issuance of the above bonds are subject to the approval of our counsel, Messrs. Cadwalader, Wickersham & Taft.

We offer these bonds for subscription, when, as, and if issued and received by us, as follows:

Maturities and prices—Accrued interest to be added

Maturity October 1	Price	To yield about	Maturity October 1	Price	To yield about
		Per cent			*Per cent*
1926	100⅜	6.50	1933	96¼	7.64
1927	100¼	6.86	1934	95¾	7.66
1928	100	7.00	1941	94¼	7.63
1929	99	7.29	1942	94¼	7.61
1930	98	7.49	1943	94	7.62
1931	97½	7.53	1944	94	7.60
1932	96¾	7.61	1945	94	7.60

Maturities from 1935 to and including 1940 have been withdrawn for sale in Holland and Switzerland.

Subscription lists will be opened at the office of Speyer & Co. at 10 o'clock a. m., Monday, November 23, 1925. and will be closed in our discretion. We reserve the right to reject any application and to allot a smaller amount than applied for. Amounts due on allotment will be payable at the office of Speyer & Co., 24 and 26 Pine Street, in New York funds on or about December 7, 1925, as called for, against delivery of interim receipts exchangeable for definitive bonds when ready.

SPEYER & CO.
BLYTH, WITTER & CO.

NOVEMBER 23, 1925.

HUNGARIAN CONSOLIDATED MUNICIPAL LOAN

$10,000,000 20-YEAR 7½ PER CENT SECURED SINKING FUND GOLD BONDS

(Authorized by and issued with the approval and under the control of the Royal Hungarian Government. The bankers are authorized to state, that from the point of view of the League of Nations reconstruction plan, there is no objection to this loan)

Dated July 1, 1925. Due July 1, 1945.

Interest payable January 1 and July 1. Principal and interest payable in New York City, in United States gold coin of the present standard of weight and fineness, free from all Hungarian taxes, present or future, at the office of Speyer & Co., fiscal agents for the loan.

Coupon bonds in denominations of $1,000 and $500, registerable as to principal.

Cumulative sinking fund of about 2.23 per cent per annum, sufficient to redeem the entire issue at or before maturity, to be applied to redemption of bonds by semiannual drawings at par.

Not subject to redemption before July 1, 1930, except for sinking fund. Redeemable, upon not less than three months' previous notice, as a whole or in part, on that date or any interest date thereafter at 102 per cent up to and including July 1, 1932, thereafter at 101 per cent up to and including July 1, 1935, and thereafter at par. Pester Ungarische Commercial-Bank, Budapest, trustee.

Dr. Johann Bud, Minister of Finance, and Dr. Ivan Rakovszky, Minister of Interior, of the Kingdom of Hungary, have furnished us with the following statement:

Security.—The total authorized issue of these bonds is limited to $10,000,000. The bonds are issued with the approval and under the control of the Royal Hungarian Government and will be the direct obligations of ten cities and of 38 towns of Hungary, each being liable as provided by Law XXII of 1925, authorizing this issue, in proportion to its share in the proceeds of the loan. These municipalities include all of the cities (except Budapest) and have about 1,550,000 inhabitants.

The bonds will be specifically secured by a first charge on revenues, assigned to or collected by these municipalities, which for 1925 are estimated, in the aggregate, at $5,350,000, as follows:

(*a*) The income tax on profits and the amount of the turnover tax on sales assigned annually to these municipalities, which taxes are collected by the Royal Hungarian Government	$2, 250, 000
(*b*) Consumption and octroi taxes, collected directly by the municipalities	1, 100, 000
(*c*) Net receipts of their public utilities and other properties	2, 000, 000
Total	5, 350, 000

or about five and one-half times the annual requirements for interest and sinking fund on the loan.

The Royal Hungarian Government will place monthly the revenues specified in section (*a*) above or others applicable to the service of the loan under the loan contract, in a special account in the National Bank of Hungary, which account is to be controlled by a trustee for the bondholders to be appointed by the bankers. The trustee will retain from these funds the sums required for semiannual interest and sinking fund on the loan and remit monthly the amounts so retained to Speyer & Co., fiscal agents.

The bonds will be further secured by a first direct charge on all the assets of these municipalities which covenant that, so long as any of the bonds are outstanding, they will not mortgage their real property, nor without the consent of the trustee sell any part thereof. The aggregate value of their lands, buildings, public utility and other properties is estimated at more than $100,000,000, whereof about $76,000,000 is the estimated value of income-producing properties, to which substantial additions will be made from the proceeds of the loan.

The assessed value of property subject to taxation in these municipalities is about $257,000,000.

The bonds are legal investments for the Royal Hungarian Postal Savings Bank, for widows' and orphans' funds (controlled by the Government) and are acceptable for Government surety bonds in Hungary.

Purpose.—The proceeds of the loan will be expended under the control of the Royal Hungarian Government for capital purposes, over three-fourths for income-producing properties and the remainder for schools, roads, and other municipal improvements. The Royal Hungarian Government exercises a large measure of supervision and control over the administration and finances of the municipalities.

Debt.—The bonds are the only external debt of these municipalities and will be outstanding at the rate of approximately $6.50 per capita. The internal debt at the close of 1924, was equal to about $2,650,000, or only about $1.70 per capita.

General.—These municipalities include the cities of Szeged and Debreczen, with a population of over 100,000 each, and six other municipalities with a population of more than 50,000 each. With only few exceptions, they report that their revenues for the year 1925 will exceed their expenditures.

Hungary is primarily an agricultural country with important exports of grain flour, sugar, livestock, poultry, and meat. The production of coal is nearly sufficient for the country's requirements. The area is about three times as large as that of Holland or Belgium and the population, over 8,000,000, exceeds that of either of these countries.

In accordance with the plan of the League of Nations an international loan for reconstruction purposes was issued in 1924 in the United States, England, and other countries, yielding about $50,650,000, the American part of the loan amounting to $9,000,000 bonds. About three-fourths of the proceeds of the loan are still available. Hon. Jeremiah Smith, jr., of Boston, was appointed commissioner-general of the League for Hungary and is now supervising the execution of the plan. Notable progress has been made in reconstruction, the receipts from taxes greatly exceeding the estimates of the financial committee of the League made in connection with the loan; for the first 10 months of the fiscal year ending June 30, 1925, revenues have exceeded expenditures and it is expected that for the entire fiscal year the budget will balance. The establishment of the National Bank of Hungary, as a bank of issue independent of State control, has resulted in stabilizing the currency. The reserves of the bank in gold and foreign exchange are equal to more than 55 per cent of the notes in circulation.

About a year ago, Hungary funded its relief obligations to the United States, which were contracted immediately after the World War.

All conversions from gold crowns to United States currency have been made at the rate of 5 gold crowns to the dollar.

Application will be made to list these bonds on the New York Stock Exchange.

All proceedings in connection with the issuance of the above bonds are subject to the approval of our counsel, Messrs. Cadwalader, Wickersham & Taft.

We offer the above bonds for subscription, when, as and if issued and received by us, at 89 per cent and accrued interest, to yield about 8.67 per cent.

We reserve the right to close the subscription at any time without notice, to reject any application and to allot a smaller amount than applied for. Amounts due on allotment will be payable at our office in New York funds on or about August 5, 1925, as called for, against delivery of interim receipts exchangeable for definitive bonds when ready.

Subscriptions will also be received in Amsterdam by Messrs. Teixeira de Mattos Bros.

SPEYER & CO.

JULY 15, 1925.

CITY OF BERLIN, GERMANY

FIFTEEN MILLION DOLLARS 25-YEAR 6½ PER CENT SINKING FUND GOLD BONDS, MUNICIPAL EXTERNAL LOAN OF 1925

Dated April 1, 1925. Due April 1, 1950.

Interest payable April 1 and October 1. Principal and interest payable in New York City, in United States gold coin of, or equal to, the present standard of weight and fineness, free from all past, present, or future taxes of the German Republic, or of any state, municipality, or other taxing authority therein, at the office of Speyer & Co., fiscal agents for the loan.

Coupon bonds in denominations of $1,000 and $500, registerable as to principal.

Annual cumulative sinking fund, sufficient to redeem the entire issue at or before maturity, to be applied to redemption of bonds by purchase in the market at or below par and accrued interest, or, if not so obtainable, through drawings by lot at par.

Not subject to redemption before April 1, 1930, except for sinking fund. Redeemable at par, as a whole or in part, on that date or on any interest date thereafter, at the option of the city, upon not less than six months' previous notice.

Dr. Ernst Karding, treasurer of the city of Berlin, has furnished us the following statement:

The total authorized issue of these bonds is limited to $15,000,000. The bonds are issued with the approval of the German and Prussian Governments and will be the direct obligation of the city of Berlin which covenants that, if in the future it shall issue any loan secured by a lien on any of its revenues or assets, these bonds shall be secured equally and ratably with such loan.

The city of Berlin, the capital of the German Republic, with a population of about 4,000,000, is the third largest city of the world. The value of real estate, including buildings, and of industrial and commercial enterprises assessed in Berlin as of December 31, 1924, amounted to about $2,100,000,000 and the taxable income of the inhabitants for the year 1924 amounted to about $915,000,000.

The city owns valuable real estate, municipal buildings, and productive enterprises, including water supply, gas and electric light and power plants, street railways and rapid transit lines, markets, stockyards, etc., the value of which is conservatively estimated at more than $350,000,000. The revenues of the city for the fiscal year ended March 31, 1925, were about $107,654,000 and the expenditures were about $105,650,000 for the same period.

The proceeds of this loan will be used for additions and betterments to the city's electric light and power plants and for the extension of its rapid transit subway system.

These $15,000,000 bonds and other obligations amounting to about $200,000 will be the only external debt of the city, provision having been made for payment of the $3,000,000 one-year 7 per cent external gold loan, due November 15, 1925. The amount of the internal debt of the city other than 100,000 gold marks outstanding (out of an authorized issue of 20,000,000 gold marks internal loan 6 per cent bonds) can not be determined, until final action is taken by Government authority in regard to the terms of revaluation of municipal obligations heretofore incurred; while no statement can be made at present as to the outcome of legislation now pending, it is not anticipated that the maximum requirements for payment of interest upon and for the amortization (within a period of 20 years) of such obligations, as revalued, will exceed $4,300,000 per annum.

Under the Dawes plan, which is now in successful operation, to assure reparation payments under the Versailles treaty (art. 248), it has been arranged to impose charges on municipally owned works similar to those on private industrial undertakings. Payments by Berlin's municipally owned utilities for this purpose are estimated at not to exceed $475,000 for the 12 months beginning September 1, 1925 (the first period for which such payments are required), $950,000 for the succeeding 12 months, and a maximum amount of $1,150,000 per annum thereafter.

All conversions from German to United States currency have been made at 4.20 gold marks to the dollar.

Application will be made to list these bonds on the New York Stock Exchange.

All proceedings in connection with the issuance of the above bonds are subject to the approval of our counsel, Messrs. Cadwalader, Wickersham & Taft.

We offer the above bonds for subscription, when, as and if issued and received by us, at 89 per cent and accrued interest, to yield about 7½ per cent.

Subscription lists will be opened at the office of Speyer & Co. at 10 o'clock a. m., Thursday, July 2, 1925, and will be closed in our discretion. We reserve the right to reject any application and to allot a smaller amount than applied for. Amounts due on allotment will be payable at the office of Speyer & Co., 24–26 Pine Street, in New York funds on or about July 20, 1925, as called for, against delivery of interim receipts exchangeable for definitive bonds when ready.

SPEYER & CO.
BLAIR & CO. (INC.).
THE EQUITABLE TRUST CO. OF NEW YORK.

JULY 1, 1925.

STATE OF SAO PAULO

(United States of Brazil)

TWENTY-FIVE YEAR 8 PER CENT SECURED SINKING FUND GOLD BONDS, $15,000,000, EXTERNAL LOAN OF 1925. DATED JANUARY 1, 1925; DUE JANUARY 1, 1950

Interest payable January 1 and July 1. Principal, premium and interest payable in New York City either at the office of Speyer & Co. or of J. Henry Schroder Banking Corporation, in United States gold coin of the present standard of weight and fineness, without deduction for any Brazilian taxes, present or future.

Speyer & Co., fiscal agents for the Loan. Coupon bonds in denominations of $1,000 and $500.

Cumulative sinking fund beginning January 1, 1931, sufficient to redeem the entire issue at or before maturity, to be applied to redemption of bonds through purchase in the market at or below 105 per cent and accrued interest, or, if not so obtainable, through drawings at 105 per cent by lot. All bonds not previously retired by the sinking fund are to be paid at 105 per cent at maturity.

Not subject to redemption before January 1, 1935, except for sinking fund. Redeemable at 105 per cent on that date and on any interest date thereafter, at the option of the Government, as a whole (but not in part, except for the sinking fund) upon not less than six months' notice.

Security.—These bonds (the total authorized amount of which is limited to $15,000,000) will be the direct obligation of the State of Sao Paulo, the most important State of Brazil, and will be secured by—

1. A first charge on the receipts from the tax on the transfer of real property and from the inheritance tax (imposto de transmissão de propriedade *inter-vivos* e imposto de transmissão de propriedade *causa-mortis*). The receipts from these taxes for the past three years averaged over $4,300,000 per annum and in 1924 were over $5,400,000.

2. A mortgage on the Sorocabana Railway, which will be (*a*) a first lien on approximately 540 miles of road, (*b*) a lien on about 560 miles subject to the mortgage securing the loan of 1905 (the original amount of which, approximately $18,500,000, has been reduced through operation of the sinking fund to about $13,650,000 bonds), and (*c*) a lien on the net earnings of the railway subject to prior charges aggregating approximately $2,000,000 per annum. The annual net earnings of the Sorocabana Railway, applicable to this loan, after deducting such prior charges, are estimated on the basis of rates now in effect at approximately $900,000.

The above revenues pledged for this loan are equal to over five times the annual interest requirements. The total annual charges for the service of the loan beginning January 1, 1931, when the sinking fund becomes operative, will be less than $1,600,000.

The loan contract provides for remittance of the funds required for the service of the loan in 52 weekly installments to Speyer & Co., fiscal agents.

Purpose.—The proceeds of this loan are to be used for additions, betterments and extensions to the Sorocabana Railway, owned by the State. This railway extends from the city of Sao Paulo, the capital of the State, through its southern and western portions, including some of the richest coffee growing and sugar producing districts.

Debt.—The external funded debt of the State including this loan amounts (at par of exchange) to about $66,750,000, or less than $13.50 per capita. The internal debt amounts (at current rates of exchange) to about $45,500,000.

State owned properties.—The State owns properties, the present value of which may be estimated at over $150,000,000; the most important of these properties are the Sorocabana Railway, and the water-supply systems and sanitary works of the city of Sao Paulo and other municipalities.

General.—Sao Paulo, known as the Empire State of the Republic of Brazil, occupies an area of about 112,000 square miles, and is substantially equal in size to the State of New York and the New England states combined. The population is estimated at about 5,000,000. Sao Paulo is the principal agricultural and industrial State of Brazil and more than one-half of the total world production of coffee is grown in the State. The value of Sao Paulo coffee exported in 1923 was about $125,000,000. Other leading agricultulral products include cotton, tobacco, and sugar. Cattle raising and meat packing are important industries, and rapid progress has been made in textile and other industries. Sao Paulo is served by nearly 4,500 miles of railroads, of which about 1,400 miles are owned by the State.

The value of commodities produced in the State and shipped through the port of Santos to foreign countries and to other States of Brazil during the year 1923 amounted (at rates of exchange then prevailing) to about $157,000,000. This amount includes exports to the United States valued at more than $73,000,000, the chief item of which was coffee. The foreign commerce passing through the port of Santos during that year consisted of exports of the value of about $167,-000,000, or about one-half of the total for Brazil, and imports of the value of about $78,000,000, or about one-third of the total.

The wealth of the State, public and private, has been estimated at about $4,000,000,000.

The credit of Sao Paulo has always ranked high, and the State has always met its obligations. The outstanding external bonds of the State, issued before the war, bear interest at the rate of 5 per cent and were placed in England, France, Germany, Belgium, Holland, and Switzerland on a 5.10 per cent to a 5.40 per cent basis. The bonds of the loan of 1905, the largest of the outstanding pre-war issues, are quoted on about a 6.80 per cent basis.

Conversion from milreis into dollars has been made at the current rate of exchange of approximately 11.10 cents per milreis, or at the average rate prevailing for the year referred to. Other currencies have been converted at par of exchange.

Application will be made in due course to list these bonds on the New York Stock Exchange.

A large part of the above bonds having been sold abroad, we offer the balance for subscription, when, as and if issued and received by us, at 99½ per cent and accrued interest, to yield 8.10 per cent.

All proceedings in connection with the issuance of the above bonds are subject to the approval of our counsel, Messrs. Curtis, Mallet-Prevost, Colt & Mosle.

Subscription lists will be opened at the office of Speyer & Co. at 10 o'clock a. m., Tuesday, March 31, 1925, and will be closed in our discretion. We reserve the right to reject any application and to allot a smaller amount than applied for. Amounts due on allotment will be payable at the office of Speyer & Co., 24-26 Pine Street, in New York funds on or about April 16, 1925, as called for, against delivery of interim receipts exchangeable for definitive bonds when ready.

SPEYER & CO.
BLAIR & CO. (INC.).
LADENBURG, THALMANN & CO.
E. H. ROLLINS & SONS,
J. HENRY SCHRODER BANKING CORPORATION.
THE EQUITABLE TRUST CO. OF NEW YORK.
BLYTH, WITTER & CO.

The above statements have been obtained partly by cable from official and other sources which we believe to be reliable.

MARCH 31, 1925.

GREEK GOVERNMENT

FORTY-YEAR 7 PER CENT SECURED SINKING FUND GOLD BONDS. $11,000,000. PART OF THE REFUGEE LOAN OF 1924, AUTHORIZED BY THE COUNCIL OF THE LEAGUE OF NATIONS; DATED NOVEMBER 1, 1921; DUE NOVEMBER 1, 1964

Interest payable May 1 and November 1. Principal and interest payable in New York, at the office of Speyer & Co., in United States gold coin of the present standard of weight and fineness, without deduction for any Greek taxes, present or future. Coupon bonds in denominations of $1,000 and $500.

Sinking fund.—Cumulative sinking fund of ½ per cent per annum, sufficient to redeem the entire loan at or before maturity. Additional sinking fund, equal to 75 per cent of capital repayments referred to below, estimated to amount, after 1928, to about $2,800,000 per annum, of which amount about $500,000 would be applicable to the American issue. Sinking fund to be applied to redemption of bonds through semiannual drawings at par.

Not subject to redemption before May 1, 1936, except by sinking fund operating by drawings at par. The Government reserves the right on that date, or on any interest date thereafter, to increase the sinking fund, or to pay off at par the whole loan on giving three months' previous notice.

These bonds are part of an international loan (total authorized amount £12,300,000, equal at par of exchange to about $59,858,000), the balance of which, namely £7,500,000 sterling bonds have been sold, through public subscription, in London by Hambros Bank (Ltd.), and £2,500,000 sterling bonds are being offered in Athens by the National Bank of Greece. This loan is issued pursuant to the Geneva protocols, dated September 29, 1923, and September 19, 1924, ratified by acts of the Greek Parliament, dated June 7 and October 24, 1924, and the Resolutions of the Council of the League of Nations, dated September 29, 1923 and September 19, 1924.

Monsieur Demetrius Caclamanos, envoy extraordinary and minister plenipotentiary of Greece in Great Britain, has authorized the following statement in behalf of the Greek Government:

Purpose.—The purpose of this loan is to provide funds for establishing on the land or in industry Greeks who after being forced to leave Turkey are to be settled in Greece, according to the convention for the exchange of populations signed in Lausanne in 1923. The number so to be settled is approximately 1,500,000. For this work a Refugee Settlement Commission has been established by the Greek Government with the approval of the Council of the League of Nations, which will have supervision over the operations of the Commission. It consists of two members appointed by the league, one of them an American citizen, who is to be chairman, and two members appointed by the Greek Govnerment with the approval of the league. Hon. Henry Morgenthau was the first chairman and has been succeeded by Hon. Charles P. Howland of New York.

The proceeds of the loan, after repayment of advances amounting to about $16,450,000 from the Bank of England and the National Bank of Greece for the work of the Commission, will be placed at the disposal of the Commission and the Government has undertaken to transfer to it, free of charge, about 1,250,000 acres of land suitable for cultivation, houses, and urban real estate, the value of which is estimated at more than $48,000,000. The Commission plans to grant the lands to settlers on terms involving repayment in semiannual instalments with interest over a period of not more than 15 years and to make advances, from the funds at its disposal, for productive purposes on similar terms.

Security.—The loan will be the direct obligation of the Greek Government and will be secured by:

1. A first charge on revenues to be collected under the control of the International Financial Commission, the yield of which for the year 1925 is estimated (on the basis of receipts for the nine months ended September 30, 1924) at about $12,245,000.

The revenues so pledged are the receipts from monopolies (i. e., salt, matches, playing cards, and cigarette paper), tobacco and stamp duties in the new territories of Greece, from the customs at Canea, Candia, Samos, Chios, Mytilene, and Syra, and from the alcohol duty in the whole of Greece (the last-named revenue is subject, however, to a contingent prior charge of about $400,000).

2. A charge upon the surplus of revenues heretofore assigned to the International Financial Commission over requirements for the service of the loans for which such revenues have been pledged. This surplus for the year 1925 is estimated (on the basis of the receipts for the first nine months of 1924) at about $13,731,000.

The above revenues pledged for this loan should equal about six times the annual interest and sinking fund requirements amounting (at par of exchange for sterling) to about $4,475,000.

3. A first charge on the property and income of the Refugee Settlement Commission. It is estimated that the value of the property and assets of the commission after the proceeds of this loan have been applied as planned will be approximately $94,000,000 and that, taking a period for repayment of 15 years, the receipts from repayments for lands sold, moneys advanced and rents should, on an equal annual installment basis, amount after 1928 to not less than $4,700,000 per annum or more than the annual requirements for the service of the loan. Approximately four-fifths of this amount, it is estimated, will be repayments of capital, 75 per cent of which, or over $2,800,000 are to be applied as an additional sinking fund for redemption of bonds of this loan.

The International Financial Commission referred to above was formed in 1898 to control the collection of, and to administer the revenues assigned to the service of Greek Government loans. The members of the commission are representatives of the Governments of Great Britain, France, and Italy. It has accepted irrevocably the order of the Greek Government to retain from the revenues pledged for this loan the amounts required for payment of interest and sinking fund.

Since 1898, during which time the country has passed through two Balkan wars and the great European war, Greece has consistently maintained payments due under the obligations of her external debt.

General.—Greece occupies an area of approximately 33,000 square miles. The population is estimated at 7,000,000, of which about two-fifths is in the new territories added to Greece since 1913. In area the country is about as large as Austria, and it is about three times as large as Belgium or Holland. The population is greater than that of Austria and it is about the same as that of Belgium or Holland. The country is mainly agricultural. Industry has made considerable progress. The merchant marine of Greece amounts to about 900,000 tons. The country benefits materially by remittances from emigrants, a large part of which is from the United States.

Except as otherwise stated, the dollar amounts shown above have been converted at the rate of 250 drachmas per pound sterling and $4.70 per pound sterling.

Application will be made in due course to list these bonds on the New York Stock Exchange.

A large part of the above dollar bonds having been sold, we offer the balance for subscription, when, as and if issued and received by us, at 88 per cent and accrued interests, to yield 8 per cent.

All proceedings in connection with the issuance of the above bonds are subject to the approval of our counsel, Messrs. Cadwalader, Wickersham & Taft.

DECEMBER 17, 1924.

GERMAN NATIONAL RAILWAY SYSTEM

(DEUTSCHE REICHSBAHN-GESELLSCHAFT, ORGANIZED IN ACCORDANCE WITH THE DAWES PLAN)

The following information is summarized from the report made to the Dawes Commission by Sir William Acworth, English railway expert, and Monsieur

G. Leverve, French railway expert, from the law giving effect to the railway provisions of the Dawes plan, and from other sources believed to be realiable.

The German State Railway Co. was organized (under the law of August 30, 1924) to take over the operation of the German railway system under private management. The system, comprising about 33,000 miles of road, is the largest in the world and the construction of lines, stations, yards, and buildings is of a high standard. The equipment, consisting of approximately 31,000 locomotives, 70,000 passenger cars, and 750,000 freight cars, is superior both in quality and in quantity to that in use before the war; two-thirds of the rolling stock is less than 10 years old.

The original cost of the system was about $3,200,000,000, and the present value is estimated by English and French railway experts to be fully equal to the cost.

CAPITALIZATION

Funded debt: First closed mortgage 40-year reparation bonds, guaranteed by the German Government. Annual charge beginning with fourth year (1928), 5 per cent for interest and 1 per cent for cumulative sinking fund; lower charges for first three years as stated below (issued to trustee appointed by Reparation Commission), $2,620,000,000; second mortgage 15-year 7 per cent gold bonds, to be issued and pledged as security for a credit of $15,000,000 up to $22,500,000.

Capital stock: Common stock (issued to the German Government or the German States), $3,095,000,000; preferred stock, authorized, $476,000,000.

Cumulative dividends not to exceed 7 per cent per annum; issue price to be not less than par. Three-fourths of the proceeds of the sale of preferred stock is to accrue to the railway company and one-fourth to the German Government; one-fourth of the preferred stock is to be sold within two years and, if the Government requires the proceeds of such sales are to be paid to it.

The first-mortgage reparation bonds are secured by a first lien on all the railway property, fixed and movable, now owned or hereafter acquired by the German Government or by the railway company. The second-mortgage bonds will be secured by a mortgage, subject only to the lien of the first-mortgage reparation bonds.

Except for the above first-mortgage reparation bonds, the total amount of bonds and secured loans which the company may issue is limited to a maximum of $60,000,000 until the amount of preferred stock issued is $238,000,000.

EARNINGS

Pre-war net earnings of the German railways, before deducting interest and sinking fund payments, were as follows:

1910	$219,000,000
1911	251,000,000
1912	252,000,000
1913	238,000,000

The experts in their report to the Dawes Commission stated that the gross revenues amount to approximately $1,000,000,000 per annum. They estimated that the net earnings, available for interest and sinking fund payments, after provision for adequate reserves, would be as follows:

First year	$95,000,000
Second year	131,000,000
Third and fourth years	167,000,000 to 179,000,000
Fifth and subsequent years	190,000,000

The annual payments to be made for interest and sinking fund on the first mortgage reparation bonds are $48,000,000 for the first year, beginning September 1, 1924, and ending August 31, 1925, increasing to $157,000,000 for the fourth year and thereafter.

According to the latest information, the above estimates of earnings will be exceeded and it is now estimated that for the 15 months beginning October 1, 1924, and ending December 31, 1925, the net earnings available for debt service and reserves will be about $250,000,000.

The approximate dollar amounts given above are on the basis of 4.20 gold marks to the United States dollar.

MANAGEMENT

The management of the company is entrusted to an administrative board of 18 members, all of whom are to be experienced business men or railway experts; one-half are to be nominated by the German Government and one-half, including at least 4 foreigners, by the trustee for the first mortgage reparation bondholders. M. Delacroix, formerly Prime Minister of Belgium, has been appointed such trustee. The foreign members nominated by the trustee are as follows: Sir William Acworth (England), Signor Giuseppe Bianchini (Italy), M. Jules Jadot (Belgium), and M. Maurice Margot (France). The German members nominated by the trustee are as follows: Messrs. Bergmann, von Müller, Münchmeyer, Stieler, and Sarre.

SPEYER & Co., *New York.*

DEAR SIRS: We have entered into a contract to extend to the German State Railway Co. (organized in accordance with the Dawes plan) a secured open bank credit not to exceed $15,000,000, the amounts availed of by the railway company under such credit to be repayable not later than January 31, 1926. Approximately one-third of this credit is to be available in pounds sterling and has been taken by a London banking group headed by Messrs. J. Henry Schröder & Co.

Interest at the rate of 7 per cent per annum upon such amounts of the credit as are used by the railway company will be payable at the end of each calendar quarter.

We will allow participants in this credit, as compensation, a commission of 1 per cent on the full amount of their commitment, payable out of the first installment. This commission is payable in any case not later than March 31, 1925, whether or not the credit is used.

Principal and interest of the dollar portion of the credit are to be payable in New York at the office of Speyer & Co. in United States gold coin; all payments on account of principal and interest to be without deduction for any taxes, present or future, of the German Government or any subdivision thereof. The contract provides that the railway company will not avail itself at any one call of more than 20 per cent of the whole amount of the credit, and will give the bankers two weeks' previous notice of payments and repayments. The railway company further agrees not to borrow abroad during the pendency of this credit without the consent of the bankers.

This credit will be the direct obligation of the German State Railway Co. and will be secured by pledge of 15-year 7 per cent second mortgage gold bonds, equal at face value to 150 per cent of the amount of the credit in use, the collateral for the dollar portion to be lodged with Speyer & Co. in New York.

As we receive compensation from the railway company, we shall make no charge to participants for our services and expenses in connection with this credit.

All legal matters covering the issuance of this credit and the security therefor are to be approved by our counsel here and in Germany.

Kindly advise Speyer & Co., 24 and 26 Pine Street, New York, as promptly as possible, but not later than the close of business, Monday, December 1, 1924, what amount of participation in this credit you desire, and we shall use our best efforts to meet your wishes.

For further information, reference is made to the accompanying circular.

Yours very truly,

SPEYER & Co.
CHASE SECURITIES CORPORATION.
BLAIR & Co. (Inc.)
THE EQUITABLE TRUST Co. of New York.
BANK OF THE MANHATTAN Co.
J. HENRY SCHRÖDER BANKING CORPORATION

SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS STATE LOAN OF THE KINGDOM OF HUNGARY 1924 7½ PER CENT SINKING FUND GOLD BONDS, DATED AUGUST 1, 1924, DUE FEBRUARY 1, 1944

Interest payable February 1 and August 1. Principal and interest payable in New York at the office of Speyer & Co., in United States gold coin of present standard of weight and fineness, without deduction for any Hungarian taxes, present or future. Coupon bonds in denominations of $1,000, $500, and $100.

Not subject to redemption before February 1, 1934, except for sinking fund.

Redeemable at any time on and after that date, at the option of the government, with the consent of the trustees, as a whole (but not in part except for sinking fund), upon not less than six months' notice, at par and accrued interset.

Cumulative annual sinking fund, beginning February 2, 1925, sufficient to redeem the entire issue at or before maturity, to be applied to redemption of bonds through purchase in the market, if obtainiable at less than par and accrued interest, or, if not so obtainable, through annual drawings by lot at par and accrued interest.

These bonds and £7,902,700 sterling bonds to be offered simultaneously in London by Messrs. Baring Brothers & Co. (Ltd.), N. M. Rothschild & Sons, and J. Henry Schröder & Co., are part of an international loan to be issued also in Czechoslovakia, Holland, Italy, Sweden, Switzerland, Hungary, and other countries, in various currencies, for amounts sufficient to yield to the government in the aggregate an effective sum not exceeding the equivalent of 250,000,000 Hungarian gold crowns, or about $50,650,000.

GUARANTIES ESTABLISHED FOR THE PROTECTION OF THE BONDHOLDERS

The following is a summary taken from a statement which has been approved by Hon. Jeremiah Smith, jr., commissioner general of the League of Nations for Hungary, and by Baron Frederick de Koranyi, Hungarian Minister of Finance:

"The loan is issued pursuant to the Geneva protocols, dated March 14, 1924, approved by the council of the League of Nations and ratified by the Hungarian Government, for the purpose of effecting the financial and economic reconstruction of Hungary in accordance with the plan of the council of the league. This plan provides for the stabilization of the Hungarian currency and the balancing of the budget on a permanent basis through taxation by June 30, 1926. The execution of this plan is under the supervision of the commissioner general appointed by the council of the league and responsible to it. Hon. Jeremiah Smith, jr., of Boston, has been appointed to this office. The proceeds of the loan will be placed under the control of the commissioner general and will be used to cover the excess of expenditures over revenues during this period of reconstruction.

"The loan will be secured by a first charge on the gross revenues from the customs, the sugar tax, and the tobacco monopoly, and the net revenue from the salt monopoly. The receipts from these revenues for the first four months of 1924 were at the rate of about 80,000,000 gold crowns (about $16,208,000) per annum, or over two and one-half times the annual requirements for interest and sinking fund payments on the loan amounting to about $6,280,600. The loan will be additionally secured, if required by the commissioner general (or by the trustees for the bondholders when no commissioner general is functioninge, by a first charge on any other revenues (except those of the State Railways) and assets of the Government. The security for this loan will extend to any loan which the Government may issue to redeem on or after February 1, 1934, the then outstanding balance of any issue forming part of this loan, but not other lien on the above revenues and assets may be created ranking in priority to or pari passu with the lien of this loan.

"By agreements with the United States, Great Britain, and other nations interested, the obligations for relief bonds have been subordinated to the lien of this loan, and all charges for reparations, imposed under the treaty of peace, have likewise been subordinated by the Reparation Commission.

"The revenues pledged will be paid, as collected, into a special account, controlled by the commissioner general, and when no commissioner general is functioning, by the trustees for the bondholders appointed by the council of the League of Nations. Out of these funds there will be transferred to the trustees, in accordance with the terms of the loan, on the first of each month, one-twelfth of the annual requirements for interest and sinking fund.

"A reserve fund in cash, sufficient to cover one-half of the annual interest and sinking-fund requirements of the loan, is to be kept on deposit with the trustees to meet any deficiency in the service of the loan. Any amount drawn from this fund is to be forthwith made good by the Hungarian Government

"Control by the commissioner general will continue until the council determines that financial stability is assured, but such control may be reestablished at any time while any part of the loan is outstanding, if the balance of the budget or the security for the loan is endangered."

Great Britain, France, Italy, and the neighboring States of Rumania, Yugoslavia, and Czechoslovakia, in a protocol signed March 14, 1924, joined with Hungary in solemn declaration to respect the political and economic independence, territorial integrity and sovereignty of Hungary, and the guaranties established for the protection of the bondholders.

Hungary occupies an area of 35,911 square miles, with a population, according to the census of 1920, of 7,987,000; its area is approximately three times that of Belgium or Holland, and its population is greater. Budapest, the capital and principal city, with a population of 928,996, is a center of rail and inland water transportation, and is the leading flour milling city in Europe. The country is mainly agricultural; it is self-supporting as to food supply and rich in natural resources.

We offer the above bonds for public subscription, when, as and if issued and received by us, and subject to the approval of counsel, at 87½ per cent and accrued interest, to yield about 8.86 per cent.

The right is reserved to reject any application and also to allot a smaller amount than applied for. Payment for bonds allotted is to be made in New York funds on or about August 1, 1924, at the office of Speyer & Co., 24-26 Pine Street, New York, against delivery of temporary certificates exchangeable for definitive bonds when ready.

THE EQUITABLE TRUST CO. OF NEW YORK.
HAMBLETON & CO.
SPEYER & CO.
HAYDEN, STONE & CO.

The above statements, so far as they are not taken from the statement approved by Hon. Jeremiah Smith, jr., have been obtained from official and other sources which we believe to be reliable, but they are not guaranteed by us.

JULY 2, 1924.

THREE MILLION, SIX HUNDRED THOUSAND DOLLARS HAVANA ELECTRIC RAILWAY, LIGHT & POWER CO., GENERAL MORTGAGE 5 PER CENT SINKING-FUND GOLD BONDS, SERIES "A", DATED SEPTEMBER 1, 1914, DUE SEPTEMBER 1, 1954

Interest payable March 1 and September 1 in New York. Redeemable at 105 per cent and interest at any time on 30 days' notice.

Coupon bonds in denomination of $1,000, registerable as to principal. Fully registered bonds of $1,000, $5,000, and authorized multiples of $5,000. Coupon bonds and fully registered bonds interchangeable.

Guaranty Trust Co. of New York, trustee.

For information on these bonds, reference is made to a letter from Frank Steinhart, Esq., president of the Havana Electric Railway, Light & Power Co., which he has summarized as follows:

"The Havana Electric Railway, Light & Power Co. is a New Jersey corporation, organized in 1912, which acquired all the properties, rights, and franchises of predecessor companies. The company furnishes the entire electric light, power, gas and street railway service in Havana, and also operates the suburban street railway line to Marianao. The population of the territory served is approximately 400,000.

"The franchises of the electric and gas properties, as well as that of the line to Marianao, are perpetual. The franchises of the street railways expire in 1958.

"*Security.*—The general mortgage sinking fund gold bonds are secured by a direct mortgage covering all of the property of the Havana Electric Railway, Light & Power Co., on the island of Cuba, subject to $12,208,224 underlying bonds. All prior lien mortgages are closed.

"The authorized amount of general mortgage bonds is limited to $25,000,000; the amount outstanding in the hands of the public, these bonds included, will be $9,449,000; $312,000 are in the sinking fund; $10,450,000 are reserved for refunding underlying bonds and the balance, including bonds not required for refunding purposes, may be issued for new property, additions, betterments and improvements.

"*Purpose.*—The sale of these bonds will provide funds for the retirement on September 1, 1922, of the company's 5-year 7 per cent notes, due 1926, and for additions and betterments to the company's properties, particularly for the extension of its gas mains.

"*Earnings.*—The company's earnings for the nine years ended December 31, 1921, were as follows:

Year	Gross revenues	Net income	Interest charges	Times earned	Balance for depreciation, dividends, and surplus
1921	$12,882,653	$5,629,075	$1,009,011	5.58	$4,620,064
1920	11,477,937	5,077,269	968,759	5.24	4,108,510
1919	9,397,452	4,482,305	979,710	4.57	3,502,595
1918	8,176,545	3,940,784	989,138	3.98	2,951,646
1917	6,989,599	3,753,884	1,138,623	3.29	2,615,261
1916	6,017,708	3,718,384	1,297,093	2.86	2,421,291
1915	5,541,303	3,351,672	1,115,414	3.00	2,236,258
1914	6,396,714	2,903,511	1,094,140	2.65	1,809,371
1913	5,417,054	2,944,189	1,096,086	2.68	1,848,103

"Net income of the company for the first five months of 1922 was $571,366 more than for the same period in 1921 and equal to approximately six times total interest charges for the period, including interest on these bonds, not figuring interest on the notes called for redemption.

"*Equity.*—The general mortgage bonds are followed by $20,978,477 preferred stock and $14,947,346 common stock, listed on the New York Stock Exchange, which, at current quotations, represent an equity of more than $30,000,000. Since its organization in 1912 the company has paid the regular semiannual dividend on the 6 per cent cumulative preferred stock and also dividends every year on the common stock since 1916 at the rate of 6 per annum.

"Application will be made to list these bonds on the New York Stock Exchange so far as not already listed."

We offer the above bonds, subject to prior sale, when, as and if received by us, and subject to approval of counsel, at 85 per cent and interest, to yield about 6.07 per cent.

As to $1,500,000 of the above bonds, this offering is subject to the right of the holders of $1,500,000 5-year 7 per cent notes, due 1926, called for redemption for September 1, 1922, to convert their notes into these bonds on or before August 22, 1922.

We reserve the right to reject any subscription and to allot a smaller amount than applied for. It is expected that definitive bonds will be ready for delivery at the office of Messrs. Speyer & Co. on or about August 24, 1922, against payment in New York funds.

Harris, Forbes & Co.
Speyer & Co.

The above statements have been obtained from official and other sources which we believe to be reliable, but they are not guaranteed by us.

New York, *July 27, 1922.*

Havana Electric Railway, Light & Power Co.,
New York, July 25, 1922.

Messrs. Speyer & Co.,
Messrs. Harris, Forbes & Co.,
New York.

Dear Sirs: In connection with your purchase covering $3,600,000 Havana Electric Railway, Light & Power Co. general mortgage 5 per cent sinking-fund gold bonds, due September 1, 1954, series A, I submit the following information:

SECURITY

The general mortgage sinking-fund gold bonds are secured by a direct mortgage covering all of the property of the Havana Electric Railway, Light & Power Co. on the island of Cuba, subject to $12,208,224 underlying bonds. All prior lien mortgages are closed.

The authorized amount of general mortgage bonds is limited to $25,000,000; the amount outstanding in the hands of the public, these bonds included, will be $9,490,000; $312,000 bonds are in the sinking fund; $8,100,000 bonds are reserved for refunding $7,500,000 of Havana Electric Railway Co. consolidated mortgage

5 per cent gold bonds, due 1952, and £134,600 English 5 per cent sinking-fund mortgage bonds of Compania de Gas y Electricidad de la Habana, due 1943, and $2,350,000 bonds are reserved for issue, to the extent required, to assist in the refunding of these issues. The balance, including the bonds reserved for issue in connection with refunding but not needed for that purpose, may be issued to the company at par, subject to the restrictions of the mortgage, for 80 per cent of the cost of new property, additions, betterments, and improvements, at a cumulative rate not to exceed $750,000 bonds a year.

PROPERTY

The Havana Electric Railway, Light & Power Co. is a New Jersey corporation, organized in 1912, which acquired all the properties, rights, and franchises of predecessor companies. The company furnishes the entire electric light, power, gas, and street-railway service in Habana, and also operates the suburban street-railway line to Marianao. The population of the territory served is approximately 400,000.

The properties of the company include a central electric power station with an installed capacity of 62,500 kilowatts which, in completion of additions under way, will be increased to 75,000 kilowatts; a gas plant with a daily capacity of 10,500,000 cubic feet; over 86 miles of overhead trolley street railway (single-track measurement); two modern steel and concrete wharves; and an office building located in the center of the business district of Habana. The gas and electric plants are modern, having been constructed in 1913 and 1914, and important additions have been made in 1921 and 1922. Since 1912 additions to the company's tracks have amounted to nearly 50 per cent of the original trackage, and a large part of the company's original trackage has been replaced with an improved type of construction. The passenger equipment consists of over 500 cars as compared with 302 cars in 1912.

FRANCHISES

The franchises of the electric and gas properties as well as that of the line to Marianao are perpetual. The franchises of the street railways expire in 1958.

PURPOSE

The company has called for redemption at 102½ and interest for September 1, 1922, its entire issue of $1,500,000 5-year 7 per cent secured convertible gold notes, due September 1, 1926. Holders of these notes have the right to convert their notes into general mortgage 5 per cent bonds on or before August 22, 1922. As to $1,500,000 bonds, the sale to you is, therefore, subject to the conversion rights of the holders of the 5-year 7 per cent notes.

The sale of these bonds will provide funds for the retirement of these 5-year 7 per cent notes, and for additions and betterments to the company's properties, particularly for the extension of its gas mains.

EARNINGS

The company's earnings for the nine years ended December 31, 1921, were as follows:

Year	Gross revenues	Net income	Interest charges	Times earned	Balance for depreciation, dividends, and surplus
1921	$12,882,653	$5,629,075	$1,009,011	5.58	$4,620,064
1920	11,477,937	5,077,269	968,759	5.24	4,108,510
1919	9,397,452	4,482,305	979,710	4.57	3,502,595
1918	8,176,545	3,940,784	989,138	3.98	2,951,616
1917	6,989,599	3,753,884	1,138,623	3.29	2,615,261
1916	6,017,708	3,718,384	1,297,093	2.86	2,421,291
1915	5,541,303	3,351,672	1,115,414	3.00	2,236,258
1914	5,396,714	2,903,511	1,094,140	2.65	1,809,371
1913	5,417,054	2,944,189	1,096,086	2.68	1,848,103

Earnings for the five months ended May 31, 1922, compare with earnings for the same period in 1921 as follows:

5 months ended May 31	1922	1921
Gross revenues	$5,459,542	$5,341,730
Net income	2,802,548	2,231,182
Interest charges	444,800	408,808
Times earned	6.30	5.46
Balance	$2,357,748	$1,822,374

Net income of the company for the first five months of 1922 was $571,366 more than for the same period in 1921 and equal to approximately six times total interest charges for the period, including interest on these bonds, not figuring interest on the notes called for redemption.

CAPITALIZATION

The company's outstanding capitalization in the hands of the public, including this issue, upon the retirement of the 5-year 7 per cent notes, will be as follows: Funded debt:

Habana Electric Ry. Co. consolidated mortgage 5 per cent gold bonds, due 1952	$8,069,570
Compania de Gas y Electricidad de la Habana 50-year mortgage 6 per cent bonds, due 1954	3,997,904
Compania de Gas y Electricidad de la Habana 37-year English 5 per cent sinking-fund mortgage bonds, due 1943 (£27,900)	134,850
Compania de Gas y Electricidad de la Habana 6 per cent general consolidated obligations, called for redemption on June 15, 1917	5,900
Habana Electric Railway, Light & Power Co. general mortgage 5 per cent sinking-fund gold bonds, due 1954 (including this offering)	9,499,000
Total funded debt	21,707,224
Capital stock:	
6 per cent cumulative preferred	20,978,477
Common	14,947,346
Total capital stock	35,925,823

EQUITY

The general mortgage bonds are followed by $20,978,477 preferred stock and $14,947,346 common stock, listed on the New York Stock Exchange, which, at current quotations, represent an equity of more than $30,000,000. Since its organization in 1912 the company has paid the regular semiannual dividend on the 6 per cent cumulative preferred stock and also dividends every year on the common stock, since 1916 at the rate of 6 per cent per annum.

SINKING FUND

Provision is made for a sinking fund through annual payments to the trustee, equal to 1¼ per cent of all general mortgage bonds at the time outstanding (including as outstanding bonds in the sinking fund), to be applied together with the interest on bonds in the sinking fund, to the purchase of general mortgage bonds at not to exceed 105 and interest, or, if not obtainable, to drawing by lot at 105 and interest. The company may, however, make sinking-fund payments in these bonds to be accepted at a value of 105.

Application will be made to list these bonds on the New York Stock Exchange so far as not already listed.

All proceedings in connection with the issue and sale of these bonds are subject to the approval of your counsel.

Yours very truly,

FRANK STEINHART, *President.*

ONE MILLION FIVE HUNDRED THOUSAND DOLLARS HABANA ELECTRIC RAILWAY LIGHT & POWER CO., 5-YEAR 7 PER CENT SECURED CONVERTIBLE GOLD NOTES

Dated September 1, 1921; due September 1, 1926. Interest payable March 1 and September 1. Authorized and outstanding, $1,500,000.

Coupon notes in denominations of $1,000, registerable as to principal only. Convertible at the option of the holder into the general mortgage 5 per cent sinking fund gold bonds of the company at 82½ per cent and interest, with adjustment in cash for the difference between 82½ and 100 per cent.

Redeemable as a whole upon 30 days' notice at 102½ if called on or before September 1, 1922, at 102 if called on or before September 1, 1923, at 101½ if called on or before September 1, 1924, at 101 if called on or before September 1, 1925, at 100½ if called on or before March 1, 1926, in each case with accrued interest. The holder will have the privilege of converting up to 10 days prior to redemption date.

Interest payable without deduction of the normal Federal income tax, not to exceed 2 per cent. Pennsylvania 4-mill tax refunded.

Guaranty Trust Co. of New York, trustee.

Mr. R. R. Loening, first vice president of the Habana Electric Railway, Light & Power Co., has written to us describing these notes as follows:

Security: These $1,500,000 notes will be secured by deposit with the trustee of $3,000,000 Habana Electric Railway, Light & Power Co. general mortgage 5 per cent sinking fund gold bonds, due 1954. The general mortgage by which these bonds are secured covers all the property of the company now owned and which may hereafter be acquired on the island of Cuba, subject to $12,620,924 underlying bonds.

Property: The Habana Electric Railway, Light & Power Co. is a New Jersey corporation organized in 1912, and furnishes the entire electric light, power, gas and street railway service in Habana. It also operates the suburban line between Habana and Marianao. The company is thus the public service organization which supplies exclusively the united services of electricity, gas, and street railway transportation to a city the population of which is approximately 400,000.

Franchises: The franchises of the electric and gas properties as well as that of the line to Marianao are perpetual. The franchises of the street railways expire in 1958.

Earnings: The company's earnings for the eight years ended December 31, 1920, are as follows:

	Gross revenues	Net income	Interest charges	Times earned	Balance
1920	$11,477,937	$5,077,269	$968,759	5.24	$4,108,510
1919	9,397,452	4,482,305	979,710	4.57	3,502,595
1918	8,176,545	3,940,784	989,138	3.98	2,951,646
1917	6,989,599	3,753,884	1,138,623	3.29	2,615,261
1916	6,017,708	3,718,384	1,297,093	2.86	2,421,291
1915	5,541,303	3,351,672	1,115,414	3.00	2,236,258
1914	5,396,714	2,903,511	1,094,140	2.65	1,809,371
1913	5,417,054	2,944,189	1,096,086	2.68	1,848,103

Earnings for the six months ended June 30, 1921, compare with the earnings for the same period in 1920 as follows:

6 months ended June 30	1921	1920
Gross revenues	$6,404,016	$5,557,941
Net income	2,676,834	2,656,985
Interest charges	489,362	483,789
Times earned	5.47	5.49
Balance	2,187,472	2,173,196

Net income of the company for the first six months of 1921 was equal to 4.94 times total interest charges, including interest on the present issue of notes.

Purpose of issue.—The company is engaged in installing additional equipment in its electric power and gas plants which will increase the capacity of both over 50 per cent. This material has been purchased in the United States and current payments therefor have been made out of earnings. The proceeds of this issue will be applied toward the reimbursement of the company for such capital expenditures incurred in the completion of these extensions of its plants.

Capitalization.—The company's outstanding capitalization will be as follows:

Funded debt:	
Havana Electric Ry. Co. consolidated mortgage 5 per cent bonds, due 1952	$8,070,570
Cia. de Gas y Electricidad 50-year mortgage 6 per cent bonds, due 1954	3,997,904
Cia. de Gas y Electricidad 37-year mortgage 5 per cent English bonds, due 1943	552,450
Cia. de Gas y Electricidad 6 per cent obligations called June 15, 1917, but not presented	6,100
Havana Electric Railway, Light & Power Co. general mortgage 5 per cent bonds, due 1954	5,845,000
Havana Electric Railway, Light & Power Co. 5-year 7 per cent secured convertible notes (this issue)	1,500,000
Capital stock:	
6 per cent preferred	20,978,477
Common	14,948,346

Equity.—These notes are followed by $20,978,477 preferred stock and $14,948,346 common stock, both of which have for a number of years paid dividends of 6 per cent per annum and are listed on the New York Stock Exchange.

We offer the above notes, subject to prior sale, when, as, and if issued and received by us, and subject to the approval of counsel, Messrs. Cadwalader, Wickersham, and Taft.

Price 97 and interest, yielding about 7¾ per cent.

SPEYER & Co.

NEW YORK, *August 26, 1921.*

Although these statements are not guaranteed they have been obtained from sources we believe to be reliable.

THE UNITED STATES MILITARY GOVERNMENT OF SANTO DOMINGO ISSUES IN BEHALF OF THE DOMINICAN REPUBLIC $2,500,000 4-YEAR CUSTOMS ADMINISTRATION 8 PER CENT SINKING-FUND GOLD BONDS (EXTERNAL LOAN OF 1921)

Dated June 1, 1921; interest payable June 1 and December 1; due June 1, 1925.

Total authorized issue $2,500,000. Coupon bonds in $1,000 and $500 denominations. Registerable as to principal only. Principal, premium and interest payable free of all present or future Dominican taxes in United States gold coin of the present standard of weight and fineness, at the office of the Equitable Trust Co. of New York, fiscal agent of the loan.

Sinking fund sufficient to redeem annually at least one-quarter of the total amount of the loan by means of semiannual drawings of bonds in New York by the fiscal agent for payment at 105 per cent and accrued interest on each interest date beginning December 1, 1921. All bonds not previously retired by the sinking fund are to be paid at maturity at 105 per cent and accrued interest.

The following information has been furnished by Lieut. Commander Arthur H. Mayo, Supply Corps, United States Navy, the officer administering the affairs of the department of finance and commerce for the United States Military Government.

"The issue of these bonds has been approved by the United States Government, under the terms of the American-Dominican convention of 1907, and by the United States military government of Santo Domingo. The bonds will contain the following clause:

" 'With the consent of the United States there is secured the acceptance of and validation of this bond issue by any government of the Dominican Republic as a legal, binding, and irrevocable obligation of the Dominican Republic, and the duties of the general receiver of Dominican customs as provided under the American-Dominican convention of 1907, are extended to this bond issue.'

"Until all of these bonds shall have been redeemed the Dominican Republic agrees not to increase its public debt, nor to modify its customs duties without the previous consent of the United States Government; and its customs revenues shall continue to be collected by a general receiver of customs appointed by and responsible to the President of the United States.

"*Security.*—These bonds are secured by a charge upon the customs and other revenues of the Dominican Republic, subject to existing charges and expenses of collection.

"*Customs revenues.*—The customs revenues for the period August 1, 1907, to December 31, 1920, have averaged annually $4,040,000. The highest returns were $6,274,000 for the year 1920, and the lowest $2,877,000 for the year 1910.

"*Total revenues.*—The Republic's total customs and other revenues for the five years January 1, 1916, to December 31, 1920, averaged annually $7,374,984. The largest revenues were $10,494,386 for the year 1920 and the smallest $4,749,370 for the year 1916.

"*Fixed charges.*—The total amount required for the interest and fixed sinking funds of the 5 per cent loans of 1908 and 1918 and of the present loan is approximately $2,350,000 per annum.

"*Total debt.*—The Republic's total debt, as of May 31, 1921, including the present loan is $13,154,343. During the period November 30, 1916, to May 31, 1921, the Republic reduced its debt by over $10,150,000 or approximately one-half. In addition, the Republic has spent during the same period, under the supervision of American engineers, approximately $6,000,000 for public works of various kinds.

"*Purpose of loan.*—The proceeds of this loan are to be used mainly for the completion of essential public works consisting of roads, port improvements, schools, etc., and in part for the retirement of certificates of indebtedness. This work will be done under the supervision of American engineers, and such portion of the loan as is used for the purchase of supplies and equipment will be spent in the United States."

We offer the above bonds for subscription, if, as, and when issued and received by us and subject to approval by our counsel, at 100 and accrued interest, to yield 18.91 per cent if redeemed December 1, 1921; 13.20 per cent if redeemed June 1, 1922; 11.28 per cent if redeemed December 1, 1922; 10.37 per cent if redeemed June 1, 1923; 9.85 per cent if redeemed December 1, 1923; 9.50 per cent if redeemed June 1, 1924; 9.26 per cent if redeemed December 1, 1924; 9.07 per cent if redeemed June 1, 1925.

The subscription lists will be opened at our offices at 10 o'clock a. m., Monday, June 20, 1921, and will be closed in our discretion. We reserve the right to reject any application and to allot a smaller amount than applied for. Amounts due on allotments will be payable at the office of the Equitable Trust Co. of New York, 37 Wall Street, New York City, in New York funds to their order, and the date of payment (on or about June 27, 1921) will be stated in the allotment notices. Interim receipts will be delivered pending the engraving of the definitive bonds.

THE EQUITABLE TRUST CO. OF NEW YORK.
SPEYER & CO.

The information given herein, while not guaranteed, has been obtained by us from official or other sources which we believe to be reliable.

NEW YORK, *June 20, 1921.*

REPUBLICA DOMINICANA,
SECRETARIA DE ESTADO DE HACIENDA Y COMERCIO,
New York, June 16, 1921.

The EQUITABLE TRUST CO. OF NEW YORK,
MESSRS. SPEYER & CO.

DEAR SIRS: Referring to your purchase of $2,500,000 Dominican Republic 4-year customs administration 8 per cent sinking fund gold bonds (external loan of 1921) issued by the United States military government of Santo Domingo in behalf of the Dominican Republic, I give you herewith the following informaiton:

RELATIONS OF UNITED STATES GOVERNMENT TO THE DOMINICAN REPUBLIC

The Dominican Republic requested the assistance of the United States in placing its finances upon a stable basis, and a convention between the United States and the Dominican Republic was accordingly consummated in 1907, from which time the customs revenues have been collected by a general receiver of customs, appointed by and responsible to the President of the United States. The United States Government, under proclamation issued November 29, 1916, declared the Dominican Republic in a state of military occupation. Since that date the affairs of the Republic have been administered by the United States military government of Santo Domingo.

APPROVAL BY UNITED STATES GOVERNMENT

The issue of the above $2,500,000 bonds has been approved by the United States Government pursuant to the terms of the American-Dominican treaty of 1907 and authorized by the United States military government of Santo Domingo under Executive order. Said order provides among other things (*a*) that the general receiver of customs shall continue to collect the customs revenues until all of these bonds have been redeemed and paid; (*b*) that until the Dominican Republic has paid the whole amount of said bonds its public debt shall not be increased, except by previous agreement between the Dominican Government and the United States; and (*c*) that a like agreement shall be necessary to modify the import duties so long as said bonds shall continue unpaid.

The military government which has administered the affairs of the Republic since November 29, 1916, under direction of the Government of the United States, has issued a proclamation under date of June 14, 1921, providing for the reestablishment of the civil administration of the Republic in the hands of the Dominicans. The military government will be withdrawn only upon the consummation of a treaty of evacuation between the Dominican Republic and the United States Government which shall contain, among other provisions, (*a*) ratifying all acts of the military government; (*b*) validating the above loan of $2,500,000; and (*c*) extending the duties and power of the general receiver of Dominican customs until said bonds shall have been paid.

The Department of State in giving the consent of the United States Government to the issue of this loan, states that:

"With the consent of the United States there is secured the acceptance of and validation of this bond issue by any government of the Dominican Republic as a legal, binding, and irrevocable obligation of the Dominican Republic, and the duties of the general receiver of the Dominican customs as provided under the American-Dominican treaty of 1907 are extended to this bond issue."

DESCRIPTION OF NEW LOAN

The amount of the loan authorized and to be issued is $2,500,000. The bonds will be dated June 1, 1921, and will mature on June 1, 1925. Interest will be payable June 1 and December 1. They will be in $1,000 and $500 denominations, in coupon form, registerable as to principal only. Principal, premium, and interest will be payable, free of all present or future Dominican taxes, in United States gold coin of the present standard of weight and fineness at the office of the Equitable Trust Co., of New York, in New York City, who will be the fiscal agent of the loan.

SINKING FUND

A sinking fund sufficient to retire the entire issue by maturity is provided for by the agreement of the Republic to pay at least $656,250 per annum in semiannual installments, commencing November 15, 1921, to the Equitable Trust Co. of New York, as fiscal agent of the loan, to be applied by them to the redemption of bonds to be drawn by lot for payment at 105 per cent and accrued interest on each interest date beginning December 1, 1921. All bonds not previously retired by the sinking fund are to be paid at maturity on June 1, 1925, at 105 per cent and accrued interest.

SECURITY

The bonds will be secured by a charge upon the customs revenues of the Dominican Republic and will also be secured by a general charge upon all other revenues of the Republic. Prior charges against the customs revenues are the administration expenses of the general receiver of the customs, limited to 5 per cent of the gross collections, and the interest and fixed amortization of the 1908 and 1918 bond issues.

CUSTOMS AND OTHER REVENUES

Since 1907 the lowest return of the customs revenues was $2,877,000 for the fiscal year 1910, while the highest was $6,274,000 in 1920; for the period from August 1, 1907, to December 31, 1920, the annual average was $4,040,000, and for the four years 1917 to 1920, inclusive, the average was $5,095,000.

The Republic's total customs and other revenues for the five years January 1, 1916, to December 31, 1920, averaged annually $7,374,984. The largest revenues were $10,494,386 for the year 1920 and the smallest $4,749,370 for the year 1916.

It is estimated that for 1921 total revenues will approximate $7,962,000, of which customs are estimated at $4,000,000. Of the total receipts in 1920, approximately $3,400,000 were utilized for reduction of indebtedness, representing a reduction of approximately 25 per cent of the indebtedness of the country within one year.

INTEREST AND SINKING FUND CHARGES

The total amount required for interest and fixed sinking-fund payments on all bonds, including this issue, is approximately $2,350,000 per annum and is chargeable each year against the first $3,000,000 of customs revenues, the loans of 1908 and 1918 having a further charge upon 80 per cent of said revenues in excess of said $3,000,000.

DEBT

The Republic's total debt as of May 31, 1921, was as follows:

5 per cent loan of 1908, due 1958	$20, 000, 000	
Less redeemed to date	11, 667, 700	
		$8, 332, 300
5 per cent loan of 1918, due 1938	4, 161, 300	
Less redeemed to date	2, 236, 900	
	1, 924, 400	
Less cash in sinking fund	152, 357	
		1, 772, 043
Certificates of indebtedness	800, 000	
Less cash in sinking fund	250, 000	
		550, 000
Total		10, 654, 343

During the period November 30, 1916, to May 31, 1921, the Republic reduced its debt by over $10,150,000, or approximately one-half. In addition, the Republic spent during the same period, under the supervision of American engineers, approximately $6,000,000 for public works of various kinds.

PURPOSE OF LOAN

The proceeds of this loan are to be used mainly for the completion of essential public works consisting of roads, port improvements, schools, etc., and in part for the retirement of certificates of indebtedness. This work will be done under the supervision of American engineers, and such portion of the loan as is used for the purchase of supplies and equipment will be spent in the United States.

RESULTS OF MILITARY OCCUPATION

During the past four and one-half years the United States military forces in occupation of the Dominican Republic have been remarkably successful in reorganizing the finances of the country and placing them upon a sound basis.

The careful administration of the public funds has permitted many millions of dollars (after payment of administration expenses and debt charges) to be assigned from the surplus for the building of roads, port improvements, schools, and other public buildings. The properties of the state have been placed in excellent condition, and customhouse, warehouse, and wharf facilities at the various ports have been increased. The completion of the roads and other public works for which the proceeds of this bond issue will be used will open up much needed communication between all parts of the Republic. The development of the highways has led to the introduction of motor transportation which is tapping new territory continually and rendering efficient service in transporting Dominican products to ports for export. The Dominican Republic is particularly well provided with ports along its thousand mile coast line, so that the longest haul to tidewater is not in excess of 50 miles.

The development of agriculture has been assisted by the distribution of modern agricultural machinery and personal instruction in all parts of the Republic by agricultural demonstrators.

In general, the military government has consistently provided better facilities for commerce and has from time to time revised and improved the laws and regulations governing trade. A very large area of new land has been cleared and made available for crops or pasturage, and production has increased to a remarkable degree.

COMMERCE

The principal exports of Santo Domingo consist of sugar, cocoa, tobacco, and coffee, with sugar representing approximately one-half the total value of exports.

The comparative growth of the trade and the favorable trade balance of the Dominican Republic for the last five years are indicated by the following figures:

Year	Aggregate trade	Value imported	Value exported	Excess of exports
1916	$33,192,303	$11,664,430	$21,527,873	$9,863,443
1917	40,026,394	17,581,814	22,444,580	4,862,766
1918	42,545,526	20,168,952	22,376,574	2,207,622
1919	61,621,019	22,019,127	39,601,892	17,582,765
1920	105,273,611	46,542,370	58,731,241	12,188,871

ARTHUR H. MAYO,
Lieutenant Commander (S. C.), United States Navy,
Officer administering the affairs of the Department of Finance and Commerce, for the Military Government.

TEN MILLION DOLLARS STATE OF SAN PAULO (REPUBLIC OF THE UNITED STATES OF BRAZIL) 15-YEAR 8 PER CENT SINKING FUND GOLD BONDS, EXTERNAL LOAN OF 1921

Due January 1, 1936. Interest payable January 1 and July 1. Principal, premium, and interest payable in New York City at the office of Messrs. Speyer & Co., in United States gold coin of the present standard of weight and fineness, free from all Brazilian taxes, present or future. Coupon bonds, registerable as to principal only, in denominations of $1,000 and $500, not interchangeable. The bonds are redeemable as a whole, at any time after January 1, 1927, at the option of the State, at 105 and interest, on six months' previous notice.

The sinking fund payments are to be sufficient to retire all the bonds at or before maturity.

SECURITY

These $10,000,000 bonds, together with the £2,000,000 sterling bonds, which are to be offered in London by Messrs. Baring Bros. & Co. (Ltd.), N. M. Rothschild & Sons, and J. Henry Schröder & Co., and Fl. 18,000,000 guilder bonds, which are to be offered in Amsterdam by Messrs. Lippman, Rosenthal & Co., and Rotterdamsche Bankvereeniging, will be a direct obligation of the State of San Paulo, commercially the most important State of Brazil, and in addition will be secured by a first charge on the surtax of 5 francs per bag on all coffee exported from the State, except that the Government is entitled to deduct from this surtax £285,000 annually until August 1, 1924. After that date the entire surtax is to be available for the service of the loan. Of this surtax, 44 per cent is pledged for the service of the $10,000,000 bonds and is to be remitted in weekly installments to Messrs. Speyer & Co., as fiscal agents of the loan in New York, until the bonds are retired.

Since the surtax was created the State has provided funds required for the repayment of the following loans: £3,000,000 5 per cent exchequer bonds of 1906, £15,000,000 5 per cent treasury bonds of 1908, £7,500,000 5 per cent treasury bonds of 1913, and £4,200,000 5 per cent treasury notes of 1914, for all of which loans this surtax was previously pledged.

The contracts with the State of San Paulo limit the entire loan to the above-mentioned three issues of dollar, sterling, and guilder bonds. The State intends to use the proceeds of the loan to repay internal floating debts.

The 44 per cent of the surtax pledged for the service of the $10,000,000 bonds is expected to produce about $1,540,000 per annum (figuring exchange at 7 cents per franc), on the basis of an average exportation of 10,000,000 bags of coffee, the Government having the right, however, until August 1, 1924, to deduct annually a proportionate amount of the £285,000 above mentioned. Any rise in the rate of exchange for francs above 7 cents will increase the funds available for the service of the bonds.

SINKING FUND

Any surplus remaining in the hands of Messrs. Speyer & Co. from the weekly remittances of the surtax, after providing annual interest requirements and necessary expenses, will constitute a sinking fund and is to be used for the purchase of bonds at or below 105 until November 15, 1925, and thereafter to the redemption of bonds at 105, as stated below. Any unexpended balance remaining in their hands on November 15, 1925, is to be applied to the drawing by lot of bonds for payment on January 1, 1926, at 105. On each November 15 thereafter at least one-tenth of the balance of the loan outstanding after the said January 1, 1926, redemption, is to be drawn by lot for payment on the succeeding January 1 at 105, and for this purpose the State is to provide additional funds, should the surtax be insufficient. All bonds not previously retired by the sinking fund are to be paid at maturity at 105 and interest.

We offer the above bonds, subject to the approval of counsel and to prior sale, if, as, and when issued and received by us, at 97½ per cent and interest, yielding at least 8.47 per cent per annum, if held until redeemed.

We reserve the right to reject any application and to allot a smaller amount than applied for.

Payment for bonds allotted is to be made in New York funds at the office of Messrs. Speyer & Co., 24-26 Pine Street, New York, or in Chicago funds at the office of the Illinois Trust & Savings Bank, Chicago, on March 15, 1921, against delivery of Speyer & Co.'s temporary receipts, providing for the payment of the interest from March 1, 1921, to July 1, 1921, and exchangeable for the definitive bonds when ready, bearing the January 1, 1922, and subsequent coupons.

Application will be made to list the bonds on the New York Stock Exchange.

SPEYER & CO.
THE EQUITABLE TRUST CO. OF NEW YORK.
LADENBURG, THALMANN & CO.
ILLINOIS TRUST & SAVINGS BANK.
BLAIR & CO., (INC.).
HALSEY, STUART & CO. (INC.).
CASSATT & CO.

The above statements have been obtained, partly by cable, from official and other sources which we believe to be reliable, but they are not guaran teed by us

NEW YORK, *March 2, 1921.*

STATE OF SAN PAULO, BRAZIL

GENERAL

The State of San Paulo, known as the Empire State, is commercially the most important of Brazil. With an area of about 112,000 square miles it is substantially equal in size to the New England States and New York combined. The population of the State, according to the latest figures, is about 4,000,000—an increase of more than 40 per cent over that of 1910. San Paulo has a density of population approximately the same as that of the United States of America.

The larger part of the State lies on a plateau about 2,000 feet above sea level, the climate of which is temperate and healthy and is well suited to Europeans who have settled there in large numbers and have contributed to the State's prosperous growth. It is estimated that two-thirds of its inhabitants are of European descent.

The capital of the State is the flourishing modern city of San Paulo, with a population estimated at 500,000, the third largest icty in South America. The State government is similar to that of State government in the United States.

RESOURSES

The rapid agricultural and commercial development of the State of San Paulo is due mainly to its fertile soil, which is particularly suitable to the cultivation of coffee. It is estimated that the investment in coffee plantations represents approximately $500,000,000. The annual crop for the 10 years ended June 30, 1920, is reported to have averaged about 9,400,000 bags (132 pounds each), or about 56 per cent of the world's coffee production. We are advised that for the past five years the State received annually an average of francs 50,000,000 from the surtax on coffee exports.

The total production of other agricultural products, such as cotton, tobacco, sugar, rice, beans, and corn during 1919 was valued at about $103,000,000.

San Paulo has largely increased its production of manufactured articles in recent years, such as cotton and jute textiles, hats, shoes, and matches, valued in 1918 (the latest available figures) at about $139,000,000.

The extensive grazing lands of San Paulo and adjoining States have attracted foreign capital to develop the cattle industry, and four large packing plants are now operating in the State. The exports of frozen meats and packing house products from the State of San Paulo have increased very largely in recent years.

San Paulo is well provided with railways; of approximately 4,300 miles in operation, about 1,400 miles are owned by the State.

DEBT

The credit of the State of San Paulo ranks high. Previous external loans have been placed in England, France, Holland, and Germany. In 1907, £1,000,000 out of an issue of £3,000,000 5 per cent exchequer bonds and in 1908 £2,000,000 out of an issue of £15,000,000 5 per cent treasury bonds were offered in New York. Both of these external loans were repaid before maturity.

The present outstanding external debt of the State (exclusive of its railway debt) is £881,300, or about $3,500,000 at the current exchange rate. The outstanding railway debt consists of two loans aggregating approximately £5,080,000, or about $20,320,000, issued in connection with the acquisition and ownership by the State of the Sorocabana Railway.

The floating debt at present is approximately 150,000,000 milreis, equivalent to $23,250,000 at the present rate of exchange of 15½ cents per milreis.

Including the new loan, the per capita debt of the State amounts to approximately $25, a very low per capita debt.

The total debt service, including interest and amortization, for the year 1920 amounted to about $4,500,000, or about 14 per cent of the total State revenues of about $32,500,000.

FOREIGN TRADE

The foreign trade of the State of San Paulo, comprising over one-third of that of Brazil, amounted in 1919 to $367,125,000, of which $271,871,000 were exports, chiefly coffee. Imports during 1919 amounted to $95,254,000.

Although the United States has been the largest purchaser of San Paulo's coffee, San Paulo, up to the beginning of the World War, imported the bulk of its requirements from European countries, which had largely furnished the capital for the State and its industries. Since the war the situation has altered and San Paulo has imported more from the United States than from any other country.

All statistics relating to money are expressed in terms of the United States gold dollar at the rate of exchange of 25 cents per Brazilian milreis, approximately the average exchange rate for the past seven years, unless otherwise stated.

The above statements have been obtained partly by cable, from official and other sources, which we believe to be reliable, but they are not guaranteed by us.

SIX MILLION DOLLAR CITY OF BERNE, SWITZERLAND, 25-YEAR 8 PER CENT SINKING FUND GOLD BONDS

Dated November 1, 1920; due November 1, 1945; interest payable May 1 and November 1.

Coupon bonds in denominations of $1,000 and $500, registerable as to principal only.

Principal, premium, and interest payable, without deduction for any Swiss governmental or municipal taxes present or future, in New York City, in United States gold coin of, or equal to, the present standard of weight and fineness, at the office of Speyer & Co., New York, fiscal agents for the above loan.

Annual sinking fund sufficient to retire each year for the first 5 years 2 per cent, for the next 10 years 4 per cent, and for the remaining 10 years 5 per cent of the original issue. For the first five years bonds are to be purchased in the market up to 107 and interest, and to the extent that bonds can not be so purchased, such balance of bonds is to be drawn by lot at 107 and interest two months prior to November 1, 1925, for payment on that date. Thereafter bonds are to be drawn by lot annually at 107 and interest.

The bonds are redeemable on any interest date after five years at the option of the city, in whole or in part, at 107 and interest, on six months' previous notice.

The city of Berne, the capital of the Swiss Canton of the same name and the capital of the Swiss Confederation, is one of the four largest cities in Switzerland. The population has increased from 86,000 in 1910 to 110,000 in 1919. The city has steadily gained importance as the seat of the Federal Government and of various international associations (postal, telegraph, railway, etc.).

The total value of the taxable property of the city is estimated for 1920 at about $229,000,000 and the taxable income of its population at about $23,700,000. The total debt of the city is approximately $18,900,000, of which amount about $3,750,000 is floating debt. The value of the city-owned public buildings, real estate, productive and unproductive properties, special funds, etc., is in excess of its total debt, including the present issue.

From 1914 to 1919, on account of abnormal conditions due to the war, the expenditures of the city exceeded its income for that period by about $1,800,000. The city, however, through more economical management and the levy of higher taxes, which were largely increased in 1919, expects to balance its budget for 1920-21. Part of the proceeds of the above loan will be used for the payment of the floating debt of the city and the balance for municipal enterprises, principally for the building of houses for its population. The credit of the city has always been high, as evidenced by its ability to dispose of 3½ and 4 per cent loans prior to the war.

Part of the above information has been received by cable and is therefore subject to correction. The dollar figures used above have been computed at the normal rate of exchange.

We offer the above bonds, when, as and if issued and subject to the approval of counsel, for public subscription, at 99 per cent and accrued interest.

We reserve the right to reject any application and to award a smaller amount than applied for. Payment for bonds allotted is to be made in New York funds, at our office, against the delivery of our temporary certificates when ready.

These temporary certificates will be exchangeable for the definitive bonds when received by us.

Application will be made to list the bonds on the New York Stock Exchange.

SPEYER & Co.

NEW YORK, *November 1, 1920.*

TESTIMONY OF GROSVENOR M. JONES, CHIEF, FINANCE AND INVESTMENT DIVISION, BUREAU OF FOREIGN AND DOMESTIC COMMERCE, DEPARTMENT OF COMMERCE

(The witness was duly sworn by the chairman.)

Senator JOHNSON. Will you state, if you please, your name and occupation?

Mr. JONES. Grosvenor M. Jones, chief of the finance and investment division of the Bureau of Foreign and Domestic Commerce, Department of Commerce.

Senator JOHNSON. How long have you been connected with the Department of Commerce, please?

Mr. JONES. Altogether, about 17 years, under its present name.

Senator JOHNSON. Are you familiar with the Latin American loans?

Mr. JONES. I have quite an acquiantance with them.

Senator JOHNSON. Are you familiar with certain specific loans that have been made of late, beginning first with the short-term loan of Colombia?

Mr. JONES. I might say that I am not so directly informed on that as I might be, because I was absent from the country when that loan was put through, but my assistant, Mr. James Corliss, who is here, is familiar with that.

Senator JOHNSON. Mr. Corliss, who sits here, is thoroughly familiar with the Colombian loan, is he?

Mr. JONES. Yes. He makes a specialty of Latin American finances.

Senator JOHNSON. Were you familiar with the Bolivian loans that were made?

Mr. JONES. Yes; most of them—all of them.

Senator JOHNSON. Will you state whether or not the Department of Commerce expressed any opinion, or whether you expressed any opinion in reference to these Bolivian loans?

Mr. JONES. The matter of these loans was frequently the subject of conversation between the economic adviser of the State Department, who handled them in the first instance for the State Department and with persons in the Department of Commerce, and the Treasury Department, who were deputed to pass on them in the first instance for those departments. I happened to be the man in the Department of Commerce to whom that function was assigned for our department.

As each loan came up—well, in many cases; I won't say in every case, but in many cases—the merits of the loan would be the subject of more or less discussion between the economic adviser and myself; not that it made a great deal of difference, except along the particular points that have been enunciated as part of our foreign loan policy, but, sort of entre nous, speaking as man to man, we would exchange views as to whether we thought a certain government was overborrowing, or whether these loans looked good to us. I suppose we were amateur international bankers. But the Bolivian loan was the subject of conversation between Arthur Young, the economic adviser, and myself. Perhaps it was Mr. Livesey, who was the acting economic adviser. He was assistant to Arthur Young at the State Department; but I remember very well talking with Arthur Young.

At that time we had been looking into the question of Bolivian finances. I might say that, quite apart from this function of ours of passing on foreign loans in a consultative capacity with the State Department, the finance and investment division had for years been making analyses of the public finances of foreign governments, but particularly of the Latin American governments, and we had got out a number of handbooks on the subject.

It was my hope to have a 5-foot shelf of them when I organized the division in July, 1922. That was my aim, and we concentrated primarily on Latin America because we thought that was an area of the world that was likely to borrow heavily in our market, and was also an area on which the information extant was rather meager. So we made it a practice to put out, in printed or multigraphed form, whatever information came into us from the foreign officers of the Government, and quite a good deal did come in.

We brought out others—first Mr. McQueen, and later Mr. Sherwell, and later Mr. Corliss, were given the job of analyzing these reports.

It happened that just before this last Bolivian loan came out Mr. Corliss had prepared quite an excellent analysis of the Bolivian financial situation.

Mr. CORLISS. It was a year later.

Mr. JONES. I may be a little ahead of my story, but I wanted to make the point that we were accustomed to analyzing these situations.

On this particular Bolivian loan I remember very distinctly talking with Arthur Young, or Mr. Livesey over at the State Department, and telling them that we thought that Bolivia was borrowing too much in this market. There was a good deal of hemming and hawing, and the upshot of it was that we reluctantly gave our consent to it, for the reason that at that particular time our diplomatic relations with Latin America were a little upset. Our Government was under considerable attack for its Nicaraguan policy, its Haitian policy, and so forth.

There was shortly to be held, I believe, a Pan American conference. As I recall it, the State Department said that it might result in embarrassment if we turned down this loan proposition.

Senator SHORTRIDGE. What was the amount of that particular loan?

Mr. JONES. $23,000,000. That was the last loan issued to Bolivia.

That was a rather unusual proceeding, because we had not attempted theretofore to negative any foreign loan proposal on the ground that a government was overborrowing. We never made that issue in any other case, I think.

The CHAIRMAN. Did you ever give that information to the banker who undertook to float that loan?

Mr. JONES. No, because we never gave any information to bankers unless we were——

The CHAIRMAN. At any time?

Mr. JONES. No. We were never asked by the bankers for any data on that loan.

The CHAIRMAN. I do not think the bankers would have any right, perhaps, to ask you, and I was wondering whether, in this particular case, you initiated the proposition and notified them.

Mr. JONES. No. We felt that that was outside our province.

The CHAIRMAN. I think so, too.

Senator JOHNSON. But the information was given to the State Department, to the gentlemen with whom you conversed, and you told them Bolivia was overborrowed, did you not?

Mr. JONES. In our opinion, yes.

Senator JOHNSON. In your opinion. Are you familiar with any of the concessions that have been granted in Bolivia to any American institutions?

Mr. JONES. I know that the Standard Oil Co. of California, I think, has concessions for the exploitation of petroleum in the eastern Provinces of Bolivia, particularly the Province of Santa Cruz.

Senator JOHNSON. Do you know about when the last concession was granted?

Mr. JONES. No; I do not. My impression is that that concession antedates the war.

The CHAIRMAN. The World War, you mean?

Mr. JONES. Yes. In fact, I have remembrances, when I was in Bolivia in 1917 or 1918, of hearing about the Standard Oil Co. of California working on some concessions over in that Province, and I concluded that that had been looked into for quite some time.

Senator JOHNSON. Were you familiar with the loan that was made to Peru?

Mr. JONES. There have been several loans to Peru.

Senator JOHNSON. You made some investigations, did you not, and were familiar with the situation there?

Mr. JONES. Not so well informed as we were in other countries, because the official data were not so complete.

Senator JOHNSON. Do you remember making any statement concerning the loans that were accorded to Peru?

Mr. JONES. No; I do not recall any. Do you, Mr. Corliss?

Mr. CORLISS. No.

The CHAIRMAN. Has Peru failed in the interest on her loans?

Mr. JONES. Yes. She was one of the first to default. All her loans are in default.

The CHAIRMAN. Do you know who carried those loans?

Mr. JONES. The bulk of them by the National City Co. and J. and W. Seligman.

The CHAIRMAN. I think that was shown here the other day. When did they default?

Mr. JONES. I should say nearly a year ago, the early part of 1931. They were among the very first.

Senator JOHNSON. Do you recall in what circumstances? Are you familiar with any of the circumstances of the default of Peru?

Mr. JONES. The default of Peru really was a sequel to the overthrow of the government of President Leguia, and of the political disorder that followed thereon, as well as of the collapse in the prices of the principal commodities which Peru exports. Both the political and the economic factors entered into the financial difficulty of Peru.

The CHAIRMAN. Has the political situation of Peru righted itself?

Mr. JONES. It is very doubtful. Colonel Sanchez-Cerro, who was responsible for overturning Leguia, and who was himself later turned out, has come back as president, and as a result of an orderly election; but there are a great many malcontents there and I would say that the political situation in Peru was very unstable.

Senator SHORTRIDGE. Has the existing government repudiated the bonds in question?

Mr. JONES. No.

Senator SHORTRIDGE. Or is it a mere case of default in payment?

Mr. JONES. I think it acknowledges the obligation, but states its inability to keep up payments of interest and amortization. I do not think it has repudiated it.

The CHAIRMAN. Do you remember the amount of the obligations?

Mr. JONES. They are upwards of ninety millions.

Senator JOHNSON. Do you recall anything else in connection with repudiation of the loan, or rather, with their default in the loan—any of the reasons that they have given?

Mr. JONES. There have been various things quoted in the press.

Senator JOHNSON. You are familiar with the fact, are you not, from your researches, your knowledge, and what the department has, that the president and his son have been accused of some irregularities in connection with the loan?

Mr. JONES. Yes. That has been alleged.

Senator JOHNSON. It has been alleged that they received certain sums of money when this loan was made, has it not?

Mr. JONES. Yes; but we have seen no corroboration of that. There have been no documents produced.

Senator SHORTRIDGE. The present president, Senator, the man who has now come back?

Senator JOHNSON. No. He is ex-president.

Mr. JONES. Yes. Leguia was president for a long time. He was a virtual dictator.

Senator JOHNSON. Do you recall whether or not there was anything of that sort in connection with the Bolivian loan?

Mr. JONES. We never heard of it.

Senator JOHNSON. You have not heard of that at all?

Mr. JONES. No, sir.

Senator JOHNSON. In your opinion, was South America—Latin America—overborrowed?

Mr. JONES. That is the impression that we had in the Department of Commerce, in case of most of those countries.

Senator JOHNSON. In the official family of the Department of Commerce, it was recognized generally, was it not, that Latin American was overborrowed?

Mr. JONES. With some few exceptions. We were inclined, until about a year and a half ago, to think that certain countries were much better risks than others, and that possibly they could get through. I have in mind Argentina, Uruguay, Chile, and some of the States of Brazil. Some of the States of Brazil had a much better reputation as a credit risk than the central government itself, and we felt that those particular countries were probably safe enough; that they had not overborrowed, although in the case of Argentina we felt that certain Provinces, like the Province of Buenos Aires, had overborrowed. That was an opinion gained by us from our study of the reports of those governments, by considering the ratio of debt service to revenues, and similar tests.

Senator JOHNSON. The investigations that might be readily made by those who desired to ascertain the financial responsibility of the borrowers?

Mr. JONES. Yes; and information which we made available in printed or multigraphed form.

Senator JOHNSON. So that the information as to the fact of the overborrowing of Latin America was available to anyone who was in the business, certainly, of lending money, selling securities, and the like?

Mr. JONES. Yes; except, Senator, we did not state it that badly. Of course, in an official Government publication we could not say that Colombia is overborrowing, but we could, within proper limits, put down the facts, so that he who ran might read. We felt we had to be very careful what we said about it.

Senator JOHNSON. Do you recall whether or not, with respect to Colombia, there was a circular or document issued by you—I mean by your department, of course?

Mr. JONES. Yes; by the Finance and Investment Division.

Senator JOHNSON. Yes.

Mr. JONES. As part of his regular work, Mr. Corliss, made an analysis of the public finances of Colombia.

Senator SHORTRIDGE. When was that?

Mr. JONES. In the fall of 1928, I think. I might say that that report was prompted by our commercial attaché at Bogota, writing directly to Doctor Klein, director of the bureau, saying "I think Colombia is going wild on borrowings. She has started too many railroads and too many highways, and she has not any idea where she is going to get all the money, except that the money is coming so readily now that they just think they can borrow ad infinitum." Mr. Hunt, our commercial attaché then, thought we ought to do something about it. The only thing we could do about it would be to publish the facts in our regular way, in our bulletin service.

Senator SHORTRIDGE. We paid them $25,000,000.

Mr. JONES. Yes.

Senator JOHNSON. You did publish the facts?

Mr. JONES. Yes.

Senator JOHNSON. Do you recall that subsequent to the publication of the facts, the National City Bank, the Illinois Trust Co., and the First National Bank of Boston, in 1930, made a short-term credit of $20,000,000 there?

Mr. JONES. Yes.

Senator JOHNSON. Do you recall, in publishing the facts, that you published the budgetary facts as well as suggesting a reduction in the amount of the budget?

Mr. JONES. We virtually said in that circular, No. 305, that there would have to be budgetary readjustments, particularly if the law on the abolition of the liquor taxes should be put through.

Senator JOHNSON. So that, as you suggested a while ago, those who run might read, just exactly what was the situation there in Colombia? Do you recall any conversations that you had with any of the members of the State Department in reference to Colombia?

Mr. JONES. Yes. The State Department, I might say, frankly, felt that there would be no objection to putting out that circular.

Senator JOHNSON. Do you ever hear of the Barco oil concession?

Mr. JONES. Yes.

Senator JOHNSON. What is it, please?

Mr. JONES. I can not give you the details, but it was a concession for the exploitation of a large area of oil lands in Columbia, granted to a Colombian citizen by the name of Barco, who, under the terms of the concession, had to exploit it within a given time. Before that time expired, he sold it out to some syndicate. I think it was called the Carib Syndicate, or something of that sort. Then, in later years, that syndicate sold an interest in it to the Gulf Oil Co. of Pittsburgh.

Senator SHORTRIDGE. They wanted the oil to come in free of duty.

Mr. JONES. They did.

Senator SHORTRIDGE. And we want a dollar a barrel on it.

Mr. JONES. They are not exploiting, Senator. The Barco concession is not being operated yet. The only big oil deposit in Columbia that is being operated is that which belongs to a subsidiary of the Standard Oil Co. of New Jersey.

The point about this Barco concession is that after it had been transferred, or an interest in it had been transferred to the Gulf Oil Co., the concession was invalidated by a decree of the minister of the interior, or some government official, on the ground that the concession had not been worked.

At that time Colombia was going through a period of radical legislation with regard to petroleum. All through Latin America, following the lead of Mexico, there broke out a series of radical laws on the subject of the exploitation of petroleum, and it was at that time that the Barco concession was invalidated. That has since been validated.

Senator JOHNSON. About when was it that it was validated?

Mr. JONES. Or restored to its former status?

Senator JOHNSON. Yes.

Mr. JONES. It is rather uncertain, but within the last year some time.

Senator JOHNSON. Was it contemporaneous with that loan being made to Colombia?

Mr. JONES. I think it follows it by some months.

Senator SHORTRIDGE. Who owns that concession now, if you are able to tell us?

Mr. JONES. I am not able to say exactly, but the general impression is that the Gulf Oil Co. owns upwards of a half interest.

Senator SHORTRIDGE. Is that the same company, the Gulf Oil Co., that has passed its dividends in order to use its money to buy up the small independent oil companies?

Mr. JONES. I do not know. I am not familiar with the Gulf Oil Co.

Senator SHORTRIDGE. They have made that statement, have they not, that they did not pay their dividends, using the money to go now into the market and buy the small independent oil companies?

Mr. JONES. It may be. I do not happen to know.

Senator JOHNSON. Are you familiar, in a general way, with the contracts that are made by the selling investment houses and the governments for whom they sell the securities?

Mr. JONES. I can not say that I have any particular knowledge of that.

Senator JOHNSON. I will ask you directly whether you know of any where the bankers and the foreign governments share equally in the profits from the sale of the bonds? Do you know of any such contracts?

Mr. JONES. I have never heard of any.

Senator JOHNSON. Very well, sir. In Bolivia there were several loans, were there not?

Mr. JONES. Yes, sir.

Senator JOHNSON. The first that I think we have been dealing with was 1922.

Mr. JONES. Yes.

Senator JOHNSON. I believe that was an Equitable Trust loan in Bolivia.

Mr. JONES. Yes.

Senator JOHNSON. Are you familiar with the purposes for which that loan was made?

Mr. JONES. One of the prospectuses stated—and we have a certain check on that, from official government sources—that part of that loan went to pay for the cost of construction of a railroad linking the Bolivian Railway system with the Argentine system, a railroad for which the French had the contract before the World War, and for which during the war, or after the war, Ulen & Co. got the contract, and completed the work. A part of it went to take up Bolivian Government bonds delivered to Ulen & Co. for work done by that company in sanitation projects in the cities of La Paz and Cochabamba. Part of it probably went to miscellaneous construction. Bolivia started to build several railroads to connect the eastern section of the country with the western part, which is the very mountainous part, and I think that some of the proceeds of this first loan to Bolivia were used for that purpose. I can not say exactly. A part of it may have been used for general budgetary purposes, too.

Senator JOHNSON. With respect to the second Bolivian loan, do you recall when that was made?

Mr. JONES. I have not the exact date, but it was several years later.

Senator JOHNSON. I think it was a Dillon-Read loan of 1928.

Mr. JONES. That was the second Dillon-Read loan. There was one of $14,000,000 that Dillon, Read & Co. brought out in between.

Senator JOHNSON. That was between 1922 and 1928. I am right in that, Mr. Corliss, am I not?

Mr. CORLISS. One in 1927.

Senator JOHNSON. And another in 1928.

Mr. JONES. Yes; one in 1928 of $23,000,000.

Senator JOHNSON. Those two later loans you thought unsound.

Mr. JONES. We had doubts about it. I do not know that we said anything about the $14,000,000 loan, Senator. It was only when the $23,000,000 loan came out.

Senator JOHNSON. That is the last loan.

Mr. JONES. Yes.

Senator JOHNSON. That was when you spoke in reference to it?

Mr. JONES. Yes.

Senator JOHNSON. When you spoke in reference to the Colombian loans, do you know what was contemplated by Colombia in the matter of loans at that time?

Mr. JONES. We did not have any specific knowledge of individual loans on the market. We knew that bankers were negotiating with Colombia for further loans, but this circular of ours was issued in the regular course, and was not directed against any particular loan, but it did have quite an effect. It was rather an unusual thing for the Department of Commerce, or any Government agency, to issue such a statement. We tried to be prudent in what we said about the facts, but the facts were rather obvious, and it created quite a little stir in New York.

Senator SHORTRIDGE. And in Bolivia, I imagine.

Mr. JONES. Colombia.

Senator SHORTRIDGE. I mean Colombia. Is there a copy of that circular available, Senator? Have you that?

Senator JOHNSON. No. I am going to ask you, if you please, to deliver to the reporter that particular statement that was a public statement.

Mr. JONES. Yes.

SPECIAL CIRCULAR NO. 305

COLOMBIAN FOREIGN LOANS AND PUBLIC FINANCES

(Prepared by J. C. Corliss, specialist in Latin-American finances)

During recent months there has been considerable discussion in the Colombian press of the large volume of foreign loans contracted by the various departments and municipalities of the Republic and secured, as a rule, by the pledge of the most productive revenues of the borrowing entities. It has been felt in some quarters that the credit of the Republic is threatened by this increasing drain upon the nation's revenues. Apparently this is the view of the government itself, for recently the minister of finance decided to place the issue squarely before the Colombian Congress, and proposed the enactment of legislation giving the national government complete control over the contraction of future loans by Colombian departments and municipalities.

Law of June 5, 1928, restricts departmental and municipal borrowing.—The Colombian Congress supported the government's project, and in law 6, June 5, 1928, passed the necessary legislation. The new law provides that future loans, either foreign or domestic, must be for public purposes. Departmental assemblies, in authorizing loans, must show that the proceeds are to be used for such purposes. In the case of foreign loans, there is necessary, in addition, the approval of the President of the Republic, the executive acting only after the council of ministers has rendered an opinion in the matter. The governor of any department intending to initiate negotiations for a foreign loan must advise the central government of the fact, indicating the general lines upon which negotiations are to be conducted. The government will not approve any departmental loans unless the exact work that is to be done and the advisability and benefits thereof are set forth clearly. There must be given also a copy of the ordinance authorizing the negotiation of the loan and a statement of the manner in which the proceeds are to be disbursed.

In the case of municipal loans a somewhat similar procedure must be followed. Municipal councils may undertake loan negotiations only after authorization therefor has been granted by the government; such authorization is given only upon favorable recommendation of the cabinet. To obtain the authorization mentioned application must be made to the government, accompanied by an exposition of the works to be carried out, proof of their desirability and utility, and a copy of the resolution authorizing such works. As in the case of departmental loans, municipal loans must be employed solely for purposes clearly of a public nature. Only under these conditions may the government authorize the contraction of either a foreign or domestic loan by municipalities. Only under these conditions may authority be granted for hypothecation of municipal properties and pledge of municipal revenues for service on such loans.

If this program is carried out, the national government will henceforth demand that public works constructed from loans be in accordance with a definite plan.

Debt service must not exceed 20 per cent of ordinary revenues.—Even if a public purpose be proved, however, departments and municipalities will not be allowed to borrow unrestrictedly, for the new law provides that the government will not approve the contraction of a foreign loan if the public service is affected adversely by the requirements of interest and amortization payments. In no instance will the Government consent to a foreign loan when the amounts necessary for the service of the public debt (including the service of the proposed loan) constitute more than 20 per cent of the borrower's ordinary revenues, excluding, in the case of revenues collected by the departments, the municipal participations in such revenues. In the case of loans secured by public enterprises not considered in the regular budget, the total debt service charges may not be more than the net revenues of the enterprise.

Possible loopholes in law—applicability to conversion loans questioned.—These regulations, if carried into effect, will necessarily result in the restriction of Colombian departmental loans to those necessary for the public welfare, and to such amounts as can be easily serviced. Departments and municipalities may still borrow to convert obligations previously outstanding, however, upon the authorization and approval of the government. It is not quite clear whether the restrictions applicable to the contraction of loans for public works also apply to conversion loans. If not the permission to contract such loans seems an unfortunate weakness in the new law. There is no real impediment to the contraction of internal loans by the departments and municipalities, and unless the 20 per cent restriction applies to foreign loans for refunding such obligations, the whole aim of the government is liable to be thwarted. It is true that even refunding loans must be approved, but it is doubtful whether the central government would object to a loan proposed by a strong department or municipality, unless it were acting in accord with some general policy.

Another possible loophole in the law is a provision whereby treasury loans contracted "to maintain regularity in payments and which may be covered in the course of one fiscal year" are exempted from the restrictions. This feature is not likely to be abused, however, since the total of such loans may not amount to more than 5 per cent of the ordinary revenues of the borrowing entity.

Revenues not clearly defined.—The chief defect of the law, however, is that the term "ordinary revenues" is not adequately defined. If the term is extended to include transfers of funds, local borrowings, the receipts from departmental railroads, etc., the law may be wholly ineffective as an instrument for the restriction of foreign loans. American investors will await with much interest the exposition of the government's policy in this respect. One indication, perhaps, is the government's recent approval of the first installment of a loan which one of the departments proposes to float in the American market. Approval for this loan was withheld for a considerable period, the government pointing out that even if only this initial amount were borrowed, the department's ddbt service would take 27.75 per cent of its revenues, even if municipal participations therein were not deducted from the total. Whatever may be the intrinsic merits of such a loan as an investment, it is difficult to comprehend how the government can reconcile its approval with the 20 per cent policy announced in the new law. Only if fearlessly and uniformly enforced will the new law enable the government to keep local borrowing within proper limits.

Antialcoholic law.—One important factor in the situation is the possible effect of new national liquor legislation upon departmental revenues. Until recent times the departments generally adopted the policy of farming out the administration and collection of the principal taxes in return from the payment of fixed sums to the treasury, since experiments with direct administration had been disappointing. A change was introduced, however, by law No. 88 of 1923, which required the departments to assume the direct administration of the alcoholic monopoly, in order that the temperance provisions of this law might be made effective. These provisions called for fewer sales places for liquor, for more stringent closing arrangements on certain days, and for an increase in retail prices. On and after June 1, 1928, the price of a 720-gram bottle of ordinary rum (aguardiente) is to be 3.60 pesos, or about three times the previous price. The latter regulation is considered a serious threat at the liquor revenues.

Will probably reduce liquor revenues.—Departmental officials have been quite frank in expressing the view that this legislation will cause an appreciable decline in revenues. The protests against the new legislation were so numerous that a special session of Congress was called to consider the matter further. It is understood that certain modifications have been forced by the opponents of this legislation, notably a large reduction in the selling price at which the liquor is to be sold. Details are not yet available so it is impossible to state the exact nature and extent of the modificatons. At the present writing the matter is still before the congress.

Meanwhile, however, the law is, technically at least, in full effect. As a matter of fact, it is reported that most of the departments have disregarded the law pending future congressional action. In antioquia, however, the law seems to be in effect, and the experience of that department is instructive. Antioquia has had some time restrictive legislation similar to that now proposed by the central government. Indeed, of all the restrictions contained in law 88 of 1923, the only one not already in effect in that department is that provided in section 2 of article 12, which prohibits the consumption of liquor in public houses and its sale between 4 p. m. and 8 a. m. and on Sundays, holidays, and market days, or on other days of public festivity. Yet the secretary of finance expresses grave fear of the results of enforcing even this small portion of the law. The official view is seen in the anticipation of this official that revenues from the liquor taxes during 1928–29 would be less than half of that estimated for 1927–28. If any such dimunition is feared in Antioquia, where the greater part of this so-called antialcoholic legislation is already in effect, there is ground for grave concern as to the probable impairment of the liquor revenues in other departments where the changes necessitated by law 88 will be more radical.

Central government offsets loss in departmental revenues.—In order to provide partial compensation to the departments for the probable loss in revenues resulting from this legislation, the central government turned over to the departments the proceeds from the collection of certain taxes on articles of national manufacture. Since, however, the receipts from these taxes would not offset the loss in liquor revenue, it was proposed that the government pay the departments, for a period of 5 years, 75 per cent of the difference between the liquor revenues actually collected during each year of that period and the collections of 1927–28. During the special session of congress the senate finance committee recommended that the national government reimburse the department for an indefinite period for all the losses they may sustain, instead of 75 per cent as originally proposed. This feature, of course, may be changed further before the new bill finally becomes a law. The whole situation is apparently somewhat confused.

Whatever modifications may be made in the legislation it seems to be the intent of the government to enact measures which will restrict the sale of liquor; if the departmental revenues suffer as a result, the government will bear at least a part, if not indeed all, of such loss, for a period not yet fixed. So far as American investors are concerned, their position would seem to be at least 75 per cent as strong as before—in most cases 100 per cent, since the departments have generally bound themselves to draw on their other income in case the liquor revenues are insufficient to pay the service of the loans they have contracted.

Motives of Government significant.—However, the very fact that the central government has felt it necessary to adopt such strong measures to restrict local borrowings is worthy of careful attention. The secretary of finance has stated quite frankly that the foreign loans contracted by the departments and municipalities in the last three years have reached such a point that the credit, not only of the borrowers, but of the central government as well, is endangered.

Large volume of dollar loans since 1920.—It is not generally realized that American investors, up to September 26, 1928, had bought bonds of the central government, the government-guaranteed agricultural mortgage bank, and the several departments and municipalities, to the extent of $191,550,557, of which $171,074,557 represented new capital. This is seen by analysis of Colombian foreign borrowings during recent years.

Colombian foreign borrowing.—Prior to 1920 Colombia's foreign loans had been floated almost exclusively in Europe. In the eight years that have since elapsed, practically all of the foreign financing by the central government, the departments, the municipalities, and the mortgage banks has been in the United States. In fact, the only financing done in Europe during this period was a £1,600,000 loan contracted by the Mortgage Bank of Bogota in June, 1928. Meanwhile, loans aggregating no less than $235,800,557 were floated in the United States, of which some $215,324,557 represented new American capital invested in Colombian securities. The net amount of capital flotations, distributed according to the borrowing entities, were as follows:

Central government	$64, 445, 207
Agricultural mortgage bank bonds (guaranteed by central government)	16, 000, 000
Departments	64, 520, 250
Municipalities	25, 109, 000
Miscellaneous private bank bonds	21, 904, 000
Mining companies	1, 500, 000
Oil companies	20, 846, 000
Total	215, 324, 557

Since our purpose is to ascertain the extent to which Americans have invested in the securities of public entities, there should be deducted the $21,904,000 representing loans of mortgage banks whose bonds are not guaranteed by the government, or American purchases of shares in private banks; we must deduct also the loans floated by mining and oil companies. This leaves $171,074,557 which we may take as the amount of capital placed by American investors in the public securities of Colombia during the last eight years.

Borrower	Amount	Date	Term in years	Interest	Purpose	Remarks
Republic of Colombia	$445,307	May, 1920		7	Purchase of locomotives	Credit by a North American locomotive company.
Do	5,000,000	November, 1922	5	6½	Retire floating debt and other purposes	$1,000,000 refunding.
Do	10,000,000	August, 1926	½	5½	Not stated	Bankers' advance repaid from $25,000,000 loan.
Do	25,000,000	September, 1927	33	6	Retire short-term loan and public works	$10,000,000 refunding.
Do	35,000,000	March, 1928	33	6	Highway construction	
	[1] 75,445,307					
Agricultural Mortgage Bank	3,000,000	May, 1926	20	7	Provide working capital	
Do	3,000,000	February, 1927	20	7	do	
Do	5,000,000	October, 1927	20	6	do	
Do	5,000,000	April, 1928	20	6	do	
	16,000,000					
Total liability of Republic	91,445,307					$11,000,000 refunding.
Department of Antioquia	3,000,000	October, 1925	20	7	Retire debt and for railroads	
Do	6,000,000	April, 1926	20	7	do	
Do	3,000,000	October, 1926	20	7	Retire debt.	
Do	820,250	November, 1926	20	8	Highways	
Do	2,500,000	February, 1927	20	7	Railroads	
Do	4,000,000	July, 1927	30½	7	Retire internal debt and for highways	
Do	4,000,000	November, 1927	30½	7	do	
Do	3,750,000	February, 1928	20	7	do	
Do	4,350,000	June, 1928	30	7	Retire debt and for highways	
Total	31,420,250					
Department of Caldas	6,000,000	March, 1926	20	7½	Railways and roads	
Do	4,000,000	November, 1926	20	7½	do	
Do	200,000	August, 1927	19	6	Not stated	Probably bankers' advance.
Total	10,200,000					
Department of Cauca Valley	4,500,000	September, 1928	20	7	Public works, including highways	
Do	1,400,000	July, 1922	10	7	Port works	
Do	2,500,000	October, 1926	20	7½	Retire debt, highways and railways	$750,000 refunding.
Do	1,500,000	July, 1927	20	7½	Railways and highways	
Total	9,900,000					

Department of Cundinamarca	3,000,000	December, 1926	20	7	Railways	
Do	750,000	Early 1928			General expenses	Bankers' advance.
Do	12,000,000	June, 1928	30	6½	Retire debt, highways and railways	$3,500,000 refunding.
Total	15,750,000					
Department of Tolima	2,500,000	January, 1928	20	7	Retire debt, highways and railways	
Total departmental loans[2]	69,770,250					$4,250,000 refunding.
Municipality of Barranquilla	500,000	August, 1925	10	7	Public improvements, especially waterworks.	
Do	500,000	December, 1925	15	8	do	
Do	500,000	January, 1927	20	8	do	
Total	1,500,000					
Municipality of Bogota	6,000,000	October, 1924	31	8	Retire debt and municipal improvements.	
Do	2,700,000	July, 1927	20	6½	Reimburse city for purchase light and power companies.	
Total	8,700,000					
Municipality of Cali	2,000,000	July, 1927	20	7	Retire debt, improve water supply, and other productive purposes.	
Do	635,000	May, 1927	20	7		
Total	2,635,000					
Municipality of Medellin	2,500,000	1920	3½	6	Public works	Retired by $3,000,000 loan of 1924.
Do	3,000,000	June, 1924	25	8	Retire debt and public utilities	$2,500,000 refunding.
Do	3,000,000	January, 1927	25	7	Public utilities	
Do	9,000,000	June, 1928	26	6½	Retire external and internal debt, public utilities, sewer, and paving work.	$2,726,000 refunding.
Total	17,500,000					
Total municipal loans	30,335,000					$5,226,000 refunding.
Total loans to Central Government, Agricultural Mortgage Bank, departments, and municipalities.	191,550,557					

[1] Does not include issues floated originally in sterling and resold in the United States. Such a case, for instance, is the £200,000 of the 1913 sterling loan offered to United States investors in January, 1922.

[2] Does not include $1,000,000 reported to have been obtained by the Department of Huila and listed by the Banco del a Republica in its compilation of foreign loans contracted by Colombian departments in its issue of December, 1927.

Borrower	Amount	Date	Term in years	Interest	Purpose	Remarks
Banco Hipotecario de Colombia	$6,000,000	November, 1926	20	7	Provide working capital	
Do.	3,064,000	February, 1927	20	7	do.	
Do.	4,000,000	November, 1927	20	6½	do.	
Do.	1,840,000	April, 1928			American shares	
Total	14,904,000					
Banco Hipotecario de Bogota	3,000,000	May, 1927	20	7	Provide working capital	
Banco de Colombia	2,000,000	do.	20	7	do.	
Do.	2,000,000	May, 1928	20	7	do.	
Total	4,000,000					
Total to private banks	21,904,000					
Total to mining companies	1,500,000					
Total to oil companies	20,846,000					

[3] Estimated.

RECAPITULATION

Loans to Central Government	$75,445,307
Agricultural Mortgage Bank	16,000,000
Departments	69,770,200
Municipalities	30,335,000
Private banks	21,904,000
Mining companies	1,500,000
Oil companies	20,846,000
Total	235,800,557

FINANCIAL POSITION OF THE REPUBLIC OF COLOMBIA

The total revenues and expenditures of the Republic of Colombia during the last five years have been as follows:

	Revenues	Expenditures	Surplus
1923	₱43,535,105	₱38,554,577	₱4,980,528
1924	39,862,320	38,913,531	948,789
1925	51,517,758	50,571,409	946,349
1926	60,648,914	68,648,685	[1] 7,999,771
1927	78,992,471	86,012,827	[1] 7,020,356

[1] Deficit.

According to these figures, the net result of the financial operations of the Republic during the last five years has been a deficit of approximately 8,144,461 pesos. The data for 1927 are taken from the August bulletin of the Banco de la Republica. It should be stated that the revenues for 1927 include 15,724,982 pesos, representing part of the $25,000,000 loan floated in the United States.

PROSPECTS FOR 1928

The outlook for a surplus for 1928 is not encouraging. The budge estimate of revenues appears to be greatly in excess of the amount which may be realized. In fact, the overestimate probably amounts to as much as 12,000,000 pesos, as will be seen from the following table:

Deficit of 1927	₱7,020,356
Loan from Banco de la Republica (December salaries)	1,000,000
Overestimate of emerald mines—Muzo and Coscuez (closed Dec. 27, 1927)	1,000,000
Overestimate, royalty on oil	1,100,000
Overestimate on railroad revenues	2,000,000
	12,020,356

The first two items given above require no comment. With reference to the third, however, it should be stated that the emerald mines of Muzo and Coscuez were closed on December 27, 1927, for an indefinite period, and, therefore, the Government's estimate of 1,000,000 pesos revenue from this source can not be realized.

It is believed that the estimate of revenues from the Government's royalties on oil are at least 1,100,000 pesos in excess of what will be collected. In the budget Government participation is given as 2,000,000 pesos. This appears excessive. It is reported that the Tropical Oil Co., the only producing company in Colombia, can not count on more than 18,000,000 or 20,000,000 barrels of oil this year, and this is possible only if the pipe line is used to its capacity of 50,000 barrels daily practically every day in the year. Ten per cent of this amount would be at the most 2,000,000 barrels, or if the Government elects to receive payment in kind, 2,000,000 pesos. But the Government is obligated to pay 45 per cent of the proceeds of the royalty to the Department of Santander, in which the fields are located, and an additional 10 per cent to the municipality of Barranca-Bermeja. It seems, therefore, that the most the Government could get from its royalty on oil is $900,000, which means that the budget estimate is too great by $1,100,000.

The railroads are reported to have produced $7,603,132 in 1926; the estimated amount received in 1927 was $9,651,935. In the budget as passed by Congress it is estimated that the railroads then in operation would produce during the year 1928, $6,823,593, while the railroads to be put into operation during 1928 would yield $6,000,000. During the past five years there has been constructed in Colombia about 1,000 kilometers of railroads. The Pacific Railroad, which is the largest system and has been in operation for a considerable length of time, has 578 kilometers of operating lines. In 1926 this mileage produced $4,441,394 or at about $7,684 per kilometer. It is hardly logical to believe that 200 kilometers of new railroad will produce at the same rate as an old-established road, but assuming that this might be true these new lines could only produce a little more than $1,500,000. It appears that a fair estimate of income to be produced from all railroads operating in 1928 is about $11,000,000; therefore, it is believed that the budget estimates are excessive by about $2,000,000.

In addition, it is possible that the revenues from customs duties will not come up to the 1928 budget estimates. The budget shows revenues from customs of about 28,000,000 pesos. The total customs revenues for 1927, according to the controller, amounted to 34,858,347 pesos. It is hardly believed, however, that the revenues for 1928 will be so great as those in 1927. This is because customs duties have been lowered upon certain classes of foodstuffs, and particularly because the recent oil legislation in Colombia will have the undoubted effect of arresting oil development, with consequent dimunition of imports.

It should be stated that the Government is aware of the difficulty of the situation. Early this year the President ordered each minister to submit to the Minister of Finance on the 20th of each month estimates of expenditures for the following month. It was provided that in no case should such expenditures exceed one-twelfth of the authorized budget for the year. Unfortunately, the expenditures authorized had been computed upon the assumption that the budget estimates of revenues will be realized. Since, as we have seen, the budget overestimates revenues by at least 12,000,000 pesos, further steps will be necessary in order to avoid a deficit during the year.

SUMMARY

The situation in Colombia requires careful attention. The departments have reached the point where further foreign loans may prove a heavy burden; only strict enforcement of the 20 per cent provision will enable the Central Government to withstand pressure for approval of additional departmental and municipal loans. Even loans already contracted seem likely to find their security diminished if the proposed anti-alcoholic legislation actually becomes effective; shifting of the burden of possible loss in revenues (on account of this legislation) to the Central Government appears to be of little advantage, for the financial position of the Government does not seem strong enough to stand additional burdens of any considerable amount. One might expect to find a solution of the problem in the reduction of expenditures. Unfortunately, the present difficulties of the Central Government and of the departments are due largely to their embarkation upon extensive programs for the construction of public works, especially railroads and highways. So far as known, no plans have yet been made for large reduction of expenditures for these purposes.

GROSVENOR M. JONES,
Chief Finance and Investment Division.

Senator JOHNSON. Did President Olaya speak to you concerning the matter?

Mr. JONES. Doctor Olaya was Minister of Colombia to the United States at that time, and he had some advance information that we were going to get out such a report. He was then on his summer vacation. He wrote to Doctor Klein, director of the bureau, saying that he had heard we were going to issue a statement unfavorable to Colombia, and asked us if we would not hold it up until Doctor Olaya got back to Washington. Doctor Klein thought there was nothing else to do than that. It was a courtesy asked by a minister of a foreign government. So it was held up until Doctor Olaya came back to Washington, and he came in to see Doctor Klein and me about it, and we said yes, that there was a circular which we were issuing, in the regular course, and that it was not directed against Colombia in particular. It was just a statement of the facts. We said, "You might look at a copy before we publish it, and see if there is anything objectionable in it, and see if we have our figures correct." Well, he said he was not able to do that, but he would like to send a copy down to his country. We said, "We have already delayed publication five or six weeks, and now this would mean another five or six weeks' delay, if we wait until a copy is returned from Bogota. If you do not see anything wrong in it yourself, I guess we had better go ahead and publish it." So we published it.

Senator JOHNSON. Do you know what the Foundation Co. is?

Mr. JONES. It is a construction company that has made a specialty, as its title indicates, of putting in deep foundations for large buildings in New York, and in recent years they have undertaken quite a little foreign work. A great many of our engineering companies have done that.

Senator JOHNSON. Do you know whether or not they have done any work in Peru?

Mr. JONES. Yes. I happened to be in Peru in 1920 after they landed their big contract for putting in water works, sewerage systems, and other sanitation projects.

Senator JOHNSON. Do you know whether or not, in the last couple of years, they have had any particular contracts from Peru?

Mr. JONES. I do not know that they have been able to do very much. The last important contract in Peru was the one that Snare & Triest Co. got, for constructing the port works at Callao, which is the port for Lima, the capital. The Foundation Co.—I remember meeting their engineer when I was down in Peru in 1920 or 1921. I spent a whole year there. They had an engineer working on plans for new port works. They were all set to do it, but I do not know why they did not land this last contract. Snare & Triest got it.

Senator JOHNSON. Are you familiar at all with the loans that have been made to Cuba?

Mr. JONES. Yes.

Senator JOHNSON. I ask you this question because I have been asked to propound it. I know nothing of the facts, and I do not know whether you do or not. Do you know of any connection between the loans granted to Cuba, and the contracts granted simultaneously for the construction of roads in Cuba?

Mr. JONES. It happens that I spent about 10 months in Cuba as economic advisor to Ambassador Guggenheim. It was during that time that a $40,000,000 special public works loan came to the attention of the embassy and State Department. I do not know anything about the earlier arrangements. Apparently Warren Bros., of Boston, got the contract for building the central highway, and I think they got that quite independently of the banking house that did the financing of the special public works. It looked for a time as though the National City Co. had the inside track on the financing. There was quite a little competition among American bankers to place that financing for the Cuban Government, but the Chase National Bank, or the Chase Securities Co., really won out, and I do not know that there is any connection between Warren Bros. and the Chase Securities Co.

Senator JOHNSON. I do not, either.

Mr. JONES. I think that was just an accident.

Senator JOHNSON. I want to say, in justice to any of these people, that I asked the question because I was requested to propound it.

Mr. JONES. Warren Bros.' connection, being a Boston institution, is more with the First National Bank of Boston.

The CHAIRMAN. Does the same relation apply to Cuba that applies to every other foreign country, in relation to loans? Does Cuba request the State Department here to approve it?

Mr. JONES. It is more particularly true in the case of Cuba than any other foreign country.

The CHAIRMAN. That is what I wanted to bring out.

Mr. JONES. Because of the Platt amendment, article 2.

The CHAIRMAN. Do you know, in the case of the loan which is mentioned, whether the State Department was requested to approve it, or not?

Mr. JONES. I am not altogether clear.

The CHAIRMAN. Was not that a commercial loan?

Mr. JONES. President Machado was elected to office on the pledge that during his term of office Cuba would not increase her public debt. His predecessor, Doctor Zayas, had had to issue $50,000,000 of bonds to clear up a lot of debt incurred under his predecessor's régime. That was the régime of Menocal. But Machado said solemnly that he was not going to increase the public debt of Cuba.

There came along this grand project for building a highway from one end of the island to the other, at a time when all Latin America was stirred up by the possibilities of economic development through highway construction. General Machado was in a rather awkward position. He wanted the highway. He felt it would relieve unemployment in Cuba, and yet he did not want to increase the public debt. So, they conceived an original plan down there. They first created a lot of special revenues which they said should be set aside for public works construction. "It will not go through the regular budget," they said. "We will call it the special public works fund. In fact, we will make a contribution to that fund from our regular budget, and we will pay as we go in the construction of this highway."

Well, they were a little slow in getting their plans drawn and the revenue assigned to this fund mounted up much more rapidly than anybody anticipated, and in a short time, in a year's time, they had a great fund, a great balance to the credit of this fund. So, then, they began to build this central highway. For political reasons, they had to build it in each of the five Provinces. Each Province felt that it had to have its part started, and the result was that you had the highway started at five different points, getting nowhere. Then there came the agitation, "Let us link up these various portions, so that we will get some use out of them." The only way they could do that was to speed up construction, and the only way they could speed up construction was to arrange for some temporary financing, and yet they did not want to issue bonds, so they conceived the brilliant idea of having the public works department issue to the contractors, as bits of work were completed, public works certificates saying that the Government owes the contractor so much for such and such a job.

Senator SHORTRIDGE. Rather clever, wasn't it?

Mr. JONES. Yes. Then they said, "We will have to arrange with the bankers to discount these." So, that is where the financing of the public works in Cuba originated.

Then came a question. The bankers wondered, I believe, whether the Platt Amendment applied, because the Platt Amendment requires that Cuba shall float no loan, or issue no obligation the interest and service of which can not be met out of the ordinary revenues. Well, this was not the ordinary budget. This was a special fund.

There is a little question whether the public works fund was considered a part of the ordinary budget, but I think their idea, as I learned from talking with Cuban officials afterwards, was that that was something apart from the ordinary budget.

In any case, the Cuban Government succeeded in getting bankers to discount for the contractors these deferred public works certificates.

The CHAIRMAN. American bankers?

Mr. JONES. American bankers. First it was started in a modest way, only $10,000,000, and with these revenues coming in the way they were, it looked as though those could be paid off very readily. The Chase Securities Co., after some competition, got that business. Then, of course, like all those things, once you start it you are in for it. The Cuban Government began to spend more and more money on these projects. They thought they ought to complete the capitol. The result is that they have a $20,000,000 capitol, with a gilt dome, and all that sort of thing. Then they ought to build that fine sea wall, which General Wood restored. That ought to be extended a few miles further. Money was coming easy. But they neglected the public highway a bit, you see. In order to get the money to make the central highway worth anything, it had to be completed. There were all these different links started, and not joined together. So, that credit had to be extended to $60,000,000. They had asked Chase for another credit of $50,000,000, bringing up the total credit to $60,000,000. That got a little large for Chase to swing, although they had a syndicate to handle it, so it was arranged with the Cuban Government that a part of those public works certificates should be sold to the public in this country, and so there were two issues of $10,000,000 each of these public works certificates sold on a serial basis to the American public. The first installment matured last month, $6,250,000 of the $20,000,000. Then, along in——

Senator SHORTRIDGE. They matured, you say, last month?

Mr. JONES. Yes; part of the serial public works certificates; $6,250,000.

Senator SHORTRIDGE. The principal was paid?

Mr. JONES. It is paid off.

Senator SHORTRIDGE. That is what I was about to ask you. Did the Government pay?

Mr. JONES. Yes.

Senator SHORTRIDGE. Were the certificates retired?

Mr. JONES. Those that fell due on that date.

Senator SHORTRIDGE. That is what I say?

Mr. JONES. $6,250,000.

Senator SHORTRIDGE. Excuse me. Go ahead.

Mr. JONES. This $60,000,000 credit with Chase was exhausted, and the highway still was not completed. The highway was costing more than anybody anticipated. They stopped on the way and put in some ornamental parks, and some embellishments, which ran up the cost, and there they were, sort of hung up in the air, with a highway only partically completed.

Well, the Cuban Government wanted more money, and Chase said "We are already holding $40,000,000 worth of these public works certificates. We have marketed only $20,000,000 in the serial form. We can not increase that." But it was arranged, finally, that on consideration of the Cuban Government consenting to an issue of bonds to take up these $40,000,000 of public works certificates held by Chase, the Chase National Bank would take an option to bring out a further $40,000,000 of bonds. These were bonds to mature in 1945. But the understanding was that that would be the absolute limit; that within the total Cuba would have to finish that highway. The bankers got rather disturbed about the thing dragging out to such lengths. So that was the occasion of the issue of $40,000,000 of bonds. You see, that meant no new money for Cuba. It merely meanst that Chase was permitted to market $40,000,000 of the public works certificates it held. So a further consideration was that Chase should give them a credit of $20,000,000, which credit would be taken up out of the $40,000,000 of bonds on which Chase took an option when, as, and if issued. Those bonds have never been issued—the remaining $40,000,000. The credit has been renewed from time to time. Because of the fact that the $40,000,000 of bonds could not be marketed Chase would not increase its credit beyond $20,000,000.

The Cuban Government had to issue to the contractors its own obligations up to $20,000,000, so that today there is outstanding $100,000,000 of obligations, in one form or another, less the $6,250,000 of serial public works certificates retired last December.

It is rather interesting, in that connection——

Senator SHORTRIDGE. Government bonds outstanding?

Mr. JONES. They are all Government obligations, Senator. There are forty millions of bonds; there are twenty millions of the Chase Bank credit; there are twenty millions of what are known as treasury obligations, which are held by the contractors, and there are now $13,750,000 serial public works certificates held by the American public.

Senator JOHNSON. Do you know anything about the recent flotation of a nitrate loan in the United States?

Mr. JONES. You mean for the Cosach?

Senator JOHNSON. It is a Guggenheim interest.

Mr. JONES. It is a corporation set up under the laws of Chile, in which the Chilean Government has a 50 per cent interest and the nitrate companies the balance. Guggenheim Bros. have a very large interest there, but I think some of the British companies were taken in, too.

Senator JOHNSON. Do you know whether or not that loan was floated because of the bankrupt condition of certain British nitrate interests?

Mr. JONES. I never had that impression.

Senator JOHNSON. Were you familiar with the condition of any British nitrate companies financially at the time of the flotation of that loan?

Mr. JONES. No, sir; I was not.

Senator JOHNSON. During the last few years, when these loans have been made in Latin America and South America, the various banking houses or institutions that deal in that sort of thing—investment houses and the like—have indulged in the keenest competition to obtain from the South American Governments and from Latin America the securities for floation in this country, have they not?

Mr. JONES. In general. I think there are two notable exceptions.

Senator JOHNSON. Two notable exceptions. I think, in justice to those two, we ought to state them.

Mr. JONES. I will not say that they are the only exceptions; but J. P. Morgan & Co., and Kuhn, Loeb & Co. have followed, more or less, the English tradition of the borrower seeking the lender rather than the lender seeking the borrower.

Senator JOHNSON. On the other hand——

Mr. JONES. But I will not say they are the only ones. They stand out.

Senator JOHNSON. You say they stand out as exceptions, and I desired you to put their names in the record in justice to them, that was all, so that they might not think we were criticizing them, although I criticize none at the present time. So far, however, as the generality of houses was concerned, they were buzzing around South American, Central American, and Latin American, all keenly competing and endeavoring to obtain, in every fashion that was legitimate, of course, we will assume, loans from those countries, in order to float them in America and sell them to the American public; is not that correct?

Mr. JONES. There was a very great deal of competition.

Senator JOHNSON. And, so far as the condition financially of the various countries from which they were obtaining their securities for sale to the American public is concerned, there could have been obtained from your department, because of your researches and examination, details which would have enabled those who were dealing with those loans to have known the exact financial condition of those countries?

Mr. JONES. I would like to claim that much for my division, Senator, but I really can not.

Senator JOHNSON. Can you claim it in substance?

Mr. JONES. I would say this, that we had a great deal of information which would be helpful in guiding the buyers of those bonds.

The CHAIRMAN. Did you submit it to any of them?

Mr. JONES. A number of them did come down and consult us. It came to be known that the finance division had a great deal of data and banking houses would call us up or telegraph us and say "Have you the budget of the city of Budapest?" or "Have you any data for Vienna?" or "What is your data for Colombia? Have you the recent budget figure? We want to check up." In that way we did disseminate a great deal of information to the bankers.

Senator SHORTRIDGE. You felt at liberty, did you, to give out any information that you had acquired concerning the financial condition of a given Latin-American country?

Mr. JONES. Anything that was derived from published reports.

Senator SHORTRIDGE. Pardon me if I pursue that just a moment. In regard to Colombia you knew, did you not, that our relations with that republic were once very strained?

Mr. JONES. Yes.

Senator SHORTRIDGE. That President Roosevelt undertook to allay the feeling and to bring about a cordial intercourse between us and Colombia?

Mr. JONES. Yes.

Senator SHORTRIDGE. You knew, did you not, that later, by the payment to Colombia of $25,000,000, she recognized the independence of Panama, and that the relation between us and that Republic became very cordial and friendly?

Mr. JONES. Yes.

Senator SHORTRIDGE. When you put out, or were about to put out this statement referred to concerning the financial structure or status of Colombia, were you not a little hesitant as to the effect that would have upon our relations with Colombia and other Central and South American republics?

Mr. JONES. We bore that in mind.

Senator SHORTRIDGE. What we speak of as the Latin-American countries.

Mr. JONES. We had that in mind, sir, but that did not deter us, because, as I told Doctor Olaya when he consulted us about it, we were issuing these circulars or bulletins in the regular course, and we were not singling out Colombia particularly. We just happened to have the data on Colombia and we were publishing it.

I might say that our relations with Doctor Olaya, the Minister of Colombia at the time, were extremely cordial and friendly. We all had a very high regard for him as a gentleman and as a student—so much so that we have been following with a great deal of interest his career as president; and we think that Colombia has done remarkably well under all conditions. We do not know of a single Latin American country that has made such a determined effort to put its budget into balance and to meet the service on its public debt, as Colombia. That is just our feeling toward the republic.

Senator SHORTRIDGE. It is now passed, and we can not recall it, and it may be of no present interest; but if there was any resentment felt by Colombia because of this particular statement referred to, that feeling has passed?

Mr. JONES. Oh, yes. In fact, the present minister, Doctor Lozano, has told us that Doctor Olaya was really glad that we got out our circular after all, because he thought it resulted in the curtailment of Colombia's foreign borrowing and minimized his problem a little.

Senator JOHNSON. May I ask you whether or not you had your report and made your investigation with respect to the Chilean financial situation before its bonds were floated?

Mr. JONES. We issued a very exhaustive analysis of Chilean finances, which was one of the first jobs done in our division, and was prepared by Mr. C. A. McQueen, who had been commercial attaché at Santiago. That report gave a complete picture—one of the best we have ever made of any Latin-American Government's finances. We followed that up—that was issued about 1923 or 1924, was it not, Mr. Corliss?

Mr. CORLISS. My impression is it was later than that; perhaps 1926.

Mr. JONES. It could hardly be that late. At any rate, it was issued some years ago. Where we issued a printed report on the finances of a country we tried to keep it up to date by means of bulletins and circulars. I do not remember issuing anything like this Colombian circular on Chile. There was one that Mr. McQueen got out on the eve of some financing for Chile that was done by Hallgarten & Co. and Kissell-Kinnicutt & Co. That was one of these routine circulars that just happened to come out at that time. I think Mr. McQueen took the attitude, "Well, a good many bankers have been down here asking us about these things. There is no reason why other bankers should not have that information. We have worked it up. Let us publish it in mimeographed form," and we did. I remember there was one section of that circular which we debated a great deal, as to whether it should go in. Mr. McQueen had been much impressed by the fact of Chilean dependence upon the export tax on nitrate. That export tax on nitrate constituted a very large proportion of the revenues of the Chilean Government, and Mr. McQueen was aware that since the war the production of artificial nitrates had increased greatly and, by implication, he raised the question whether Chile was wise to put such great dependence on such an uncertain source of revenue.

That is the only thing in that circular that might be construed as unfavorable.

I remember meeting one of the employees of one of the banking houses about a week afterwards, and he caught it, but he said it did not make any difference to the sale of a loan. That was not our object at all. We did not try directly to influence the sale of any particular issue.

Senator JOHNSON. You were simply endeavoring to offer information that would be desired or appropriate for those who were investing or selling the securities?

Mr. JONES. Yes.

Senator JOHNSON. And it was open to every single international banker in the United States to know exactly what you knew in that regard?

Mr. JONES. I do not know that we advertised our service very much. We may have kept our light under a bushel.

Senator JOHNSON. That is all, sir.

The CHAIRMAN. The committee will stand adjourned until to-morrow morning at 10 o'clock.

(Whereupon, at 1 o'clock p. m., the committee adjourned until to-morrow, Thursday, January 7, 1932, at 10 o'clock a. m.)

SALE OF FOREIGN BONDS OR SECURITIES IN THE UNITED STATES

THURSDAY, JANUARY 7, 1932

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met at 10 o'clock a. m., pursuant to adjournment on yesterday, in the committee hearing room in the Senate Office Building, Senator Reed Smoot presiding.

Present: Senators Smoot (chairman), Shortridge, Reed, Couzens, Thomas of Idaho, Jones, Harrison, King, George, Connally, and Gore.

Present also: Senator Johnson.

The CHAIRMAN. The committee will come to order.

Senator SHORTRIDGE. Mr. Chairman, I am obliged to go to the Naval Committee, if you will excuse me. But you may count me for a quorum.

The CHAIRMAN. Very well. Now we will call Mr. Joseph R. Swann, of the Guaranty Co.

Senator JOHNSON. Mr. Chairman, would you pardon me while I put on the stand a gentleman from the Department of Commerce, very briefly, Mr. Corliss?

The CHAIRMAN. Very well. Mr. Corliss, hold up your right hand: You do solemnly swear that the testimony you are now going to give in the investigation being made by this committee will be the truth, the whole truth, and nothing but the truth, so help you God.

Mr. CORLISS. I do.

TESTIMONY OF JAMES C. CORLISS, SPECIALIST, LATIN AMERICAN FINANCE, DEPARTMENT OF COMMERCE, WASHINGTON, D. C.

(The witness was duly sworn by the chairman of the committee.)

(During the examination of Mr. Corliss, Mr. Grosvenor M. Jones, chief division of finance and investment, Department of Commerce, who was examined on yesterday, also answered a number of questions.)

Senator JOHNSON. Will you state your name and occupation; please.

Mr. CORLISS. James C. Corliss, specialist, Latin American finance, Department of Commerce.

Senator JOHNSON. How long have you filled that particular official position?

Mr. CORLISS. About five years.

Senator JOHNSON. Have you devoted yourself during that period of five years in the Department of Commerce exclusively to Latin-American affairs?

Mr. CORLISS. Yes, sir.

Senator JOHNSON. Who is you immediate superior in the department?

Mr. CORLISS. Mr. Grosvenor Jones.

Senator JOHNSON. The gentleman who testified before the committee on yesterday?

Mr. CORLISS. Yes, sir.

Senator JOHNSON. You feel that you are an expert upon the financial condition of Latin America, do you?

Mr. CORLISS. Well Senator Johnson, that is a very difficult question to answer, but I hope I know something about it.

Senator JOHNSON. Would you state first whether or not in the last couple of years in your opinion Latin America has been overborrowed?

Mr. CORLISS. There have not been so many issues of securities during the last couple of years, but prior to that there were, up to the time of or just before the stock market crash.

Senator JOHNSON. That would extend back for how long a period?

Mr. CORLISS. I would say back to about 1926.

Senator JOHNSON. During that period would you say that Latin America had been overborrowed?

Mr. CORLISS. I should say by the end of that period Latin America was overborrowed.

Senator JOHNSON. Will you state, if you please, for the record just exactly what information you have concerning financial affairs in Latin America, generally I mean, and whether or not it is accessible to those who may desire information in respect to the matter?

Mr. CORLISS. We receive, or attempt to receive, all official financial reports on these various Latin American Governments, and the various political subdivisions of them, and are especially interested of course in those which have borrowed money in the United States. We also receive bank reports, reports of various financial committees, exchange committees, and so forth. In addition to these we receive from the Department of State a great deal of information from consular officers, from legations, from embassies, and finally from our own foreign officers, reports covering a great variety of subjects, and from which all financial sections come to our division. The information contained in these reports is disseminated in three ways: First, we have what we call trade information bulletins and a trade promotion series—the trade promotion series is more exhaustive, that is all. As to the trade information bulletins, I am going to leave with the committee a sample for 1930, outlining Latin American financial developments in 1930. In addition to that we have what we call Latin American Financial Notes which we now attempt to issue every two or three weeks. We were not always able to do that in the past.

The CHAIRMAN. You have a sample bulletin for 1928, too; have you not?

Mr. CORLISS. Yes, sir. I think so.

The CHAIRMAN. And for 1929?

Mr. CORLISS. I know that we have them for 1929 and 1930.

The CHAIRMAN. When you put a sample in for 1930, also put in samples for 1928 and 1929.

Mr. CORLISS. Very well, sir. I think we have them for 1928, but am sure that we have them for 1929 and 1930.

Latin American Financial Developments in 1928

FOREWORD

Latin American governmental loans publicly offered in the United States during 1928 totaled $344,598,000, an increase of about $13,000,000 over the preceding year and the highest yearly total on record. At the same time the public offering of Latin American corporate issues in the United States declined from $102,120,000 in 1927 to $92,880,000 in 1928. These figures do not include, however, large direct investments of American capital not represented by public offerings of securities.

The data contained in this publication represents the more important financial developments and trends in the various Latin American countries during 1928 and the early months of 1929. Being a general survey, it does not attempt to analyze the public finances of the countries, but the outstanding developments in all cases are pointed out. Furthermore, actual figures on budgetary results, public debt, note circulation, gold reserves, banking reserves, etc., are included in every instance where this data was obtainable. It is believed, therefore, that this bulletin will be of value not only to persons who are interested in following general financial trends in the Latin American countries but also to those who have a more specialized interest in particular countries.

The manuscript was prepared in the finance and investment division by Eugene W. Chevraux, from reports submitted by foreign-service officesr and from official and unofficial publications. The finance and investment division keeps in close touch with Latin American financial conditions, and more detailed information on recent financial developments will be made available upon request.

O. P. Hopkins,
Acting Director, Bureau of Foreign and Domestic Commerce.

October, 1929.

INTRODUCTION

In an area where there are rather wide differences of economic development a corresponding disparity in the extent and type of readily available financial information is to be expected. Accordingly, as will be noted in perusing the individual surveys which follow, it has been impossible to present the same type of information for all countries. Actual budgetary results for 1928 are still not available in several instances; in others, no official debt statement at or near the close of the year has yet come to hand. Many of the budgetary statements now available are only preliminary, and they usually relate only to the original budget.

A great improvement in the availability of current financial information has occurred in recent years with the inauguration of monthly publications by a number of central banks of South America. It will probably be possible to publish regular periodical surveys of somewhat more comprehensive type sometime in the future.

GENERAL OBSERVATIONS

In general, 1928, was a year of financial progress in Latin America, despite unfavorable economic conditions in certain of the countries. Revenues increased with but few exceptions and attained record proportions in a great many instances, numerous budgetary surpluses were reported, and foreign obligations were met with fewer exceptions than in many years. Banking and currency systems, as a rule, were strengthened. Exchange rates were relatively stable, although in the latter part of the year a declining tendency occurred in a number of the South American currencies.[1] On the other hand, there was almost complete cessation of foreign borrowings by Latin American Governments at the end of the year, owing largely to the high rates prevailing in the New York money market. Certain local difficulties occurred in the latter part of the year, including the boundary dispute between Bolivia and Paraguay, the uncertainty over the credit situation in Brazil,[2] and other unfavorable developments of an isolated

---

[1] This tendency became more noticeable in 1929, and a rather severe decline occurred in Uruguayan exchange. Owing in part at least to the high money rates prevailing in New York, the central banks of Colombia, Ecuador, and Peru all raised their discount rates in 1929. On Aug. 1, however, the Banco de la Republica of Colombia restored the discount rate of 7 per cent which prevailed in 1928.

[2] The Brazilian credit situation became acute in the first half of 1929. Money was very tight, and bankruptcies and creditors' agreements in Rio de Janeiro increased noticeably over the corresponding period of the previous year. However, the prevailing uncertainty, which centered in part at least around the policies of the Bank of Brazil, was somewhat relieved by explanations of the President of Brazil at the end of April that it was never his intention to liquidate the discount department of the Bank of Brazil as had been alleged.

character. These developments detracted somewhat from the year's generally favorable trend.

Despite the falling off in foreign borrowings from the United States in the latter part of the year, Latin American governmental loans publicly offered in the United States during 1928 totaled $344,598,000—an increase of about $13,000,000 over the preceding year and the highest yearly total on record.[3] New nominal capital in this financing was actually less, however, than in the previous year, estimated refunding to Americans having been $106,400,000 in 1928, as compared with only $54,029,000 in 1927. While the public offering of Latin American corporate issues in the United States declined from $102,129,000 in 1927 to $92,880,000 in 1928,[4] estimated refunding to Americans in the former year was $39,510,000 as compared with only $1,000,000 in 1928; so the new nominal capital invested in corporate issues publicly offered increased during 1928. These figures do not include large direct investments of American capital not represented by public offerings of securities. During the year large public-utility holdings were acquired by American interests in Latin America, notably in Argentina, Brazil, Chile, and Mexico.

Another interesting feature of the year was the development of State mortgage banks. During 1928 the Mortgage Bank of Ecuador and the Banco Agricola y Pecuario of Venezuela were opened, both of which are Government banks. Furthermore, a law was enacted in Peru creating the Mortgage Bank of Peru. In Brazil the States of Rio Grande do Sul and Parana both opened state-controlled banks with mortgage departments. The State of Bahia also enacted legislation for the setting up of a State bank whose chief purpose would be to make loans to agriculturists.

As might be expected, in view of the prevailing conditions, banking operations generally increased. Loans and deposits gained with but few exceptions. Mortgage loans as a rule also showed notable increases. This trend was aided by the flotation of foreign loans by various mortgage banks as well as the establishment of the State mortgage banks. Bank clearings increased in nearly all principal centers in Latin America.

Important developments of an isolated character include the following: Enactment of legislation by Bolivia providing for extensive changes in the country's financial organization; the provisional stabilization of Peruvian exchange; the successful maintenance for the second full year of the Brazilian stabilization program; the continued increase in the flotation of Colombian governmental loans in the United States for the construction of transportation facilities and other public works; the arrangement effected by Cuba with American bankers for the financing of the public-works program through the issuance of public-works serial certificates; and the negotiations between Mexico and the International Bankers Committee looking forward to a new debt agreement—no payments being made during 1928 on foreign-debt obligations due in that year. Other developments of scarcely less importance will be found in the surveys which follow.

ARGENTINA

PUBLIC FINANCES

The national budget for 1928 was simply the extension of that for the preceding year. Preliminary figures indicate that principal national revenues continued to increase in 1928. Customs receipts and port dues, the most important source of governmental income, increased from 381,300,000 paper pesos (1 paper peso equals $0.4245 at par) in 1927 to 426,600,000 paper pesos in 1928, or about 11.9 per cent. At the same time internal taxes increased about 3.9 per cent, and land taxes, licenses, and stamps increased about 3.7 per cent. No statement of expenditures for 1928 is yet available. The President's message to the National Congress, read at the opening of its ordinary sessions in May, 1929, did not give the usual figures covering the financial results of the previous year.

Late in September, 1928, Congress passed the budget for 1929, authorizing ordinary expenditures totaling more than 704,000,000 paper pesos. This amount does not include expenditures authorized for public works and subsidies, which are to be met from the proceeds of bond issues and from special revenues,

[3] Latin American governmental loans publicly offered in the United States in the first half of 1929 totaled only $45,150,000 as compared with $225,547,000 in the first half of 1928.

[4] Latin American corporate issues publicly offered in the United States during the first six months of 1929 totaled $147,937,200 as compared with only $20,240,000 during the corresponding period of 1928. Public-utility financing played a large part in the notable increase which occurred in 1920.

respectively. Budgeted expenditures on account of the public debt in 1929 were set at 216,661,000 paper pesos.

According to an unofficial source, the consolidated debt at the end of 1928 totaled approximately 2,275,000,000 paper pesos, an increase of more than 119,000,000 paper pesos over the total at the end of the previous year. The floating debt on October 10, 1928, totaled 454,985,000 paper pesos as compared with 448,440,376 paper pesos, at the end of 1927. Both of these totals of floating debt include an item of approximately 40,000,000 paper pesos resulting from differences in exchange in connection with the cancellation of the loan obtained from the British Government in 1920. Argentine governmental loans publicly offered in the United States showed a marked decline in 1928, totaling only $50,393,000 as compared with $109,352,000 in 1927; these figures include issues of the Provinces and cities as well as the central Government.

Near the end of the year an Executive decree authorized the Banco de la Nacion Argentina to open a credit up to a maximum of 50,000,000 paper pesos at 5 per cent in favor of a consortium of Argentine banks, which in turn were to grant credits up to the same amount to various Spanish banks. The credit was to be used exclusively for the purchase of Argentine agricultural and stock-raising products.

Near the close of the year the Provinces of Mendoza and San Juan were intervened by the National Government. Reports emanating from the national interventors indicated that the public finances of these Provinces were in an unsatisfactory condition at the time of the interventions.[5]

CURRENCY AND EXCHANGE

The total note circulation increased from 1,378,432,790 paper pesos at the end of 1927 to 1,405,875,362 paper pesos on December 31, 1928. During the same time the gold in the Caja de Conversion increased from 477,582,406 gold pesos to 489,657,138 gold pesos (1 gold peso equals $0.9648 at par). Adding the conversion fund held in the Banco de la Nacion, 30,000,000 gold pesos, the gold reserve against note circulation at the end of 1928 amounted to approximately 84 per cent. At the end of 1928, 37.73 per cent of the total note circulation was held by the banks. Including the gold holdings of the banks, the total visible gold stock at the end of 1928 amounted to more than 641,000,000 gold pesos.

As a result of the heavy export movement the Argentine gold peso was above par during the first six months of the year, after which a decline occurred in exchange until the gold export point was reached and some gold exports made.[6] While the year closed with the peso below par, the average for the year was almost exactly the par rate.

BANKING AND PRIVATE FINANCE

The increased business activity in 1928 was reflected by larger bank clearings. Total clearings amounted to 40,528,400,000 paper pesos in the capital and 7,918,600,000 paper pesos in the interior, representing increases over 1927 clearings of 4.7 per cent and 13 per cent, respectively.

Banking operations were characterized by a large increase in deposits and cash reserves, while no appreciable change occurred in loans. According to the Economic Review of the Banco de la Nacion, the 12 months average for deposits and cash reserves increased 8.8 per cent and 42.6 per cent respectively, in 1928. At the same time the average for loans increased only a small fraction of 1 per cent.

Largely as a result of the heavy gold imports money was easier than in the preceding year. At the end of the year banks were paying from 4 to 4¼ per cent for three months' deposits and from 4¾ to 5¼ per cent for deposits of six months and longer. Discount rates varied from 6 to 7½ per cent.

A noticeable improvement occurred in 1928 in the bankruptcy figures—liabilities totaling 147,400,000 paper pesos as compared with 198,466,000 paper pesos in the previous year.

Stock exchange transactions increased about 12.3 per cent over 1927, largely as a result of the increased movement of securities of fixed income. The yield on fixed interest-bearing securities tended to decline as a result of a general rise in the market quotations of these securities.

---

[5] In 1929 the Provinces of Corrientes and Santa Fe were also intervened by the National Government.

[6] This trend continued in the first half of 1929. The average exchange value (noon buying rate for cable transfers in New York) of the gold peso in June, 1929, was $0.9528 as compared with the 1928 yearly average of $0.9648. As a result of the decline in exchange and the high money rates in New York, large quantities of gold were exported from Argentina in the first half of 1929 in contrast with heavy gold imports in the first half of 1928.

During the year a large amount of American capital was invested in Argentine public utilities.

Bolivia

The outstanding feature of the year was the enactment of the following laws based upon the recommendations of the Kemmerer Commission, which visited Bolivia in 1927:

1. Real estate tax law of April 3, 1928.
2. Law of April 27, 1928, authorizing the Executive to organize a national revenue-collecting company and enter into a contract with it for the collection of revenues.
3. Law of April 27, 1928, establishing an organic budget law.
4. Law of April 27, 1928, concerning the organization of the national treasury.
5. Income tax law of May 3, 1928.
6. Law of May 5, 1928, creating the office of comptroller general.
7. Law of July 11, 1928, on monetary reform, which fixed the value of the boliviano at the equivalent of approximately \$0.365 in United States currency.
8. General banking law of July 11, 1928.
9. Law of July 20, 1928, providing for the reorganization of the Banco de la Nacion Boliviana as a central bank. (The central bank did not open, however, until July 1, 1929.)

The budget for 1928, which was not promulgated until June 1, calculated receipts and expenditures at 51,897,187 bolivianos (1 boliviano equals \$0.365 at par) and 55,802,973 bolivianos, respectively, thus anticipating a deficit of 3,905,786 bolivianos. The President was authorized, however, to make reductions up to 15 per cent in expenditures. The principal items of budgeted expenditures were those for public debt and the department of war, amounting to 25,823,545 bolivianos and 10,939,760 bolivianos, respectively.

In September, 1928, an external loan of \$23,000,000 was floated in the United States, the proceeds of which were to be used for the retirement of certain external and internal indebtedness, for highway construction, and other purposes. As a result the external debt increased from \$50,466,454 on June 30 to \$62,804,000 at the end of the year. A law signed on July 14, 1928, authorized the Executive to contract one or more loans up to \$16,803,300 for the account and responsibility of the departments and municipalities. The loan, however, was to be guaranteed by the National Government.

Credit conditions were poor throughout the year, and numerous failures resulted. Credit stringency was especially marked at the end of the year, when the crisis with Paraguay developed.

Exchange was firm throughout 1928; in fact, the average exchange value of the boliviano was somewhat higher than that of the previous year.

Brazil

PUBLIC FINANCES

The national budget for 1928 as signed by the President calculated receipts and expenditures at 2,088,933 paper contos (1 paper conto equals \$119.63 at stabilization rate) and 2,088,816 paper contos, respectively, thus anticipating a surplus of 117 paper contos. The budget as passed by the National Congress had anticipated a deficit of 151,990 paper contos, but the President exercised his veto power to convert an anticipated deficit into the surplus mentioned. According to the President's annual message to Congress on May 3, 1929, actual budgetary operations in 1928 resulted in a surplus of 198,354 contos, revenues and expenditures totaling 2,216,512 contos and 2,018,158 contos, respectively. Important sources of revenue, such as Rio de Janeiro and Santos customs collections and consumption taxes, showed notable increases over collections of the previous year.

During 1928 a controversy arose regarding the financial results for 1927. The President's message to Congress on May 3, 1928, reported that 1927 financial operations had resulted in a surplus of 25,580 paper contos; and a decree of May 23 provided for the application of this surplus to the retirement and incineration of treasury notes in circulation. Subsequently a report of the Brazilian Senate Finance Committee indicated that a deficit rather than a surplus had occurred in 1927. In order to clarify the situation, on October 18 the President appointed a special commission of accountants to examine the accounts for 1927. This commission reported that a surplus of 30,851 paper contos had resulted, an amount even greater than that reported in the President's message to Congress.

Laws of January 7, 1928, and December 29, 1928, regulated by a decree of December 31, 1928, effected a partial reform of the accounting system, abolishing the additional period formerly in effect for closing the accounts and substituting a new procedure.

During the year the external debt of the Federal Government was reduced in the amount of £2,315,884, $4,089,840, and 1,976,744 francs. The external debt at the end of 1928 totaled £106,968,592, $152,800,427, and 333,577,086 francs. The internal funded debt was reduced from 2,435,367 paper contos at the end of 1927 to 2,392,746 paper contos at the end of 1928. Especially noteworthy was the progress made in connection, being the enactment of a law on January 4, 1928, authorizing the payment of floating debt totaling 13,771 gold contos and 334,761 paper contos. The major portion of the floating debt items covered by this law had been liquidated by the end of the year.

Brazilian Government securities publicly offered in the United States during 1928 totaled $78,245,000 as compared with $62,280,000 in 1927. The 1928 total was composed entirely of loans to States and municipalities, in contrast with the borrowings of the previous year, when a loan to the Federal Government accounted for the major portion of the total.

The decision as to Brazil's liability to meet payments on certain franc loans of the Federal Government in gold or depreciated paper francs, which was referred to the Permanent Court of International Justice at The Hague by agreement signed on August 27, 1927, was still pending at the end of 1928.[7]

BANKING AND CREDIT

According to the President's message to Congress on May 3, 1929, banking operations continued to increase in 1928. The consolidated balances of banks operating in Brazil showed that bills discounted increased from 2,791,000 contos at the end of 1927 to 3,008,000 at the end of 1928. During the same period loans in current account increased from 2,164,000 to 3,001,000 contos; cash increased from 819,000 to 1,045,000 contos; sight deposits increased from 3,469,000 to 4,105,000 contos; and time deposits from 1,459,000 to 1,733,000 contos. Capital increased from 875,000 to 914,000 contos and reserve funds from 397,000 to 476,000 contos. In the first half of 1928 money was easier than it had been during the previous year. After the middle of the year, however, money began to tighten; at the end of December Rio de Janeiro banks were paying 9 per cent for time deposits, and the discount rate for commercial paper ranged from 10 to 12 per cent.

In September the Bank of Brazil began tightening upon its credit policy. This step was particularly embarrassing to certain overextended firms, who found themselves in a precarious position as a result. Important business failures which occurred in Rio de Janeiro in November and rumored difficulties of various other firms created considerable apprehension and a further tightening of credit. An attitude of uncertainty regarding banking and credit conditions prevailed in many quarters at the end of the year.

CURRENCY AND EXCHANGE

The note circulation increased from 3,004,864 contos at the end of 1927 to 3,379,026 contos at the end of 1928. The foregoing figures do not include notes of the Caixa de Conversao, which totaled 19,328 contos at the end of 1927 and 9,196 contos at the end of 1928. The increase was entirely accounted for by an increase in notes of the Caixa de Estabilizacao, which are backed by a 100 per cent gold reserve. The fiduciary circulation was reduced in the amount of 25,580 contos by the application of that amount of the 1927 budgetary surplus to the retirement of treasury notes. The total gold reserve against note circulation increased from £20,706,946 on December 31, 1927, to £30,533,389 on December 31, 1928, the reserve ratio thus increasing from 28.03 per cent to 36.76 per cent. In connection with the foregoing reserve ratios, it should be remembered that at present the various note issues are not equally secured. Gold in the Caixa de Estabilizacao increased from 435,560 paper contos at the end of 1927 to 835,301 paper contos at the end of 1928.

[7] Subsequently (July 12, 1929), the court rendered its decision to the effect that the Brazilian Government would have to pay the interest and principal of the loans in prewar gold francs. The loans in question were the Federal 5 per cent franc loan of 1909 (Pernambuco port loan), the Federal 4 per cent franc loan of 1910, and the Federal 4 per cent franc loan of 1911.

One of the most satisfactory features of the year was the continued successful maintenance of the Government's exchange-stabilization program begun at the end of 1926. During 1928 exchange fluctuations were slight. The average exchange value of the milreis was higher than in 1927 and very close to the rate at which the Government has sought to stabilize exchange.

Chile

PUBLIC FINANCES

During 1928 ordinary revenues and expenditures totaled 1,021,041,000 pesos (1 peso equals $0.1217 at par) and 982,734,000 pesos, respectively, a surplus of 38,307,000 pesos thus resulting. This result compares favorably with the small surplus of 1927 and the large deficit of 1926. Both ordinary receipts and expenditures during 1928 were greater than budgetary estimates. The extraordinary budget for 1928, the first attempt to fix an extraordinary budget under the new budget law, included a comprehensive plan for the construction of public works extending over a period of six years and contemplating a total investment of 1,575,000,000 pesos. Actual results of extraordinary budgetary operations in 1918 are not yet available. Near the close of the year the Congress passed the ordinary and extraordinary budgets for 1929. Ordinary receipts and expenditures for 1929 are calculated at 1,123,291,500 pesos and 1,071,603,975 pesos, respectively, thus anticipating a surplus of 51,687,525 pesos. It should be noted, however, that the figure for receipts includes an item of 20,000,000 pesos representing the estimated surplus resulting from financial operations in 1928. Expenditures for the service of the public debt during 1929 are budgeted at 235,651,000 pesos. The extraordinary budget for 1929 authorizes expenditures of a little over 225,000,000 pesos, to be met from the proceeds of loans.

During the year the National Government took steps to improve the administration of municipal finances. Among other measures, an office of municipal budgets was set up to control all the municipal budgets of the country.

Public offerings of Chilean governmental securities in the United States during 1928 totaled $79,912,000—a large increase over the total for the previous year. The foregoing figure includes municipal borrowings and corporate issues officially guaranteed, in addition to issues of the National Government. A large railway refunding loan was chiefly responsible for the increase noted in the 1928 total.

One of the noreworthy features of the year in regard to governmental borrowings was the success which attended the Government's efforts to create a market for internal loans, all issues offered being fully taken up on terms increasingly favorable to the Government.

The public debt increased during 1928. According to the Ministry of Finance, the direct debt at the end of the year totaled 2,457,328,000 pesos. Of this amount, 2,168,570,000 pesos was external debt. The indirect debt, which includes issues of the National Mortgage Bank, the State railways, and various municipalities totaled 962,427,000 pesos, of which amount 932,214,000 pesos was external debt.

BANKING

The downward trend of money rates, noted in the previous year, continued in 1928. The discount rate of the Banco Central de Chile for operations with member banks was 6 per cent at the end of 1928 as compared with 6½ per cent at the end of 1927 and 7½ per cent at the end of 1926. The discount rate for operations with the public was 1 per cent higher.

The lowering of interest rates was further aided by laws passed early in the year permitting banks to reduce their cash reserves and authorizing the Banco Central de Chile, acting in conjunction with the superintendent of banks, to fix the maximum rates of interest which banking institutions might pay on deposits. As a result of the latter law, the maximum rate paid by the larger banks on six months' deposits in Chilean currency was reduced from around 7½ to 6 per cent.

During the year, the National Congress also passed a law authorizing the establishment of an industrial credit bank, which was opened in September. Peso deposits in commercial banks and the Caja de Ahorros were 233,000,000 pesos greater on December 31, 1928, than at the end of 1927; this increase, however, was partially offset by a decline in deposits in foreign money amounting to 78,000,000 pesos. On December 31, 1928, peso loans of the same banks were 192,000,000 pesos greater than at the end of 1927, while cash and deposits of these banks in the Banco Central showed a slight decline. The outstanding bonds of the mortgage banks increased during the year, and the loans of the agricultural credit banks increased more than 24,000,000 pesos. Combined Santiago and Valparaiso bank clearings showed a further increase in 1928, totaling 12,715,-000,000 pesos as compared with 11,213,000,000 in 1927 and 10,940,600,000 in 1926.

In general, the prices of stocks quoted on the stock exchanges of the country showed a rather marked increase during the year.

CURRENCY AND EXCHANGE

Total note circulation increased from 318,601,000 pesos at the end of 1927 to 351,711,000 pesos at the end of 1928. During the same time the legal reserve of the Banco Central increased from 54.38 per cent to 57.44 per cent. Including time deposits abroad, the gold reserve increased from 107.77 per cent to 109.09 per cent. Exchange fluctuations during 1928 were small, and the average rate of the year showed a slight improvement over that for the previous year.

COLOMBIA

PUBLIC FINANCE

The budget for 1928 calculated ordinary receipts and expenditures at 61,220,191 pesos (1 peso equals $0.9733 at par) and 52,334,196 pesos, respectively. Extraordinary expenditures were budgeted at 33,885,996 pesos, of which 25,000,000 pesos were to be met from the proceeds of a loan and the balance by the anticipated surplus of ordinary revenues over ordinary expenditures. According to the monthly statements of the comptroller, published in the Revista del Branco de la Republica, national revenue collections in 1928 increased about 17.5 per cent over the previous year. No accurate appraisal of the actual financial results for 1928, however, can be made until the detailed statements of revenues and expenditures are available. The budget for 1929, signed in December, authorized expenditures totaling 106,120,106 pesos, of which 64,406,242 pesos were ordinary expenditures and the balance extraordinary; of the latter, 36,153,000 pesos were to be met from the proceeds of loans.

An outstanding feature of the year was the continued increase in external loan flotations. Colombian governmental securities publicly offered in the United States increased from $53,200,000 in 1927 to $70,318,000 in 1928.[9] These totals include loans to departments and municipalities as well as issues of the Agricultural Mortgage Bank; the latter are guaranteed by the National Government.

According to a compilation of the Revista del Banco de la Republica, outstanding foreign loans of the National Government, the departments, municipalities, and the Agricultural Mortgage Bank at the end of 1928 totaled 178,373,000 pesos. The consolidated external debt of the National Government increased from 12,407,000 pesos on June 30, 1927, to 72,115,214 pesos on June 30, 1928. These external debt figures of the National Government do not include the contingent liability arising from the contraction of external loans by the Agricultural Mortgage Bank.

During the year the Government's policies in regard to foreign loans and public-works construction evoked great public interest and widespread discussion in the Colombian press. The falling off of the volume of foreign loans in the latter part of the year and the uncertain outlook with respect to the contraction of further foreign loans was accompanied by a feeling of uncertainty in commercial and banking circles near the close of the year.

In order to enable the National Government to regulate more adequately the increasing volume of loans being contracted by the departments and municipalities, law 6 of June 5, 1928, was enacted. In addition to other provisions, this law provided that the Government would not approve the contraction of a foreign loan by a department or municipality if the amounts necessary for the service of the public debt, including the proposed loan, should constitute more than 20 per cent of the borrower's ordinary revenues, excluding in the case of revenues collected by the departments, the municipal participations in such revenues. In the case of loans secured by public enterprises not considered in the regular budget, the total debt service may not be more than the net revenues of the enterprise.

Other legislation of interest in connection with governmental foreign loans was enacted during the year. On November 15 a new liquor law was signed,

---

[9] During the first half of 1929, Colombian governmental issues publicly offered in the United States amounted to only $1,750,000. This total does not include, of course, short-term loans from British and American bankers nor a £1,200,000 issue of the Agricultural Mortgage Bank publicly offered in London.

modifying Law 88 of 1923, which became effective June 1, 1928. It had been felt that Law 88 of 1923 would reduce liquor revenues pledged to certain foreign loans of various departments. Law 89 of November 15, 1928, created an advisory board to the Ministry of Public Works for the purpose of organizing the public works in execution and for the presentation of a project of law establishing a plan of national public works.

BANKING, CURRENCY, AND EXCHANGE

Banking operations continued to increase during 1928. The year-end consolidated balances of the banks (not including the Banco de la Republica) showed that deposits at sight and up to 30 days totaled 67,866,000 pesos as compared with 53,296,000 pesos at the end of 1927. The foregoing totals include savings deposits of 7,689,000 pesos and 4,620,000 pesos, respectively. Cash increased from 8,969,000 pesos at the end of 1927 to 9,308,000 pesos at the end of 1928. During the same time obligations discountable in the Banco de la Republica increased from 31,686,000 pesos to 49,644,000 pesos and mortgage loans increased from 56,176,000 pesos to 74,777,000 pesos. Capital and reserves increased from 40,970,000 pesos to 50,531,000 pesos during the year. Bogota bank clearings declined slightly from 358,018,000 pesos in 1927 to 356,911,000 pesos in 1928, but this decrease was caused by a change in the method of liquidating rediscounts. Medellin bank clearings increased from 93,198,000 pesos in 1927 to 101,869,000 pesos in 1928.

At the end of 1928 the note circulation of the Banco de la Republica was 56,183,000 pesos as compared with 46,370,000 pesos a year earlier. The legal gold reserve decreased from 63.2 per cent at the end of 1927 to 61.1 per cent at the end of 1928. During the same period, however, the total reserve increased from 83.82 per cent to 96.99 per cent. The discount rate of the Banco de la Republica was 7 per cent throughout the year. While the exchange value of the peso showed a declining tendency in the latter part of 1928,[9] the average rate for the year was above par.

COSTA RICA

The record figures of ordinary revenue for 1927 were exceeded by those for 1928. Ordinary revenues and expenditures during 1928 totaled 33,318,699 colones (the colon is stabilized at $0.25) and 28,406,444 colones, respectively—a surplus of 4,912,255 colones thus resulting. Customs and liquor revenues accounted for over 71 per cent of the total revenues.

Near the close of the year Congress adopted a resolution providing that the Government should operate under the provisions of the 1928 budget until May, 1929. The public debt at the end of 1928 totaled 83,605,458 colones, of which 68,604,249 colones were external and 15,001,209 colones internal debt.

In May, 1928, mortgage certificates of the Mortgage Credit Bank of Costa Rica totaling $2,000,000, guaranteed by the State, were publicly offered in Spain. The monetary circulation increased from 23,512,678 colones at the end of 1927 to 24,138,395 colones at the end of 1928. The easing of money rates, which occurred in 1927, continued in 1928.

CUBA

PUBLIC FINANCES

The budget law for 1928–29, enacted in June, calculated receipts and expenditures at $84,400,000 and $84,387,000, respectively. Article 10 of this law authorized the President to take amounts up to a total of $7,000,000 during the fiscal year from the special public-works fund or unpledged treasury funds whenever a decline in budgetary revenues made such withdrawals necessary to meet current monthly budgeted requirements. These withdrawals were to be considered as advances to be repaid to the fund from which the advance was made.

The unfavorably economic situation during 1928 adversely affected general budgetary revenues. Customs collections, the principal source of governmental income, declined from $42,278,736 in 1927 to $38,713,874 in 1928. Budgetary revenues during the first half of the fiscal year 1928–29 (July to December, 1928, inclusive) totaled $35,122,031 as compared with $37,017,068 in the corresponding period of the previous fiscal year—a decline of $1,895,037. Collections of the special public-works fund during the fiscal year 1927–28 totaled $17,147,925.

[9] This tendency continued in the early first part of 1929. In March the Banco de la Republica raised its selling rate for sight drafts on New York from 102.75 to 103.50.

Collections on account of this fund during the first half of the fiscal year 1928–29 totaled $9,577,830 as compared with $8,663,393 in the corresponding period of the previous fiscal year. In June, 1928, the period for the collection of special public-works taxes, provided for by the law of July, 1925, wasextended from 10 years to 20 years.

In November the President requested the Congress to authorize him to take the necessary steps to bring the amounts appropriated for the current fiscal year into such relation with revenues as to balance the budget. The executive believed such action would be necessary unless revenue collections improved.

One of the outstanding features of the year was the agreement (approved by the Cuban Congress in June) entered into with an American bank for the financing of the public-works program in an amount up to $50,000,000 in addition to a credit of $10,000,000 extended by that bank in the previous year. An offering of public-works serial certificates amounting to $10,000,000 issued under this agreement was made in the United States in October.

According to the President's message to Congress in April, 1929, the national debt on February 28, 1929, total $87,471,200. This total does not include, however, two issues of public-works serial certificates of $10,000,000 each, offered in the United States in October, 1928, and January, 1929.

PRIVATE FINANCES

At the end of June, 1928, bank loans totaled $159,895,000 as compared with $172,375,000 at the end of December, 1927, and $173,965,000 at the end of June, 1927, the decline reflecting the diminished business activity. Deposits in current accounts (exclusive of one bank not reporting) declined from $126,215,000 at the end of 1927 to $119,804,000 at the end of 1928. Savings deposits increased during the same period, however, from $42,557,000 to $45,325,000. Habana bank clearings totaled $902,952,000 in 1928 as compared with $876,957,000 in 1927 and $914,638,000 in 1927. Owing to heavy Government transfers and other influences, however, Habana bank clearings are a somewhat doubtful gage of business activity. In March, 1928, the President signed a decree creating a banking commission to study the method of improving the organization and facilities of banking and credit in Cuba.

DOMINICAN REPUBLIC

In general, economic and financial conditions during 1928 were less favorable than in 1927. The budget for 1928 calculated receipts and expenditures at $12,565,400 and $12,172,829, respectively, thus anticipating a surplus of $392,571. Preliminary figures indicate that gross customs collections during 1928 total $5,290,000 as compared with $5,896,000 during the previous year—a decline of $606,000. On the other hand, internal-revenue collections showed a slight increase during 1928. While the detailed statement of the results of actual financial operations in 1928 is not yet available, it is understood that the Government's budgetary position was unsatisfactory at the end of the year. In this connection it should be noted that subsequently (April, 1929) a commission of American financial experts visited the Dominican Republic at the invitation of the Government and made recommendations relative to the budget and accounting systems and other matters. Subsequently the projects recommended by the commission were passed by the Dominican Congress.

At the beginning of 1928 a $5,000,000 loan was obtained from American bankers for public-works construction. A portion of this loan was withdrawn for issue in the Netherlands. This loan raised the funded debt, all of which is external, from $15,000,000 at the end of 1927 to $20,000,000 a year later.

Credit conditions were less favorable than in the latter part of 1927. Collections were slower, and banks showed increased reluctance to extend credit.

ECUADOR

PUBLIC FINANCES

The ordinary budget for 1928, as originally passed, balanced at 51,588,000 sucres (1 sucre equals $0.20 at par). Various amendments during the year, however, finally raised this total to 59,893,069 sucres. Customs collections, including port dues, the most important source of governmental income, increased from 22,672,000 sucres in 1927 to 26,728,000 sucres in 1928. The ordinary budget for 1929, as originally passed, calculated receipts and expenditures at 59,900,000 sucres.

A noticeable improvement in the service of the external debt occurred in 1928. During the year remittances were made abroad to complete the redemption of the prior lien bonds of the Guayaquil and Quito Railway and the payment of two arrears coupons of the first mortgage bonds of the railway company and 17 arrears coupons of the condor bonds, as well as to bring up to date the interest of the salt bonds and resume their sinking fund. On January 3, 1929, the external debt, exclusive of the outstanding balance of the loan of 10,000,000 sucres, obtained from the Swedish Match Co. in 1927, was reported by the president of the Mortgage Bank of Ecuador to be approximately 98,235,000 sucres. The internal debt was reduced from 19,892,188 sucres at the end of 1927 to 18,628,059 sucres on October 9, 1928.

BANKING, CURRENCY, AND EXCHANGE

One of the outstanding banking developments of the year was the creation of the Mortgage Bank of Ecuador by decree of January 27, 1928. The bank began operations on March 4 with a paid-in capital of 8,000,000 sucres subscribed by the Government from the proceeds of the loan obtained in 1927 from the Swedish Match Co. Outstanding loans of the Mortgage Bank at the end of the year, totaled 7,690,920 sucres. One effect of the establishment of the bank was to reduce rates for mortgage loans; the Mortgage Bank charged only 9 per cent, as compared with a rate of around 12 per cent existing formerly.

The legal reserve of the Banco Central de Ecuador decreased from 72.22 per cent at the end of 1927 to 58.35 per cent at the end of 1928. During the same time, however, the total reserve increased from 77.11 to 81.81 per cent. The note circulation of the bank decreased from 38,660,902 sucres on December 31, 1927, to 36,562,788 sucres at the end of 1928. During the same period deposits of associated banks in the Banco Central decreased from 5,516,818 to 5,224,130 sucres; while holdings of paper discounted for associated banks totaled 3,484,209 sucres on December 31, 1928, as compared with 2,482,282 sucres at the end of 1927. The gold reserve of the Banco Central in Ecuador decreased from 10,228,000 sucres at the end of 1927 to 5,618,000 sucres at the end of 1928. During the same time its deposits abroad declined from 32,663,000 to 24,000,000 sucres.

At the end of 1928 total Ecuadorian bank deposits were slightly less than at the end of the previous year. On the other hand, total commercial loans (all banks) increased over 8 per cent. Mortgage loans, owing largely to the opening of the Mortgage Bank of Ecuador, were nearly 25 per cent greater at the end of 1928 than on December 31, 1927.

A decree of March 8, 1928, created a Pension Bank (Caja de Pensiones). A subsequent decree extended the scope of operations of this bank and provided that until the authorized capital of 12,000,000 sucres is fully paid, the State would assign to it 500,000 sucres per year for pension service.

The Banco Comerical y Agricola continued in liquidation throughout 1928. A change in the liquidator placed in charge by the superintendent of banks occurred in March. Between the time the bank was placed in liquidation (November, 1927) and December 31, 1928, liabilities of the bank were reduced by 3,763,49[illegible] sucres.

In June, 1928, the discount rate of the Banco Central for associated banks was reduced from 9 to 8 per cent and the rate for the public from 10 to 9 per cent.[10] Nevertheless, the overextension of credit in previous years, the unfavorable condition of the cacao industry, heavy taxation, and other factors combined to produce a stringency of money and credit, especially at Guayaquil and throughout the coastal region with the exception of the Province of Manabi, which had a good coffee crop at high prices. In the interior, where the crops were good and the textile industry was propsperous under tariff protection, conditions in general were more favorable. Stringency of money and credit and business depression continued in practically all of the coastal region in the first half of 1929. While the situation in the interior, and particularly Quito, was less unfavorable toward the end of the first semester of 1929, the effects of the depression in the coastal region began to be felt in Quito.

There was little fluctuation in exchange during 1928, and the average rate for the year was above that for 1927. There was a relatively heavy demand for foreign drafts, however; and a slight weakening tendency was noted near the end of the year, the Central Bank raising its selling rate for New York drafts from 5 to 5.02 sucres to the dollar at the end of November.[11] The excess of exchange sold by the Banco Central over that brought during 1928 amounted to 5,206,490 sucres.

---

[10] In May, 1929, the Banco Central raised the discount rate for associated banks from 8 to 10 per cent and the rate for the public from 9 to 11 per cent.

[11] On May 13, 1929, the rate was raised to 5.06 sucres to the dollar.

Guatemala

According to a message of the President to the National Assembly, ordinary revenues and expenditures during the fiscal year 1927–28 totaled $14,265,751 and $14,128,979, respectively. The figure for expenditures includes a payment of $250,000 toward the Government's share of the capital of the Banco Central de Guatemala. Total revenues in 1927–28 were about 15 per cent greater than in the previous fiscal year. The increase was largely the result of increased collections of import duties, which accounted for over 46 per cent of the total revenues. The budget of expenditures for 1928–29, passed by the National Assembly in May, totaled $13,145,156.

The public debt at the end of 1928 was officially reported at $16,836,802, of which the greater portion was external. In fulfillment of the contract of October 15, 1927, 4 per cent bonds amounting to £844,603 were issued during 1928 to the Corporation of Foreign Bondholders (London) in exchange for deferred interest coupons of the same amount; and the full service of the English debt, which amounted to $8,288,277 at the end of the year, was duly met.

Important decrees dealing with the country's financial administration were promulgated during the year. One dealt with the regulations of the public treasury and had for its object the establishment of the conditions and requisites of payments made for the account of the nation. A second decree regulated the directory of accounts and tribunal of accounts.

The Government paid $836,293 to the Central Bank during 1928 on account of old note issues, leaving a balance still due to the bank on this account of $2,542,630.

Total note circulation increased from 8,586,990 quetzales (1 quetzal equals $1 at par) at the end of 1927 to 9,199,959 quetzales at the end of 1928. The note circulation of the Banco Central increased 2,704,854 quetzales during the year, of which 2,091,885 quetzales were issued in exchange for notes of the old banks of issue. Sight deposits in the Banco Central de Guatemala increased from $1,313,468 at the end of 1927 to $1,794,375 at the end of 1928. During the same time the Banco Central's portfolio increased from $3,408,189 to $5,692,539. On December 31, 1928, the Banco Central's legal reserve against note circulation and sight obligations totaled $4,635,634; the bank thus more than covered the requirement of a reserve of 40 per cent against total note circulation and 25 per cent against other sight obligations.

In the course of the year the Banco Colombiano and the Banco Americano were placed under the supervision of the Banco Central pending efforts to reconstruct their capital. Considerable interest was manifested during 1928 in developing the country's mortgage-credit facilities. In August a presidental decree authorized the Banco Central, banks of deposit, and branches of foreign banks to engage in mortgage operations for terms of not more than one year until the National Assembly amended article 43 of the law of credit institutions.

Haiti

The financial results for the fiscal year ended September 30, 1928, were exceptionally favorable. All principal sources of revenue reached record figures, the revenue surplus was the largest attained since 1919–20, and the gross public debt reached a new low level.

Revenues and expenditures from revenues during 1927–28 totaled 50,421,000 gourdes (1 gourde equal $0.20 at par) and 40,978,000 gourdes, respectively, a surplus of 9,443,000 gourdes thus resulting customs receipts, which constituted about 90 per cent of the revenue, exceeded those of 1926–27 by 34 per cent and those of 1924–26, the previous record year, by 11 per cent. The unobligated cash balance at the end of the fiscal year 1927–28 was the largest year end surplus in the history of Haiti and exceeded the unobligated balance at the end of the previous fiscal year by 55 per cent. While total revenue receipts in the first quarter of the fiscal year 1928–29 (October to December, 1928) were greater than those of the corresponding quarter of the previous fiscal year, a declining tendency was noted as the quarter progressed.

Excise taxes on alcohol and tobacco went into effect in September, 1928, thus accomplishing a further reform in the internal-revenue system. The ordinary budget for the fiscal year 1928–29, promulgated in August, estimated receipts and expenditures at 37,900,000 and 37,898,000 gourdes, respectively.

At the end of September, 1928, the gross public debt totaled 94,438,000 gourdes as compared with 99,707,000 gourdes at the end of September, 1927. By December 31, 1928, the gross public debt had been further reduced to 90,152,000 gourdes.

The monthly average note circulation of the Banque Nationale de la Republique d'Haiti (the sole bank of issue) was 15,159,248 gourdes in the year ended September 30, 1928, as compared with 11,544,175 gourdes in the previous fiscal year and 15,417,700 gourdes in 1925–26. Loans and discounts in Haiti (all banks) increased from a monthly average of 18,080,000 gourdes in 1926–27 to an average of 35,144,000 gourdes in the year ended September 30, 1928, thus reflecting marked expansion in commercial activity. Individual bank deposits in Haiti increased from a monthly average of 12,824,000 gourdes in 1926–27 to 15,029,000 gourdes in 1927–28. Government deposits during 1927–28 averaged 22,830,000 gourdes, thus exceeding those of individuals and the average of Government deposits in the previous year.

Honduras

The financial position of the Government improved during the year. According to the minister of finance, ordinary revenues and expenditures during the fiscal year 1927–28 totaled 12,029,870 pesos (1 peso is officially recognized as the equivalent of $0.50) and 11,579,372 pesos, respectively. Revenues increased more than 13 per cent over the previous fiscal year. The budget for 1928–29, as signed on March 2, calculated receipts and expenditures at 10,705,620 pesos.

During 1928 the Government fully complied with the terms of the arrangement in settlement of the external debt ratified by the Honduran Congress in March, 1926. Consular revenues, which are pledged to the carrying out of the foregoing arrangement, increased from 754,199 pesos in 1926–27 to 983,760 pesos in 1927–8. In February a contract was entered into with an American bank for a loan of $1,500,000, the proceeds of which were used to pay debts of the Government to the banks and various companies. The funding of the internal debt through the issuance of internal bonds and customs bills continued during 1928. By July 31 internal bonds totaling 7,385,100 pesos had been issued, of which 136,200 pesos had been drawn and paid off. The conversion of credits by the issuance of customs bills began on June 19, 1928. By the end of July bills totaling 1,200,247 pesos had been issued, of which 39,493 pesos had been authorized. According to the Honduran treasury department, the public debt on July 31, 1928, amounted to 28,363,719 pesos. In addition there were, however, a number of claims aginst the Government which had not yet been presented; so the exact debt figure was not known.

Owing to conservatism in commercial and banking circles before the elections in October and to the payment of Government obligations to the banks from the proceeds of the $1,500,000 loan previously mentioned, not only the banks but merchants as well, were in a good cash position, especially toward the end of the year.

Mexico

PUBLIC FINANCES

According to preliminary figures, actual revenue collections during 1928 totaled 300,507,000 pesos (1 peso equals $0.4985 at par), thereby exceeding budget estimates.[12] However, no accurate appraisal of the financial results for 1928 can be made until the detailed statement of expenditures is available. During 1928 a notable increase occurred in collections of import duties, the most important single source of governmental income. On the other hand, the uninterrupted decline in the production and export taxes on petroleum which began in 1923 continued in 1928. Near the close of December the Congress passed the budget of expenditures for 1929, totaling 288,013,000 pesos. A law signed in May created a separate bureau of the budget and prescribed its functions. The bureau of the budget will not operate as an autonomous office, however, until June 1, 1932; in the interim the treasury department will carry out its functions.

Under the terms of the agreements with the International Committee of Bankers on Mexico full payment on the foreign debt was to be resumed on January 1, 1928. It became evident toward the close of 1927, however, that Mexico would not able to resume full payments at that time. Accordingly, as a result of negotiations between the Ministry of Finance and the bankers' committee, representatives of the latter visited Mexico early in the year to investigage the ability of the Mexican Government to meet its obligations and to collect information that would be helpful in establishing the bases upon which any new

---

[12] Owing in part at least to the revolutionary movement of March and April, Federal revenues in the first five months of 1929 were reported to have been 14,000,000 pesos (provisional figures) less than budget estimates.

agreement might be reached. The year closed, however, without any new agreement being announced, and with the exception of remittances to cover payments due in 1927 no payments on the foreign debt were made during 1928. A decree published in Diario Oficial of February 10, 1928, granted the President extraordinary powers in matters connected with the public debt.

According to a provisional estimate of the Ministry of Finance, the Mexican internal funded and floating debt on August 31, 1928 (exclusive of claims of foreigners arising from the revolution) totaled 773,112,550 pesos. The largest item in this total was the potential unfunded agrarian debt, which was estimated at 487,207,948 pesos exclusive of interest. The funded agarian debt on August 31, 1928, totaled 10,116,200 pesos.

Near the close of the year Congress passed a law providing for the appointment of a commission to determine the total amount of the internal debt, after which the President would submit a law to Congress providing for its payment. The Executive was also authorized to enter into arrangements with the holders of obligations, included under or arising from the agreements of June 16, 1922, and October 23, 1925, for the consolidation of these obligations into one issue. Such agreements, however, would have to be submitted to Congress for approval. The Executive was also authorized to effect "en bloc" settlements with foreign governments covering claims of their respective nationals.

During the year steps were taken to reduce the floating debt. In the early part of the year an advance of 9,000,000 pesos was obtained from the Mexico City branch of a British bank to cut down those floating debt items resulting from the deficit of 1927. The President's message to Congress of September 1, 1928, stated that 7,000,000 pesos of this advance had been repaid by that time.

BANKING, CURRENCY, AND EXCHANGE

Credit restriction and high interest rates, which have characterized recent years, continued in 1928. Nevertheless, banking operations increased during the year. The consolidated balances of all banks in Mexico at the end of 1928 [13] showed sight deposits and deposits of not more than 30 days totaling 149,959,000 pesos as compared with 133,485,000 at the end of 1927. Time deposits totaled 35,235,000 pesos at the end of 1928 as compared with 23,683,000 pesos at the end of the previous year. While loans on collateral declined from 43,365,000 to 34,392,000 pesos during the year, unsecured loans and discounts increased from 91,911,000 to 110,630,000 pesos. Cash increased from 73,637,000 pesos at the end of 1927 to 76,329,000 pesos at the end of 1928. While the note circulation of the Bank of Mexico increased during the year, it still was very small, totaling only 3,627,000 pesos at the end of 1928.

In the early part of the year extraordinary powers were conferred upon the President to legislate on institutions of credit and monetary matters. The Second National Banking Convention met in Mexico City in July and August and recommended the organization of a national system of warehouses, the amending of the banking law to permit existing banks to establish savings departments, the formation of a bankers' association, and other measures.

In the latter part of August the banking law was amended to permit existing banks to establish mortgage, trust, and savings departments, and before the end of the year three banks in Mexico City had opened savings departments. At the same time other amendments were made to the general banking law, including one permitting the reduction of the existing reserve requirements against sight deposits upon authorization of the National Banking Commission.

The discount on silver was considerably less than in 1927, the rate of discount ranging between 3 and 4 per cent during the greater part of the year. The average discount (seller's rate) in December, 1928, was 3.66 per cent, as compared with 6.18 per cent in December, 1927.

The average exchange value of the peso was higher than in 1927, although still below par. Exchange was strongest in the early months and weakest in July.

NICARAGUA

According to preliminary reports, customs receipts continued to increase during 1928 and reached a new record total of about $4,000,000. Total revenue and expenditures during 1928 are understood to have amounted to about $6,000,000 each. The public debt on March 31, 1928, as reported by the collector general

---

[13] The revolutionary movement of March and April, 1929, caused a decline in bank deposits, loans and discounts, and cash and weakened the position of several banking houses in the Northern States.

of customs, totaled $23,526,067, of which debts and claims arising from the revolution and subject to adjudication amounted to no less than $17,278,809. The latter figure includes only claims filed up to March 31, 1928, and does not include debts of about $500,000 not subject to adjudication. On the basis of precedent, however, the amount of awards on the claims subject to adjudication probably will be substantially less than the total filed. In April the outstanding balance of the $1,000,000 short-term loan obtained from American bankers in 1927 was paid off. The service of the external bonded debt, which totaled £677,400 on March 31, 1928, was punctually made during the year.

After the first quarter of 1928 many of the smaller merchants in western Nicaragua experienced difficulties in meeting commitments, owing to a generally overstocked condition. By the end of the year, however, overdue payments were being met, and the credit situation was improved. The monthly average circulation of the cordoba (1 cordoba equals $1 at par) was 4,077,000 in 1928, as compared with 4,013,000 in 1927 and 4,253,000 in 1926.

Panama

According to the report of the ministry of finance delivered to the chamber of deputies in September, revenues during the year ended June 30, 1928, totaled $7,781,842. During the same period expenditures totaled $10,650.000; this amount included, however, expenditures of $1,914,742 on the construction of the Chiriqui Railway, $855,034 for roads, and $549,257 on the account of the previous fiscal year. Expenditures under departmental headings totaled $7,186,981.

The public debt at the time of the report (September, 1928) totaled $18,686,055, of which $16,293,000 was external and $2,393,055 internal. In June an external loan of $12,000,000 was negotiated with American bankers, of which $1,200,000 was withdrawn for issue in the Netherlands. During the year the Banco Nacional de Panama floated a $1,000,000 issue of mortgage certificates with Canadian bankers. These certificates are guaranteed by the National Government.

At the end of October a law was passed authorizing the executive to contract the services of a commission of financial experts to submit a detailed plan for the reorganization of the national finances as well as a report on suggested banking legislation. In accordance with the provisions of this law, a commission of American financial experts visited Panama in the early months of 1929 and submitted certain recommendations to the government after studying local conditions.

Paraguay

According to the president's message to the National Congress in April, 1929, revenues and expenditures during the fiscal year 1927–28 totaled 283,299,000 paper pesos (18.75 paper pesos equal 1 Argentine paper peso) and 293,646,000 paper pesos, respectively, thus showing substantial increases over the figures for the previous fiscal year. Customs revenues, the most important source of governmental income, increased from 149,400,000 paper pesos in 1926–27 to 178,768,000 paper pesos in 1927–28. Expenditures included extraordinary items of 45,670,000 paper pesos. The budget for 1928–29, enacted at the end of August, calculated both revenues and expenditures at 253,478,000 paper pesos.

The service of the external debt was regularly made during the year, and the total external debt was reduced from 4,863,499 gold pesos (1 gold peso equals 1 Argentine gold peso) on November 30, 1927, to 4,535,872 gold pesos a year later. As an outgrowth of the difficulties with Bolivia, Congress authorized the executive at the end of December to issue, through public subscription, internal bonds up to 100,000,000 paper pesos to pay for the expenses of national defense.

At the end of 1928 private banks showed a gain in combined discounts, advances and mortgages as compared with the end of the previous year. Both cash and deposits, however, showed noticeable decreases, owing to the withdrawal of funds at the time of the crisis with Bolivia. At the close of the year collections slowed up and credit tightened as a result of the uncertainty arising from the dificulties with Bolivia. At the end of 1928, the Oficina de Cambios held a reserve against note circulation of 51.27 per cent, as compared with a reserve of 45 per cent at the end of 1927.

Peru

The budget for 1928 calculated revenues and expenditures at £P 11,113,651 (1 Peruvian pound equals $4.8665 at par). According to preliminary reports, actual budgetry operations resulted in a surplus of £P 122,636. Both revenues and expenditures exceeded budget estimates, totaling £P 12,198,103 and

£P 12,075,467, respectively. At the close of the year the budget for 1929 was enacted, revenues and expenditures balancing at £P 12,583,636—the largest budget in the history of Peru. On January 1, 1928, the Caja de Depositos y Consignaciones began collecting all revenues of the Republic, with the exception of those from customs, mails, and telegraphs, and those specifically pledged to the service of certain external loans whose collection had been previously intrusted to other agencies.

During October, 1928, bonds of the second series of the Peruvian national loan amounting to $25,000,000 and £2,000,000 were floated in the United States and Europe; the proceeds were to be used for the retirement of certain external loans, for the repayment of short-term indebtedness, and for public-works construction. Near the end of the year the city of Lima floated a $3,000,000 loan in the United States. At the end of June, 1928, the external debt of the National Government (excluding contingent liability on account of the Province of Callao $1,500,000 loan of 1927) amounted to $73,494,041 and £2,845,690. On the same date the internal consolidated and floating debts totaled £P 3,963,846 and £P 3,663,740, respectively.

In the latter part of 1928, a contract was entered into with the Peruvian Corporation whereby the Government ceded in perpetuity the title to the State railways operated by the corporation as well as the right to 50 per cent of the profits resulting from the operation of the railways and the ships on Lake Titicaca, which the Government was to receive from 1956 to 1973. In return the corporation waived the right to receive 8½ annuities of £80,000 each and renounced in favor of the State the remainder of the 2,000,000 tons of guano granted to the corporation by previous agreements. In addition, the corporation was to pay the Government £247,000.

One of the outstanding features of the year was the provisional stabilization of exchange at $4 from April to the end of the year. Total note circulation increased from £P 6,035,879 at the end of 1927 to £P 6,122,037 at the end of 1928. During the same time the gold reserve ratio of the reserve bank increased from 85.25 to 89.06 per cent. Combined discounts and rediscounts of the reserve bank for associated banks declined from £P 11,952,266 in 1927 to £P 10,930,745 in 1928.

As a step in connection with exchange stabilization, the reserve bank raised its discount rate from 6 to 7 per cent on January 30, 1928, but on May 16 the rate was again lowered to 6 per cent.[14] Monthly bank clearings averaged £P 6,362,741 in 1928 as compared with £P 6,241,420 in 1927. In March, 1928, laws were enacted creating the Mortgage Bank of Peru and an Intermediate Agricultural Credit Bank. While a decree of May 31, 1928, appointed a committee to organize these banks, it is understood that they were not placed in operation during the year. Subsequently (July 25, 1929), executive decrees were promulgated modifying the laws creating these banks.

Salvador

Ordinary revenues during 1928 totaled 25,546,000 colones (1 colon equals $0.50 at par)—an increase of more than 5,000,000 colons over the 1927 figures and the greatest yearly total on record. While all principal revenue items increased, the bulk of the increase was accounted for by increased import and export duties and liquor revenues. Despite the notable increase in ordinary revenues, it is understood that the Government at times had difficulty in meeting some of its current obligations. Ordinary expenditures during 1928 also showed a large increase, totaling 25,367,000 colones or only 179,000 colones less than revenues; the results of extraordinary budgetary operations in 1928 are not available. At the end of July the budget for the fiscal year 1928–29 was enacted, calculating revenues and expenditures at 23,132,000 and 23,202,000 colones, respectively, thus anticipating a slight deficit. In July a contract was entered into with a firm of British accountants looking to a revision of the existing system of collecting and disbursing public funds and the accounting system.

The service of the external debt was promptly met during the year. Expenditures on account of the public debt during 1928 totaled 8,176,000 colones, of which interest and amortization of the external debt accounted for 5,314,000 colones. The report of the minister of finance for the calendar year 1928, presented to the Congress on March 18, 1929, failed to state the amount of the public debt.

At the end of 1928 the capital and reserves of the three banks of issue totaled 11,560,000 and 3,065,000 colones, respectively. At the same time their note circulation totaled 17,241,380 colones and their gold reserve 9,822,470 colones.

[14] In March, 1929, the reserve bank raised its discount rate to 7 per cent.

Uruguay

According to the Uruguayan Bulletin of Statistics, revenues and expenditures during the fiscal year 1927–28 totaled 59,986,000 pesos (1 peso equals $1.0342 at par) and 55,946,000 pesos, respectively. However, the figure for revenues included 2,136,000 pesos carried over from the previous fiscal year. During 1927–28 customs revenues continued to increase. Expenditures on account of the public debt were a little over 15,500,000 pesos.

The public debt decreased 3,635,000 pesos during the year, totaling 213,999,000 pesos on December 31, 1928. Amortizations during 1928 totaled 5,431,000 pesos, while new issues amounted to 1,796,000 pesos.

Banking operations increased somewhat during the year. Deposits increased from 145,895,000 pesos at the end of 1927 to 152,963,000 pesos at the end of 1928, while loans increased from 199,704,000 to 203,942,000 pesos during the same time. Mortgage bonds and cedulas of the Mortgage Bank of Uruguay increased nearly 9,000,000 pesos during the year. Montevideo bank clearings increased from 750,352,000 pesos in 1927 to 779,769,000 pesos in 1928. The money market was easy, although toward the end of the year interest rates were slightly higher than a year previous. The average discount rate of private banks for trade paper was from 6¼ to 7 per cent, while the Banco de la Republica's rate averaged 5½ per cent. The total value of stock exchange transactions in 1928 was somewhat less than in the previous year, but the average quotation was 97.28 per 100 pesos (nominal value) as compared with 96.68 in 1927. The legal gold reserve of the Banco de la Republica increased from 59.85 per cent at the end of 1927 to 70.9 per cent at the end of 1928. Nevertheless, the inconvertibility of paper money was still in effect at the end of 1928. In October the Banco de la Republica was authorized to administer freely its gold holdings in excess of 55,000,000 pesos, and gold deposits abroad were to be included in computing the legal gold reserve thenceforth. The latter measure was partly responsible for the increase in the legal reserve ratio of the bank, although gold holdings in Uruguay increased by more than 8,700,000 pesos. The total note circulation increased slightly in 1928. At the end of the year the major note issue of the Banco de la Republica (nominally redeemable in gold) totaled 61,920,000 pesos. The minor issue (redeemable in silver) totaled 10,564,000 pesos. Exchange was more stable [15] and the average rate was higher during 1928 than in 1927. Nevertheless, the average for the year was still below par.

Venezuela

The budget for the fiscal year 1928–29 calculated receipts and expenditures at 195,450,000 bolivares (1 bolivar equals $0.193 at par), a large increase over the budget for the previous fiscal year. The increase was caused in part by authorized expenditures of 36,000,000 bolivares for furnishing the capital of two governmental banks (Banco Agricola y Pecuario and the Banco Obrero). Furthermore, in order to hasten the reduction of the public debt, the amount appropriated on account of the public debt was a little more than double the appropriation authorized in the budget for 1927–28. Increased public-works expenditures were also authorized in the budget for 1928–29. As a result of the foregoing developments, expenditures were heavier in the second half of 1928, and Treasury disbursements for the calendar year totaled 224,867,000 bolivares against receipts of 204,346,000 bolivares, while the Treasury balance was reduced from 91,485,000 bolivares on January 1, 1928, to 70,964,000 bolivares at the end of the year. Treasury receipts during 1928 were 29,322,000 bolivares greater than in the previous year.

The public debt at the end of 1928 totaled 67,565,000 bolivares—a reduction of more than 10,400,000 bolivares during the year. Of this total the external debt amounted to 35,749,000 bolivares and the internal debt, 31,816,000 bolivares.

The outstanding banking development of the year was the opening of the Banco Agricola y Pecuario at the beginning of July to make loans to farmers and stock raisers. At the same time the Banco Obrero was opened to make loans to workmen for the acquisition of low-cost dwellings. Particularly during the earlier part of the year, collections were slow and credit restricted. The opening of these banks, however, helped to relieve the situation in the latter half of the year. There was relatively little exchange fluctuation in 1928, and the yearly average exchange rate was somewhat higher than in 1927.

---

[15] As previously indicated, a rather marked decline occurred in Uruguayan exchange in the first semester of 1929, the peso reaching a low monthly average of $0.9669 in June. (Average based on noon buying rates for cable transfers in New York.)

FINANCIAL DEVELOPMENTS IN LATIN AMERICA DURING 1929

(By Eugene W. Chevraux, Finance and Investment Division)

FOREWORD

As capital-importing nations and producers of foodstuffs and raw materials, the countries of Latin America in general were adversely affected by the high-money rates which prevailed in world financial centers during the greater part of 1929 and by the decline in commodity prices that occurred in the closing months of 1929 and continued into 1930. Government borrowings abroad declined sharply as a result of either high-money rates in the world financial centers or adverse economic and financial developments in the borrowing countries themselves. In addition to causing fiscal difficulties in several countries that had embarked on rather extensive public works, the marked decline in borrowings from abroad had an adverse influence on business and exchange.

The slump in commodity prices has been particularly trying to most of the Latin American countries. This is due to the direct dependence of their prosperity on the market for a number of staple commodities of world trade. The severe decline in the price of coffee has had an especially adverse effect, for coffee is dominant in the economic life of Brazil, Colombia, most of the Central American countries, and Haiti. Sugar prices, already depressed, declined further; lower prices developed also for tin, wool, hides, silver, cotton, cacao, cereals, copper, and other important products of the various Latin American countries.

Largely as a result of the foregoing events, financial developments in Latin America during 1929 and in the early part of 1930 have generally compared unfavorably with those of 1928. As is invariably the case, however, certain exceptions to general trends occurred.

The manuscript was prepared by Eugene W. Chevraux, of the Finance and Investment Division, under the direction of Ray Hall, acting chief of the division. It is based on reports submitted by field officers of the Department of Commerce and the Department of State and on various official and unofficial publications. The Finance and Investment Division keeps in close touch with Latin American financial conditions, and more detailed information on recent financial developments will be made available on specific request.

WILLIAM L. COOPER,
Director Bureau of Foreign and Domestic Commerce.

AUGUST, 1930.

ARGENTINA

Although the outlook at the beginning of 1929 seemed promising, economic and financial conditions in Argentina during that year compared unfavorably with those of 1928. Lower prices for a number of leading export products were chiefly responsible for a decline of about 9.6 per cent in the value of Argentine exports, according to preliminary figures. There was also an almost complete cessation of Government borrowings abroad. These factors were reflected in a steady decline of the peso, despite large gold exports. The heavy outward gold movement finally resulted in the promulgation of a decree on December 16 suspending gold payments by the Caja de Conversion. Argentina thus went off the gold standard, which had been resumed in August, 1927.

An outstanding development of the latter part of 1929 was the drawing up of an agreement between the British and Argentine Governments whereby each Government agreed to open a credit in favor of the other up to 100,000,000 paper pesos (1 paper peso equals $0.4245 at par) for a period of two years from the date of the agreement. These credits were to be used for the purchase of Argentine produce by the British Government and for the acquisition of British manufactures by the Argentine Government. At the end of the year, however, this agreement had not been approved by the Argentine Senate.

GOVERNMENT FINANCES

The national budget for 1929 authorized ordinary expenditures totaling more than 704,000,000 paper pesos. Additional expenditures for public works and subsidies were to be made from the proceeds of bond issues and special funds, respectively. Complete actual financial results for 1929 are not yet available. According to preliminary unofficial figures, however, Buenos Aires customs receipts and port dues (the most important single source of governmental income) declined about 1.7 per cent in 1929. On the other hand, internal taxes on tobacco, alcohol, etc., increased about 5 per cent; and property taxes, licenses, and stamped paper increased about 2.1 per cent.

In a message accompanying the budget proposal for 1930, the president stated that the cash movement of the general treasury from October 12, 1928, to October 31, 1929, was as follows:

	Paper pesos
Balance of general revenue on hand	18, 255, 881
Revenue from different sources	873, 884, 889
Total	892, 140, 770
Paid by the Government for salaries and expenses provided for in the budget; public-debt services; amortization and interest; special accounts, advances for public-works account to the state railways, port of the capital sanitary works, national council of education, municipalities, etc	891, 872, 148
Balance, Oct. 31, 1929	[1] 268, 662

The President then stated that—

Throughout this period the salaries of the administrative staffs have been kept up to date. The sum of 5,744,118 pesos, taken without authorization from the public works fund, has been returned. The public debts (internal and foreign) have been reduced by more than 60,000,000 pesos. Interest and amortization services on these debts have been met to a total of 185,874,204 pesos. The floating debt has been reduced by 9,372,490 pesos, and, finally, the following payments have been effected by means of advances out of general revenue for debts not covered by the budget:

	Paper pesos
Public-works account	94, 140, 248
State railway account	2, 952, 003
Port of capital (Law 5944)	2, 737, 903
Total	99, 830, 154

The budget proposal for 1930 was not presented until the latter part of December. In view of the delay in submitting a budget project, the President proposed that the 1929 budget be extended into 1930 without substantial modification. This proposal was passed by Congress later.

No long-term external loans were floated by either the national or local governments during the year. At the end of December, however, the Government obtained a 1-year loan of £5,000,000 from English bankers. Public offering of Argentine Government securities in the United States during 1929 was confined to a 1-year loan of $1,500,000 to the Province of Santa Fe.

Government contractors complained at times during the year of the slow payment of Government bills. In the message accompanying the budget proposal for 1930, the President stated that maturing obligations which had been left by the former administration and for which no provision had been made totaled 55,452,212 paper pesos on October 12, 1928. This figure did not include a general treasury deficit of 5,744,118 paper pesos. The President further stated that at that time—

"The Government also found itself faced with an enormous floating debt, composed chiefly of overdue obligations to contractors for the supply of materials, etc., and public-works certificates which had remained unpaid. Faced with the alternative of going to Congress to ask for funds required, or meeting them, as far as possible, out of general revenue, the latter course was adopted in order to avoid unnecessary inconvenience and damage to the interest of the nation's creditors. By the means described the administration has been meeting these obligations as circumstances permitted."

CURRENCY AND EXCHANGE

Currency and exchange developments attained unusual importance during 1929, particularly in view of the suspension of gold payments by the Caja de Conversion near the close of the year. Despite large gold exports, the exchange value of the peso declined rather steadily during 1929, exchange quotations of the gold peso dropping from a monthly average of $0.9576 [2] in January to $0.9300 in

[1] The slight discrepancy existing in this figure was not explained.
[2] Noon buying rate for cable transfers in New York as reported by the Federal Reserve Bulletin.

December. As previously indicated, the weakening of the peso reflected the decline in the value of Argentine exports and in the volume of its foreign borrowings.

As a result of the exchange decline, gold exports during 1929 totaled 174,398,000 gold pesos, as compared with net gold imports of 87,088,970 gold pesos in 1928. As the Banco de la Nacion had accumulated large gold holdings during the heavy gold import movement of 1927-28, gold exports were made without greatly reducing the gold holdings of the Caja de Conversion until the last quarter of the year. As a result of these withdrawals, gold holdings of the Caja de Conversion declined from 489,657,138 gold pesos at the end of 1928 to 419,643,387 gold pesos on December 16, 1929. At this juncture the President issued a decree suspending the delivery of gold for paper currency by the Caja de Conversion. Argentine currency thus reverted to the inconvertible status which had prevailed from August, 1914, to August, 1927.

The decree suspending gold payments by the Caja de Conversion was received with surprise in many quarters, because, despite the withdrawals, gold holdings of the Caja de Conversion on December 16, 1929, were only about 36,000,000 gold pesos less than when gold payments were resumed in August, 1927, and because the gold reserve ratio against note circulation on December 16, 1929, after including the conversion fund of 30,000,000 gold pesos held in the Banco de la Nacion, was still nearly 82 per cent. Owing to the inelastic character of the Argentine currency system, however, the withdrawals of gold from the Caja de Conversion resulted in an automatic contraction of the note circulation from 1,405,875,000 paper pesos at the end of 1928 to 1,246,753,000 paper pesos on December 16, 1929.

This contraction of the note circulation, which had been continuing in the face of heavy seasonal money requirements, was arrested by the suspension of gold payments by the Caja de Conversion. Previously (December 5) a decree had been issued authorizing the Banco de la Nacion to rediscount commercial paper at the Caja de Conversion up to 200,000,000 paper pesos. It is understood, however, that this authorization was not used. Shortly after the end of the year (January 15, 1930), a decree was promulgated authorizing the issuance of notes against the deposit of gold in Argentine legations abroad. This resulted in a small recovery in the note circulation.

BANKING, MONEY, AND CREDIT

Buenos Aires bank clearings increased from 40,528,000,000 paper pesos in 1928 to 40,891,000,000 paper pesos in 1929, although clearings in the last quarter of the year were below those of the last quarter of 1928. Interior bank clearings also increased from 7,596,800,000 paper pesos in 1928 to 8,115,900,000 paper pesos in 1929, despite the decline in the last quarter.

Banking operations in 1929 were characterized by an increase in discounts and advances and by a decline in deposits and cash holdings. Money tightened during 1929, particularly in the closing months of the year, as a result of the heavy gold exports and the contraction of the note circulation. In October the Banco de la Nacion raised its rate for advances in current account from 6½ to 7½ per cent. At the same time the rate for documented credits was raised from 6 per cent to 7 per cent. At the end of December banks were paying from 5½ to 6 per cent for three months' deposits and from 5½ to 6½ per cent for deposits of six months or longer. These rates contrast with those of 4 to 4¼ per cent for three months' deposits and 4¾ to 5¼ per cent for six months' deposits at the end of 1928. Discount rates of the banks varied between 7 and 8½ per cent at the end of 1929.

Bankruptcies were greater than in 1928 but less than in 1927, liabilities totaling 166,852,900 paper pesos in 1929 as compared with 147,424,900 paper pesos in 1928 and 198,465,700 paper pesos in 1927. As might be expected in view of the money tightness, market quotations of Government bonds and mortgage cedulas at the end of 1929 were somewhat below those prevailing at the end of 1928.

BOLIVIA

Among the outstanding financial developments in Bolivia during 1929 were those incident to the putting into effect of a number of the recommendations which the Kemmerer Commission made during its visit to Bolivia in 1927. It will be remembered that in July, 1928, the President signed a general banking law and laws providing for monetary reform and for the reorganization of the Banco de la Nacion Boliviana as a central bank, along the lines recommended by the commission. These laws did not go into effect in that year, however, but were suspended by a decree of August 20, 1928, and by a law of February 6, 1929, inasmuch as the transformation of the Banco de la Nacion Boliviana into the Banco Central had not been effected. This transformation was approved by the stockholders on April 30, 1929, and the Central Bank began operations on July 1, 1929. The laws on the monetary reform and the general banking law were also put into effect during the year.

The ordinary budget for 1929 calculated revenues and expenditures at 46,983,672 bolivianos (1 boliviano equals $0.365 at par) and 46,927,458 bolivianos, respectively. These totals do not include revenues from special sources nor expenditures for the service of the indirect debt of 3,763,945 bolivianos each. The principal items of budgeted expenditures were those for the service of the public debt, amounting to 18,258,637 bolivianos, and the expenditures of the Department of War, amounting to 9,160,569 bolivianos. In a report to Congress of July, 1929, the Minister of Finance stated that a considerable deficit was being incurred in working out the budget for 1929, which might amount to around 5,000,000 bolivianos if the low price of tin continued.

Among the important administrative changes of the year was the assumption of the administration of the custom houses by the National Revenue Collecting Co. on January 1, 1929. Previously (November 1, 1928) this company took over from the Direccion General de la Renta the collection of the internal taxes as well as the collection of the alcohol and liquor taxes, formerly administered by the compañía de Recaudacion General.

Although certain authorizations for loans were in effect during 1929, none was floated abroad during the year. The service of interest and amortization of the external debt was regularly effected during 1929, but it is understood that service of the internal debt was in arrears. It is also understood that some government salaries were in arrears at times during 1929.

At the end of the first six months of operation (December 31, 1929), the note circulation of the Banco Central had declined from 45,000,000 bolivianos to 42,500,000 bolivianos. During the same time deposits declined from 19,400,000 bolivianos to 17,900,000 bolivianos. Cash increased from 27,300,000 bolivianos to 36,300,000 bolivianos, while deposits abroad declined from 32,300,000 to 20,700,000 bolivianos. The bank's portfolio declined from 25,800,000 to 21,600,000 bolivianos. The discount rates of the Banco Central to banks and to the public for 30-day paper was 7 and 8 per cent, respectively. The rates for 90-day paper were 8 and 9 per cent, respectively.

The stricter requirements of the new banking laws put into effect during the year tended to make the position of many small merchants difficult. Commercial failures, however, were reported to have been fewer than during the previous year.

In the latter part of the year the La Paz Branch of a German bank and the banking section of an American importing and exporting firm were closed.

Although at the end of the year exchange was somewhat below the par value established by the new monetary law (approximately $0.365 United States at par), no wide fluctuations occurred. The Banco Central was quite successful in maintaining exchange stability.

Brazil

In view of the overwhelming importance of coffee in the economic and financial life of Brazil, the break in coffee prices that occurred in October, 1929, overshadowed all other financial happenings of the year. As a result, the restriction of credit and numerous bankruptcies that marked the early months of 1929 became still more serious, the exchange value of the milreis weakened noticeably in December, and the closing months of the year were characterized by acute business depression and uncertainty. By May, 1930, however, exchange had strengthened to the extent that it was only slightly below the stabilization rate. This firming up of exchange after the turn of the year reflected, at least in part, heavy gold exports. However, in June, 1930, exchange again weakened somewhat. One of the outstanding financial developments thus far in 1930 has been the flotation of a loan of £20,000,000 [3] in the United States and Europe by the State of Sao Paulo. Under the terms of the loan contract the State of Sao Paulo will liquidate existing stocks of coffee over a maximum period of 10 years and will market future crops currently.

[3] The Banco do Estado de Sao Paulo contracted to purchase £2,807,973 of the total offering.

GOVERNMENT FINANCE

According to the President's message to Congress of May 3, 1930, budgetary revenues during 1929 totaled 2,399,600 contos,[4] an increase of 188,829 contos over budget estimates and of 183,087 contos over actual budgetary revenues in 1928. The President also reported that budgetary expenditures totaled 2,017,694 contos and that expenditures designated as "extra budgetary" totaled 206,923 contos, a balance of 174,983 contos thus resulting. These figures do not include certain other accounts, such as special funds, credit operations, etc. It should be noted, moreover, that revenues include the surplus of the previous year, amounting to 198,354 contos. Near the end of the year the budget for 1930 was signed, calculating revenues and expenditures at 2,281,505 contos and 2,256,176 contos, respectively.

The external debt of the National Government was reduced by £2,682,858, $4,797,147, and 1,814,907 francs during the year, as shown in the following comparison of the amounts outstanding at the end of 1928 and 1929.

Reduction of Brazilian external debt

Date	Pounds sterling	Dollars	Francs
Dec. 31, 1928	106,968,593	152,800,427	333,577,086
Dec. 31, 1929	104,285,735	148,003,280	331,762,179
Decrease	2,682,858	4,797,147	1,814,907

The internal funded debt at the end of 1929 totaled 2,381,292 contos as compared with 2,392,746 contos at the end of 1928, a reduction of 11,454 contos during the year. An important development of the year with respect to the external debt was the decision of the Permanent Court of International Justice at The Hague to the effect that Brazil would have to pay the principal and interest of three outstanding disputed franc loans, that had been submitted to arbitration, in pre-war gold francs instead of in paper francs as claimed by Brazil.

BANKING AND CREDIT

According to the President's message to Congress of May 3, 1930, consolidated balances of banks operating in Brazil showed that bills discounted decreased from 3,008,000 contos at the end of 1928 to 2,488,000 contos at the end of 1929. During the same period loans in current account increased from 3,001,000 contos to 3,588,000 contos, sight deposits decreased from 4,105,000 contos to 3,918,000 contos, time deposits increased from 1,733,000 contos to 2,007,000 contos, and cash increased from 1,045,000 contos to 1,269,000 contos.

The number of bankruptcies petitioned and decreed increased in both Rio de Janeiro and Sao Paulo during 1929. Particularly in the early months of the year and again after the break in coffee prices, credit was restricted, commercial collections were difficult, and money rates were high. In the closing months of the year the discount rate in Rio de Janeiro for prime 90-day paper ranged around 12 per cent. In December, 1929, a new bankruptcy law was promulgated to improve the position of creditors in bankruptcy cases.

CURRENCY AND EXCHANGE

The total note circulation (exclusive of Caixa de Conversao notes totaling 3,057 contos at the end of 1929) increased from 3,379,026 contos at the end of 1928 to 3,391,923 contos at the end of 1929. This small increase consisted entirely of a gain in the notes of the Caixa de Estabilizacao.[5] The total gold reserves against note circulation increased from £30,533,389 on December 31, 1928, to £30,851,310 a year later. The ratio of gold reserves to note circulation at the end of 1929 was 37 per cent.

Exchange fluctuations in the first 10 months of the year were relatively slight. Even in November, despite the break in coffee prices of the previous month, ex-

[4] All figures in contos in this publication relate to paper contos. At the stabilization rate, 1 paper conto=$119.63.

[5] As a result of heavy withdrawals of gold for export, note circulation of the Caixa de Estabilizacao declined from 848,234 contos at the end of 1929 to 345,295 contos by May 2, 1930. The decline in the gold holdings of the Caixa de Estabilizacao during this period was identical with the decline in note circulation.

change rates held up rather well. A limitation which the Bank of Brazil placed in December on its sales of exchange, was followed by a decline in the exchange value of the milreis to a monthly average of $0.1129 [2] in December and $0.1109 [6] in January, 1930, after which an improvement set in, exchange firming up to an average rate of $0.1183 [2] in May, 1930, as compared to the stabilization rate of $0.1196. During June, 1930, however, the exchange value of the milreis again weakened somewhat.

Chile

Chilean economic and financial conditions during 1929 were satisfactory. Despite a slowing down in some lines near the end of the year, mining, industrial, agricultural, and commercial activities continued at high levels which reflected in expanding Government revenues and exchange stability.

GOVERNMENT FINANCES

According to preliminary figures, ordinary revenues and expenditures during 1929 were in excess of budget estimates and totaled 1,267,556,419 pesos (1 peso equals $0.1217 at par) and 1,189,934,016 pesos, respectively, a surplus of 77,622,403 pesos thus resulting. It should be noted, however, that the figure for revenues includes a surplus of 34,006,015 pesos carried over from the previous year. On the other hand, expenditures included an item of 15,406,000 pesos covering the purchase of bonds of the State for the creation of an emergency fund. Expenditures on account of the extraordinary budget totaled 406,161,655 pesos against net revenues from loans and bankers' advances of 343,182,897 pesos and funds carried over from 1928 of 37,949,451 pesos. The difference of 25,029,307 pesos was met by ordinary revenues, as not all the loans authorized by laws 4303 and 4495 were placed.

In the latter part of the year Congress passed the ordinary budget for 1930, calculating revenues and expenditures at 1,214,650,000 pesos and 1,159,323,798 pesos, respectively, thus anticipating a surplus of 55,326,202 pesos. Included in the revenue figure is an estimated surplus for 1929, of 45,000,000 pesos.

The extraordinary budget for 1930 authorizes total expenditures of 390,797,575 pesos.

Despite the high-money rates prevailing in world financial centers, comparatively numerous Chilean external loans were floated in 1929. Although the public offering of Chilean Government issues (national, municipal, and corporate guaranteed) in the United States declined from $79,912,000 in 1928 to $42,400,000 in 1929, they comprised nearly two-thirds of the total Latin-American government issues publicly offered in the United States during the latter year. In addition to loans floated in the United States, loans of £2,000,000 and 25,000,000 Swiss francs were floated in Europe. The development of the market for internal loans, which engaged the attention of the Government in 1928, continued in the past year, the outstanding feature in this respect being the successful flotation of one loan of 50,000,000 pesos.

All categories of the public debt increased during 1929, as shown in the following table:

Increase of Chilean public debt

[In pesos]

Item	Dec. 31, 1928	Dec. 31, 1929	Increase
External direct debt	2,138,514,071	2,289,340,237	150,826,166
Internal direct debt	256,879,371	322,893,333	66,013,962
Bank advances in anticipation of issuance of bonds		75,900,000	75,900,000
Total direct debt	2,395,393,442	2,688,133,570	292,740,128
External indirect debt	962,269,238	1,068,495,318	106,226,080
Internal indirect debt	61,942,000	64,347,500	2,405,500
Total indirect debt	1,024,211,238	1,132,842,818	108,631,580

[2] See footnote 2, p. 766.

[6] Noon buying rates for cable transfers in New York as reported by the Federal Reserve Bulletin.

BANKING

A notable feature of the year was the fact that the discount rates of the Banco Central de Chile of 6 and 7 per cent for transactions with the banks and the public, respectively, remained unchanged during the world-wide rise in money rates. Toward the close of the year, however, discount rates of the commercial banks were raised somewhat.

Peso deposits in the commercial banks and the National Savings Bank increased from 1,467,300,000 pesos at the end of 1928 to 1,506,100,000 pesos at the end of 1929, while deposits in foreign money declined from 187,200,000 pesos to 165,000,000 pesos. During the same period peso loans of these banks increased from 1,478,600,000 pesos to 1,619,800,000 pesos, and loans in foreign money increased from 176,300,000 pesos to 214,400,000 pesos, while cash and deposits in the Banco Central increased from 181,000,000 pesos to 191,500,000 pesos. According to the Bulletin of the Banco Central, at the end of December, 1928, the commercial banks had net balances, in their favor in foreign banks of more than 50,000,000 pesos, while at the end of 1929 this had changed to a net balance in favor of their foreign correspondents of 27,000,000 pesos—demonstrating the demand for short-term funds which existed in Chile during the year.

According to preliminary figures, outstanding bonds of the mortgage banks increased from 989,600,000 pesos at the end of 1928 to 1,050,400,000 pesos at the end of 1929. Loans and discounts of the Caja de Credito Agrario (Agricultural Credit Bank) increased from 68,600,000 pesos at the end of 1928 to 123,100,000 pesos at the end of 1929.

According to a compilation of the Banco Central, the general index of quotations of shares traded on the Santiago Stock Exchange showed a monthly average of 104.83 for 1929 as compared with 95.01 for 1928; however, as a result of declines that occurred in the last quarter of the year, the monthly average of the general index for December was only 88.23. The monthly average quotations of stocks of industrial companies, banks, insurance companies, and mining and coal companies were above those for 1928, while nitrate and cattle-raising companies showed declines. The monthly average index for nitrate shares in December, 1929, was only 64.11, as compared with 81.61 for the whole year and 95.37 for 1928. The 1929 monthly average index of quotations of mortgage bonds traded on the Santiago and Valparaiso exchanges declined from 108 in 1928 to 105 in 1929, while Government bonds declined from 103.1 in 1928 to 102.1 in 1929.

CURRENCY AND EXCHANGE

The note circulation of the Banco Central at the end of 1929 amounted to 351,620,000 pesos, as compared with 351,711,000 pesos at the end of the previous year. The figure for the end of 1929 does not include a relatively small amount of old Government note issues, responsibility for which had been assumed by the Government during the year. The legal gold reserve of the Banco Central increased from 57.44 per cent at the end of 1928 to 58.62 per cent at the end of 1929. Including time deposits abroad, however, the reserve declined from 109.09 per cent to 93.67 per cent. Exchange was very steady during the year, although the average rate was slightly below that of 1928.

COLOMBIA

Largely as a result of a falling off in foreign loans, followed in the latter part of the year by the decline in coffee prices, a sharp reversal in financial trends of the previous few years occurred in Colombia during 1929, and at the end of the year the financial position of the National Government and many of the departments and cities was difficult. In reflection of the economic depression, bank clearings declined, drafts protested rose, credit was restricted, and general financial conditions were unfavorable.

GOVERNMENT FINANCES

The budget of the National Government for 1929 authorized expenditures totaling 106,120,106 pesos (1 peso equals $0.9733 at par), of which 64,406,242 pesos were ordinary expenditures and the balance extraordinary. Of the latter, 36,153,000 pesos were to be met from proceeds of loans. According to the monthly statements of the comptroller, as published in the Revista del Banco de la Republica, ordinary revenue collections in 1929 were only about 1 per cent below those for 1928.[7] Extraordinary revenues, however, in no way conformed to expectations, owing to the failure to float the foreign loans contemplated. Consequently, some public-works projects had to be abandoned and others financed from ordinary revenues. It is understood that a substantial deficit was incurred in financial operations of the National Government during the year.

As the Colombian Congress adjourned in November, 1929, without taking action on the budget for 1930, the President promulgated the budget for 1930 by a decree of December 27. Revenues were estimated at 62,060,880 pesos, and expenditures, including extraordinary items of 5,256,561 pesos, at 53,983,655 pesos, the balance of 8,077,225 pesos to be applied to the deficit of 1929.

As previously indicated, one of the outstanding developments of 1929 was the almost complete cessation of long-term foreign loans. An appreciation of the extent of the decline may be gathered from the fact that Colombian Government issues (including national, departmental, municipal, and corporate-guaranteed issues) publicly offered in the United States during 1929 were confined to one departmental loan of $1,750,000, as compared to loans totaling $70,318,000 in 1928, most of which, however, were floated in the first half of that year. According to a compilation published in the Revista del Banco de la Republica, outstanding long-term foreign loans of the National Government, the departments, municipalities, and the Agricultural Mortgage Bank totaled 181,701,738 pesos at the end of 1929 as compared to 178,373,000 pesos at the end of 1928. The increase was largely due to the offering during the year of a £1,200,000 loan of the Agricultural Mortgage Bank of England. No long-term foreign loans were floated by the National Government during the year, although some short-term funds were obtained from British and American bankers.

BANKING, CURRENCY, AND EXCHANGE

Banking statistics reflect the trends of economic and financial activity in Colombia during 1929. For example, bank clearings in December, 1929, totaled only 29,782,000 pesos as compared to 49,225,000 pesos in December, 1928. Bogota bank clearings for December, 1929, were only 12,606,000 pesos as compared to 24,211,000 pesos in December, 1928. Consolidated bank balances (excluding the Banco de la Republica) showed that cash and deposits in the Banco de la Republica declined from 15,671,333 pesos at the end of January, 1929, to 11,507,067 at the end of December. Deposits at sight and for less than 30 days dropped from 62,716,580 pesos at the end of January to 45,438,267 pesos at the end of December. During the same period time deposits declined from 23,183,580 pesos to 16,646,945 pesos. Savings deposits, however, increased from 8,087,946 pesos to 9,481,192 pesos. Obligations discountable at the Banco de la Republica declined from 52,499,044 pesos at the end of January to 37,461,258 pesos at the end of December. Mortgage loans, however, increased from 75,711,684 pesos to 84,550,291 pesos during the same period.

The note circulation of the Banco de la Republica declined from 56,183,000 pesos at the end of 1928 to 39,074,000 pesos at the end of 1929. During the same time gold reserves of the Banco de la Republica fell from 64,658,000 to 37,748,000 pesos. The legal gold reserve of the Banco de la Republica increased from 61.1 per cent at the end of 1928 to 67.3 per cent at the end of 1929. During the same time, however, the total gold reserve declined from 96.99 per cent to 83.89 per cent.

The rediscount rate of the Banco de la Republica at the beginning of the year was 7 per cent. In March the rate was raised to 8 per cent. This rate was lowered to 7 per cent on August 1, but it was again raised to 8 per cent in October and to 9 per cent in November, the latter rate being in effect at the close of the year. Despite the increases in the rediscount rate, the bank's loans and discounts for shareholding banks increased from 11,250,765 pesos at the end of 1928 to 18,134,543 pesos at the end of 1929.

In the face of a heavy demand for foreign exchange, the Banco de la Republica maintained its selling rate for sight drafts on New York at 103.50 from March 18 to the end of the year, almost without change. Prior to March 18 the rate had been the par rate of 102.75. As a result of the proportionately heavy demand for foreign exchange, the gold deposits of the Banco de la Republica held abroad declined from 39,721,000 pesos at the end of 1928 to 15,377,000 pesos at the end of 1929.[8]

---

[7] According to provisional figures from the same source, ordinary revenues in the first quarter of 1930 declined more than 35 per cent as compared with the corresponding period of 1929.

[8] Gold deposits held abroad had declined to 9,872,000 pesos at the end of March, 1930.

Checks, notes, and bills protested in Bogota increased from 1,117 amounting to 721,801 pesos in 1928 to 2,211 valued at 1,550,680 pesos in 1929. As might be expected in view of the adverse economic and financial developments, security prices declined, particularly in the latter part of the year. According to a compilation published in the Revista del Banco de la Republica, index figures for 8 per cent bonds and cedulas traded on the Bogota exchange declined from an average of 100.68 for 1928 to 62.78 for December, 1929. The corresponding index figures for stocks of banks and industrial companies declined from 97.75 to 70.15. The December index figures were the lowest monthly figures of the year.

Costa Rica

Although economic conditions were satisfactory in the early part of the year, subsequent events, such as the drop in coffee prices, the passage of a law increasing the export tax on bananas, and the inability of the Government to float a loan for road construction as planned, all contributed to the unfavorable situation in the closing months of the year. At the end of 1929 it was reported that the customhouses were congested with uncleared merchandise, that a large amount of overdue collections remained unpaid, and that the sale of foreign exchange was somewhat restricted, although rates were maintained at 4 colones to the dollar. At the same time a scarcity of money was reflected in a rise in rates from around 8 per cent to 10 and 12 per cent. The monetary circulation totaled 20,469,307 colones (the colon is stablized at $0.25) at the end of 1929 as compared to 24,138,395 colones at the end of 1928.

Near the close of 1928 Congress adopted a resolution providing that the Government should operate under the provisions of the 1928 budget until May, 1929. Subsequently this provision was extended to cover the remaining months of the year. According to preliminary figures, ordinary revenues during 1929 totaled 35,395,988 colones. Ordinary expenditures and those for public works authorized by law amounted to 36,220,066 colones. This figure includes public works expenditures "of an extraordinary character," amounting to 7,490,897 colones. As previously indicated, adverse conditions in the bond market in the United States prevented the floating of a loan of $2,750,000 as planned. It is reported, however, that the Government obtained a short-term loan of $1,000,000 from American bankers in the latter part of the year.

Cuba

In reflection of the adverse economic conditions resulting from the low price of sugar, regular budgetary revenues during the fiscal year ending June, 1929, fell below those of the previous fiscal year and were less than regular budgetary expenditures. In anticipation of the possibility of such a result, it will be remembered that the budget law of 1928-29 authorized the President to take amounts up to a total of $7,000,000 during the fiscal year from the special public-works fund or unpledged Treasury funds whenever a decline in budgeted revenues made such withdrawals necessary to meet current monthly budgetary requirements.

In the first half of the fiscal year ending June, 1930 (July to December, 1929, inclusive), however, regular budgetary revenues were greater than in the corresponding period of the previous year, although less than regular budgeted expenditures. Collections on account of the public-works fund total $18,501,821 in the fiscal year ending June 30, 1929, as compared with $17,147,925 in the previous fiscal year.

Exclusive of the public-works serial certificates and floating debt, the public debt of Cuba at the end of December 1929, total $83,061,400, of which $74,097,200 was external and the balance internal debt. In addition, it is understood that from 1927 to the end of 1929 American bankers made advances against public-works certificates of a little less than $60,000,000 all of which were outstanding at the end of the year. This very substantial financial assistance for the public-works program helped to relieve the depression resulting from the adverse conditions prevailing in the sugar industry. To the end of 1929, however, public offering of public-works serial certificates in the United States amounted to only $20,000,000 of which $10,000,000 was offered in 1928 and $10,000,000 in 1929. This latter issue was the only Cuban Government issue publicly offered in the United States during the year.

BANKING AND CURRENCY

At the end of June, 1929, bank loans totaled $166,654,039 as compared to $519,894,777 a year earlier. Habana bank clearings increased from $902,952,061 in 1928 to $953,573,900 in 1929. Owing to heavy Government transfers and other other influences, however, Habana bank clearings are a somewhat doubtful gauge of business activity.

Savings deposits in banks declined from $45,325,000 at the end of 1928 to $43,717,000 at the end of 1929. Deposits in current accounts totaled $119,800,-000 at the end of 1928 and $119,900,000 at the end of 1929. The figures for the end of 1928, however, exclude the accounts of one bank not reporting. Credit conditions were difficult throughout 1929, and collections were slow, particularly in the latter part of the year.

DOMINICAN REPUBLIC

Principally because of the low price of sugar and cacao, economic and financial conditions in the Dominican Republic during 1929 were generally unsatisfactory and were reflected in a restriction of credit, in collection difficulties, and in a decline in customs revenues.

The outstanding financial developments of the year were those connected with the visit of a commission of American financial experts in April, which had been invited by the President of the Dominican Republic "to recommend methods of improvement in the system of economic and financial administrative organization, both national and municipal, for the installation of a scientific budget system, and for an efficient method whereby the Government may control all of its expenditures." The commission presented its report to the President on April 23, and subsequently the Dominican Congress enacted, as recommended, (1) a budget law, (2) an accounting law, (3) a law of finances, (4) a law of projected public improvements, and (5) a law reorganizing the Government departments.

In addition, the President appointed a director of the budget, a comptroller and auditor general, and a chief coordinator. The commission, after a study of the Government's budgetary position, found that substantial economies would be necessary if a deficit in 1929 were to be avoided, and accordingly recommended various steps designed to balance the budget.

According to preliminary figures, gross customs revenues during 1929 totaled approximately $4,990,000, a decline of about $300,000 or a little less than 6 per cent as compared with the previous year. Unredeemed bonds of the National Government outstanding at the end of 1929 totaled $19,684,000 as compared with $19,820,000 at the end of the previous year. Actual financial results for 1929 are not yet available.

ECUADOR

The unfavorable economic and financial conditions which prevailed in Ecuador during 1928 continued in 1929 in even more accentuated form. The January, 1930, Bulletin of the Banco Central stated that "without having available at the time of writing exact statistics which might permit us to make absolutely sure statements, we can state, on the basis of partial and private data which we have gathered, that the agricultural year has been, in general, bad and perhaps the most unfavorable in the last decade." A subsequent issue of the same publication showed that in 1929 production of cacao, the principal crop of the country, was the smallest in volume since 1891. This situation was reflected in business depression, money stringency, and difficulties in making commercial collections.

GOVERNMENT FINANCES

The ordinary budget for 1929, as originally enacted, calculated revenues and expenditures at 59,900,000 sucres (1 sucre equals $0.20 at par). Revisions, however, subsequently raised this figure to 64,694,828 sucres.

On the basis of preliminary figures, customs revenues, the principal source of governmental income, declined from 26,727,701 sucres in 1928 to 26,249,203 sucres in 1929.

The budget for 1930, calculating revenues and expenditures at 64,037,200 sucres, was approved near the end of the year. According to data accompanying the budget project for 1930, it was calculated that the public debt on January 2, 1930, would total 122.772,469 sucres, of which the external debt accounted for 110,822,840 sucres and the internal debt 11,949,629 sucres. While it is understood that the payments due on the Swedish match loan were made during the year, the national assembly decreed that the amounts due for the service of the coupon of July 2, 1929, and January 2, 1930, of the balance of the external debt should be deposited in the central bank rather than remitted to the bondholders and that meanwhile the executive should enter into negotiations for a settlement of that portion of the external debt upon which remittances were thus suspended. Perhaps the outstanding development of the year with respect to the internal debt was the enactment by the national assembly on July 30 of the "Law of the consolidation of the internal public debt." This law recognized as obligations of the State all claims examined and approved by the internal debt commission, which had been constituted by decree of December 31, 1927; it also established the bases for their payment.

During the year the Americans who had been serving as comptroller general and superintendent of banks were supplanted in these capacities by Ecuadorian citizens.

BANKING, CURRENCY, AND EXCHANGE

As previously indicated, money was very tight and collections difficult during the year. On May 15 the Banco Central raised its discount rates to 10 per cent for associated banks and to 11 per cent for the public. These rates compared with those of 8 per cent for banks and 9 per cent for the public, which had been in effect since June 20, 1928. On January 10, 1930, the Banco Central's discount rates were lowered to 9 per cent for associated banks and 10 per cent for the public.

In the early part of 1929 the Mortgage Bank of Ecuador sold its first issue of mortgage cedulas abroad. The issue, amounting to $1,000,000, guaranteed by the government, was sold to Krueger & Toll, a Swedish company.

The Banco Commercial y Agricola during the year continued in the hands of a liquidator appointed by the superintendent of banks.

Discounts of the Banco Central for associated banks and the public at the end of 1929 were 4,054,391 sucres and 761,405 sucres, respectively, as compared to 3,484,209 sucres and 1,066,068 sucres at the end of 1928. The note circulation of the Banco Central (the sole bank of issue) declined from 36,562,788 sucres at the end of 1928 to 29,977,080 sucres on December 31, 1929. During the same period the legal reserve of the Banco Central increased from 58.35 per cent to 73.87 per cent, although the total reserve declined slightly drom 81.81 per cent to 81.63 per cent.

Exchange was steady during 1929, although sales of exchange by the Banco Central exceeded purchases by 3,789,385 sucres.

GUATEMALA

Although economic and financial conditions in the early months of 1929 were satisfactory, a downward trend set in around the middle of the year, which was greatly accentuated in the last quarter by the drop in the price of coffee.

GOVERNMENT FINANCES

According to preliminary figures, budgetary revenues and expenditures during the fiscal year 1928-29 totaled 15,398,824 quetzales (1 quetzal equals $1 at par) and 16,370,747 quetzales, respectively, a deficit of 971,923 quetzales resulting in spite of an increase in revenues over 1927-28 of 1,133,073 quetzales. Import duties, the principal source of governmental income, increased 10 per cent during the fiscal year. Export duties, however, declined 5.5 per cent. The budget for 1929-30 as originally enacted provided for expenditures of 15,554,614 quetzales. In a report of March 1, 1930, the minister of finance stated that financial operations for the year 1929-30 would undoubtedly result in a deficit. In his message to congress of March 1, 1930, the president stated that the public debt had been reduced during the year so that the total outstanding at the end of 1929 was 15,565,018 quetzales.

BANKING AND CURRENCY

Banking and credit conditions particularly during the latter part of the year, were unsatisfactory. Money was tight and collections difficult. Drafts held by banks for collection at the end of 1929 were considerably larger than at the end of the previous year, despite the fact that imports during the closing months of 1929 were less than in the corresponding period of 1928. Sight deposits of the eight leading banks declined 20.8 per cent between the end of June and the end of December. During the same period, time deposits decreased 57.7 per cent.

One of the outstanding banking developments of the year was the enactment of a law (No. 1616 of May 30) authorizing the president to organize an institution of agricultural credit. Under the authority conferred by this law the president signed a decree on December 4, 1929, creating the Credito Hipotecario

Nacional de Guatemala (National Mortgage Bank of Guatemala). The year closed, however, without the bank being put into operation.

The total note circulation declined from 9,935,481 quetzales on December 31, 1928, to 9,665,481 quetzales on December 31, 1929. Of this latter amount, 6,700,000 quetzales comprised notes of the Banco Central; the balance was made up of the old paper money. During 1929 the Government paid the Banco Central 945,591 quetzales on account of the old note issues.

Deposits of the Banco Central with banks abroad declined from 3,017,814 quetzales at the end of 1928 to 1,236,305 quetzales at the end of 1929. From November 22 on the metallic reserves of the Banco Central went somewhat below the level required by the law and the statutes of the bank. At the end of December these reserves were 1.56 per cent below the required amount. They had been restored to the required level on January 15, 1930.

Haiti

General economic and financial conditions in 1929 were less favorable than in the previous year, largely because of the smaller 1928–29 coffee crop and to the break in coffee prices in October. Nevertheless, Government obligations were promptly met, the public debt was reduced, and the unobligated cash balance at the end of the fiscal year (September 30, 1929) was the highest on record.

Revenues and expenditures from revenues during the fiscal year 1928–29 totaled 42,521,528 gourdes (1 gourde equals $0.20 at par) and 44,119,504 gourdes, respectively, a deficit of 1,597,976 gourdes thus resulting. Revenues declined 15.66 per cent as compared with the previous fiscal year, while expenditures increased 7.66 per cent. The decline in revenues resulted from a 21.81 per cent decline in customs receipts, the most important source of governmental income. Owing to greater receipts from excise taxes, internal revenues constituted 14.19 per cent of total fiscal receipts, as compared with only 8.41 per cent in 1927–28. The ordinary budget for 1929–30, passed in July, calculates revenues and expenditures at 40,100,000 gourdes and 40,090,990 gourdes, respectively.

As the revenue estimates for 1929–30 were made before the drop in coffee prices, it is probable that actual collections will be below the budget estimates. It is reported, however, that at the end of 1929 steps were being taken to reduce expenditures below the budget figure.

The gross public debt was reduced from 94,438,115 gourdes at the end of September, 1928, to 88,677,396 gourdes at the end of September, 1929.

In reflection of lower business activity, estimated currency in circulation declined from 21,233,675 gourdes at the end of September, 1928, to 18,006,635 gourdes at the end of September, 1929. Monthly average note circulation of the Banque Nationale de la Republique d'Haiti (the sole bank of issue) declined from 15,159,248 gourdes in the fiscal year 1927–28 to 12,372,489 gourdes in 1928–29.

Average loans and discounts in Haiti declined from 35,143,507 gourdes in the fiscal year 1927–28 to 21,866,719 gourdes in 1928–29. Average individual deposits increased from 15,028,892 gourdes in 1927–28 to 16,499,256 gourdes in 1928–29, and average Government deposits increased from 22,829,676 gourdes to 25,174,594 gourdes. In the closing months of the fiscal year credit was restricted; this was greatly accentuated for a time after the drop in coffee prices, following which some improvement occurred.

Honduras

General economic conditions in Honduras during 1929 were fairly satisfactory, the country's relative lack of dependence on coffee enabling it to escape the ill effects of the drop in coffee prices experienced in most of the other Central American countries in the latter part of the year.

In a report covering the fiscal year 1928–29, the minister of finance stated that revenue collections during the year of 13,728,388 pesos (1 peso is officially recognized as the equivalent of $0.50) were the largest in the history of Honduras. He further stated that payments on Government salaries and departmental expenses had been punctually made, that internal debts which had to be amortized in accordance with the budget had been canceled, and that payments on the external debt had been regularly made.

According to the minister of finance, revenues and expenditures during 1928–29 totaled 13,728,388 pesos and 12,863,625 pesos, respectively, a surplus of 864,763 pesos thus resulting. Adding the surplus carried over from 1927–28, the treasury balance at the end of the fiscal year 1928–29 amounted to 1,691,059 pesos. The budget for the fiscal year 1929–30, as originally enacted, calculated revenues and expenditures at 13,101,923 pesos.

In January, 1929, Congress extended the time for converting first-class claims into customs bills (under the general funding operations of the internal debt of Honduras) from December 31, 1928, to December 31, 1929. The external sterling debt (the English debt) at the end of July, 1929, was equivalent to 10,800,000 pesos. The consular revenues, which are pledged to the service of the sterling debt, increased from 983,760 pesos in 1927–28 to 1,154,455 pesos in 1928–29.

During 1929 there was much discussion of the possibility of founding a national bank, but the year closed without the bank having been established.

Exchange was steady in 1929, but in the early part of 1930 exchange difficulties occurred, and it was reported that for a time dollar drafts could not be purchased with pesos.

Mexico

GOVERNMENT FINANCES

In view of the adverse economic conditions prevailing and the ill effects of the revolutionary movement of March and April, preliminary reports indicate that the budgetary position of the Government at the end of 1929 was better than might have been expected. The budget for 1929 calculated revenues and expenditures at approximately 288,000,000 pesos (1 peso equals $0.4985 at par). According to a statement of the Minister of Finance to the press, revenues during the first semester of the year were more than 7,600,000 pesos below budget estimates, largely owing to the revolutionary movement which broke out in March, 1929. On the basis of definitive figures for July–November, inclusive, it was estimated, however, that this decline below budget estimates in the first half of the year was offset by increases in the second semester.

Furthermore, at the end of 1929 cash funds of the Federal Government were reported to total nearly 18,000,000 pesos as compared to a little over 4,000,000 pesos at the end of 1928. An accurate appraisal of financial results for the year, however, will not be possible until complete figures for revenues and expenditures come to hand. Near the end of the year Congress passed the budget for 1930, calculating revenues and expenditures at about 294,000,000 pesos.

No payments on the debt covered by the agreements with the International Committee of Bankers on Mexico were made during the year. The President, in his message to Congress of September 1, 1929, stated that negotiations with that committee had been interrupted by the unforeseen circumstances that developed in the early months of 1929, but that conversations would soon be renewed as a result of an invitation from the president of the committee. The year closed, however, without any new debt agreement having been concluded.

Important developments relative to the internal debt were the appointment of a commission at the beginning of the year to adjust the internal debt and the inauguration of payments in February on commercial obligations and personal services unpaid in previous years. These payments had to be suspended in March, owing to the revolutionary movement, but were resumed in August. Bonds of the public agrarian debt issued up to August 15, 1929, totaled 14,243,700 pesos, of which 13,750,500 pesos were outstanding at that time.

BANKING, CURRENCY, AND EXCHANGE

The first half of the year was characterized by some uncertainty and tension in banking circles, due to the disturbed conditions arising out of the revolutionary movement which began in March. While consolidated bank statements showed that cash and deposits declined rather noticeably in that month, the quelling of the revolt was followed by a return to normal banking conditions. Although a few small banking houses were forced to suspend payments, no serious banking difficulties occurred.

According to preliminary figures, consolidated bank balances at the end of 1929 showed a gain in cash and an increase in sight and time deposits, but deposits in foreign money declined. No marked change occurred in the level of interest rates in 1929. Silver bank clearings of the Mexico City clearing house increased from 395,572,921 pesos in 1928 to 513,151,062 pesos in 1929. During the same period gold clearings declined from 295,231,234 pesos to 283,294,865 pesos. The average exchange value of the gold peso was below par, although somewhat higher than in 1928. The discount on silver ranged between 3.5 per cent and 4 per cent during most of the year, although the rate of discount was higher for a time during the revolutionary disturbances of the early part of the year.

NICARAGUA

Largely as a result of lower returns from coffee, economic conditions in Nicaragua during 1929 were less favorable than in the previous year. At the close of the year money was tight and collections slow. In reflection of diminished commercial activity, the circulation of the cordoba (1 cordoba equals $1 at par) fell from 4,002,000 cordobas at the end of December, 1928, to 3,593,000 a year later. Exchange rates were steady.

However, according to the President's message to Congress of December 15, 1929, the Government's financial position was very satisfactory. At that time the President stated that "in the early part of next January (1930) * * * it will be known that the surplus of thes first year of government, after an unfortunate war, amounts to more than $2,400,000 without taking into account the profits of the railroad and the Banco Nacional." It was further stated that part of this surplus had been applied to the purchase of the Corinto wharf and that other allotments of $25,000 were being used for road construction.

According to preliminary reports, total government receipts during 1929 amounted to about 6,000,000 cordobas. The bonded indebtedness was reduced during the year, so that the total at the end of 1929 was reported to amount to about 4,500,000 cordobas.

Another noteworthy development of the year was the creation by a presidential decree of July 30, 1929, of a provisional commission to pass upon claims for damages growing out of the revolution of 1926 and 1927. The commission subsequently began examining claims to determine the total, and special funds set aside for meeting the claims, were reported to be in excess of $500,000 in January, 1930.

PANAMA

One of the outstanding financial developments in Panama during 1929 was the visit of a commission of American financial experts in the early part of the year, which made recommendations relative to the Government's financial administration after studying local conditions. A decree was subsequently issued establishing a central office of accounting and fiscalization of the National Government, and an economy program was initiated.

While actual figures of revenues and expenditures are not available, it is understood that Government financial operations in the biennial period ending June 30, 1929, resulted in a deficit. The budget for 1929–1931, as enacted in June, calculates revenues and expenditures at $17,031,907.

During the early part of the year the Banco Nacional de Panama obtained a 20-year $1,000,000 loan from Canadian bankers, the proceeds of which were to be invested in real-estate mortgages.

PARAGUAY

General economic and financial conditions in Paraguay during 1929 were adversely affected by the boundary dispute with Bolivia, particularly in the early part of the year. Lower prices for a number of principal export products and the decline in Argentine exchange were other unfavorable factors.

The ordinary budget for the fiscal year 1928–29 calculated ordinary revenues and expenditures at 253,478,000 paper pesos. In addition, an extraordinary budget for public works authorized expenditures of 24,765,000 paper pesos to be met by a credit of 25,000,000 paper pesos. According to the President's message to Congress of April, 1930, actual ordinary revenues in 1928–29 amounted to 256,186,791 paper pesos. Customs revenues, the most important source of governmental income, declined 9.47 per cent, as compared with the previous year. On the other hand, internal taxes increased 9.35 per cent. Ordinary expenditures amounted to 216,698,836 paper pesos, extraordinary budgetary expenditures totaled 5,356,270 paper pesos, and extra budgetary expenditures total 64,531,925 paper pesos. Of the last-named amount the President stated that items totaling 40,490,094 paper pesos were "nearly totally paid from extraordinary special revenues." It is understood that the budget for 1929–30 presented to Congress was not acted upon by that body, so that the budget for 1928–29 was extened into the succeeding year.

The external debt decreased from 4,535,812 gold pesos at the end of November, 1928, to 4,219,388 gold pesos at the end of November, 1929. On the latter date the internal debt, as reported in the President's message of April, 1930, totaled 2,738,942 gold pesos and 43,586,435 paper pesos.

While events which occurred in connection with the difficulties with Bolivia subjected the monetary system to some strain, the Oficina de Cambios effectively met the situation, and at the end of 1929 the Oficina de Cambios held a reserve against note circulation of 54,875 per cent as compared to a reserve of 51.27 per cent at the end of 1928. The exchange value of the Paraguayan peso fluctuates automatically with the Argentine peso (due to the fact that the conversion rate of the Paraguayan paper peso is fixed at 42.61 Paraguayan paper peso to 1 Argentine gold peso; so the decline in Argentine exchange during 1929 caused a decline in the exchange value of the Paraguayan paper peso.

Peru

The year 1929 and the early months of 1930 were characterized by especially noteworthy financial developments in Peru. Perhaps the most important of these grew out of the inability to float the remaining portion of the Peruvian national loan, amounting to $15,000,000, and the currency and exchange developments, culminating in a law promulgated in February, 1930, which provided for the stabilization and revaluation of the currency.

GOVERNMENT FINANCES

The budget for 1929 calculated revenues and expenditures at Lp.12,583,636, the largest budget in the history of Peru. Actual financial results for the year, however, are not yet available. In view of the expenditures required for public works, the unfavorable status of the bond market in New York and other world financial centers and the consequent inability to float the unissued portion of the second series of the Peruvian national loan, was reflected in the status of Government finances, particularly in the latter part of the year, and brought about some curtailment of contemplated public-works construction.

The President, in his message to Congress of October 12, 1929, reported that, while awaiting a favorable opportunity to float this loan, the bankers had extended three short-term loans to the Government at 6 per cent interest, one on June 5, 1929, for $500,000, payable in six months; another on July 5, 1929, for $785,000, due on December 31, 1929; and a third on July 15 amounting to $3,790,000 and also due on December 31, 1929. The year closed, however, without the unissued portion of the national loan being floated. In February, 1929, a law was signed authorizing the issuance of internal bonds up to Lp.1,500,000, the proceeds of which were to be applied chiefly to the payment of the floating debt. Up to June 30, 1929, bonds totaling Lp.421,200 had been issued under this authorization. During the year a loan of $2,000,000 was obtained from a large copper company operating in Peru for the purpose of acquiring the old Callao port works and terminating the concession of the Societé Générale de Paris. In January, 1930, the Executive was authorized to issue and discount special treasury obligations up to $4,000,000. In February, 1930, laws were promulgated authorizing the Executive to contract an internal loan of Lp.960,000, to issue internal bonds to creditors of the State on account of public works up to Lp.1,800,000; and to use funds on deposit in New York to pay off short-term indebtedness to American bankers amounting to approximately $4,570,000. The funds on deposit in New York which were to be used were a $4,000,000 gold exchange fund and the required portion of a fund of $1,600,000 which had been set up to cover the Government's share of the capital of the Central Mortgage Bank of Peru.

At the end of June, 1929, the external debt of the National Government totaled $90,820,141 and £4,226,280, as compared with $73,494,041 and £2,845,690 at the end of June, 1928. The internal consolidated and floating debts at the end of June, 1929, totaled Lp.4,533,651 and Lp.3,659,175, respectively, as compared with Lp.3,963,846 and Lp.3,663,740 on June 30, 1928. It should be pointed out, however, that the totals of internal indebtedness include some dollar and sterling obligations converted at par of exchange instead of at the rates actually prevailing.

A decree issued in September created the office of Contraloria General de la Republica. In addition to other functions, it is the duty of this office to see that Government departments do not contract obligations in excess of resources legally available.

At the close of the year Congress passed the budget for 1930 calculating receipts and expenditures at Lp.14,098,719, an increase of Lp.1,515,083 over the record-breaking budget for 1929.

BANKING, CURRENCY, AND EXCHANGE

Currency and exchange developments of unusual importance occurred in the latter part of 1929 and in the early part of 1930, the most important of which was the enactment of a law in February, 1930, providing for the revaluation and stabilization of the currency. It will be remembered that in April, 1928, the Peruvian pound was provisionally stabilized at $4. This rate was maintained throughout 1928; no apparent derangements occurred until the last quarter of 1929, when difficulties were reported in obtaining foreign exchange in Peru at the stabilization rate. While the nominal exchange rate at this time was the stabilization rate of $4, exchange was not always actually obtained at this rate, and it is understood that the Peruvian pound went as low as $3.70 in some transactions.

In December, 1929, and in the early part of 1930, the Government issued a number of decrees intended to prevent a decline in the exchange value of Peruvian currency. A decree of December 12 prohibited banks from investing in foreign securities on their own account, and this was followed by another decree prohibiting the making of contracts within the country in foreign money. While some uncertainty arose as to the interpretation of the latter decree, it was not intended to apply to import or export dealings, but only to strictly internal transactions. A decree issued in the early part of January required that payment of interest and amortization of mortgage bonds issued in foreign currency within the Republic be effected in Peruvian currency at a rate of £P1 for each $4 or the equivalent in English money.

These measures were followed by a law enacted in February designed to stabilize the currency at a rate equivalent to $4 to the Peruvian pound, and establishing a new coin, the gold sol ($0.40 at par) as the new monetary unit. The notes to be issued in the future by the Reserve Bank of Peru are to be representative of gold soles. The necessary reforms were also made in the law creating the Reserve Bank. In the first half of 1930, however, the exchange value of Peruvian currency continued to be somewhat below par in actual market transactions.

Total note circulation during the year increased from £P6,122,037 at the end of 1928 to £P6,522,824 at the end of 1929. During the same time the gold-reserve ratio declined from 89,06 per cent to 69.22 per cent. In March, 1929, the Reserve Bank raised its discount rate from 6 to 7 per cent. In the early part of September the rate was lowered to 6 per cent, but it was raised again to 7 per cent at the end of October and to 8 per cent in November. Later in November the rate was reduced to 7 per cent, the rate in effect at the close of the year.

Important banking developments during the year were the opening of the Central Mortgage Bank of Peru and the establishment by a decree of July 31, 1929, of the Caja Nacional de Ahorros (National Savings Bank). The administration of the National Savings Bank was intrusted to the Reserve Bank of Peru, and the $6,000,000 received from the Republic of Chile under the Tacna-Arica treaty was turned over to the Reserve Bank for the purpose of setting up the National Savings Bank. Average monthly bank clearings increased from £P6,362,741 in 1928 to £P6,561,423 in 1929.

El Salvador

Although El Salvador's economic and financial conditions in general were satisfactory in the first half of the year, a reversal occurred in the latter half of 1929, particularly after the drop in October of the price of coffee, the country's principal money crop.

According to a report of the Minister of Finance, ordinary revenues and expenditures during 1929 totaled 26,147,160 colones (1 colon equals $0.50 at par) and 27,219,238 colones, respectively. Revenue collections were 600,865 colones greater than the record figures of the previous year. Declines in revenues from import duties and liquor taxes were more than offset by increases in export duties, direct taxes, and other sources of income. Expenditures increased 1,851,984 colones over the previous year, the principal increases occurring in the Departments of War, Marine, and Aviation, Public Credit, and Public Instruction. The budget for the fiscal year ending June 30, 1930, as passed in June, calculated revenues and expenditures at 25,490,000 colones and 25,775,398 colones, respectively. According to preliminary figures, the public debt decreased from 45,806,000 colones at the end of 1928 to 43,194,000 colones at the end of 1929.

Following the break in coffee prices in October, credit was restricted and commercial collections slowed up. Owing to the drop in coffee sales, the demand for dollar exchange in December exceeded the supply to such an extent that an appreciable premium on dollars developed. The exchange situation was subsequently alleviated, however, by the joint act of the Government and the banks.

Uruguay

According to the message to Congress of the National Council of Administration of March 15, 1930, revenues and expenditures of the National Government during the fiscal year 1928–29 totaled 58,576,428 pesos (1 peso equals $1.0342 at par) and 57,565,207 pesos, respectively, a surplus of 1,011,221 pesos thus resulting. During the fiscal year revenues increased 2,050,059 pesos and expenditures about 3,000,000 pesos as compared with 1927–28. A statement prepared by the general accounting office and included in the message above mentioned indicated a probable deficit in budgetary operations for the fiscal year 1929–30 of about 355,000 pesos.

The public debt increased from 213,999,318 pesos on January 1, 1929, to 217,190,339 pesos on December 31, 1929. New issues, all of which were internal totaled 8,426,648 pesos, and amortizations totaled 5,235,627 pesos.

Consolidated banking figures at the end of 1928 and 1929 compared as follows:

Consolidated statistics of Uruguayan banks

[In pesos]

Item	Dec. 31, 1928	Dec. 31, 1929	Increase
Capital	48,272,974	49,282,375	1,009,401
Cash reserves	80,884,266	86,162,631	5,278,365
Deposits	152,963,161	176,193,846	23,230,685
Loans	203,941,644	219,246,689	15,305,044

A part, although by no means all, of the above increases during the year arose from the inclusion of figures of "cajas populares" from June, 1929. Montevideo bank clearings increased from 780,000,000 pesos in 1928 to 822,000,000 pesos in 1929.

Note circulation declined from 72,484,243 pesos at the end of 1928 to 71,340,222 pesos at the end of 1929. The legal gold reserve of the Banco de la Republica at the end of 1929 amounted to 64.62 per cent.

Outstanding mortgage bonds and cedulas of the Mortgage Bank of Uruguay increased about 8,500,000 pesos during the year. Stock-exchange transactions (mostly Government bonds and mortgage cedulas) increased slightly in 1929, and average quotations were somewhat higher than in the previous year.

The outstanding financial development of the year was probably the weakness in exchange, which became particularly noticeable in April and continued throughout the remainder of 1929, and into 1930, reaching a monthly average of $0.8897 [9] in February, 1930, after which some recovery occurred, only to be followed by renewed weakness in June. The yearly average for 1929 was $0.9863 [2] as compared to $1.0266 [2] in 1928 and a par value of $1.0342.

Among other factors, the decline in exchange was officially attributed in March, 1930, to (*a*) an adverse balance of trade, in which poor prices for wool and heavy importations played a large part; (*b*) the exhaustion of funds from foreign loans held abroad; and (*c*) the decline in the exchange value of the Argentine peso.

Venezuela

Developments in Venezuelan public finances during 1929 were favorable. Treasury receipts during the year, including silver and nickel coinage of 10,200,000 bolivares (1 bolivar equals $0.193 at par), totaled 256,440,000 bolivares, an increase of 52,094,000 bolivares over the previous year. Treasury disbursements during 1929 were reported at 209,155,000 bolivares, or 47,285,000 bolivares less than receipts. Funds at the disposal of the National Treasury at the end of

[9] Noon buying rates for cable transfers in New York as reported by the Federal Reserve Bulletin.
See footnote 2, p. 766.

1929 totaled 118,249,000 bolivares as compared to 70,964,000 bolivares at the end of 1928. The budget for the fiscal year 1929–30, as originally enacted, calculated revenues and expenditures at 193,189,750 bolivares and 192,450,000 bolivares, respectively. Included in the authorized expenditures are items of 20,000,000 bolivares and 4,000,000 bolivares for increases in the capital of the Banco Agricola Pecuario and the Banco Obrero, respectively. These banks were established in 1928, the former to make loans to farmers and stock raisers and the latter to make loans to workmen for the acquisition of low-cost dwellings.

The public debt was further reduced during the year, totaling 52,791,000 bolivares at the end of 1929, as compared to 67,565,000 bolivares at the end of the previous year. At the end of 1929 the Government's balance in the Banco de Venezuela, payable at sight, was more than twice the amount of the public debt.[10]

Uncertainty over the course of political developments in the earlier part of the year, and the drop in coffee prices in the latter part, tended to restrict credit and slowed up commercial collections. Exchange rates were steady throughout the year.

Financial Developments in Latin America During 1930

(By Eugene W. Chevreaux, Finance and Investment Division)

FOREWORD

The continued decline in commodity prices and the increasing pessimism and apprehension in world financial centers during 1930 fell with great severity upon the countries of Latin America.

As producers of primary commodities, including many which are highly sensitive to price movements, the economic and financial position of these countries is quickly altered by changes in world price levels. With few exceptions, the tempo of each country's economic and financial activity is largely determined by the market position of one, two, or three staple commodities of world trade. Furthermore, because of their great dependence upon customs revenues as a source of governmental income, the finances of Latin American Governments are especially responsive to trade movements.

Relatively young with respect to economic development, the Latin American countries are debtor nations and normally importers of capital. Owing to increasing unsettlement in world financial centers as the year progressed and to the addition of political disturbances to economical and financial difficulties in many countries in Latin America, their capital imports, particularly in the latter half of the year, were largely restricted to short-term credits. This not only involved a slowing up in the developmental activities of private interests and the curtailment of extraordinary governmental expenditures for public works and other purposes, but, coinciding as it did with sharp declines in the value of Latin American exports, added to the many other financial difficulties of the year the problem of balancing international accounts.

The following brief surveys of financial developments in the various Latin American countries during 1930 were prepared in the finance and investment division by Eugene W. Chevraux under the direction of Grosvenor M. Jones, chief, and James C. Corliss. They are based on reports submitted by field officers of the Department of Commerce and the Department of State, and on various official and unofficial publications. In a great many instances the final detailed official reports covering government finances in 1930 are not yet available, and frequent recourse has necessarily been made to reports of a preliminary nature which may be subject to revision when more complete data come to hand. The finance and investment division keeps in close touch with Latin American financial developments, and more detailed information on recent financial conditions will be made available on request.

FREDERICK M. FEIKER,
Director, Bureau of Foreign and Domestic Commerce.

OCTOBER, 1931.

---

[10] In May, 1930, the Venezuelan Congress adopted a recommendation providing for the inclusion in the next budget of a sum sufficient to pay off the entire foreign debt of the Republic.

ARGENTINA

In large part because of a substantial decline in the volume and value of exports of cereals, Argentine exports dropped 35.6 per cent in 1930 and a substantial unfavorable trade balance resulted, in comparison with a favorable balance in the previous year, as the following figures show:

Argentine trade balance, 1929 and 1930

Item	"Real values" [1] in gold pesos	
	1929	1930
Exports	953,743,919	614,104,180
Imports	861,997,355	739,182,744
Trade balance	+91,746,564	−125,078,564

[1] Market values, as distinguished from nominal values, used for tariff purposes; relate only to imports.

NOTE.—Gold peso equals $0.9648 at par.

The unfavorable balance of trade played an important part in the marked decline in exchange, which in turn was one of the most unsettling factors of the year.

The Government which came into power as a result of the revolution in September, 1930, found public finances in a very unsatisfactory condition, with the Government owing substantial sums to commercial creditors and to the Banco de la Nacion, and many irregularities existing. A feeling of confidence, however, was engendered by the efforts of the incoming Government to improve the status of public finances, but the decline in commodity prices and exchange, which continued to the end of the year, handicapped the Provisional Government in its efforts to reestablish order in the public finances and to solve the many problems confronting it.

GOVERNMENT REVENUES AND EXPENDITURES

The national budget for 1929 was extended into 1930 without any other modification than a reduction of 787,671 paper pesos (1 paper peso equals $0.4245 at par) in authorized expenditures on account of the public debt. Actual results are not yet available, but in view of the following remarks [1] of the Minister of Finance of the Provisional Government, Dr. Enrique S. Perez, it is certain that the year closed with a large accumulated deficit.

"We have found a considerable deficit, which by the end of the present financial year will probably amount to 698,000,000 paper pesos, of which 395,000,000 paper pesos corresponds to the public works fund (including other special outlays) and 303,000,000 paper pesos to expenditure of an administrative nature. The deficit in the public works fund results from expenditure having been effected or engagements entered into which, according to law, ought to have been defrayed out of the proceeds of bond issues. As only 40,000,000 paper pesos of such bonds were issued and negotiated, this expenditure weighed heavily upon the funds of the Treasury.

"The administrative deficit has been augmenting progressively, simultaneously with an exaggerated increase in extra-budgeting expenditure accompanied by a diminution in the national revenues caused by the depression in economic activities and the leakages occasioned by administrative dislocation and the influence of corrupt practices. This deficit will amount to 130,000,000 paper pesos in the present financial year, and this, added to the 111,000,000 paper pesos of arrears of deficits, represents a quantity of 241,000,000. Add to this the deficits discovered up to now in different departments, namely 25,000,000 paper pesos in the State Railways, 30,000,000 in the National Council of Education, and 7,000,000 in Posts and Telegraphs, and you arrive at the aforesaid figure of 303,000,000 paper pesos of administrative deficit.

"A disparity of such magnitude between the expenditure and the income of the State makes it clear why the number of unpaid accounts grew so rapidly in

[1] As reported in Review of the River Plate, Oct. 17, 1930.

spite of the 53,000,000 paper pesos which the Treasury obtained from the Baring loan, and the 117,000,000 paper pesos produced by the Chatham Phoenix loan and notwithstanding having strained the use of credit in the Banco de la Nacion Argentina to the extent of 150,000,000 paper pesos. That debt and the debts which the creditors of the State were obliged to contract with the banks in order to keep going pending the settlement of their accounts have created an intense expansion in banking loans.

"This inflation of credit has meant nothing else than the throwing upon the market of a considerable quantity of artificial acquisitive power, precisely when the country's volume of production was diminishing seriously. For that reason the disorder in the public finances has constituted, in final term, one of the primordial factors of our monetary perturbations and of the present situation of the international exchange.

"It is obvious that the prejudice deriving from such a state of affairs will not allow the country to return to normality without making a severe sacrifice. The enormous floating debt which has to be added to the 380,000,000 paper pesos of treasury bills deriving almost entirely from the first government of Señor Irigoyen, will have to be consolidated as soon as possible in order to assure financial and monetary reestablishment. But, unfortunately, the receptive capacity of the internal market for long-term bonds—a restricted one at the best of times—has become even more reduced under the existing economic circumstances. It will be necessary, therefore, to have recourse to external credit, the market for which, it is true, is far from favorable at the moment notwithstanding the low rates of interest for short-term loans such as that recently renewed in New York by the provisional government.

"While this consolidation operation is being carried out gradually, your excellency will assuredly be in agreement with me as to the urgent necessity that the deficit should not continue to augment. To that end it is not sufficient to suppress extra-budget expenditure, because the volume of the expenditure authorized by the budget is greater than the yield of the national revenues. In effect, at the rate at which these revenues have been declining this year, the total for 1930 will certainly not exceed 630,000,000 paper pesos (including the resources of the subsidy fund), whereas authorized budget expenditure alone amounts to 733,000,000 paper pesos. It is necessary, therefore, to economize resolutely and with greater energy, postponing all expenditure not strictly indispensable, organizing with greater efficiency in the administrative mechanisms and even reducing the salaries and the administrative staff provided for in the budget, should the first measures not be adequate."

According to preliminary unofficial figures, Buenos Aires customs receipts totaled 290,999,000 paper pesos in 1930, compared with 350,790,000 pesos in the previous year. Internal taxes on alcohol, tobacco, etc., totaled 112,633,000 paper pesos in 1930, compared with 125,589,000 pesos in 1929. Property taxes, licenes,, and stamped paper amounting to 112,010,000 paper pesos in 1930 showed only a very slight decline from the previous year.

The provisional government also found the finances of the Provinces in a generally unsatisfactory condition, with some considerable deficits and numerous irregularities existing. In connection with a consideration of provincial finances, the following remarks relative to various unnamed Provinces, excerpted from the report of the Corporation of Holders of Stocks and Bonds of Buenos Aires for the fiscal year ended June 30, 1930, are of interest.

"Once more we regret that various provincial governments do not pay attention to our requests to make known the status of their debts. The messages that are presented to the legislatures are not concerned with economic financial matters; they do not contain any table of the public consolidated internal and external and floating debt, in order that they may be known by the governed, by the holders of their obligations, as well as by banking institutions, which generally are obliged to furnish information to their clients.

"The most absolute reserve is the established system * * *."

PUBLIC DEBT

Several short-term loans were floated by the Argentine National Government during 1930. In April a $50,000,000 6-month loan was publicly offered in the United States, and this loan was repaid by a $50,000,000 1-year loan floated in September. Shortly after the provisional government came into power in September, Buenos Aires banks offered to lend the Government 100,000,000 paper pesos, but this offer was only partially availed of at the time, although subsequently the remainder of the amount was taken by the Government. A £5,000,000 loan falling due at the end of 1930 was refinanced by discounting treasury bills due in amounts of £2,500,000 on June 30, 1931, and December 31, 1931.

The consolidated internal and external debt of the National Government on June 30, 1930, exclusive of contingent liabilities on account of outstanding cedulas of the National Mortgage Bank, which are guaranteed by the Government, was unofficially estimated at 2,276,437,744 paper pesos. The amount of the floating debt on the same date is not definitely known, but in December, 1930, it was estimated at around 1,200,000,000 paper pesos, by the president of the provisional government, who, according to the Review of the River Plate of December 12, 1930, stated in part as follows:

"In effect, there weighs upon the national finances a considerable floating debt, of about 1,200,000,000 paper pesos, constituted by 720,000,000 paper pesos of deficit originated during the two years of the deposed government, in the general administration, the council of education, and the State railways, besides 500,000,000 paper pesos of floating debt brought in on October 12, 1928. It is true that this latter-mentioned debt does not derive from the government which went out on that date, but rather it represents, for the most part, what that government was unable to consolidate of those other 1,100,000,000 of pesos of floating debt bequeathed by the first radical presidency. Of these 1,200,000,000 paper pesos of existing floating debt, something over 1,000,000,000 are radicated [sic] in our own country in the form of bank advances, direct or indirect, or other liabilities of different kinds. Thus the liquidity of the credit market has been affected adversely, and it finds itself lacking the abundant resources which it would otherwise have had available to lend * * * to agriculture, to industry, and to commerce in this state of economic, crisis."

During the year, loans of the Provinces of Buenos Aires, Cordoba, and Santa Fe of the City of Buenos Aires, most of which were short-term issues, were publicly offered in the United States.

BANKING AND CREDIT

Bank clearings in Buenos Aires declined from 40,891,000,000 paper pesos in 1929 to 36,381,200,000 pesos in 1930, and those in the interior, from 8,115,900,000 to 5,921,200,000 pesos.

Banking operations in 1930 were characterized by an increase of 4.7 per cent in volume of loans, an increase of less than 1 per cent in deposits and a decline of about 2.5 per cent in total cash reserves. The increase in loans was due largely to advances made by the banks to the general treasury of the National Government and to the autonomous departments of the Government. According to the Economic Review of the Banco de la Nacion, consolidated banking figures of Argentine banks in December, 1929 and 1930, respectively, were as follows: Deposits, 3,844,900,000 and 3,876,400,000 pesos; loans, 3,607,900,000 and 3,777,800,000 pesos; cash reserves, 478,100,000 and 466,660,000 pesos.

According to the same source, balances held abroad by Argentine banks dropped from 93,200,000 paper pesos on December 31, 1929, to 11,400,000 paper pesos on October 31, 1930, and to a debit balance of 24,000,000 on December 31, 1930.

Interest rates exhibited a moderate downward trend during the year. According to the Economic Review of the Banco de la Nacion, private banks in December, 1930, were paying a general average of 3.63 per cent for 90-day deposits and were discounting bills at a general average of 6.76 per cent.

Liabilities in bankruptcies increased from 166,853,000 paper pesos in 1929 to 228,822,000 paper pesos in 1930.

The amount of cedulas in circulation of the National Mortgage Bank increased from 1,429,048,000 paper pesos at the end of 1929 to 1,443,242,000 pesos at the end of 1930. The amount owed to the bank on account of payments in arrears increased from 71,922,144 paper pesos at the end of 1929 to 87,987,496 pesos at the end of November, 1930. The reserve funds of the bank on November 30, 1930, however, exceeded 206,000,000 paper pesos.

The financial position of the Argentine farmer was very difficult during 1930 because of the low prices of his products and the high rentals of land. This situation was reflected in an increased inability to meet interest payments on mortgage loans.

CURRENCY AND EXCHANGE

The suspension of the exchange of gold for notes by the Caja de Conversion continued throughout 1930. A number of decrees were issued during the year relative to currency and exchange matters. On January 15, 1930, a decree was published authorizing the Caja de Conversión to issue notes in exchange for gold deposited with embassies and legations abroad. A decree of October 16, 1930, authorized the Banco de la Nación to withdraw gold from the Caja de Conversion in exchange for notes to the extent necessary to meet the service of the nation's debts abroad. On December 31, 1930, a decree was issued authorizing the Banco de la Nación to use its conversion fund of 30,000,000 gold pesos held abroad for foreign-exchange operations.

On December 31, 1930, the currency circulation totaled 1,260,686,000 paper pesos, as compared with 1,246,753,000 on December 16, 1929, the date on which the delivery of gold for notes by the Caja de Conversión was suspended. Including the conversion fund of 30,000,000 gold pesos, the gold reserve against currency circulation at the end of 1930 amounted to 455,773,917 gold pesos, making the reserve ratio 82.17 per cent, compared with 81.97 per cent at the end of 1929. Net gold exports amounted to 25,113,354 gold pesos in 1930, compared with 174,386,226 gold pesos in 1929.

In reflection of an adverse balance of trade, the continued suspension of the exchange of gold for notes by the Caja de Conversión, disordered public finances, and other factors, the exchange value of the gold peso weakened considerably during 1930, dropping from a monthly average of $0.93 in December, 1929, to $0.7555 in December, 1930.

Bolivia

The severe decline in the price of tin, the dominating factor in the national economy of Bolivia, greatly accentuated the economic depression which had already reached serious proportions in the previous year. Revenues dropped shaprly, and the financial position became increasingly difficult, so that at the end of 1930 the Government announced its inability to meet a payment due on its foreign debt at that time.

GOVERNMENT FINANCES

The ordinary budget for 1930 estimated both revenues and expenditures at 47,580,109 bolivianos (1 boliviano equals $0.365 at par). However, actual revenue collections were substantially below estimates, and the Provisional Government, which came into power in June, faced a difficult situation. A National Economic Council was appointed by the incoming Government to study the economic and financial situation of the country. In a report dated August 14, 1930, it reported revenue collections in the first half of 1930 at 17,357,128 bolivianos and estimated total revenue collections for the year at 34,514,161 bolivianos, or 13,065,948 bolivianos below budget estimates. Estimated reveneus and payments due to be made during the second half of 1930 were calculated by the economic council as follows:

	Bolivianos
Debt service:	
External debt	8, 742, 737
Internal debt	2, 185, 056
Floating debt	13, 086, 116
Public administration	18, 685, 102
Total payments due	42, 699, 011
Estimated revenues	17, 157, 033
Deficit (a slight discrepancy will be noted in this figure)	25, 541, 980

In view of the seriousness of the situation, the council suggested that administrative expenditures be reduced by at least 4,357,346 bolivianos, and payments on the floating debt, by 8,947,542 bolivianos, total payments to be made during the second half of the year being thereby reduced to 29,394,123 bolivianos, a figure still 12,237,090 bolivianos in excess of estimated revenues. Complete actual results for the year are not as yet available, but preliminary estimates indicate that a large deficit resulted.

The ordinary budget of the Government for 1931, promulgated at the end of January, 1931, calculates revenues and expenditures at 28,544,166 and 31,644,309 bolivianos, respectively, thus anticipating a deficit of 3,100,143 bolivianos.

PUBLIC DEBT

During 1930 the Government obtained a 20-year loan of a nominal amount of $2,000,000 in connection with a contract for the cession of the match monopoly to a subsidiary of the Swedish Match Co. for 20 years. On September 9, the flotation of an internal loan was authorized and the bonds were subsequently offered to the public by the Government.

The service on the foreign debt was maintained until December, 1930, although the weakened financial position of the Government made these payments more and more difficult as the year progressed; in fact, a substantial part of the midyear payment was met from the proceeds of the match monopoly loan previously mentioned. In view of its difficult financial position, the Government sent a commission to New York in the latter part of the year to treat with American bankers regarding the foreign debt. The commission was unable, however, to effect a solution of Bolivia's foreign-debt difficulties, and the January 1, 1931, interest coupon of the 7 per cent loan due 1958 was not paid. Subsequently, Bolivia went into default on other issues of its external debt, although part of the May 1, 1931, interest coupon of the 8 per cent loan, due 1947, was paid.

The National Economic Council, in its report dated August 14, 1930, stated the public debt on June 30, 1930, to be 208,026,393 bilivianos (provisional figure), distributed as follows: External debt, 172,067,884 bolivanos; the internal funded debt, 11,502,300 bolivianos; and the floating debt, 24,456,209 bolivianos.

BANKING, CURRENCY, AND EXCHANGE

Credit was restricted and commerical collections were very difficult during 1930. The Central Bank raised its discount rates in the first quarter of 1930, but reduced them on August 26, so that from then until the end of the year the discount rates for 90-day paper were 7 and 9 per cent for the associated banks and for the public, respectively.

During the year the Banco Central's sales of foreign exchange totaled 43,440,260 bolivianos, compared with purchases of 22,840,337 bolivianos, sales thus exceeding purchases by 20,599,923 bolivianos. As a result, the legal reserves of the bank declined from 36,301,160 bolivianos on December 28, 1929, to 29,614,179 on December 31, 1930, and total reserves dropped from 56,942,225 to 40,475,829 bolivianos.

At the same time, however, note circulation of the Central Bank declined from 42,570,000 to 31,795,000 bolivianos, so that the legal reserve ratio actually increased from 59.9 per cent on December 28, 1929, to 63.75 per cent on December 31, 1930. The total reserve ratio during the same period declined from 93.96 to 87.13 per cent.

During the year certain mining interests advocated lowering the exchange value of the boliviano, but this suggestion was opposed by the Central Bank and other interests, and exchange stability was maintained throughout the year.

BRAZIL

Economic and financial conditions in Brazil during 1930 were exceedingly unfavorable, owing to the decline in the price of coffee and other exports and to strained political conditions which culminated in the revolution of October. The effects of the depression are evidenced in the following compairson of exports and imports for 1929 and 1930.

Trade balance of Brazil, 1929 and 1930

Item	1929	1930
Exports	£94,831,000	£65,770,000
Imports	86,653,000	53,619,000
Favorable trade balance	8,178,000	12,151,000

From the foregoing figures it will be observed that despite the big drop in exports, Brazil's favorable trade balance increased in 1930; in fact, it was the largest since 1926.

GOVERNMENT REVENUES AND EXPENDITURES

The Federal budget for 1930 calculated revenues at 199,271 gold contos and 1,371,430 paper contos [3] and expenditures at 135,113 gold contos and 1,639,114

[3] At the stabilization rate adopted in December, 1926, one paper conto=$119.63. A subsequent presidential decree fixed the value of the paper conto for the payment of public dues at an equivalence of 4.567 paper contos to one gold conto. This ratio is no longer fixed but varies daily with the rate of exchange.

paper contos. However, according to the figures contained in the report of Sir Otto Niemeyer[3] to the Brazilian Government, actual revenues were considerably below and expenditures somewhat above the estimates, so that a deficit of no less than 783,029 paper contos resulted (conversion of gold items have been made to paper on basis of 1 paper milreis=$4\frac{1}{2}$d.). The actual revenues and expenditures of the Federal Government in 1930 as stated in the Niemeyer report follow.

Revenues and expenditures of Brazilian Government, 1930

Item	Gold contos	Paper contos
ACTUAL REVENUES		
Customs	116,078	74,081
Consumption taxes		352,200
Stamps	12	110,141
Transport taxes (railway passengers and goods)		43,526
Loans tax		324
Sales tax		50,728
Income tax	2	52,701
Tax on insurance premiums		8,263
Lotteries tax		1,130
Sundry receipts (consular and judicial fees, licenses)	2,258	4,703
Domains and properties (ports, etc.)		12,000
Industrial undertakings (railways, post office, printing office, etc.)	401	256,899
Total	118,751	966,698
Deduct: Transfer to paper money guaranty fund (5 per cent on gold customs)	5,320	
	113,431	966,699
Extraordinary receipts (Territory of Acre, Federal District, etc.)	2,102	48,019
Assigned revenues:		
To paper money guaranty fund (5 per cent on gold customs)	5,325	
To fund for repayment of paper money		10,073
To road fund		28,443
To railway construction fund		14,867
To other funds	75	6,648
Total	120,933	1,074,746
ACTUAL EXPENDITURES		
Debt service:		
External	101,571	
Internal		166,187
Other finance.		
Ministry	2,128	204,867
Justice and Interior	122	[1] 203,895
Exterior	6,314	6,343
Navy	1,533	173,854
Army	402	304,224
Agriculture, Labor, and Commerce	815	82,856
Transport	13,682	495,895
Unclassified	488	95,037
Total	127,055	1,733,158
Expenditure from assigned revenues:		
Road fund		35,154
Railway fund		44,881
Other funds	68	7,442
Total	127,123	1,820,635

[1] Includes health and education.

The foregoing figures reveal a deficit of 6,190 gold contos and 745,889 paper contos. Converting the gold to paper on the basis of 1 paper milreis equal to $4\frac{1}{2}$ pence,[4] the deficit amounted to 783,029 paper contos, as previously mentioned.

In connection with the deficit above mentioned, the Niemeyer report states in part as follows:

"The final budget results of 1930 show that the Federal Government had to meet a deficit of over 780,000 contos. This has now been met, at heavy cost, by the arrangements made last October, by which certain temporary advances from the Bank of Brazil were turned into permanent debts and by the issue of federal bonds. Such further arrears as remain to be settled in respect of last autumn are not sufficiently large to cause anxiety. Many of the States

[3] In the early part of 1931 the Brazilian Federal Government invited Sir Otto Niemeyer, a British Financial expert, to visit Brazil and advise the Government on such financial reforms as might be deemed necessary.

[4] Rate of conversion used in the Niemeyer report. It should be pointed out, however, that the actual average rate of exchange for the year, stated elsewhere in the Niemeyer report, was $5\frac{13}{32}$ pence per milreis.

had similar arrears outstanding. The Federal Government has advanced to them 134,000 contos of treasury bonds. The authorized issue of these bonds (7 per cent, repayable half in one year and the rest in two years) was 300,000 contos; but the total actually issued is only 208,000 contos, of which 10,000 contos have already been redeemed, leaving 198,000 contos outstanding at the end of June, for the service of which provision is made in the budgets of the federation and the States."

During the latter part of 1930 the Minister of Finance of the Provisional Government ordered an auditing commission to examine the accounts of the Federal Government for the three years immediately preceding. This commission subsequently reported that instead of the aggregate surplus of 404,189 paper contos announced in the annual messages of the President covering the years 1927 to 1929, inclusive, a proper auditing of accounts would have disclosed a deficit of 491,169 paper contos. In addition, the commission charged that 610,783 paper contos had been spent irregularly and without adequate legal sanction.

The financial position of the States and municipalities in general was difficult during 1930.

GOVERNMENT BORROWINGS

In April, 1930, the State of Sao Paulo floated a loan of £20,000,000, largely in the United States and Europe, under the terms of which the State of Sao Paulo is to sell 16,500,000 bags of existing stocks of coffee over a period of 10 years and is to market future crops currently. No other foreign loan by any Brazilian governmental entity was publicly offered during the year. A decree of November 19, 1930, authorized the Minister of Finance to issue short-term treasury obligations up to 300,000 paper contos, a part of which were issued before the close of the year. A decree of December 17, 1930, authorized the opening of a credit of 50,000 paper contos in treasury obligations to assist the States of Brazil in making payments on their foreign debts. Shortly after the close of the year the amount of this credit was increased to 100,000 paper contos.

STATUS OF THE PUBLIC DEBT

According to the Niemeyer report, previously mentioned, the public debt of the Brazilian Federal Government on January 1, 1931, and the annual interest and sinking fund charges thereon were as follows:

Public debt of Brazil

Item	Currency unit	Nominal amount outstanding, Jan. 1, 1931	Annual interest and charges	Sinking fund	Total annual charge
External debt:					
Sterling loans	Pound sterling	100,569,751	4,767,979	2,539,395	7,307,374
Gold franc loans	Gold francs	193,556,110	8,189,809	1,279,091	9,468,900
Paper franc loans	Paper francs	135,778,500	6,835,121	706,000	7,541,121
Dollar loans	U. S. dollars	143,336,998	10,167,987	4,683,855	14,851,842
Internal funded debt [1]	Paper contos	2,533,916	106,994	80,170	187,164

[1] Exclusively, of course, of inconvertible currency. Inconvertible treasury notes in circulation on Dec. 31, 1930, totaled 2,543,000 paper contos.

In addition to the foregoing debt the Federal Government guarantees the following items:

Six per cent Sao Paulo-Rio Grande Railway. Outstanding January 1, 1931, £9,516,459; annual interest, 4,505 gold contos (provided for in appropriation for ministry of transport).

Six per cent Victoria Minas Railway. Outstanding January 1, 1931, 29,773 gold contos; annual interest, 1,786 gold contos (provided for in appropriation for ministry of transport).

Six per cent Sao Eduardo-Cachoeiro de Itapemirim Railway. Outstanding January 1, 1931, 887 paper contos; annual interest, 42 paper contos (provided for in appropriation for ministry of transport).

Nine per cent Paqueta sewerage. Outstanding January 1, 1931, £68,230; annual interest, £4,311 (provided for in appropriation for ministry of Education and health).

Nine per cent Copacabana sewerage. Outstanding January 1, 1931, £300,477; annual interest, £9,615 (provided for in appropriation for ministry of education and health).

A credit of £6,510,000 granted to the Bank of Brazil and due to be repaid by January 23, 1933.

Advances of 150,000 paper contos made by the Bank of Brazil to the Coffee Institute for the purchase of stocks of old coffee.

BANKING, CURRENCY, AND EXCHANGE

In view of the difficulties caused by the revolution, the Federal Government on October 6, 1930, declared a bank holiday for 15 days. A subsequent decree extended the period to November 30. The incoming Government, however, on October 27 revoked the decrees relating to the extended bank holiday and decreed a moratorium, whereby, under the provisions of successive decrees, the due dates of bills and contracts falling due between October 3 and November 30 were eventually legally prorogued a total of 105 days in the Federal district (city of Rio de Janeiro) and 120 days in the rest of Brazil. During the last 60 days of the extensions mentioned, 25 per cent of the debt was to be amortized every 15 days. Obligations falling due in December were prorgued 60 days, with fortnightly payments of 25 per cent of the total. During the moratorium withdrawals of interest-bearing bank deposits were limited to certain percentages of the amounts deposited.

Shortly after the close of the year the Banco Pelotense, the Banco do Espirito Santo, and the Banco de Petropolis suspended payments.

During the year heavy gold exports were made, and as a result gold holdings of the Caixa de Establizacao (stabilization office) dropped from the equivalent of 848,234 paper contos at the end of 1929 to 130,135 paper contos on October 4, 1930. Early in October, the conversion of notes by the Caixa de Establizacao was suspended, and on November 22, 1930, a decree was issued abolishing this office and transferring its functions to the Bank of Brazil. By the same decree the gold holdings of the Caixa were to be transferred to London to the credit of the representative of the Brazilian National Treasury for making payments on Brazil's external debt, and exchange of notes, when resumed, was to be made only by sight drafts drawn on London by the Bank of Brazil. After the outbreak of the revolution in October, the national treasury assumed responsibility for the note issue of the Bank of Brazil, amounting to 592,000 paper contos, and the gold reserve against these notes of £10,000,000 was released. Subsequently the Bank of Brazil issued on its own account notes amounting to 170,000 paper contos, which were in circulation at the end of the year and are inconvertible. In addition to the foregoing issues, inconvertible treasury notes in circulation at the end of the year amounted to 1,951,570 paper contos, so that adding the Bank of Brazil issue of 592,000 paper contos, mentioned above, the total treasury issue in circulation at the end of the year was 2,543,570 paper contos. As a result of the release of gold reserves and gold exports, gold held against note circulation at the end of 1930 was practically nil,[6] compared with a reserve of approximate 37 per cent at the end of 1929. Changes in the note circulation, gold reserves, and Bank of Brazil credit during 1930 are shown by the following figures extracted from the Niemeyer report:

Note circulation, gold reserves, and Bank of Brazil credit

Date	Notes (thousands of paper contos)						Gold (millions of pounds sterling)	Bank of Brazil discounts and advances (thousands of paper contos)
	Treasury	Bank of Brazil	Stabilization office	Total	Approximate holding of Bank of Brazil	Active circulation		
December, 1929	1,951	592	848	3,392	690	2,702	30.9	1,395
March, 1930	1,951	592	651	3,194	643	2,551	26.0	1,368
June, 1930	1,951	592	339	2,883	509	2,374	18.3	1,322
July, 1930	1,951	592	243	2,787	469	2,318	16.0	1,311
August, 1930	1,951	592	168	2,711	415	2,296	14.1	1,345
September, 1930	1,951	592	132	2,676	338	2,338	13.3	1,376
October, 1930	2,543	170	129	2,842	166	2,676	6.5	1,264
November, 1930	2,543	170	129	2,842	265	2,577	4.1	1,255
December, 1930	2,543	170	129	2,842	323	2,519	....	1,262

[6] It should be noted, however, that article 5 of the decree of Nov. 22, 1930, abolishing the stabilization office provided that the Bank of Brazil was to reserve resources so as eventually to withdraw notes of the stabilization office in circulation by means of sights drafts on London.

After remaining comparatively firm in March, April, and May, the exchange value of the milreis subsequently showed a tendency to weaken. In October, as a result of the revolution, a decree was issued restricting the purchase of export bills to the Bank of Brazil and limiting the amount of cover which the Bank of Brazil might furnish to other banks to £1,000 daily to each bank. These restrictions continued in effect until near the end of November, when a decree was made public which removed the restrictions on exchange operations of the banks that had been put into effect in October. However, exchange operations were still subject to restrictions established by the inspector general of banks. In December, the Bank of Brazil continued to support exchange, and the rate in terms of United States currency at the close of the year was around 9.7 cents.

CHILE

After considerable expansion in Chilean business activity in 1928 and 1929 a reversal occurred in 1930, an indication of which is evidenced in the following comparison of the foreign trade figures for 1929 and 1930.

Chilean trade balance, 1929 and 1930

Item	1929	1930
	Pesos	*Pesos*
Exports	2,289,800,000	1,324,900,000
Imports	1,630,600,000	1,397,600,000
Trade balance	+659,200,000	−72,700,000

The precipitous drop in exports noted in the foregoing table reflects the unsatisfactory status of the nitrate and copper industries, which in 1929 accounted for 83 per cent of Chilean exports. It will also be observed that imports declined much less abruptly than exports; as a result, an ordinarily large favorable trade balance was converted into an unfacorable balance.

In the absence of sufficiently strong compensating factors this entailed a drain on the gold reserves of the Central Bank, which dropped 106,934,473 pesos during the year.

GOVERNMENT REVENUES AND EXPENDITURES

The ordinary budget for 1930, as originally enacted, calculated revenues and expenditures at 1,214,650,000 pesos (1 peso equals $0.1217 at par) and 1,159,323,798 pesos, this anticipating a surplus of 55,326,202 pesos. An estimated surplus of 45,000,000 pesos carried over from 1929 is included in the figure for estimated revenues. According to a report of the Minister of Finance of October 4, 1930, subsequent to the approval of the original budget authorized ordinary expenditures were increased 31,000,000 pesos by the passage of special laws. At the same time, it was reported that in view of the fact that actual revenues in 1930 had been below budget estimates, the Government had decreed various reductions in authorized expenditures estimated to total 89,870,109 pesos.

According to reports of the comptroller general, ordinary revenues and expenditures in 1930, compared as follows with those of the previous year, were as follows:

Ordinary revenues and expenditures of Chile

Item	1929	1930
ORDINARY REVENUES	*Pesos*	*Pesos*
Surplus carried over from previous year	34,006,015	77,622,402
National properties	28,561,816	30,213,068
National services	70,487,285	68,510,053
Direct and indirect taxes	1,062,162,061	903,171,431
Miscellaneous	70,428,802	50,049,039
Payments of other entities for loan services	1,910,440	3,245,542
Total	1,267,556,419	1,132,811,535
ORDINARY EXPENDITURES		
Executive	907,286	1,760,758
National Congress	7,594,872	7,813,638
Comptroller general	5,903,068	6,545,114
Interior	138,552,550	152,138,097
Foreign affairs	20,990,906	17,306,145
Finance	224,164,934	173,675,250
Public instruction	160,546,991	156,007,631
Justice	29,587,105	27,749,366
War	121,589,964	102,040,941
Marine	115,018,970	106,802,467
Development	51,322,584	49,634,283
Social welfare	40,361,105	38,132,609
Southern property	186,736	4,336,874
Agriculture		2,464,780
Debt service	257,800,776	279,936,974
Purchase of bonds for emergency fund	15,406,169	5,145,101
Total	1,189,934,017	1,131,490,328

From the foregoing figures it will be seen that, including the surplus carried over from 1929, revenues in 1930 exceeded expenditures in that year by 1,321,207 pesos. In this connection, however, it should be pointed out that in the report of October 4, 1930, previously mentioned, the Minister of Finance stated that the surplus carried over from 1929 included advances to the Nitrate Promotion Institute amounting to 55,273,521 pesos and 19,845,895 pesos due from delinquent debtors, which in all probability would be uncollectible If these sums be deducted, ordinary ooperations in 1930 actually resulted in a rather substantial deficit instead of a small surplus.

The extraordinary budget for 1930 as originally passed authorized expenditures of 390,797.575 pesos. This figure, however, does not include expenditures authorized under confidential laws (leyes reservadas) of 100,000,000 pesos, thus raising authorized expenditures to 490,797,575 pesos.

In this connection the Minister of Finance, when presenting to Congress the extraordinary budget project for 1931, called attention to the fact that the extraordinary budget and plan of public works law (Law 4303, of January, 1928), which fixed the aggregate maximum amount of loans authorized over a period of six years at 1,575,000,000 pesos had been considerably exceeded by the addition of confidential laws (leyes reservadas) and special laws, as shown by the following table:

Loans authorized under Chilean extraordinary budget and plan of public works and by confidential and special laws

[Millions of pesos]

Year	Law 4303, plan of public works and acquisitions	Law 4399, 1928-29, and Law 1824, 1930-34 (reservadas)	Special laws	Total authorized
1928	200	100	60.8	360.8
1929	225	100	263.0	588.0
1930	250	100	54.0	404.0
1931	275	70		345.0
1932	300	45		345.0
1933	325	25		350.0
1934		10		10.0
Total	1,575	450	377.8	2,402.8

An earlier report of the ministry of finance had pointed out that expenditures chargeable to the plan of public works and other laws of extraordinary funds from January 1, 1928, to August 31, 1930, totaled 1,295,413,212 pesos, of which 125,178,967 pesos was for redemption of 8 per cent internal bonds and 352,983,652 pesos, represented expenditures for national defense and other purposes by the ministries of war and marine and the subsecretariat of aviation. Previously the ministry of finance had stated that expenditures of the ministries of war and marine under confidential laws (leyes reservadas) during four and one-half years ended June, 1930, totaled 443,300,000 pesos.

Revenues and expenditures under the extraordinary budget, plan of public works, and other special laws during the year 1930 were as follows:

EXTRAORDINARY REVENUES

	Pesos	Pesos
Proceeds of bonds issued other revenues in 1930:		
Bonds of the external debt	280, 806, 439	
Bonds of the internal debt	149, 565, 342	
Total	430, 371, 781	
Loss in placement (discount)	45, 429, 905	
		384, 941, 876
Bank advances and provisional notes issued in anticipation of loans	301, 250, 000	
Loss in placement (discount)	6, 325, 786	
	294, 924, 214	
Transfer to the account of N. M. Rothschild & Sons	36, 625, 205	
		258, 299, 009
Transfer of funds (Law 4144) and various repayments		14, 106, 963
Total funds received in 1930		657, 347, 848
Less bank advances outstanding Dec. 31, 1929, liquidated in 1930		75, 652, 000
Total extraordinary revenues		581, 695, 848

EXTRAORDINARY EXPENDITURES

Balance overdrawn Dec. 31, 1929		25, 029, 307
Investments in 1930:		
Law 4757, first part, plan of new works	283, 882, 956	
Law 4757, second part, special laws	46, 795, 209	
Law 4824, works and acquisitions of war and marine	89, 192, 737	
Other special laws financed by loans	115, 213, 833	
		535, 084, 735
Uninvested balance Dec. 31, 1930		21, 581, 806
Total extraordinary expenditures		581, 695, 848

The ordinary budget for 1931, signed by the president on December 29, 1930, calculates revenues and expenditures at 1,039,617,387 and 1,039,159,914 pesos, respectively. The extraordinary budget for 1931, enacted in January, 1931, authorized expenditures of 275,848,333 pesos, of which 255,000,000 pesos were to be obtained from loans, and the remainder from unexpended balances carried forward from loans authorized in previous years.

PUBLIC DEBT

The Chilean National Government floated long-term foreign loans of $25,000,000 and 60,000,000 Swiss francs during 1930. Adverse conditions in foreign bond markets precluded further long-term financing and, as a result, bankers' advances and short term notes in anticipation of loans increased markedly during the year. Several internal long-term loans were also floated. The foregoing operations are reflected in the following comparison of the public debt of the Chilean National Government at the end of 1929 and 1930, as reported by the comptroller general.

Increase in Chilean public debt

Item	Dec. 31, 1929	Dec. 31, 1930	Increase
Direct debt:	*Pesos*	*Pesos*	*Pesos*
External	2,289,340,237	2,482,812,599	193,472,362
Internal	322,893,333	457,813,323	134,919,990
Bank advances and short-term notes issued in anticipation of loans	75,900,000	301,250,000	225,350,000
Total	2,688,133,570	3,241,875,922	553,742,352
Indirect debt:			
External	1,068,495,318	1,183,561,437	115,066,119
Internal	64,347,500	49,947,000	[1] 14,400,500
Total	1,132,842,818	1,233,508,437	100,665,619

[1] Decrease.

In addition to a foreign loan of 25,000,000 Swiss francs guaranteed by the national Government and included in the external indirect debt as of December 31, 1930, the city of Santiago also floated during 1930 a $2,200,000 loan in the United States, which is not guaranteed by the Government.

Service on the Chilean foreign debt was regularly made in 1930.[6]

ORGANIZATION OF THE COSACH

An outstanding development of the year was the enactment of a law (No. 4863, of July 21, 1930, providing for the consolidation of the Chilean nitrate industry into one company known as the Nitrate Co. of Chile (Cosach). Under the provisions of this law the Government obtains direct participation in the profits of the company as a result of receiving one-half of its shares in exchange for Government-owned nitrate lands containing upward of 150,000,000 metric tons of recoverable nitrate and for exemption from the export tax on nitrate and iodine. In order to assure the Government a fixed minimum income during the early years of the company's operation, the law also provides for receipt by the Government of the following minimum amounts in the years 1930 to 1933, inclusive, in lieu of income tax and dividends on its shares: 1930, 186,000,000 pesos; 1931, 180,000,000 pesos; 1932, 160,000,000; pesos 1933, 140,000,000 pesos.

At the close of 1930 the company had not yet been organized, but certain modifications in law 4863 were effected by decree (law 12 of February 24, 1931), and shortly afterwards necessary financing was accomplished by the sale of bonds abroad.

Companies representing considerably more than the minimum number of shares of stock necessary to release the proceeds of the bond financing expressed adherence to the Cosach, and the consolidation became effective.

Among other provisions, law 12 of February 24, 1931, provided that Cosach could effect the minimum payments due the Government in 1932 and 1933 by tendering bonds at the rate of 110 per cent of the amounts due instead of cash. These bonds, as well as others that the corporation may determine, are to be secured by a fund created through the payment by Cosach and its subsidiaries of 60 pesos per ton of nitrate extracted. In each calendar year this tax will be suspended for the remainder of the year as soon as the service on the bonds thus secured is met.

BANKING, CURRENCY, AND EXCHANGE

Up to August 4, 1930, the Central Bank's discount rates were 6 per cent for operations with the banks and 7 per cent for the public.. On the date mentioned the discount rates were raised 1 per cent and no further changes were made during the year.[7] According to a report of the Central Bank, the total volume of credit granted by commercial banks and the National Savings Bank was reduced about 10 per cent from March to the end of the year, while their deposits declined about 14 per cent during the year. On the other hand, the Agricultural Credit Bank and the Industrial Credit Bank increased by 24 and 41 per cent, respectively, the amount of credit granted during 1930; outstanding loans of these

[6] On July 15, 1931, the Chilean Government announced that payments on the foreign debt for the remainder of July would be deposited in Chile instead of being remitted abroad. Subsequently even the deposits in Chile were suspended.

[7] In May, 1931, the Central Bank's discount rates were raised to 9 per cent for member banks and 10 per cent for the public.

institutions totaled 167,000,000 and 31,000,000 pesos, respectively, on December 31, 1930. The value of protested bills increased about 80 per cent over 1929, and insolvencies and bankruptcies also increased, especially in the closing months of the year. Santiago bank clearings decreased from 7,003,400,000 pesos in 1929 to 6,111,000,000 pesos in 1930. The stock market was dull and the trend in prices of stocks, mortgage bonds, and Governent bonds during 1930 was downward.

The total amount of foreign bills sold by the Central Bank during 1930 exceeded purchases by 117,400,000 pesos, and the total gold reserves of the bank, after deducting Government deposits in foreign currency and time drafts outstanding, dropped from 447,723,197 to 340,788,724 pesos, and the note circulation from 351,620,450 to 305,837,230 pesos. The legal and total gold-reserve ratios of the Central Bank declined from 59.11 and 94.87 per cent, respectively, on December 27, 1929, to 52.82 and 86.79 per cent, respectively, on December 26, 1930. The exchange value of the peso was steady throughout the year.

BALANCE OF PAYMENTS

The Central Bank of Chile published in its August monthly bulletin the following estimate of some of the more important items of the balance of payments of Chile in the first half of 1930. Certain items that are known to enter into the balance of payments were not estimated because of lack of data; hence the following should not be regarded as a complete exposition of the Chilean balance of payments for the period mentioned.

Estimate of some important items in the balance of payments of Chile

Item	First semester, 1930	
	Credit	Debit
	Pesos	*Pesos*
Loans and advances contracted abroad by the Government	478,697,400	
Payment of old advances		106,712,500
Municipal and other loans	85,203,000	
Service of external direct debt of national Government		123,297,000
Service of external debt of muncipalities, railways, and other entities		16,546,000
Service of external debt of National Mortgage Bank (Caja de Credito Hipotecario)		27,336,800
Payments to public employees abroad and contributions to institutions abroad		11,300,000
Payments of national Government abroad for new ships for navy, repairs, armaments, and acquisition of real estate		45,000,000
Merchandise exports	657,100,000	
Merchandise imports		770,300,000
Consular fees	16,300,000	8,000,000
Tourists, immigrants, and immigrant remittances	15,000,000	20,000,000
Nitrate propaganda		13,000,000
Investment of new foreign capital in Chile	40,000,000	
Yield on foreign capital invested in Chile		280,000,000
Increase in debit balances of the commercial banks with their correspondents abroad	15,423,000	
Decline in gold reserves of Central Bank	69,630,000	

COLOMBIA

As a result of the decline in coffee prices, the tightening of credit, the curtailment of public works construction, and other factors, the trend of business activity in Colombia continued downward in 1930. Imports, Government revenues, note circulation, gold reserves, and bank clearings showed marked declines. On the other hand, exports held up quite well, largely because of the increased volume of coffee shipments and the maintenance of petroleum exports. Consequently, a great improvement occurred in the balance of trade, as the following figures show.

Colombian balance of trade, 1929 and 1930

Item	1929	1930
	Pesos	*Pesos*
Exports	126,871,945	112,708,549
Imports	126,376,990	62,841,091
Favorable trade balance	494,955	49,867,458

In addition to the improvement in the trade balance, the energy with which the financial problems confronting the nation were handled by the new administration which took office in August, 1930, was undoubtedly one of the outstanding features of the year. Nevertheless the year closed with a large accumulated deficit in the national treasury and the financial position of most of the departments and municipalities was very difficult.

GOVERNMENT REVENUES AND EXPENDITURES

The year 1930 marked a distinct change in the financial policy of Colombia. At the beginning of the year the accumulated floating debt totaled approximately 18,000,000 pesos (1 peso equals $0.9733 at par). Of this amount only a small portion had been covered by short-term loans, the great bulk being represented by treasury warrants, indebtedness to departments, etc. The budget for 1930 had anticipated revenues of 62,000,000 pesos, but actual collections soon showed that the estimates had been far too optimistic. In the early part of the year, so great was the deficiency that the Government was forced to resort to arrangements whereby certain receipts (petroleum royalties, income taxes, etc.) due in the second half of the year were paid in advance.

Shortly after taking office, the new administration made a careful survey of the Government's financial position. This survey indicated that the accumulated deficit at the end of 1930 would total about 32,000,000 pesos, on account of the fact that important sums normally received by the Government in the second half of the year had already been paid. Arrangements were made with American bankers for short-term loans amounting to $20,000,000, an issue of internal bonds in the amount of 6,000,000 pesos was authorized, and plans were made to cover the remainder of the deficit from other sources. Despite the introduction of economy measures, the year's operations showed a budgetary deficit of around 12,600,000 pesos, and the accumulated deficit at the end of 1930 was slightly over 30,000,000 pesos. The issuance of treasury notes reduced the treasury deficit at the end of 1930 to a little over 25,600,000 pesos. Actual revenues and expenditures of the Colombian National Government in 1929 and 1930, as reported by the comptroller general, were as follows:

Revenues and expenditures of Colombia, 1929 and 1930

Item	1929	1930
REVENUES		
Ordinary:	*Pesos*	*Pesos*
Customs and surcharges	40,722,091	21,226,297
Salt mines and deposits	3,015,256	2,707,862
Telegraphs, cables, and radio	2,563,160	2,195,996
Mails	949,773	1,071,201
Petroleum, mines, forests, etc	2,851,977	2,205,373
Income tax	2,696,909	3,323,553
Consumption tax	3,443,013	2,429,821
Miscellaneous taxes	4,708,172	4,214,202
Railways and cables	11,230,392	8,163,105
Sundry revenues	2,938,151	1,820,508
Total	75,238,924	49,357,918
Extraordinary		[1] 4,993,432
Grand total	75,238,924	54,351,350
EXPENDITURES [2]		
Government	9,846,821	8,919,030
Foreign affairs	1,304,417	1,027,888
Finance and public credit	17,613,824	20,840,752
War	7,716,808	4,325,273
Industries	2,494,095	1,743,101
National education	7,189,193	4,406,095
Mails and telegraphs	7,163,792	5,635,028
Public works	29,795,658	14,248,684
Comptroller	610,341	583,028
Supplies	290,669	262,877
Total	84,025,618	61,991,756

[1] This represents the portion of treasury warrants issued in 1930 which was used to cover expenditures pertaining to that year.
[2] Comprises both ordinary and extraordinary expenditures.

The comptroller's report for the year 1930 outlined the fiscal operations of the year as follows:

		Pesos
Deficit on Jan. 1, 1930		17, 993, 003
	Pesos	
Expenditures charged to appropriations	49, 387, 089	
Reserves for obligations contracted and chargeable to the year 1930	12, 604, 666	
Total expenditures	61, 991, 755	
Revenues in 1930	49, 357, 917	
Budgetary deficit of 1930		12, 633, 838
Total deficit, Dec. 31, 1930		30, 626, 841
Less part of the issue of 6,000,000 pesos of treasury notes applied to payment of expenditures and reserves of 1930		4, 993, 433
Treasury deficit, Dec. 31, 1930		25, 633, 408

An important development of the latter part of the year was the visit to Colombia of a commission of American financial experts headed by Prof. E. W. Kemmerer. The commission made studies of the financial, tariff, and banking situations, and near the end of the year various bills embodying its recommendations were presented to Congress.

PUBLIC DEBT

The only long-term loan floated abroad by any Colombian political entity during the year was one of $500,000 issued in the United States for the city of Barranquilla. According to compilations of the Revista del Banco de la Republica, outstanding long-term foreign loans of the national Government, the departments, municipalities, and the Agricultural Mortgage Bank totaled 176,902,494 pesos at the end of 1930, compared with 181,701,738 pesos at the end of 1929, the reduction being due, of course, to sinking-fund operations.

The balance sheet as of December 31, 1930, contained in the comptroller's report for 1930, itemized the public debt (exclusive of contingent liability on account of bonds of the Agricultural Mortgage Bank guaranteed by the Government) of the Government [1] as follows:

	Pesos
Internal debt	20, 913, 370
External debt	66, 151, 380
Total	87, 064, 750
Loans of gradual amortization	530, 762
Paper money in circulation	7, 930, 709
Total	95, 526, 221

In addition to the foregoing, current liabilities on December 21, 1930, including short-term bank loans of 12,824,354 pesos, were reported at 43,196,839 pesos, compared with current assets of 17,563,431 pesos. The difference, 25,633,408 pesos, is the accumulated deficit as of the end of the year.

BANKING, CURRENCY, AND EXCHANGE

The trend of banking operations during 1930 is indicated by the following year-end comparison of selected asset and liability accounts published in reports of the superintendent of banks, which cover all banks in Colombia except the Banco de la Republica.

Selected consolidated items of Colombian banks

Item	Dec. 31, 1929	Dec. 31, 1930
ASSETS	*Pesos*	*Pesos*
Cash	7,019,844	6,288,206
Deposits in the Bank of the Republic	4,487,583	3,817,220
Loans discountable with Bank of the Republic	37,461,258	33,229,097
Loans not discountable with Bank of the Republic	46,037,054	41,393,869
Due from foreign correspondents	9,137,681	7,367,362
Mortgage loans	84,650,291	82,841,317
LIABILITIES		
Sight deposits	40,780,736	31,281,147
Time deposits	16,646,945	17,437,388
Savings deposits	9,481,192	9,801,490
Due to foreign correspondents:		
Sight	4,657,531	3,517,417
Time	19,580,250	19,195,786
Mortgage cedulas	77,712,700	77,415,813
Capital and legal reserves	51,070,511	51,669,344

Bogota bank clearings declined from 283,692,000 pesos in 1929 to 156,706,000 pesos in 1930. The value of bills, notes, and checks protested in Bogota dropped from 1,550,000 pesos in 1929 to 1,003,000 pesos in 1930.

The discount rate of the Banco de la Republica for operations with shareholding banks was lowered from 9 to 8 per cent on May 21, 1930, and to 7 per cent on September 18, which rate was in effect at the end of the year. Note circulation of the Banco de la Republica (the central bank) declined from 39,074,000 pesos at the end of 1929 to 27,357,000 pesos at the end of 1930, and its total gold reserves from 37,748,000 to 27,417,000 pesos. Owing to the fact that the decline in not ecirculation was larger than the decline in gold holdings, the legal gold reserve ratio of the bank increased from 67.32 to 74.43 per cent, and total gold reserve ratio from 83.89 to 84.97 per cent. Exchange was steady throughout the year.

In December a law was enacted reducing the minimum legal reserve ratio of the bank from 60 to 50 per cent and removing the stipulation as to the percentage of legal gold reserves that might be held abroad.

Costa Rica

According to the President's message to Congress of May 1, 1931, the international trade of Costa Rica dropped from 153,500,000 colones (the colon is stabilized at $0.25) in 1929 to 108,750,000 colones in 1930. However, since the larger part of this decline was accounted for by greatly reduced imports, there was a favorable trade balance of around 22,000,000 colones in 1930, compared with an unfavorable balance of about 8,000,000 colones in 1929. Coffee accounted for approximately two-thirds of total exports.

GOVERNMENT FINANCES

In his message the President stated that "the effect of the crisis has been most evident in the fiscal order. Ordinary revenues in 1930 totaled 27,468,499 colones, and were nearly 3,750,000 colones less than budget estimates and almost 8,000,000 colones less than the previous year. Customs revenues in 1930 totaled 12,579,324 colones, or 34.49 per cent below those of 1929, and liquor revenues totaled 4,384,725 colones, a decline of 20.48 per cent compared with 1929. Pacific Railway revenues of 2,332,200 colones were nearly 1,500,000 colones less than in the previous year. This drop was attributed to a depression in the lumber business and to the fact that the railway transported only 24.84 per cent of the coffee exported in 1930, compared with 90 per cent in 1929.

Actual expenditures were 32,513,819 [7] colones, or 5,045,320 colones in excess of revenues. The President stated, however, that 5,385,427 colones represented extraordinary expenditures for roads, schools, and water mains, so that ordinary expenditures were reduced to 27,128,391 colones.

Actual revenues and expenditures in 1930, compared with actual figures for 1929, were reported by Consul Edward Caffery, San Jose, as follows:

Ordinary revenues and actual expenditures of Costa Rica

Item	1929	1930
ORDINARY REVENUES	*Colones*	*Colones*
Customs duties	19, 201, 514	12, 579, 324
Liquor monopoly	5, 514, 315	4, 384, 725
Post Office Department	372, 611	461, 955
Document taxes:		
Paper	252, 409	216, 876
Stamps	360, 808	326, 882
Telegrams	282, 380	210, 795
Pacific Railway [1]	3, 794, 529	2, 332, 200
Export tax (coffee)	2, 502, 623	2, 907, 338
National Printing Office	27, 589	31, 081
Public registry	94, 159	86, 324
Luxury tax [2]	918, 358	693, 418
Commercial licenses	542, 117	541, 575
Sundries	264, 952	349, 680
Direct taxes	1, 004, 846	1, 990, 870
Banana export tax	242, 777	325, 456
Total	35, 395, 987	27, 468, 499
ACTUAL EXPENDITURES		
Legislative power	407, 879	425, 163
Judicial power	990, 340	1, 110, 790
Interior and judicial police	2, 910, 645	2, 974, 910
Public health	1, 048, 554	1, 191, 594
Public works	13, 378, 625	9, 942, 439
Foreign affairs	434, 079	432, 110
Justice	74, 260	91, 575
Religion	56, 137	80, 696
Public education	4, 826, 432	5, 034, 112
Public safety	2, 668, 797	2, 714, 218
Treasury and commerce	4, 367, 640	3, 281, 005
Service of the public debt	[3] 5, 056, 678	[3] 5, 235, 207
Total	36, 220, 066	32, 513, 819

[1] Gross.
[2] Surtax on importations of tobacco, cigars, cigarettes, lighters, playing cards, and champagne, called "impuesto de conversion."
[3] Interest and commissions only.

Despite a certain amount of borrowing from local banks for the purpose, it is understood that the Government was in arrears in some salary payments at the end of the year.

PUBLIC DEBT

The Government was unable to float authorized long-term foreign loans during the year, although a short-term loan of $1,000,000 was obtained from an American bank to repay another short-term loan previously obtained from another American bank. In the early part of the year the Civil Tribunal of the Seine (France) rendered judgment against the Government of Costa Rica; in other words, it decided that coupons of the 1911 franc loan must be paid in prewar gold francs. However, the greater part of the loan had been redeemed previously as a result of an agreement reached in 1925 with a very large proportion of the bondholders. According to a report from Consul Edward Caffery (San Jose), the public debt at the end of 1930 and at the end of the previous year was as follows:

Public debt of Costa Rica

Item	Dec. 31, 1929	Dec. 31, 1930
	Colones	*Colones*
Internal debt:		
Bearer bonds	2, 190, 398	2, 100, 013
Administration accounts	1, 731, 157	2, 550, 241
Consolidated debt	1, 205, 633	1, 183, 549
Banks and bankers	7, 528, 888	9, 515, 416
Drafts payable	543, 984	1, 220, 650
Municipalities	47, 044	51, 648
Foreign correspondents	130	4, 000, 000
Sundry	4, 606, 923	5, 126, 045
Total	17, 854, 157	25, 753, 562
External debt:		
French debt	902, 240	904, 160
English debt	31, 412, 139	30, 447, 030
American debt	30, 402, 000	29, 790, 000
Electrification of the Pacific Railway	7, 200, 000	7, 200, 000
Total	69, 916, 379	68, 341, 190
Total national debt	87, 770, 536	94, 094, 752

One of the pressing financial problems at the end of 1930 was the funding of the floating debt.

BANKING, CURRENCY, AND EXCHANGE

Money was fairly tight throughout the year. In the later months banks reported an improvement in collections from the better firms. In general, collections on new obligations were good, but those on old obligations were very difficult.

Monetary circulation (exclusive of United States currency) declined from 20,469,000 colones at the end of 1929 to 18,433,000 colones at the end of 1930. The gold reserves of the Caja de Conversion, largely composed of deposits in banks abroad, declined from $835,452 at the end of December, 1929, to $339,148 on December 31, 1930, but exchange remained stabilized at 4 colones to the dollar throughout the year. Banks discontinued the rationing of foreign exchange in the third quarter of the year.

CUBA

In large measure because of difficulties of the sugar industry, 1930 was a year of acute business depression in Cuba. Government revenues declined, thus necessitating reductions of Government salaries and other economies. Retrenchment was likewise necessary in private business, and many firms ceased operations altogether. Banking difficulties which developed in the latter part of September, a tightening up of commercial credits, and political tension were among other factors contributing to the decline in business activity. The financial position of the Government became more and more difficult as the year progressed.

GOVERNMENT REVENUES AND EXPENDITURES

The budget for the fiscal year ended June 30, 1930, as originally enacted, calculated revenues and expenditures at $85,450,000 and $85,392,151 respectively. However, actual budgetary revenues fell below estimates, and in January, 1930, a sharp reduction in salaries of most Government employees was put into effect as a measure of budgetary relief. The final liquidation of the 1929–30 budget is not yet available, but on the basis of the monthly figures published in the Official Gazette it does not appear that economies effected were sufficient to offset the decline in revenues and thus avert a deficit. The following figures submitted by Commercial Attaché Frederick Todd (Habana) show the monthly revenues and expenditures, under the general budget, the public works fund, and the special funds, during the fiscal year 1929–30.

Cuban Government revenues and expenditures during 1929–30

Month	Regular budgetary	Public works	Special funds	Total
REVENUES				
1929:				
July	$8,008,260	$2,313,972	$1,218,548	$11,540,780
August	5,031,933	2,405,668	881,056	8,318,657
September	5,084,248	1,289,865	741,174	7,115,287
October	8,090,167	2,206,659	1,195,242	11,492,068
November	5,550,127	846,965	704,033	7,101,125
December	5,274,325	768,346	566,745	6,609,416
1930:				
January	7,693,243	2,067,479	630,547	10,391,269
February	6,077,570	1,085,263	664,905	7,827,738
March	6,882,321	889,403	588,293	8,360,017
April	8,231,739	2,378,932	1,430,415	12,041,086
May	5,068,686	893,160	683,033	6,644,879
June	6,104,468	975,577	552,274	7,692,319
Total	77,157,087	18,121,289	9,856,265	105,134,641
EXPENDITURES				
1929:				
July	6,043,433	604,045	1,191,987	7,839,465
August	7,609,569	663,428	2,284,533	10,557,530
September	6,276,341	1,312,807	1,530,880	9,120,028
October	8,068,479	884,682	1,045,479	9,998,640
November	7,331,503	648,001	1,456,498	9,436,002
December	6,568,248	2,834,409	1,251,149	10,653,806
1930:				
January	5,484,555	3,689,511	1,272,451	10,446,547
February	6,985,934	997,324	1,027,569	9,010,827
March	6,696,254	3,099,717	969,876	10,765,847
April	6,642,222	722,692	1,024,865	8,389,779
May	6,517,510	426,576	1,604,758	8,548,844
June	6,888,685	4,802,490	1,436,026	13,127,201
Total	81,112,733	20,685,712	16,096,071	117,894,516

In view of the decline in revenues, the budget for the fiscal year 1930–31, enacted in June, 1930, calculated revenues and expenditures at $76,790,000 and $76,754,617, respectively, a reduction of over $8,600,000 compared with the previous year. However, it soon became evident that further reductions in the budget would be necessary, and another cut in salaries of Government employees, effective November 1, was made. This brought the 1930–31 budget down to around $69,500,000. During November, 1930, all projects on the special public works program, except the Central Highway and the Santiago de Cuba Water-Works, were suspended. Actual revenues and expenditures for the first half of the fiscal year 1930–31 under the general budget, the public works fund, and the special funds were reported by Commercial Attaché Todd, as follows:

Cuban Government revenues and expenditures during first half of 1930–31

Month	Budget	Public works	Special funds	Total
REVENUES				
1930:				
July	$6,743,705	$1,939,217	$746,766	$9,429,718
August	4,221,766	2,140,762	575,598	6,938,126
September	4,493,438	1,342,484	452,166	6,288,088
October	6,338,686	2,146,416	703,259	9,188,361
November	3,848,495	561,352	639,070	5,048,917
December	3,902,907	767,961	358,502	5,029,373
Total	29,548,997	8,898,225	3,475,361	41,922,583
EXPENDITURES				
1930:				
July	5,311,979	952,998	1,358,570	7,623,547
August	7,148,911	414,366	1,488,325	9,051,602
September	5,667,247	1,575,467	1,058,922	8,301,636
October	6,968,897	983,075	1,050,716	9,002,688
November	4,721,416	633,650	970,994	6,329,060
December	5,319,990	328,976	4,099,326	9,748,292
Total	[1] 35,399,842	4,888,532	10,026,853	[2] 50,315,227

[1] The summation of the items is $35,141,440. [2] The summation of the items is $50,056,825.

By a presidential decree issued in November, an economic commission, the chairman of which was to be the secretary of the treasury, was appointed to study Cuba's economic and financial problems, including tax revision and new banking legislation.

PUBLIC DEBT

In February, 1930, a $40,000,000 loan was publicly offered in the United States for refunding indebtedness of the Cuban Government to American bankers on account of works completed under the provisions of the public works law. In connection with this loan the Cuban Government also secured a $20,000,000 credit maturing in March, 1931.

In addition, a presidential decree of October 24 approved a proposal of contractors which provided for the issuance of treasury obligations up to $20,000,000 for financing work on the Central Highway. The public debt on February 28, 1931, compared with September 30, 1930, was reported in the President's message of April 6, 1931, as follows:

Public debt of Cuba

Item	Sept. 30, 1930	Feb. 28, 1931
External:		
5 per cent Speyer, 1904	$13,498,500	$12,993,000
4½ per cent Speyer, 1909	12,163,000	11,999,000
5 per cent Morgan, 1914	6,087,000	5,761,500
5½ per cent Morgan, 1923	30,285,600	28,157,600
5½ per cent Morgan, 1927	6,300,000	6,300,000
Total	68,334,100	65,211,100
Internal:		
5 per cent of 1905	7,965,200	7,915,500
5 per cent of 1917	1,000,000	500,000
Total	8,965,200	8,415,500
Public works:		
Public works 5½ per cent gold bonds	40,000,000	40,000,000
Public works 5½ per cent serial certificates	20,000,000	18,000,000
Gold obligations of the Treasury, 5½ per cent	20,000,000	20,000,000
Contract for issue of a series of gold obligations of the Treasury at 5½ per cent		20,000,000
Total	80,000,000	98,000,000

Summing up the above figures, it will be seen that the total debt, as reported, increased from $157,299,300 on September 30, 1930, to $171,626,600 on February 28, 1931. It should be pointed out that the foregoing figures do not include the floating debt or potential indebtedness arising from the issuance of obligations under the Chadbourne plan for the stabilization of the sugar industry. Under this plan bonds guaranteed by the Cuban Government in an amount not to exceed $42,000,000 were authorized to be issued in exchange for sugar, the bonds to be secured by the sugar thus segregated. The obligations mentioned are, in effect, contingent liabilities of the Cuban Government which may or may not accrue, depending upon the price at which the segregated sugar is sold.

BANKING AND CURRENCY

The business depression in 1930 is reflected in the following table prepared by Consul H. B. Quarton (Habana) showing Habana bank clearings, by months, during 1929 and 1930.

Habana bank clearings, 1929 and 1930

Month	1929	1930	Month	1929	1930
January	$87,628,458	$64,479,611	August	$82,833,799	$54,044,343
February	89,925,622	72,840,030	September	65,015,287	53,150,538
March	99,066,634	82,316,270	October	70,922,736	50,038,646
April	94,482,712	80,403,850	November	63,205,512	41,663,062
May	91,324,785	78,173,903	December	63,476,254	44,905,590
June	67,808,570	64,463,703			
July	77,883,531	63,525,334	Total	953,573,900	750,004,880

Total bank loans declined from $166,654,039 on June 30, 1929, to $152,840,874 on June 30, 1930. Savings deposits were reported to have shown a declining trend during the year.

Near the end of September the Banco del Comercio suspended payments, and a heavy run developed on various other banks in Habana and outlying districts. As a result, a few small banks suspended payments, but other banks withstood the withdrawals, although the Banco Comercial de Cuba was subjected to a particularly serious run.

Commercial credits were greatly restricted during the year, and collections were very difficult.

According to estimates of the Cuban Treasury Department, the amount of money in circulation (Cuban and American currency) declined from $138,379,295 at the end of June, 1929, to $127,043,185 at the end of June, 1930. According to the same source, imports and exports of money in the calendar year 1930 totaled $43,380,000 and $63,310,240, respectively, a net export of money of $20,230,240 thus resulting.

DOMINICAN REPUBLIC

General economic conditions in the Dominican Republic during 1930 were very unfavorable. In addition to the low prices prevailing for the country's principal export products, such as sugar and cacao, a number of other developments occurred to slow up normal business activities. These included the revolution of February, 1930, and an ensuing presidential election. Finally, on September 3, a terrific hurricane caused great damage to the capital of the Republic.

Complete actual results of the Government's financial operations during 1930 are not yet available, but declining revenues and other factors, such as the increase in debt service due to the commencement of fixed monthly sinking-fund payments on the bonded debt, made the financial position of the Government difficult. Gross customs collections dropped from $4,989,527 in 1929 to $3,594,568 in 1930, a decline of approximately 28 per cent. Moreover, nearly two-thirds of the entire customs revenue was applied to the service of the bonded debt, so that the amount actually received by the Government from customs receipts was the lowest since 1921. At the same time, sinking-fund payments on the debt were the largest, with one exception, in the history of the country. As a result, in the absence of the flotation of new series, the bonded debt declined from $19,684,000 at the end of 1929 to $18,281,500 at the end of 1930.

Commercial collections were exceedingly difficult in 1930, and there was a very large amount of overdue obligations outstanding at the end of the year.

Ecuador

According to a report from Consul General Harold D. Clum (Guayaquil), the year 1930 brought no abatement of the severe business depression which has prevailed in Ecuador with increasing intensity for the past three or four years. In addition to the economic depression from which the country has been suffering, due to diseases in the cacao plantations and to other local causes, the world economic crisis accentuated difficulties in 1930. The year was characterized by a fall in prices of most of Ecuador's export products and also by a diminution in quantity of some of them. These factors, together with a stringency of money and credit, greatly reduced buying power and increased the difficulty of effecting collections.

GOVERNMENT REVENUES AND EXPENDITURES

The national budget for 1930 calculated revenues and expenditures at 64,037,200 sucres (1 sucre equals $0.20 at par). The final liquidation of the 1930 budget has not yet been effected, but actual results of the year, including the supplementary period up to January 31, 1931,[8] were as follows:

ACTUAL REVENUES

	Sucres
National properties:	
Railways	1, 859, 306
Mines	1, 315, 877
Rental of real estate	110, 495
State industries	42, 356
Total	3, 328, 034
National services:	
Port dues	1, 577, 859
Posts	814, 493
Telegraphs	468, 779
Telephones	130, 495
Total	2, 991, 626
Taxation:	
Direct taxes	4, 515, 926
Indirect taxes	25, 066, 432
Documentary taxes	2, 571, 257
Monopolies	19, 582, 365
Total	51, 735, 990
Miscellaneous revenues	2, 056, 791
Grand total	60, 112, 141

[NOTE.—The summation of the items making up the grand total is 60,112,441.]

ACTUAL EXPENDITURES

Legislature	529, 486
Judiciary	936, 071
Presidency	150, 539
Government police, public works, etc	17, 470, 294
Foreign relations	1, 833, 726
Public instruction, posts, telegraphs, etc	9, 210, 904
Social prevision, agriculture, etc	3, 138, 002
Finance	7, 114, 496
War and marine	8, 929, 446
General	6, 421, 659
Total	55, 734, 623

The foregoing expenditures do not include 3,767,195 and 1,202,243 sucres, which are to be set aside from the 1930 budget for the service of the external

[8] The budgetary period consists of the calendar year, together with a supplementary period ending March 31, of the following year, during which time incompleted operations of collections and dusbursements are effected.

debt and as a treasury reserve respectively. Adding these amounts to the 55,734,623 sucres above itemized, expenditures for the year, through the first month of the supplementary period, totaled 60,704,061 sucres, or 591,920 sucres more than revenues.

PUBLIC DEBT

According to a report from Consul General Harold D. Clum (Guayaquil), the foreign debt [9] of Ecuador on January 2, 1931, was as follows (conversion to sucres made at par):

	Sucres
First-mortgage bonds, Guayaquil & Quito Railway	99, 193, 000
Salt certificates	2, 483, 460
Condor bonds	2, 260, 094
Swedish Match Co. loan	9, 642, 155
Total	113, 578, 709

The internal debt at the end of 1930 amounted to 10,836,978 sucres, of which the debt to the Central Bank amounted to 8,516,278 sucres.

During 1930 the Government continued to deposit funds for the service of the external debt, exclusive of the Match Monopoly loan, in the Central Bank instead of remitting them to the bondholders.

BANKING, CURRENCY, AND EXCHANGE

According to figures compiled by Consul General Harold D. Clum from statements of the superintendent of banks, covering all banks except the Central Bank, bills receivable declined from 38,703,875 sucres at the end of 1929 to 36,285,434 sucres at the end of 1930, while mortgage loans, including those of the Mortgage Bank of Ecuador, increased from 52,281,652 sucres to 55,225,002 sucres during the same period. Deposits payable on demand or less than 30 days declined from 27,681,705 to 26,439,800 sucres. Time deposits, on the other hand, increased from 7,257,893 to 8,528,758 sucres. Cash and deposits in the Central Bank and other banks increased from 11,217,748 to 11,604,558 sucres.

During the year the Mortgage Bank of Ecuador floated a domestic issue of 9 per cent bonds amounting to 1,000,000 sucres, of which the Government subscribed 900,000 sucres as a temporary investment of the treasury reserve.

The Banco Comercial y Agricola continued in liquidation during 1930. Payments amounting to 20 per cent were made to ordinary creditors in the first half of the year, but no further payments could be made during 1930 because of the necessity of devoting all available funds to the operation of the San Carlos Sugar Mill and Estate, the bank's chief source of income.

The discount rates of the Central Bank were lowered 1 per cent on January 10, 1930, to 9 per cent for associated banks and 10 per cent for the public. The former rate continued in effect throughout the year, but the rate for the public was raised to 11 per cent on November 18. Total amounts discounted at the Central Bank increased from 18,895,257 sucres in 1929 to 19,814,780 sucres in 1930. Note circulation of the Central Bank declined from 29,997,080 sucres at the end of 1929 to 23,491,445 sucres at the end of 1930. During the same time the legal gold reserve ratio declined from 73.87 to 72.08 per cent, while the total gold reserve increased from 81.63 to 83.46 per cent. During 1930 sales of foreign exchange by the Central Bank exceeded purchases by 6,029,825 sucres, and total gold reserves of the bank declined from 35,063,646 sucres at the end of 1929 to 28,915,152 sucres at the end of 1930. In this connection it should be noted that sales of foreign exchange by the Central Bank exceeded purchases in 1928 and 1929 in the amounts of 5,368,602 and 3,789,385 sucres, respectively. Exchange rates were steady and within the gold points throughout 1930.

GUATEMALA

Chiefly because of the decline in the price of coffee, the country's principal money crop, economic conditions in Guatemala were very unfavorable during 1930, and the financial position of the Government was very unsatisfactory. Near the end of the year the existing Government was overthrown by revolution. Upon accession to office the succeeding administration reported the existence of a large accumulated deficit.

---

[9] Exclusive of any liability arising from Government guaranties on certain railway bonds offered for subscription in Paris in 1909 and 1911. Service on these issues has not been made, the Government claiming that contractors did not fulfill contract requirements.

GOVERNMENT REVENUES AND EXPENDITURES

According to the report of the Minister of Finance, presented to the national assembly in March, 1931, budgetary revenues in the fiscal year ended June 30, 1930, compared with budget estimates for the period, were as follows:

Budget estimates and actual revenues of Guatemala, 1929–30

Item	Budget estimates	Actual revenues	Item	Budget estimates	Actual revenues
	Quetzales	*Quetzales*		*Quetzales*	*Quetzales*
Import duties	7,280,000	5,735,247	Consular fees	560,000	347,805
Export duties	2,180,000	2,289,126	Special treasuries	473,000	438,889
Liquors and monopolies	2,908,030	2,503,630	Banking profits	200,000	192,380
Various revenues	1,223,584	1,176,962	Highway tax	....	12,786
Mails	230,000	302,005	Silver coinage	100,000	....
Telegraphs	300,000	344,165			
Telephones	100,000	125,875	Total	15,554,614	13,468,870

NOTE.—The quetzal equals $1 at par.

According to the report previously mentioned, total payments on account of the 1929–30 budget, including those made in July, 1930, were as follows:

Budgetary disbursements, 1929–30

Item	1929–30	July, 1930	Total
	Quetzales	*Quetzales*	*Quetzales*
Legislature	242,584	28,405	270,989
Executive	267,655	11,031	278,686
Judiciary	336,301	30,909	367,210
Interior and justice	1,787,352	183,805	1,971,157
Foreign relations	509,686	15,188	524,874
War	1,840,510	177,771	2,018,281
Public education	1,332,985	99,476	1,432,461
Development	1,659,019	153,985	1,813,004
Agriculture	1,276,481	163,685	1,440,166
Finance	1,337,059	121,339	1,458,398
Public debt	2,681,167	31,882	2,713,049
Total	13,270,799	1,017,476	14,288,275

Including 54,537 quetzales omitted from the foregoing itemization, the total is raised to 14,342,812 quetzales, or 873,942 quetzales in excess of revenues. In connection with the deficit for 1929–30, the report points out, that according to article 21 of Decree No. 974, the ordinary expenditures arising from the budget immediately preceding, which may have been incurred, verified, and approved, and which may not have been covered before midnight of June 30, have to be charged to said preceding budget not later than the following July 30. After that date no charge may be made to the past budget.

The previously mentioned report of the Minister of Finance included the following comparison of budgeted expenditures and amounts drawn (cantidades giradas) during the fiscal year 1929–30.

Expenditures authorized and amounts drawn, 1929–30

Item	Expenditures authorized	Amounts drawn
	Quetzales	*Quetzales*
Legislature	225,000	271,199
Executive	262,392	260,844
Judiciary	408,460	404,140
Interior	2,215,004	2,194,859
Foreign relations	428,520	513,565
War	2,200,528	2,160,007
Public instruction	1,807,560	1,631,976
Development	2,002,692	1,894,340
Agriculture	1,257,020	1,461,242
Finance	1,884,640	1,472,228
Public debt	2,852,798	2,517,506
Total	[1] 15,554,614	14,781,906
Modifications in budget of expenditures 1929–30:		
Legislature (legislative Decree No. 1650)	50,000	....
Foreign relations (emergencies)	57,271	....
Finance (administrative Decree No. 1013)	3,536	....
Total	[2] 15,665,421	14,781,906

[1] The summation of the items is 15,544,614. [2] The summation of the items is 15,655,421.

In connection with the foregoing figures the report pointed out that, although the amounts drawn were 883,515 quetzales less than budgetary authorizations, it was not possible to cover them completely.

The decline in revenues which occurred in the fiscal year ended June 30, 1930, continued in the first half of the fiscal year 1930–31 (July–December, 1930). According to the report of the Minister of Finance, ordinary revenues during this period amounted to only 5,086,191 quetzales, a decline of 1,362,664 quetzales, compared with the corresponding period of the fiscal year 1928–29. No less than 1,116,807 quetzales of this decline was accounted for by import duties.

The financial position of the Government was very unsatisfactory at the close of the year, and shortly after the change of Government arising out of the revolution of December, 1930, it was reported that the treasury deficit was in excess of 3,600,000 quetzales.

PUBLIC DEBT

According to the message of the President of the National Assembly, the total obligations of the Government at the end of December, 1930, amounted to 20,916,732 quetzales. According to a report from Commercial Attaché Merwin Bohan (Guatemala City), the external funded debt at the end of 1930 was made up as follows:

	Quetzales
4 per cent English debt	7, 918, 998
Los Altos Railway 8 per cent bonds	2, 067, 000
External secured gold 8's	2, 311, 000
External 7 per cent bonds	2, 500, 000
Total	14, 796, 998

[NOTE.—A report of the Minister of Finance carries the figure the item "External 7 per cent bonds," representing the match monopoly loan, at 1,485,000 quetzales as of December 31, 1930. The two first payments due the Government from the match monopoly loan totaled this amount.]

During the year a 30-year loan of a nominal amount of $2,500,000 was obtained in return for granting the match monopoly to the Swedish Match Co. The net proceeds of the loan was $2,250,000, of which $2,000,000 was to be used for founding the National Mortgage Bank and the balance for budgetary requirements. In May, 1930, the assembly authorized the president to contract a loan up to $20,000,000, but the year closed without the loan being floated. The liquidation of arrears in salaries and obligations to commercial houses constituted one of the pressing financial problems of the Government at the end of the year.

BANKING, CURRENCY, AND EXCHANGE

According to a report of the Department of Money and Banking of the Ministry of Finance, bank loans declined from 25,725,804 quetzales at the end of 1929 to 23,634,684 quetzales at the end of 1930. Excluding El Ahorro Mutuo, total bank deposits declined from 11,590,666 quetzales at the end of 1929 to 11,180,676 quetzales at the end of 1930. The relation of paid-in capital, reserves, and deposits to loans on December 31, 1930, was as follows:

Relation of bank capital, reserves, and deposits to loans

Item	Paid-in capital, reserves, and deposits	Loans
	Quetzales	*Quetzales*
Central Bank	4, 301, 692	6, 529, 966
National Mortgage Bank (no deposits)	1, 000, 000	431, 523
Banks of deposit	9, 841, 351	9, 942, 162
Banking houses (including a branch of a foreign bank and a savings bank)	7, 201, 312	6, 731, 033
Total	22, 344, 355	23, 634, 684

In October, 1930, the National Mortgage Bank began operations, and at the end of 1930 its paid-in capital totaled 1,000,000 quetzales. Loans of the bank on the same date totaled 431,523 quetzales.

Commercial collections were reported to have become steadily worse as the year progressed, although the large foreign firms, with very few exceptions, met their obligations satisfactorily, and the credit standing of a number of conservative Guatemalan concerns was reported to be sustantially the same as before the drop in coffee prices.

Total note circulation dropped from 8,101,797 quetzales at the end of 1929 to 6,540,697 quetzales at the end of 1930. During the year the government aided the central bank in meeting the deficiency in the supply of foreign exchange by depositing foreign-loan proceeds to the order of the central bank in exchange for its notes, and by aiding it in obtaining credit from an American bank.

REMARKS OF MINISTER OF FINANCE

In concluding his report to the national assembly, published in El Guatemalteco of March 17, 1931, the Minister of Finance stated that the data compiled would enable the legislators to take account of the "distressing circumstances in which a régime whose principal characteristics were a lack of order and probity leaves the country." Continuing, he stated as follows:

"A huge debt arising from salaries and expenses which were not covered on time weighs down upon the treasury; we are under the pressure of an unbalanced budget, which makes any sound plan of financial reorganization impossible; we have contracted obligations which have assigned the greater part of the revenues that could be disposed of to meet the public expenses; and aside from circumstances of an internal order, which by themselves constitute a difficult although not impossible obstacle to clear, we find ourselves before the problem of the crisis which the economic world still feels and which with respect to our fiscal condition is translated into a noticeable decline in revenues. Such circumstances demand great sacrifices which the present government is determined to carry out at any cost."

HAITI

Although crops were better than average, the decline in the price of coffee and other less important products, such as cotton, cacao, and sugar, impaired the purchasing power of the country and, as a result, both imports and exports declined substantially in the fiscal year 1929–30, total foreign trade dropping from 169,800,000 gourdes (1 gourde=$0.20 at par) in 1928–29 to 134,900,000 gourdes in 1929–30. Since approximately 80 per cent of Haiti's revenue receipts are derived from customs duties, revenue receipts of the country declined to the lowest levels since 1923–24. However, government expenditures also declined, but not sufficiently to avert a deficit; the public debt was reduced; and the unobligated cash surplus of the treasury at the close of the fiscal year was not greatly below the record surplus reported a year earlier.

GOVERNMENT REVENUES AND EXPENDITURES

The ordinary budget of expenditures for the fiscal year ended September 30, 1930, as originally voted on July 14, 1929, authorized expenditures of 40,090,990 gourdes. In view of the drop in coffee prices, efforts were made to effect budgetary reductions as soon as possible, but the final budget revision did not become effective until March 1, 1930, in which date the projected budgetary expenditures for the year were reduced to 38,144,826 gourdes. During 1929–30 only 706,047 gourdes were voted in the form of extraordinary credits, as compared with 3,266,148 gourdes in 1928–29, and expenditures during the fiscal yer were confined to the maintenance and operation of public works and government activities already in existence or provided for by legislation enacted prior to the fiscal year 1929–30.

Total receipts from revenues during the fiscal year 1929–30 amounted to 38,648,163 gourdes, while expenditures from revenue amounted to 40,643,203 gourdes, a deficit of 1,995,066 gourdes thus resulting. The foregoing figure of expenditures does not include miscellaneous ependitures (nonfiscal) of 1,204,073 gourdes. In view of these figures, it would appear that in spite of budget reductions, expenditures during 1929–30 exceeded the budgetary provisions as first proposed. However, the annual report of the financial adviser-general receiver of Haiti points out "that the total expenditures as recorded for 1929–30 include disbursements under extraordinary credits for which funds were taken from surplus during the previous two years and not entirely utilized. Under the finance law, such credits continue until the purposes for which they were allotted have been fulfilled, provided this period does not exceed two years." According to the annual report of the financial adviser-general receiver of Haiti, receipts and expenditures from revenues during the fiscal year 1929–30, compared with the previous fiscal period, were as follows:

Actual revenues and expenditures of Haiti, 1928–29 and 1929–30

Item	1928–29	1929–30	Item	1928–29	1929–30
			EXPENDITURES—contd.		
REVENUES				*Gourdes*	*Gourdes*
	Gourdes	*Gourdes*	Public health service	4,435,429	4,040,663
Customs	35,247,650	30,839,075	Public works	43,576	37,462
Internal revenues	6,035,265	6,620,164	Public works service	9,621,863	6,837,531
Miscellaneous	1,238,613	1,188,924	Justice	1,297,720	1,309,419
			Agriculture	43,105	42,957
Total	42,521,528	38,648,163	Agricultural service	2,815,689	2,408,006
			Labor	595,387	759,616
EXPENDITURES			Public instruction	2,053,664	2,055,190
			Religion	516,093	424,682
Public debt	13,455,415	12,207,839			
Guard of Haiti	6,368,579	6,459,654	Total expenditures		
Foreign relations	555,876	572,040	from revenue	44,119,504	40,643,229
Finance	721,811	681,569	Miscellaneous	914,152	1,204,073
Commerce	329,730	311,958			
Interior	1,265,557	1,494,643	Total payments	45,033,656	41,847,302

The unobligated cash surplus of the treasury on September 30, 1930, totaled 19,677,359 gourdes, compared with 20,361,458 gourdes on September 30, 1929.

By executive order of September 3, 1930, the 1929–30 budget was prorogued to cover the fiscal year 1930–31. As the prorogued budget called for expenditures in excess of 40,000,000 gourdes, a figure much in excess of estimated revenues for 1930–31, a reduction in the budget was subsequently effected so that authorized expenditures for the period were reduced to 35,184,274 gourdes. During the first qurter of the fiscal year 1930–31 (October–December, 1930) revenues declined 10.7 per cent, and expenditures from revenues declined 17.9 per cent, compared with the same period of the previous fiscal year.

PUBLIC DEBT

The public debt of Haiti decreased 5,971,747 gourdes during the fiscal year 1929–30. The following figures taken from the annual report of the financial adviser general receiver of Haiti show the amount of the decrease by items.

Item	Sept. 30, 1929	Sept. 30, 1930	Decrease
	Gourdes	*Gourdes*	*Gourdes*
Series A bonds	62,751,128	59,190,195	3,560,933
Series B bonds	11,603,631	10,001,593	1,602,038
Series C bonds	10,352,637	9,749,761	602,876
Fiduciary currency	3,970,000	3,764,100	205,900
Total	88,677,396	82,705,649	5,971,747

By the end of December, 1930, the public debt had been further reduced to 79,650,795 gourdes.

BANKING, CURRENCY, AND EXCHANGE

According to the annual report of the financial adviser General receiver of Haiti, the average of loans and discounts outstanding at the end of each month during 1929–30 was only 17,088,000 gourdes, compared with an average of 26,680,000 gourdes a year earlier. This decline was attributed to the caution with which commitments were made as well as to the fact that the fall in prices permitted merchants to finance transactions with a smaller amount of borrowed funds. Excluding Government funds carried in the Banque Nationale, the average montly bank deposits declined from 16,499,000 gourdes in 1928–29 to 15,960,000 gourdes in 1929–30. At the end of 1930 it was reported that commercial collections were difficult and that many firms would have been thrown into bankruptcy but for the fact that such action in all probability would be unprofitable.

Currency in circulation, including estimated United States currency, declined from 18,006,635 gourdes on September 30, 1929, to 16,139,694 gourdes on September 30, 1930. Average monthly note circulation of the Banque Nationale de la Republique d'Haiti dropped from 12,372,489 gourdes in 1928-29 to 9,662,328 gourdes in 1929-30. Exchange was steady throughout the year.

Honduras

In his message to Congress on January 1, 1931, the President of Honduras stated in part as follows:

"The commerce of the country was greater in the fiscal year 1929-30 (year ended July 31, 1930) than in the previous fiscal year. Our imports increased by $1,085,197 (U. S. gold). Exports increased by 3,204,106 silver pesos(1 peso is officially recognized as the equivalent of $0.50). The favorable trade balance increased 1,033,712 silver pesos.

"The public finances of Honduras present many problems, but the fundamental ones for the present are the balancing of the general budget of the expenditures and that of the payment of debts, because only by balancing the budget and completely paying obligations can the national credit be placed on a firm basis.

"The decline in silver has made the solution of the monetary problem more difficult. The losses that the State will suffer upon making the conversion decreed by the National Congress will be considerable. Nevertheless I believe that, whatever may be the sacrifice resulting from it, said conversion should be carried out, since it is not scientific nor expedient to continue with a currency which completely lacks stability in value and causes such great disturbances to commercial activities."

General economic and financial conditions in Honduras were better at the beginning than at the end of 1930, when a rather pronounced slump became evident.

GOVERNMENT REVENUES AND EXPENDITURES [10]

According to a report of the Minister of Finance, actual revenues during the fiscal year ended July 31, 1930, exceeded both budget estimates for that year and revenues of the previous year. The following table shows actual revenues in 1929-30, as compared with budget estimates.

Budget estimates and actual revenues of Honduras, 1929-30

Item	Estimated	Actual	Item	Estimated	Actual
	Pesos	*Pesos*		*Pesos*	*Pesos*
Customs	4,134,000	5,156,822	Miscellaneous	1,318,923	330,175
Monopolies	2,519,000	2,034,093	Special revenues	2,528,000	3,413,647
Stamp taxes	897,000	1,059,547			
Services	1,705,000	2,320,015	Total	13,101,923	14,314,299

Actual expenditures during 1929-30 were in excess of the original budget figures, as shown by the following comparison of the original budget authorizations and actual budgetary expenditures.

Budgeted and actual expenditures of Honduras, 1929-30

Item	Original budget	Actual budgetary	Item	Original budget	Actual budgetary
	Pesos	*Pesos*		*Pesos*	*Pesos*
Government	1,755,864	2,059,505	War and navy	1,699,864	1,890,232
Justice	370,500	369,873	Treasury	1,040,203	1,639,840
Sanitation	285,000	276,946	Public credit	2,494,138	2,547,123
Foreign relations	343,485	340,515			
Education	1,209,365	1,287,242	Total	13,101,923	13,942,706
Development	3,903,504	3,531,430			

The report of the Minister of Finance pointed out that supplementary extra-budgetary expenditures of 1,079,033 pesos, including 712,000 pesos for the maintenance of public order, should be added to the foregoing figure of 13,942,706

[10] Revenues and expenditures here reported are exclusive of numerous special accounts.

pesos, thus raising the total to 15,021,739 pesos, or 707,440 pesos more than actual revenues. Part of this deficit was met from the surplus of the previous fiscal year, so that unpaid accounts at the close of the year's operations were reduced to 302,548 pesos. The report of the Minister of Finance contained the following résumé of expenditures during 1929-30.

	Pesos
Total budgetary payments	13, 678, 258
Total extrabudgetary payments	1, 040, 933
Total	14, 719, 191
Unpaid budgetary accounts	264, 448
Unpaid extrabudgetary accounts	38, 100
Total unpaid accounts	302, 548
Total expenditures	15, 021, 739

PUBLIC DEBT

Payments on the sterling debt were regularly made during the year, so that the amount outstanding was reduced from the equivalent of 10,800,000 pesos on July 31, 1929, to the equivalent of 10,400,000 pesos on July 31, 1930. The consular revenues, which are pledged to the service of the sterling debt, increased from 1,154,455 pesos in 1928-29 to 1,257,209 pesos in 1929-30.

According to the report of the Minister of Finance, the internal debt decreased from 18,602,341 pesos at the end of July, 1929, to 16,569,724 pesos at the end of July, 1930.

CURRENCY AND EXCHANGE

Currency and exchange problems attracted considerable attention during 1930, as in the early part of the year the premium on dollar exchange rose and the banks for a time suspended the sale of dollar drafts for pesos. On the north coast, where the dollar is the principal circulating medium, this exchange situation was not of great importance, but elsewhere in Honduras collections and imports were adversely affected. In March, 1930, a law was passed authorizing the Government to negotiate a loan up to $1,000,000 for the minting of the lempira, the new unit of currency. The Government was unsuccessful in its negotiations with banks in the United States for a loan of that amount, and the year closed without any fundamental change having been effected in the monetary system. However, in March, 1931, a decree was enacted amending existing monetary legislation with a view to definitely establishing the gold lempira (par value $0.50) as the actual monetary unit of the country, and the minting of new coins was subsequently ordered.

MEXICO

Economic conditions in Mexico during 1930 were very unfavorable, the depression becoming worse as the year progressed. Declining prices for minerals and other export products and unsatisfactory agricultural conditions were important factors in the depression. Exchange difficulties in the latter half of the year arising out of the increasing discount on the silver peso in relation to gold adversely affected the position of importers and caused considerable uncertainty in commercial and financial circles.

GOVERNMENT REVENUES AND EXPENDITURES

The national budget for 1930, as originally enacted, calculated revenues and expenditures at 293,806,950 and 293,773,788 pesos, respectively, but in referring to these figures a report of the Minister of Finance pointed out they could not be regarded as "certain demonstration of equilibrium, owing to the fact that the credits allotted to the service of the public debt are notoriously insufficient."

Complete actual results for 1930 are not yet available, but a message accompanying the budget project for 1931 dated November 3, 1930, stated that revenues and expenditures up to August 31 were as follows: Revenues, 192,067,057 pesos; expenditures, 180,795,785 pesos; excess revenues, 11,271,272 pesos.

At the same time the probable results of the full year's operations were estimated as follows: Revenues, 286,851,900 pesos; expenditures, 286,289,785 pesos; excess revenues, 562,115 pesos.

However, the foregoing estimte was made on the supposit'on that in the last third of the year the original estimates of revenues would be realized and expenditures would be reduced to a minimum.

As a matter of fact, according to provisional figures published in the January, 1931, Boletin de Informaciones of the Ministry of Finance, actual revenues in 1930 were 22,410,567 pesos below estimates, as the following figures show.

Actual revenues of Mexico compared with estimates, for 1930

Month	Estimated revenues	Actual revenues	Increase (+) or decrease (−)	Month	Estimated revenues	Actual revenues	Increase (+) or decrease (−)
	Pesos	*Pesos*	*Pesos*		*Pesos*	*Pesos*	*Pesos*
January	25, 612, 170	21, 851, 894	−3, 760, 276	August	24, 067, 644	20, 511, 189	−3, 556, 455
February	21, 919, 279	21, 579, 176	−340, 103	September	24, 207, 042	20, 910, 516	−3, 296, 526
March	21, 620, 256	28, 106, 423	+6, 486, 167	October	26, 363, 548	20, 423, 756	−5, 939, 792
April	23, 782, 495	22, 041, 374	−1, 741, 121	November	23, 581, 727	18, 751, 793	−4, 829, 934
May	24, 889, 016	25, 131, 058	+242, 042	December	26, 095, 245	20, 540, 997	−5, 554, 248
June	22, 214, 147	23, 441, 064	+1, 226, 917				
July	28, 854, 381	27, 507, 143	−1, 347, 238	Total	293, 206, 950	270, 796, 383	−22, 410, 567

In connection with estimated expenditures of the year it should be remembered that with the exception of $5,000,000 deposited with the International Committee of Bankers on Mexico as part of the annuity due in 1931 under the debt agreement of July 25, 1930, no payments on the foreign debt were made by Mexico during 1930.

PUBLIC DEBT

One of the outstanding financial developments of the year was the signing, on July 25, 1930, of a new agreement with the International Committee of Bankers on Mexico relative to the foreign debt. The following remarks, extracted from the President's message to Congress, on September, 1930, outline some of the more important features of the agreement:

"In fulfillment of the provisions of article 3of the law of January 25, 1929, and within the terms stipulated therein, the Minister of Finance, in the name of the Executive, signed with the International Committee of Bankers on Mexico the agreement of last July 25 [1930], by means of which the burden of our external debt on the country will be reduced by 45 per cent of its total nominal value, and the debt will be redeemed within the capacity of payment determined by the Government, for which an annual payment compatible with the financial situation of the country was established and the period of repayment was extended up to 45 years. * * * The 15 old issues which carried different rates of interest, from 3 to 6 per cent, are consolidated into a new issue with a uniform annual interest rate of 5 per cent and a nominal principal amount of $267,493,250. The debt will be redeemed in 45 years by the payment of a fixed annuity of $15,000,000 beginning with 1926, but which will be less in the first 5 years, the amount being $12,500,000 in 1931. This annuity represents a proportion of less than 10 per cent of the total budget of expenditures now in effect, while the corresponding payment for the fiscal year 1912–13 represented approximately 23 per cent of the budget of that time.

"In order to set forth the advantages of greater importance which the new agreement offers it is pertinent to point out that the status of the external debt before July 25, 1930, was as follows:

Principal of the old debt	$274, 669, 277
Accumulated interest to Dec. 31, 1930, after deducting payments made under previous agreements	211, 107, 944
Total indebtedness	485, 777, 221

"The amount of $211,107,944, which represents accumulated interest since 1914, is canceled by virtue of the provisions of the agreement of July 25, 1930." [11]

In connection with the debt of the National Railways of Mexico the message stated in part as follows:

The financial reorganization will have to eliminate the excessive charges which which have been weighing down upon the enterprise, since to a mortgage and collateral debt of $239,634,322 there must be added accumulated interest up to December 31, 1930, of $147,511,803 and an authorized capital of $230,000,000, all of which amounts to $617,146,125.

In accordance with the agreement of July 25 of this year the financial obligations of the enterprise are reduced to a nominal value of $225,000,000 in bonds of the new debt and a capital which, although not yet fixed, will surely be less * * * than one-half of that now authorized * * *.

Under the terms of the agreement of July 25, 1930, Mexico deposited $5,000,000 with the international committee of bankers on Mexico in August, 1930, as part payment of the annuity due in 1931. However, the year closed without the agreement having been presented to Congress for ratification, and on January 29, 1931, an agreement supplementary to that of July 25, 1930, was signed by the Minister of Finance and Mr. Thomas W. Lamont of the international committee of bankers on Mexico. According to a statement of the Mexican ministry of finance, this supplementary agreement provided that annuities corresponding to the years 1931 and 1932 could be provisionally made in Mexican silver at the rate of exchange prevailing on July 25, 1930, instead of in dollars. The silver was to be deposited in a bank in Mexico City, to be immovable for the duration of the supplementary agreement. However, if the exchange situation should improve to the extent of reaching the rates prevailing on July 25, 1930, the Government and the bankers' committee are to arrange to have the payments made in dollars instead of silver.

In the President's message previously mentioned it was stated that the agreement on the direct foreign debt and the debt of the National Railways of Mexico constituted only a part of an integral plan for the definite adjustment of the national public debt, since the Executive considered it to be an inescapable duty to put the obligations of the internal debt, as well as those presented to the mixed commissions, on the same plane with those covered by the agreement with the international committee of bankers. Accordingly, the adjudicated debt (as well as the internal claims presented to the debt-adjusting commission), the banking debt, the agrarian debt, and the claims of foreigners before the mixed commissions will be the subject of a general plan to be presented to Congress in the course of time. It was further stated that the principle of capacity of payment would continue to serve as the basis of the general plan for solving the debt problem in its entirety.

BANKING, CURRENCY, AND EXCHANGE

In January, 1930 the Federal Executive was granted extaordinary powers to legislate on matters of money and credit. In exercise of this power the President signed a law on August 30, 1930, establishing regulations for the liquidation of the old banks of issue. This law provided for the exchange of the bills and provisional certificates of the old banks of issue for bank-debt bonds issued by the Federal treasury as obligations of the Federal Government. Notes or certificates of the old banks of issue not presented for exchange before March 1, 1931, were prescribed in favor of the State.

The following selected asset and liability accounts, extracted from the reports of the national banking commission, covering all banks in Mexico, indicate the trend of banking operations during the year.

[11] In this connection it should be pointed out that under the terms of the agreement, the International Committee of Bankers on Mexico is to reserve sufficient amounts from the annuities paid during the first five years to establish a fund for the retirement of overdue interest at the following rates: Receipts for interest in arrears Class A and Class B, 2 per cent and 1 per cent respectively; current interest scrip, cash warrants and coupons or rights to interest maturing prior to January 1, 1931 (except interest represented by interest in arrears receipts), 10 per cent.

Selected consolidated accounts of Mexican banks

Item	Dec. 31, 1929	Dec. 31, 1930
ASSETS	*Pesos*	*Pesos*
Cash on hand in national money	84,000,000	90,700,000
Deposits with Bank of Mexico	3,500,000	6,600,000
Deposits in banks abroad (sight)	48,900,000	19,100,000
Unsecured loans	177,000,000	181,800,000
Collateral loans	27,500,000	34,800,000
Finance loans	15,200,000	12,300,000
Mortgage loans	31,100,000	35,800,000
Sundry debtors	86,800,000	84,500,000
LIABILITIES		
Deposits in national money (sight)	161,000,000	175,800,000
Notes of Bank of Mexico in circulation	2,700,000	2,800,000
Sundry creditors (sight)	48,000,000	40,700,000
Accounts in foreign money (sight)	37,000,000	33,200,000
Balances favor foreign banks (sight)	1,200,000	3,500,000
Deposits in national money (time)	37,300,000	48,800,000
Deposits in foreign money (time)	8,800,000	13,900,000
Paid-up capital	173,800,000	171,700,000
Various reserve funds	35,600,000	29,000,000

In the Mexico City district no marked change occurred during 1930 in the level of interest rates, which were reported to have ranged from 9 to 15 per cent.

One of the outstanding financial developments of the year was the marked increase in the discount on the silver peso in relation to gold, as evidenced by the following comparison of the monthly average rates of discount on silver as reported in Estadistica Nacional.

Discount (per cent) on silver in Mexico, 1929 and 1930

Month	1929	1930	Month	1929	1930
January	3.71	3.93	August	3.47	5.53
February	3.67	3.70	September	3.48	7.30
March	4.22	3.71	October	3.61	9.17
April	3.55	3.52	November	3.66	12.30
May	3.73	3.66	December	3.63	14.30
June	3.69	4.04			
July	3.61	4.36	Average	3.67	6.30

Inasmuch as business transactions in Mexico are conducted mainly in silver, the decline in silver exchange in the latter half of 1930 had far-reaching effects. Imports and retailers of imported goods were particularly hard hit and, as a result, collections slowed up considerably and imports were cut down.

Among other steps taken to strengthen the silver peso during the year were (1) extension of the prohibitions on the importation of silver coins to include even Mexican silver of the current coinage; (2) the issuance of instructions by the Treasury Department for the withdrawal of 10,000,000 silver pesos from circulation; (3) requiring the banks to increase the percentage of reserves against silver deposits; and (4) increasing various import duties for the purpose—in part, at least—of cutting down the amount of foreign obligations.

Despite these measures silver reached a maximum discount (for 1930) of around 20 per cent in December. Near the end of that month, however, the Government obtained a credit of $15,000,000 from an American bank for the sale of drafts on New York. This credit was to be secured by gold and is understood to have been made available only for the sale of drafts against gold. Coincident with the obtaining of the above credit, the Government enacted a law setting up a commission for the regulation of exchange, and, in the early part of 1931, $5,000,000 deposited with the international committee of bankers on Mexico, in August, 1930, was placed at the disposal of the commission, in addition to the credit previously mentioned. Reports of the negotiations connected with the foregoing measures resulted in a strengthening of exchange in the latter part of December.[12]

[12] The exchange-regulating commission began the sale of foreign exchange on February 3, 1931, at initial rates of 2.165 gold pesos and 2.39 silver pesos per dollar. Subsequently the exchange situation became very difficult, and on July 25, 1931, a new monetary law was enacted making the silver peso unlimited legal tender and demonetizing the gold peso.

Nicaragua

As a result of the low price of coffee, and other adverse factors, economic conditions in Nicaragua during 1930 were extremely unfavorable, and Government revenues declined. Complete details of actual revenues and expenditures for the year are not yet available, but a marked decline in monthly customs receipts (exclusive of surcharges) is shown in the following table extracted from the 1930 report of the Corporation of Foreign Bondholders (London).

Nicaraguan customs receipts, 1929 and 1930

Month	1929	1930[1]	Month	1929	1930[1]
	Cordobas	*Cordobas*		*Cordobas*	*Cordobas*
January	259,077	240,744	August	210,539	119,779
February	241,199	224,771	September	219,363	112,184
March	224,346	234,034	October	253,762	162,928
April	277,331	221,902	November	233,496	117,186
May	234,673	178,330	December	264,757	121,001
June	241,363	158,490			
July	229,842	122,946	Total	2,889,748	2,014,295

[1] Provisional.

NOTE.—The cordoba equals $1 at par.

In the latter part of the year the financial position of the Government was reported to be difficult, and new taxes and various economy measures were adopted in an effort to meet the situation. According to preliminary figures, revenues and expenditures in 1930 totaled around 4,500,000 cordobas.

On March 31 1930 the bonded debt of Nicaragua was comprised as follows Bonds of 1909 (external) 2,823,675 cordobas; guaranteed customs bonds (internal), 1,646,700 cordobas; total, 4,470,375 cordobas.

In addition to the bonded debt, the estimated debts and claims (the latter subject to adjudication by the claims commission) on March 31, 1930, totaled 18,000,000 cordobas. In connection with the estimated claims the report of the collector general of customs and high commission for 1929 stated in part as follows:

"The claims will have to be reduced largely in the awards. There are no doubt legitimate claims. There are also claims which are fictitious and exaggerated. Nicaragua can not pay $18,000,000, the present amount of the claims."

The service of the bonded debt is understood to have been regularly effected, and the bonded debt further reduced in 1930, so that the amount outstanding at the end of the year was approximately 3,940,000 cordobas.

During the year the Government entered into an agreement with an American bank whereby the latter became the fiscal agent and depository of the National Bank of Nicaragua and the Pacific Railway, and officers of the bank accepted membership on the boards of directors of both the National Bank and the railroad. The majority of both boards of directors were to continue to be Nicaraguans.

At the beginning of October a law was signed creating the Mortgage Bank of Nicaragua, whose capital was to be subscribed by the Government, and before the end of the year the bank began operations.

Banks reported an increased number of overdue drafts in 1930, and the general credit situation was very unsatisfactory. Reflecting the decline in commercial activity, the circulation of the cordoba dropped from 3,555,000 in December, 1929, to 2,880,000 in December, 1930.

Panama

According to a report of the Minister of Finance dated September 2, 1930, revenues in the year ended June 30, 1930, exclusive of special funds, amounted to 8,192,116 balboas (1 balboa=$1 U. S.), or 786,163 balboas over budget estimates. This total consisted of the following principal items:

Import duties	$3,217,372
Parcel post	325,654
Consular fees	504,206
Manufacture of beer and liquor	255,450
Stamped paper and stamps	1,019,692

Retail sale of liquor	$657, 636
Slaughter of cattle	244, 303
Property of ships	467, 464
Canal annuities	250, 000
Interest on constitutional fund	317, 075
Miscellaneous	933, 264
Total	8, 192, 116

The corresponding figures of expenditures are not available, but it was pointed out that budgetary authorizations were insufficient to cover expenditures and that additional and extraordinary credits of 1,121,319 and 533,938 balboas, respectively, has been opened.

The minister of finance stated that the public debt on June 30, 1930, totaled 18,115,457 balboas, of which 15,936,000 balboas was external debt and 2,179,457 balboas internal debt. In addition, it was stated that 6 per cent treasury notes amounting to 269,368 balboas were outstanding. Subsequently it was reported by another source that internal obligations of the Government of Panama on August 1, 1930, including unpaid bills, treasury notes, and the overdraft in the Banco Nacional totaled $3,337,889. It should be pointed out that the National Government is contingently liable for external loans of the Banco Nacional de Panama which were outstanding in the amount of $3,500,000 on June 30, 1930.

In view of the fact that since March, 1930, revenues had fallen off considerably and substantial monthly deficits had resulted, a law was enacted near the end of September, 1930, authorizing the executive to suspend, until the issuance of the budget law, all such expenditures as were not absolutely necessary for the public service.

In October the Government of Panama obtained a $1,000,000 loan from an American bank, repayable in monthly installments within four years.

Collections by the banks in Panama were reported to be increasingly difficult in 1930, and merchants were reported to be slow in meeting their obligations for imports.

Paraguay

According to the President's message to Congress in April, 1931, both imports and exports of Paraguay in 1930 exceeded those of the previous year, in terms of gold pesos (average exchange value of the gold peso was $0.952 in 1929 and $0.835 in 1930) as shown by the following figures:

Year	Exports	Imports	Balance
	Gold pesos	*Gold pesos*	*Gold pesos*
1929	13, 459, 766	13, 850, 095	−390, 329
1930	14, 176, 453	15, 139, 359	−962, 906

GOVERNMENT REVENUES AND EXPENDITURES

Inasmuch as the proposed budget for the fiscal year 1929–30 (the fiscal year extends from September 1 to August 31, although accounts are not finally closed until November 30) was not voted in time, the budget in effect during the previous fiscal period, including such modifications as had been made, was extended into 1929–30.

General revenues during the fiscal year 1929–30 totaled 268,656,072 paper pesos (gold items having been converted at a rate of 42.61 paper pesos as equivalent to 1 gold peso) and extraordinary revenues 6,439,668 paper pesos, a total of 275,095,740 paper pesos.[13] Ordinary revenues and actual expenditures, by principal items, for the fiscal year 1929–30 and for the previous fiscal year, were as follows:

[13] All data on the Paraguayan budget have been taken from the President's message to Congress in April, 1931.

Ordinary revenues and actual expenditures of Paraguay, 1928–29 and 1929–30

Item	1928-29	1929-30
ORDINARY REVENUES	*Paper pesos*	*Paper pesos*
Customs receipts	161,738,830	174,991,412
Internal taxes	74,588,403	75,594,259
Posts and telegraphs	9,685,409	8,749,058
Miscellaneous revenues	7,546,945	6,305,190
ORDINARY REVENUES		
Other revenues [1]	2,627,204	3,016,153
Total	256,186,791	268,656,072
ACTUAL EXPENDITURES		
Congress	4,938,195	5,075,256
Interior	42,526,164	43,060,537
ACTUAL EXPENDITURES—continued	*Paper pesos*	*Paper pesos*
Foreign relations	10,021,094	9,907,091
Finance	19,595,117	19,798,781
Justice, religion, and public instruction	45,215,708	47,756,998
War and marine	62,662,095	74,910,119
Public works	2,978,098	2,781,088
Public debt	36,503,535	42,266,602
Extraordinary budget	6,819,719	7,520,819
Special laws	14,807,212	33,471,407
Control accounts	1,289,024	....
Total	247,385,961	286,548,698

[1] Includes issuance of bonds in amounts of 29,000 paper pesos in 1928-29 and 15,185 paper pesos in 1929-30.

Actual results of operations under the budget for 1929–30, compared with budget estimates, were as follows (gold items converted to paper pesos at rate of 42.61 paper pesos to 1 gold peso):

	Pesos
Estimated revenues under the general budget and special laws	278,242,727
Expenditures authorized by the general budget and special laws	331,699,876
Anticipated deficit	53,457,149
Actual revenues	268,656,072
Actual expenditures	286,548,698
Actual deficit	17,892,626

The deficit carried over to 1930–31 was reduced to 5,640,860 paper pesos by the application of the surplus carried over from previous years.

PUBLIC DEBT

The external debt was reduced 340,454 gold pesos during the year ended November 30, 1930, as shown by the following figures:

External debt of Paraguay, 1929 and 1930

Item	Nov. 30, 1929	Nov. 30, 1930	Decrease
	Gold pesos	*Gold pesos*	*Gold pesos*
London loan 1871-72	2,649,950	2,517,450	132,500
Loan, law of Nov. 28, 1912	1,429,546	1,245,082	184,464
Certificates without interest	83,037	59,547	23,490
Loan from Banco Nacional, Argentina	56,856	56,856	....
Total	4,219,389	3,878,935	340,454

Internal debt on November 30, 1930

Item	Gold	Paper
CONSOLIDATED DEBT	*Pesos*	*Pesos*
Consolidated 6 per cent debt of 1915	1,505,850	19,052,000
Orders of payment	....	40,047
Unpaid coupons 6 per cent consolidated debt, 1915	23,428	506,160
Bonds of the national defense	790,958	1,257,740
DOCUMENTARY DEBT		
Loan, Banco Germanico de la America del Sud	356,400	....
FLOATING DEBT		
Obligations previous to 1929-30	118,450	16,399,871
Obligations contracted in 1929-30	3,444	388,510
Total	2,798,530	37,644,328

BANKING, CURRENCY, AND EXCHANGE

During the year the stockholders of the Banco de la Republica voted to liquidate, and approved the rescission of the contract between the Government and the bank.

The decline in the exchange value of the Argentine peso, upon which the Paraguayan currency system is based, slowed up collections during 1930 and adversely affected the position of importers. (The conversion rate of the Paraguayan paper peso is fixed at a rate of 42.61 Paraguayan paper pesos to 1 Argentine gold peso, or 18.75 Paraguayan paper pesos to 1 Argentine paper peso. The Argentine gold peso serves as the gold peso of Paraguay, since no Paraguayan gold pesos have been minted.) During the year the Paraguayan Congress considered a project for the creation of a central bank and changes in the currency system, but the year closed without any changes being made. At the end of the year the total note circulation was 202,191,454 paper pesos, against which the Exchange Office held the following sums in its vaults or on deposit in various banks: 330,976 pounds sterling, 15,855 francs, 431,912 United States dollars, 1,616,290 Argentine paper pesos, and 46,070 Uruguayan gold pesos.

PERU

General economic and financial conditions in Peru during 1930 were exceedingly unfavorable. Low prices for cotton, sugar, minerals, and other Peruvian products, the revolution of August and ensuing political uncertainties and labor troubles the failure of the Banco del Peru y Londres, the weakness in exchange, and the unsatisfactory status of Government finances, all contributed to the general depression.

GOVERNMENT FINANCES

The national budget for 1930 calculated revenues and expenditures at 14,098,719 Peruvian pounds, (140,987,190 soles), the largest budget in the history of Peru.

Actual ordinary revenues for 1930 totaled 117,388,192 soles, and actual expenditures were 129,672,755. Thus a deficit of 12,284,563 soles was shown for the year. These are preliminary figures furnished by the Minister of Finance. Since previous estimates of the deficit placed it at 25,000,000 soles, the actual deficit shows an improved condition except for the fact that the total amount of debt outstanding, particularly at short term, was increased. Internal floating debt in soles jumped about 18,000,000, and a dollar loan of nearly $7,500,000 was contracted in the second half of 1930.

Shortly after the overthrow of the existing government, which occurred in the latter part of August, the incoming government created a tribunal de sancion nacional to consider charges against the deposed régime.

In view of the seriousness of the situation, economic and financial problems confronting Peru evoked considerable discussion in the closing months of the year, and much criticism of the financial administration of the deposed régime was circulated. However, succeeding governments experienced difficulty in achieving budgetary equilibrium, and as late as March 20, 1931, the Minister of Finance stated that expenditures of the Government, including the services of the foreign debt plus premium on exchange, were 150,000,000 soles a year, although revenues were being collected at a rate of only 100,000,000 soles a year.

PUBLIC DEBT

In the early part of 1930 laws were promulgated authorizing the Executive (1) to use $4,600,000 deposited in New York for paying off short-term loans obtained from American bankers, (2) to issue internal bonds up to Lp. 1,800,000; and (3) to contract a loan with local banks up to 960,000 Peruvian pounds. However, the last-named authorization was only partially used, and less than 3,000,000 soles of the internal bonds was issued up to June 30, 1930. The Government was unable to float the $15,000,000 unissued portion of the Peruvian national loan during the year. However, various short-term loans were obtained from banks and other sources.

The public debt of Peru on December 31, 1930, was officially reported as follows:

Public debt of Peru on December 31, 1930

Classification	Dollars	Pounds sterling	Gold soles
External consolidated	89,631,141	3,535,300	....
Internal consolidated	....	520,000	54,651,735
Floating	7,495,405	341,455	50,651,813
Total	97,126,546	4,396,755	105,303,548

In a weak financial position, the Government found it very difficult to meet the service of the foreign debt in the latter part of the year, but no default occurred on those payments in 1930. However, in March, 1931, the minister of finance announced that the interest and sinking-fund payments due April 1, 1931, on the Peruvian national loan, second series, would not be made. In March, 1931, a decree was issued providing that the caja de depositos y consignaciones should deliver to the treasury all sums collected or received by it for account of the government, destined to the service of the Peruvian national loan. Other collecting offices were required to deliver direct to the treasury all sums destined to the service of the loan mentioned. Subsequently Peru went into default on all issues of her external debt.

BANKING, CURRENCY, AND EXCHANGE

In February, 1930, a law providing for the revaluation and stabilization of the currency was enacted which established the gold sol (10 soles=1 Peruvian pound) of a par value of $0.40 United States as the basic monetary unit. The profits arising from the revaluation of the currency were applied by the government to paying off debts to banks and in substitution of an authorized loan from the banks. However, the exchange value of the sol was below par from the outset, and a severe decline occurred in the latter half of the year. In accordance with the recommendations of the Kemmerer commission which visited Peru in the early part of 1931, a decree was issued in April, 1931, establishing the par value of the gold sol at $0.28 United States.

The outstanding banking development of 1930 was the suspension of payments by the Banco del Peru y Londres in October and the granting of a moratorium to the bank for the remainder of the year. Owing to the size of the bank and the number of its branches throughout the Republic, its closing was keenly felt. In May, 1931, the liquidation of the bank was ordered.

Average monthly bank clearings declined from 65,614,000 soles in 1929 to 55,393,000 soles in 1930. Bank deposits and loans and discounts declined sharply in the latter half of the year. Particularly in the latter part of the year commercial collections were very difficult and the total value of drafts protested was high.

Note circulation declined from 65,228,000 soles at the end of 1929 to 64,034,680 soles at the end of 1930. During the same time the gold reserve ratio of the reserve bank increased from 69.22 to 74.86 per cent. The discount rate of the reserve bank was raised from 7 per cent to 8 per cent on July 26, and to 9 per cent on August 1. On August 18, the rate was lowered to 8 per cent and on September 1, to 7 per cent.

El Salvador

The following remarks excerpted from the President's message to Congress on February 10, 1931 indicate the salient features of economic and financial developments in El Salvador in 1930:

"In the course of 1930 the Government faced numerous difficulties of a financial order, undoubtedly brought about by the economic ills which the country has suffered more or less for two years—which is but the reflection of difficulties of the same kind which trouble the world.

"Our foreign commerce in the last four years is shown by the following figures:

Foreign trade of El Salvador, 1927–1930

Year	Weight	Value	Value per ton
Exports:	*Metric tons*	*Colones*	*Colones*
1927	46,143	28,305,000	613
1928	64,196	48,928,000	634
1929	54,939	36,831,000	664
1930	66,448	27,313,000	410
Imports:			
1927	102,055	29,570,000	290
1928	114,873	37,304,000	325
1929	135,098	34,681,000	257
1930	82,479	21,872,000	300

NOTE.—The colon equals $0.50 at par.

"Coffee, the principal agricultural product of the country, represents 88 per cent of our exports. The decline in its price and the light demand which it has had lately in all markets has affected the national economy in a very noticeable way.

"In 1930 the exportation of coffee amounted to 58,513 metric tons—11,831 metric tons in excess of that shown in 1929. In spite of this, the value of exports, as shown in the foregoing table, was 27,313,000 colones in 1930, a decline of 9,518,000 colones compared with exports in 1929.

"These data suffice to explain the decline in imports and to measure the drop which occurred in customs and internal revenues.

"GOVERNMENT REVENUES AND EXPENDITURES

"The total amount of fiscal revenues in 1930 reflected the grave economic depression of the country, revenues declining to 21,964,881 colones as compared with 26,147,160 colones in 1929, a drop of 4,189,279 colones.

"Expenditures in 1930 amounted to 23,048,451 colones. Comparing these figures with those of the previous year, which amounted to 27,219,238 colones, a decline of 4,170,787 colones is noted.

"The following table shows the details of Government revenues and expenditures in 1930 in comparison with the corresponding figures for 1929:

Revenues and expenditures of El Salvador, 1929 and 1930

Item	1929	1930	Item	1929	1930
REVENUES			EXPENDITURES—continued		
	Colones	*Colones*		*Colones*	*Colones*
Import duties	12,977,844	9,914,711	Public works	2,641,822	2,059,280
Export duties	3,163,180	3,922,325	Agriculture	112,803	155,546
Liquor taxes	4,525,002	3,550,742	Labor	8,309	8,949
Stamp taxes	903,901	734,432	Public instruction	2,380,815	2,138,458
Direct taxes	1,450,189	1,234,619	Justice	1,077,819	1,020,440
Various revenues	1,965,102	1,531,405	Charity	727,200	574,850
Services	1,134,174	1,069,610	Sanitation	301,265	279,477
National properties	18,768	7,037	Foreign relations	750,568	715,130
			Finance	1,757,658	1,836,362
Total	26,147,160	21,964,881	Public credit	8,726,042	7,096,402
			Industry and commerce	39,591	20,255
EXPENDITURES			War, marine, and aviation	5,071,390	3,780,168
			Miscellaneous	526,247	385,989
Legislature	128,210	202,985			
Executive	149,408	138,709	Total	27,219,238	23,048,451
Government	2,810,941	2,635,451			

"PUBLIC DEBT

"The public debt on December 31, 1930, was as follows: Internal debt, 7,611,528 colones; external debt, 36,015,393 colones; total, 43,626,921 colones.

"The internal debt increased 3,878,382 colones, compared with 1929. The external debt showed a decline of 2,972,345 colones in comparison with the previous year. The net increase in the public debt in 1930, therefore, was reduced to 906,037 colones."

BANKING, CURRENCY, AND EXCHANGE

The President also stated that there was no importation of coined gold during 1930 but that recorded exports amounted to $405,000.

According to data contained in the President's message, important accounts of the banks of issue on December 31, 1930, compared as follows with those of the previous year:

Item	1929	1930
	Colones	*Colones*
Paid-in capital	11,560,000	11,560,000
Reserves	3,790,000	3,790,000
Coined gold	10,562,739	7,415,138
Notes in circulation	14,509,611	10,716,061
Deposits at sight and in current account	4,834,949	3,319,931

According to a report from Consul A. E. Carleton (San Salvador), conditions of living in El Salvador for some years prior to the break in coffee prices which occurred in the latter part of 1929 had apparently been based on the assumption that coffee prices would continue at a relatively high level; and government and individual budgets had been drawn up accordingly. The drop in coffee prices, therefore, created a situation for which the country was not prepared.

An important banking development of the latter part of the year was the passing of a law, which was signed by the President on October 18, 1930, establishing the Mortgage Bank of El Salvador.

It was reported by Consul A. E. Carleton that the selling rate for dollars at the beginning of the year was 204 per $100. This rate later rose to 209 but was forced down to 205 in August by joint action of the government and the banks. At the end of September the rate jumped to 207, but toward the close of the year the exchange situation was considerably improved and the rate was not far from par. It was reported that at times during the year it was not possible for merchants to obtain foreign drafts.

The newly elected President of El Salvador, Señor don Arturo Araujo, who took office in the early part of 1931, in a message to congress March 9, 1931, stated, in part, as follows regarding the status of the public finances:

"Upon assuming the presidency of the republic I found the status of the public finances to be as follows:

"The consolidated debt, whose interest and amortization service requires an annual expenditure of 3,623,136 colones, amounts, at the present time, to the sum of 35,959,689 colones, and the floating debt amounts to approximately 7,583,000 colones.

"The greater part of the obligations which comprise the floating debt are credits already matured, which require immediate payment, not only to reestablish the impaired credit of the state but also to reanimate internal commerce and the other activities of the country prostrated by the lack of currency in circulation. The payments of the service of the 1922 loan and the matured obligations of the floating debt amount to the considerable sum of approximately 11,206,136 colones, and the revenues calculated for the next fiscal year will hardly go over 19,000,000 colones. As a result, after taking from these general revenues the amounts necessary for the payment of the obligation to be paid in this year, there would not remain more than 7,800,000 colones available for taking care of the public services and other obligations of the state, which would make it impossible for the latter to comply with its high mission of guaranteeing and promoting the material and cultural progress of the country.

"The moment has arrived to liquidate accounts with the past, abolishing all those improper systems and bad customs which have contributed to the country being found in such a deplorable state, and to begin the general reconstruction with vigor. And in order to begin this reconstruction it is not unlikely that it may be necessary to carry out some operation consolidating the debts already due or maturing within a short time, with the object of gaining time for their payment, and to do this in an endurable manner that does not restrict too much the yearly resources which the government must have available in order to duly fulfill its high mission."

URUGUAY

The extraordinary large volume of exports of principal products from Uruguay in 1930 was offest in large part by the decline in prices, particularly of wool and hides, according to a report of the Uruguayan minister of finance. The volume of wool exports in 1930 (more than 78,000,000 kilos) was the highest on record, yet the value (26,560,000 pesos) was at about the lowest level of recent years. Nevertheless, according to official figures, Uruguay had a favorable trade balance of 11,500,000 pesos (1 peso equal $1.0342 at par) in 1930, in contrast to an unfavorable balance of 2,000,000 pesos in the previous year. However, it has been stated that official valuations of imports are often below real values, so that the trade balance was probably less favorable than the official figures would indicate.

GOVERNMENT REVENUES AND EXPENDITURES

The national council of administration, in a message to congress dated March 15, 1931, stated that the executive had sent two budget projects to the assembly, one on December 11, 1929, as a prorogation with modifications to be in effect until June 30, 1930, and the other on July 8, 1930, a complete budget project for the fiscal year 1930-31. However, neither project was taken into consideration, and simple prorogations of the budget resulted. It was stated that on the first of the dates mentioned the deficit of 1929-30 was not foreseen, and certain appropriations were made which were expected to be met from increased revenues as well as by changes in existing taxes which were expected to bring in additional revenues of about 1,400,000 pesos.

At the time of submitting the budget project for 1930-31 there was no knowledge of the deficit of 785,745 pesos in 1929-30; this fact was not made known by the General Accounting Office until December, 1930, owing to delays in collecting certain revenues. The deficit was covered by the remainder of the surpluses of the years 1927-28 and 1928-29.

The budget project submitted for 1930-31 was the same as that proposed for 1929-30, with adjustments in details and the inclusion of expenditures authorized by laws subsequently enacted, which were sanctioned without providing for the corresponding revenues and would have increased the anticipated deficit by 1,694,471 pesos. There had also been added an increase of 2,880,216 pesos for public debt and pensions, and new revenues were projected in the amount of 3,900,000 pesos. According to the message, a balance, recently drawn up by the general accounting office, indicated that the fiscal year 1930-31 would close with a deficit of 6,005,504 pesos, due principally to the increase in legally authorized expenditures and to the decline in customs revenues. Furthermore, the deficit mentioned did not include differences in exchange on account of interest on the external debt and railway guaranties which, it was stated, would be met during the fiscal year from the funds of the last public works loan, from which dollars were taken in exchange for pesos at par.

Revenues and expenditures of Uruguay in the fiscal year ended June 30, 1930, as reported in the Boletin de Hacienda of December, 1930, were as follows:

	Pesos
Actual revenues:	
Direct taxes	11, 480, 712
Indirect taxes	40, 204, 099
National services	2, 205, 331
Patrimonial revenues	3, 238, 425
Extraordinary revenues (includes 615,967 pesos from the surplus of 1927-28)	1, 212, 924
Available from railway guaranties	504, 608
Total	58, 916, 879

NOTE.—The summation of the foregoing items is only 58,846,909 pesos.

Actual expenditures:	
Legislature	1, 326, 905
Presidency	61, 702
National Council of Administration	170, 461
Interior	4, 969, 553
Foreign relations	890, 811
War and Navy	8, 737, 688
Finance	3, 637, 684
Public instruction	11, 033, 593

Actual expenditures—Continued.

Industries	1, 928, 460
Public works	1, 143, 242
Judiciary	1, 179, 919
Public debt	16, 570, 952
Subventions	2, 284, 695
Various credits	486, 582
Pensions	4, 113, 862
Extrabudgetary expenditures	661, 907
Expended from balance of service of railway guaranties	504, 608
Total	59, 702, 624

In connection with the foregoing figures it should be pointed out that the deficit of 785,745 pesos which resulted would have been increased to 1,906,320 pesos if 615,967 pesos from the surplus of 1927–28 and 504,608 pesos available from the railway guaranties had not been taken into the revenues. The figures given above include revenues to be collected of 1,259,390 pesos and obligations pending payment of 1,586,727 pesos. Expenditures do not include obligations arising from the law of February 7, 1930, providing for the acquisition by the State of the exportable surplus of the wheat crop.

PUBLIC DEBT

During the year the National Government floated an external loan of $17,581,000, and various internal issues. A small increase also occurred in the international debt. As a result, the total public debt increased 22,244,487 pesos during 1930, as shown in the following table:

Uruguayan public debt,[1] 1929 and 1930

Debt	Dec. 31, 1929	Dec. 31, 1930	Increase
Internal	₱76, 720, 113	₱85, 948, 131	₱9, 228, 018
External	135, 535, 226	148, 305, 695	12, 770, 469
International	4, 935, 000	5, 181, 000	246, 000
Total	217, 190, 339	239, 434, 826	22, 244, 487

[1] Exclusive of contingent liability on account of obligations of the National Mortgage Bank which are guaranteed by the Government.

The foregoing figures do not include treasury bills amounting to £400,000 due April 30, 1931, which were discounted in London in May, 1930, for the purpose of avoiding exchange losses, nor 6-month treasury bills of 2,000,000 pesos which were discounted with local branches of foreign banks in July, 1930, for meeting budgetary requirements.

In order to avoid heavy losses in exchange which the treasury otherwise would have had to sustain, the service of the external debt, which amounted to 9,514,344 pesos in 1930, was met in large part by the discounting of bills with Glyn Mills & Co., London, in the amount of £400,000 and by the transfer of $4,452,000 of the proceeds of the loan authorized by law of April 15, 1930, against delivery to the account of road work and hydrographic work of the equivalent in pesos at par.

BANKING, CURRENCY, AND EXCHANGE

Consolidated banking figures at the end of 1929 and 1930 were as follows:

Consolidated statistics of Uruguayan Banks, 1929 and 1930

Item	Dec. 31, 1929	Dec. 31, 1930	Increase
	Pesos	*Pesos*	*Pesos*
Capital	49, 282, 375	49, 760, 414	478, 039
Reserve funds	8, 328, 863	9, 298, 946	970, 083
Deposits	176, 193, 847	190, 182, 422	13, 988, 575
Loans	219, 246, 689	248, 255, 028	29, 008, 339

The importance of the Banco de la Republica in the Uruguayan banking system, and other features, including the character of deposits and cash reserves, are shown by the following figures taken from Sintesis Estadistica.

Uruguayan banking statistics, June, 1930 [1]

Bank	Averages for June, 1930				
	Deposits		Loans and discounts	Cash	
	In current account	At time and in savings accounts		Gold coin	Notes, silver, and nickel
	Pesos	*Pesos*	*Pesos*	*Pesos*	*Pesos*
Banco de la Republica	51,127,303	50,402,508	139,0[illegible]6,371	64,908,155	3,546,810
Other banks [1]	36,753,089	43,011,636	91,865,380	384,767	11,361,617
Total	87,880,392	93,414,144	230,961,751	65,292,922	14,908,427

[1] Excluding the National Mortgage Bank and the State Insurance Bank.

Montevideo bank clearings increased from 822,374,000 pesos in 1929 to 853,285,000 pesos in 1930.

Total note circulation of the Banco de la Republica, including notes of the minor issue (notes redeemable in gold or silver at the bank's option), increased from 71,340,222 pesos at the end of 1929 to 74,116,079 pesos at the end of 1930. The legal gold reserve ratio of the bank declined from 64.62 to 55.10 per cent. Its gold reserves totaled 59,506,056 pesos at the end of 1930. The inconvertibililty of the notes of the bank and the limitation of gold exports continued in effect during the year.

Perhaps the outstanding financial development of 1930 was the pronounced weakness in the exchange value of the peso, which declined from a monthly average of \$0.9482,[14] in December, 1929, to \$0.7499 [14] in December, 1930, as compared with a par value of \$1.0342. In response to an inquiry of the minister of finance as to the causes of the decline in the exchange value of the peso, the board of directors of the Banco de la Republica in a note dated March 25, 1930, stated, in part, as follows:

"The present economic-financial situation of the country is characterized principally by the monetary depreciation and by the instability of the international exchanges. This situation, in the opinion of the board of directors, has its origin in the excessiveness of the general consumption of the population and of public and private expenditures in the face of relative detention of the national production, (as well as) to the manifest decline of exports, to the inmoderate use of credit in all branches of the national economy, and to the creation of securities (valores fiduciarios) in quantities which bear no prudent relation to the productive activities of the country."

VENEZUELA

Economic conditions in Venezuela during 1930 were unsatisfactory as a result of poor crops; low prices of coffee, cacao, and other products; and lessened activity in the oil fields. Although these adverse conditions unfavorably affected collections and were reported to have been factors in the decline in exchange, the large Treasury surplus on hand at the beginning of the year enabled the Government to effect heavy expenditures for construction purposes (particularly in connection with the commemoration of the centenary of the death of Simon Bolivar) and to deposit funds before the end of the year with legations and corporations abroad sufficient to retire the foreign debt. These large expenditures, made without recourse to borrowing, considerably reduced funds at the disposal of the Government, and at the end of the year it was reported that Government work had slowed down and that some ministries had exceeded their budgets.

[14] Noon buying rates for cable transfers in New York, as reported by the Federal Reserve Bulletin.

GOVERNMENT REVENUES AND EXPENDITURES

Largely because of a decline in the second half of the year, revenues during 1930 totaled only 243,659,656 bolivares (1 bolivar $0.193 at par), compared with 256,440,059 bolivares in the previous year. The foregoing figures, however, include receipts of silver and nickel coinage of 10,200,000 bolivares in 1929 and gold and silver coinage of 5,850,000 bolivares in 1930. As a result of the extraordinary expenditures occasioned by the commemoration of the Bolivar centenary and the retirement of the foreign debt, expenditures during 1930 exceeded revenues by 81,261,955 and totaled 324,921,611 bolivares. This figure includes 5,850,000 bolivares sent to mints for coinage. Venezuelan Government revenues and expenditures in 1930, by principal items, were as follows:

	Bolivares
Revenues:	
Import duties	95, 093, 795
Tobacco taxes	16, 644, 938
Stamps and stamped paper	15, 327, 316
Liquor taxes	9, 648, 951
Salt taxes	7, 966, 089
Mines (including petroleum)	57, 075, 833
Consular revenues	6, 800, 605
Lighthouses and buoys	10, 043, 728
Gold and silver coinage	5, 850, 000
Miscellaneous	19, 208, 401
Total	243, 659, 656
Expenditures:	
Interior	81, 669, 893
Foreign affairs	6, 751, 930
Finance	49, 042, 383
War and marine	36, 902, 469
Development	38, 546, 734
Public works	96, 801, 298
Public instruction	11, 386, 422
Health, agriculture, and animal husbandry	3, 820, 482
Total	324, 921, 611

Because of the excess in expenditures over revenues in 1930, funds at the disposal of the Treasury dropped from 118,248,779 bolivares at the end of 1929 to 36,986,824 bolivares at the end of 1930.

The budget for the fiscal year 1930–31, as enacted in June, 1930, calculated revenues and expenditures at 202,598,500 and 201,800,000 bolivares, respectively.

PUBLIC DEBT

In May, 1930, the Venezuelan Congress adopted a recommendation made on the intiative of General Juan Vicente Gomez to include in the budget for the fiscal year 1930–31 a sum sufficient to pay off the entire foreign debt of the Republic, and it was subsequently reported that at the end of 1930, funds, adequate for this purpose, had been made available abroad. The payment was effected by the actual shipment of gold from the Treasury reserves in order to avoid undue pressure on the exchange market. The public debt at the end of 1929 and 1930 was as follows:

Public debt of Venezuela, 1929 and 1930

Debt	Dec. 31, 1929	Dec. 31, 1930
	Bolivares	*Bolivares*
Internal	28, 445, 385	26, 487, 742
External	24, 345, 911	
Total	52, 791, 296	26, 487, 742

In connection with the foregoing figures, it should be pointed out that the nominal amount of the external debt unredeemed on December 31, 1930, actually was 21,299,764 bolivares, but on the same date funds were in the hands of legations and corporations sufficient to completely retire the outstanding foreign debt.

BANKING, CURRENCY, AND EXCHANGE

On account of the business depression and the decline in exchange, banks and business houses reported a slowing up in collections in 1930, and numerous small firms were reported to be particularly hard pressed.

On the basis of compilations of the Boletin de la Camara de Comercio de Caracas, total note circulation and gold reserves of the banks of issue on June 30, 1930, showed no marked changes in comparison with June 30, 1929.

After the first quarter of the year exchange began to decline, until a low rate of about 5.80 bolivares to the dollar was reached, compared with a par of approximately 5.18. At the close of the year the rate was around 5.50 to the dollar. Lower prices and lessened demand for coffee, cacao, and other export products were reported to be important factors in the decline in exchange. As previously pointed out, the Minister of Finance reported that the extraordinary payments necessary for the retirement of the foreign debt were effected by actually shipping gold from the Treasury reserves so as to avoid undue pressure on the foreign-exchange market.

Senator JOHNSON. Proceed with your answer.

Mr. CORLISS. And then, of course, we have a great deal of correspondence, not only upon public finances, but also upon trade finance and trade matters. The latter I suppose you are not interested in now.

Senator JOHNSON. That information that you refer to is available to whom?

Mr. CORLISS. To any American citizen—that is, all except the confidential matter.

Senator JOHNSON. You publish bulletins as to the financial condition of these various countries in Latin America, do you not?

Mr. CORLISS. Yes, sir.

Senator JOHNSON. Do you, in the case of the Department of Commerce, through any of these reports express the view of the department as to the unwisdom of any loans that have been made in Latin America?

Mr. CORLISS. Yes; the commercial attaché at Bogota in 1928, in the early summer at least of 1928, expressed it as his personal view that Colombia had overborrowed.

The CHAIRMAN. Did he do it publicly?

Mr. CORLISS. No; he did it in a letter to the bureau, addressed to Doctor Klein, then director of the bureau.

Senator REED. Did you get a private letter from him?

Mr. CORLISS. Yes; it was a private letter, as I recall it.

Senator JOHNSON. What I am asking you is whether or not your particular department has at any time expressed itself as to the unwisdom of any loans made to Latin American countries.

Mr. CORLISS. Following that information we issued a special circular, copy of which I shall leave with the committee to-day, No. 305, pointing out certain developments in the Colombian financial situation as a result of which it was our opinion that the situation deserved serious consideration. We pointed out that there had been a great deal of borrowing, particularly by the subordinate political entities. There had just been passed an antialcoholic law in Colombia, which raised the selling price of liquor and which might affect sales; this had actually been the case in one department. This might jeopardize the revenues pledged to loans by some of these departments, and the difference was to be taken up by the central government. We stated in the summary at the end that the financial position of the central government made it doubtful that it could take up that difference, or at least the government would find it difficult to do so; In the circular we gave a complete list of the Colombian loans floated in the United States up to the time when the circular was issued.

The CHAIRMAN. Have you a mailing list for circulars of that character?

Mr. CORLISS. Yes, sir.

The CHAIRMAN. And do you send the circulars to all the names on your mailing list?

Mr. CORLISS. Yes, sir.

The CHAIRMAN. Will you put a copy of that mailing list in the record at this point?

Mr. CORLISS. It is not held in our division, but I do not see any reason why it should not go in.

Mr. JONES. We can easily do that.

The CHAIRMAN. And is that available for 1928 and 1929 as well as for 1930?

Mr. JONES. Well, Mr. Chairman, that list is being constantly changed. We circularize the names on the list every year to find out if people are still interested.

The CHAIRMAN. I am only asking that you put in the lists that you had in 1928 and 1929.

Mr. JONES. We could not say now definitely what names were on that list then.

The CHAIRMAN. Don't you have that list published?

Mr. JONES. No.

The CHAIRMAN. Well, you must have it somewhere in your records.

Mr. JONES. Yes, we have that list, but it is continually being changed. It is a continually changing record. Names are being added and taken from the list, and we do not record the date when a name is put on or taken off. So it would be a very difficult matter for us to say precisely which names were on the list at the time when this Colombian circular was issued. The presumption is that the most of the names now on the list were then on the list.

The CHAIRMAN. Well, that being the presumption, you will give us the list, stating what names you know were on there in 1928 and in 1929 and in 1930.

Mr. JONES. To the best of our knowledge and belief.

Senator REED. Mr. Jones says he will do it if he can.

The CHAIRMAN. Well, he at least knows that some of them were on the list at that time.

Mr. JONES. Oh, yes. A great many names have been on that list from the very beginning.

The CHAIRMAN. Give the names that you know that have been on the list in 1928 and in 1929.

Mr. JONES. How would it do for us to give you a list as of to-day, and then to check off the names of banks, firms, and individuals whom we believe were on the list at the time the Colombian circular was issued?

Abilene National Bank, for A. P. Rogers, Abilene, Kans.
Acme Flour Mills Co., for A. Fuentes, jr., Oklahoma City, Okla.

United States Department of Agriculture, Bureau of Agricultural Economics, for Norman J. Wall, Washington, D. C.
Allis-Chalmers Manufacturing Co., Milwaukee, Wis.
Amalgamated Trust & Savings Bank, 111 West Jackson Boulevard, Chicago, Ill.
American Accountant, for Arthur R. Tucker, 225 Broadway, New York, N. Y.
American Bank Note Co., for J. Bagley, 1710 H Street, NW., Washington, D. C.
American Bankers Association, for W. Espey Albig, Commerce and Marine Commission, 22 East Fortieth Street, New York, N. Y.
American Bankers Association, for library, 22 East Fortieth Street, New York, N. Y.
American Bankers Association, for Henry S. Sargant, 22 East Fortieth Street, New York, N. Y.
American Bankers Association, for William R. Kuhns, 22 East Fortieth Street, New York, N. Y.
American Equities Reporting Co., 84 William Street, New York, N. Y.
American Exchange Irving Trust Co., for James Heckscher, 233 Broadway, New York, N. Y.
American Express Co., for Geo. Weston, vice president and treasurer, 65 Broadway, New York, N. Y.
American Foreign Credit Underwriters, service department, 381 Fourth Avenue, New York, N. Y.
American Foreign Credit Underwriters (Inc.), 381 Fourth Avenue, New York, N. Y.
American Founders Corporation, 50 Pine Street, New York, N. Y.
American Institute of Shipping (Inc.), 17 Battery Place, New York, N. Y.
American Multigraph Sales Co., for A. E. Ashburner, Cleveland, Ohio.
American National Co., for R. A. Shillinglaw, vice president, American Trust Building, Nashville, Tenn.
American State Bank, for A. W. Gruenberg, Highland Park, Mich.
American Trust Co., for Henry T. Crosby, manager mortgage and bond department, Dallas, Tex.
Ames, Emerich & Co., for James C. Ames, 105 South La Salle Street, Chicago, Ill.
Ames, Emerich & Co., for Paul M. Atkins, engineer-economist, 5 Nassau Street, New York, N. Y.
Ames, Emerich & Co., for Charles Behrens, 5 Nassau Street, New York, N. Y.
Anderson Plotz & Co., 120 South La Salle Street, Chicago, Ill.
Anglo London Paris Co., San Francisco, Calif.
Armour & Co., for J. J. Deady, room 402 Albee Building, Washington, D. C.
Harris Aronson, 663 Broadway, New York, N. Y.
Edward Atkins, Park Manor Hotel, San Diego, Calif.
Atlantic Corporation of Boston, box 2365, Boston, Mass.
Atlantic Refining Co., for E. Aicher, 260 South Broad Street, Philadelphia, Pa.
Atlantic Refining Co. Library, 260 South Broad Street, Philadelphia, Pa.
Atlantic Refining Co., for John D. Gill, 260 South Broad Street, Philadelphia, Pa.
D. Auerbach & Sons, for J. S. Auerbach, 636 Eleventh Avenue, New York, N. Y.
H. C. Bailey, 274 Steel Road, West Hartford, Conn.
Baker Library, Harvard University, Graduate School of Business Administration, Soldiers Field, Boston, Mass.
Baker, Kellogg & Co. (Inc.), for I. C. Sheehan, 120 Broadway, New York, N. Y.
Baker, Kellogg & Co. (Inc.), 120 Broadway, New York, N. Y.
Baker, Walsh & Co., for Claude F. Baker, 29 South La Salle Street, Chicago, Ill.
Baker, Walsh & Co., 29 South La Salle Street, Chicago, Ill.
Baltimore Copper Mills, for C. W. Katenkamp, Highlandtown branch post office, Baltimore, Md.
Baltimore Trust Co., for W. B. Thurston, assistant treasurer, 17 South Street, Baltimore, Md.
Bancamerica-Blair Corporation, 44 Wall Street, New York, N. Y.
Bancamerica-Blair Corporation, for E. G. Burland, assistant vice president, 44 Wall Street, New York, N. Y.
Bancitaly Corporation, 44 Wall Street, New York, N. Y.
Bank of America, J. S. Neefus, foreign department, 44 Wall Street, New York, N. Y.

Bank of America, for W. D. Courtright, 660 South Spring Street, Los Angeles, Calif.
Bank of America of California, for Stewart McKee, 660 South Spring Street, Los Angeles, Calif.
Bank of America of California, for manager, foreign department, Seventy-seventh and Spring Streets, Los Angeles, Calif.
Bank of America National Association, 8 Broadway, New York, N. Y.
Bank of America N. T. & S. A., International Banking Department, Foreign Securities Division, 477 California Street, San Francisco, Calif.
Bank of California, N. A., Tacoma, Wash.
Bank of California, for C. K. McIntosh, president, 400 California Street, San Francisco, Calif.
Bank of Greene (Inc.), for cashier, Stanardsville, Va.
Bank of Italy, N. T. & S. A., Seventh and Olive Streets, Los Angeles, Calif.
Bank of Italy, for K. Dorothy Ferguson, librarian, 1 Powell Street, San Francisco, Calif.
Bank of London & South America (Ltd.), for F. E. Plathow, 67 Wall Street, New York, N. Y.
Bank of the Manhattan Co., for Arthur H. Titus, 40 Wall Street, New York, N. Y.
Bank of Manhattan Co., for James D. McDonall, 40 Wall Street, New York.
Bank of New York & Trust Co., 52 Wall Street, New York, N. Y.
Bankers Co. of New York, for J. H. Eager, vice president, 16 Wall Street, New York, N. Y.
Bankers Economic Service, editor, 31 Wooster Street, New York, N. Y.
Bankers Trust Co., 138 North Pennsylvania Street, Indianapolis, Ind.
Bankers Trust Co., Library, 16 Wall Street, New York, N. Y.
Bankers Trust Co., for Seward Prosser, chairman, 16 Wall Street, New York, N. Y.
Bankers Trust Co. of New York, for W. J. Carey, 1920 Boatmen's Bank Building, St. Louis, Mo.
John E. Barber, 215 West Sixth Street, Los Angeles, Calif.
Chas. D. Barney & Co., for statistical department, 65 Broadway, New York.
G. E. Barrett & Co., for E. F. Cadiz, 40 Wall Street, New York, N. Y.
Barstow & Co., 79 Wall Street, New York, N. Y.
Bauer, Pogue, Pond & Vivian, for Frederick R. Bauer, 20 Pine Street, New York, N. Y.
Baum, Bernheimer Co., for George K. Baum, 1016 Baltimore Avenue, Kansas City, Mo.
A. G. Becker & Co. for William M. Welsh, 100 South La Salle Street, Chicago, Ill.
A. G. Becker & Co., for Jay Dunne, 100 South La Salle Street, Chicago, Ill.
A. G. Becker & Co., for statistical department, 137 South La Salle Street, Chicato, Ill.
Stephen Bell, foreign editor, 95 Broad Street, New York, N. Y.
Mr. F. Ruiz Benito, 1018 Arapahoe Street, Los Angeles, Calif.
Bertron, Griscom & Co. (Inc.), 40 Wall Street, New York, N. Y.
Bertron, Griscom & Co. (Inc.), for Dr. Max Winkler, vice president, 40 Wall Street, New York, N. Y.
Better Business Bureau, investors' section, 280 Broadway, New York, N. Y.
H. W. Bingham, Symes Building, Denver, Colo.
Blosser Co., box 1707, Atlanta, Ga.
Blyth & Co., for J. P. Nurmile, 120 Broadway, New York, N. Y.
Blyth & Co., for Ernest J. Howe, 120 Broadway, New York, N. Y.
Blyth & Co., for J. P. Nurmile, 120 Broadway, New York, N. Y.
W. F. Boedker, care of Brown Bros. & Co., 1531 Walnut Street, Philadelphia, Pa.
Bon Bright & Co. (Inc.), 24 Nassau Street, New York, N. Y.
Bonbright & Co., Russ Building, San Francisco, Calif.
Bonbright & Co., 209 South La Salle Street, Chicago, Ill.
Bond & Goodwin, 63 Wall Street, New York, N. Y.
Borden Co., for W. H. Curley, 350 Madison Avenue, New York, N. Y.
Boston Post, for Clifton B. Carberry, Washington Street, Boston, Mass.
Bosworth, Chanute Loughridge & Co., Seventeeth and California Streets, Denver, Colo.
Bowman & Co., 220 North Fourth Street, St. Louis, Mo.

Bradford, Kimball & Co., for Sherman Kimball, 111 Sutter Street, San Francisco, Calif.

William Bratter, Bendermere Avenue, Intertaken, N. J.

Brighton Bank & Trust Co., for G. M. Mosler, Cincinnati, Ohio.

J. A. Broderick, State banking department, 51 Chambers Street, New York, N. Y.

Brookings Institution, 26 Jackson Place, Washington, D. C.

Brooklyn National Bank of New York, for Hon. William C. Redfield, 32 Court Street, Brooklyn, N. Y.

Brooklyn Trust Co., 177 Montague Street, Brooklyn, N. Y.

Brookmire Economic Service (Inc.), for library, 551 Fifth Avenue, New York, N. Y.

Alex. Brown & Sons, for Lawrence M. Proctor, 737 Fifteenth Street NW., Washington, D. C.

Brown Bros. & Co., 1531 Walnut Street, Philadelphia, Pa.

Brown Bros. & Co., for C. F. Breed, 60 State Street, Boston, Mass.

Brown Bros. & Co., for credit information department, 59 Wall Street, New York, N. Y.

Brown Bros. & Co., for David R. Corbett, 231 South La Salle Street, Chicago Ill.

Burns, Potter & Co., 202 South Seventeenth Street, Omaha, Nebr.

Burns, Potter & Co., 202 South Seventeenth Street, Omaha, Nebr.

Geo. H. Burr & Co., 105 West Adams Street, Chicago, Ill.

Business Chronicle, Liggett Building, Seattle, Wash.

Business Week, for Mrs. V. H. Meredith, Tenth Avenue at Thirty-sixth Street, New York, N. Y.

Business Week, 1252 National Press Building, Washington, D. C.

H. M. Byllesby & Co., for L. B. Krause, librarian, 231 South La Salle Street, Chicago, Ill.

Caldwell & Co., for library, Union Street at Fourth Avenue, Nashville, Tenn.

California National Bank, for J. W. Wooldridge, Sacramento, Calif.

Canadian Bank of Commerce, Seattle, Wash.

Canal Bank & Trust Co., for C. C. Collins, assistant vice president, New Orleans, La.

Capital Life Insurance Co., Denver, Colo.

George Carman & Co., 208 South La Salle Street, Chicago, Ill.

Case, Pomeroy & Co. (Inc.), for statistical department, 120 Wall Street, New York, N. Y.

Case, Pomeroy & Co. (Inc.), 120 Wall Street, New York, N. Y.

Case, Pomeroy & Co. (Inc.), for Walter W. Stewart, 120 Wall Street, New York, N. Y.

Cassett & Co., Commercial Trust Building, Philadelphia, Pa.

Caterpillar Tractor Co., export manager, 800 Davis Street, San Leandro, Calif.

Catoir Silk Co., for R. C. Hulbert, 257 Fourth Avenue, New York, N. Y.

Central Hanover Bank & Trust Co., for D. A. Del Rio, assistant vice president, 70 Broadway, New York, N. Y.

Central Hanover Bank & Trust Co., for Roger Whittlesey, vice president, 70 Broadway, New York, N. Y.

Central Hanover Bank & Trust Co., for foreign department, 70 Broadway, New York, N. Y.

Central Illinois Co., for Robert L. Brown, manager, 304 Land Bank Building, 15 West Tenth Street, Kansas City, Mo.

Central National Bank, for H. S. Sherman, room 1002, 308 Euclid Avenue Building, Cleveland, Ohio.

Central National Bank, for J. J. Flynn, assistant cashier, Fourteenth and Broadway, Oakland, Calif.

Central Trust Co. of Illinois, for financial information department, 208 South La Salle Street, Chicago, Ill.

Central United National Bank, for O. L. Carlton, vice president, 308 Euclid Avenue, Cleveland, Ohio.

Certainteed Products Corporation, for R. Luther, 100 East Forty-second Street, New York, N. Y.

Certified Industries (Inc.), for Henry W. Beal, 1 Court and Washington Streets, Boston, Mass.

Chamber of Commerce of United States, for Colvin B. Brown, Washington, D. C.

Chamber of Commerce of the United States, for Elmer J. Davidson, Washington, D. C.

P. W. Chapman & Co. (Inc.), for Charles Howard, 42 Cedar Street, New York, N. Y.

Ralph Chapman & Co., for Ralph Chapman, 208 South La Salle Street, Chicago, Ill.

Chapman Grannis & Co., 112 West Adams Street, Chicago, Ill.

Chase National Bank, foresign department, for Eugene F. Oswald, 18 Pine Street, New York, N. Y.

Chase National Bank, for library, Pine Street, corner of Nassau Street, New York, N. Y.

Chase National Bank of the city of New York, for Adam K. Geiger, 18 Pine Street, New York, N. Y.

Chase National Bank of the city of New York, credit department, foreign division, 18 Pine Street, New York, N. Y.

Chase National Bank, for Henry E. Cooper, vice president, 18 Pine Street, New York, N. Y.

Chase National Bank of the city of New York, for William Cahill, investment service department, 11 Broad Street, New York, N. Y.

Chase National Bank of the city of New York, for S. Stern, vice president, 18 Pine Street, New York, N. Y.

Chase Securities Corporation, for R. W. Barnes, First National Bank Building, Denver, Colo.

Chase Securities Corporation, for J. D. Tutin, 60 Cedar Street, New York, N. Y.

Chase Securities Corporation, for J. R. Miller, 414 Merchants Bank Building St. Paul, Minn.

Chase Securities Corporation, for C. I. Tomlinson, 111 Sutter Street, San Francisco, Calif.

Chatham Phenix Corporation, 105 South La Salle Street, Chicago, Ill.

Chatham Phenix Corporation, for G. M. Callahan, 149 Broadway, New York, N. Y.

Chatham Phenix National Bank & Trust Co., for Charles Jenkinson, 149 Broadway, New York, N. Y.

Chatham & Phenix National Bank & Trust Co., vice president, Fifty-seventh and Third Avenue, New York, N. Y.

Chase National Bank, of the city of New York, for Sheldon R. Green, reserve department, 18 Pine Street, New York, N. Y.

Chemical Bank & Trust Co., foreign credit department, 55 Cedar Street, New York, N. Y.

Chemical Bank & Trust Co., for J. W. Platten, president, 55 Cedar Street, New York, N. Y.

Chicago City Bank & Trust Co., for Fred C. Rathje, 815 West Sixty-third Street, Chicago, Ill.

Chicago Northwest Trust & Savings Bank, for J. C. White, vice president, Chicago, Ill.

Chicago Title & Trust Co., for John Y. Meloy, jr., 169 West Washington Street, Chicago, Ill.

C. F. Childs & Co. (Inc.), 231 South La Salle Street, Chicago, Ill.

Chrysler Export Corporation, for G. H. Strock, secretary-Treasurer, Box 1394, Detroit, Mich.

Chrysler Export Corporation, for H. A. Davies, assistant treasurer, box 1394, Detroit, Mich.

Citizens National Co., for H. M. Bateman, box 427, Arcade Station, Los Angeles, Calif.

Citizens National Trust & Savings Bank, for Alex. S. Cowie, vice president, 457 South Spring Street, Los Angeles, Calif.

Citizens State Bank of Chicago, for H. H. Bernahl, 3228 Lincoln Avenue, Chicago, Ill.

Clarke, Lewis & Co., 318 South Nineteenth Street, Omaha, Nebr.

Cleveland Trust Co., for R. T. White, assistant vice president, Cleveland, Ohio.

Douglas W. Clinch & Co. (Inc.), 72 Wall Street, New York, N. Y.

Charles F. Clise, 222 Securities Building, Seattle, Wash.

Cohle & Tyree Co., for Victor L. Tyree, 711 Union Trust Building, Cincinnati, Ohio.

Dr. Harry T. Collins, 917 Marlyn Road, Overbrook, Philadelphia, Pa.

William F. Collins, 31 Nassau Street, room 1209, New York, N. Y.

Colombian American Chamber of Commerce, 15 Moore Street, New York, N. Y.

Columbia University, school of business, for library, New York, N. Y.
Columbus Chamber of Commerce, for froeign trade department, 30 East Broad Street, Columbus, Ohio.
E. Guy Colvin, 6547 Hollywood Boulevard, Hollywood, Calif.
Commerce Trust Co., for J. Z. Miller, Kansas City, Mo.
Commercial Investment Trust, for E. W. Davenport, 1 Park Avenue, New York, N. Y.
Commercial National Bank & Trust Co., for J. W. Truesdale, 56 Wall Street, New York, N. Y.
Commonwealth Commercial State Bank for W. W. Smith, Detroit, Mich.
Commercial National Bank & Trust Co., for foreign department, 56 Wall Street, New York, N. Y.
Concrete Steel Co., 2 Park Avenue, New York, N. Y.
Continental Illinois Bank & Trust Co., H. G. P. Deans, vice president, La Salle Street and Jackson Boulevard, Chicago, Ill.
Continental Illinois Co., for library, 231 South La Salle Street, Chicago, Ill.
Continental National Bank, for vice president, Lincoln, Nebr.
Asa S. Cook Co., for R. S. Crosby, 603 Franklin Avenue, Hartford Conn.
A. O. Corbin, 68 West Fifty-eighth Street, New York, N. Y.
Corn Exchange Bank, for Walter F. Frew, president, 13 William Street, New York, N. Y.
Corn Exchange National Bank, for C. L. Chandler, Philadelphia, Pa.
J. N. H. Cornell, 25 Broad Street, New York, N. Y.
Felix Coste, room 710, 11 Water Street, New York, N. Y.
Council on Foreign Relations, for D. H. Cochrane, reserve department, 45 East Sixty-fifth Street, New York, N. Y.
George M. Crawford, 48 Wall Street, room 700, New York, N. Y.
Crescent Tool Co., Jamestown, N. Y.
Crouse & Co., for C. B. Crouse, 1817 Penobscot Building, Detroit, Mich.
Curtis, Mallett-Prevost, Colt & Mosle, South Mallet-Prevost, 63 Wall Street, New York, N. Y.
Curtiss-Wright Export Corporation, for Mr. McCann, 27 West Fifty-seventh Street, New York, N. Y.
Curtiss-Wright Export Corporation, for assistant general manager, 27 West Fifty-seventh Street, New York, N. Y.
Dant & Russell Co., for C. L. Seitz, 1101 Porter Building, Portland, Oreg.
Darling-Singer Lumber Co., 419 Oregon Building, Portland, Oreg.
Adolph Dauber, 231 South La Salle Street, Chicago, Ill.
Dartmouth College, Amos Tuck School of Administration and Finance, for G. W. Woodworth, Hanover, N. H.
Adolph Dauber Investment Service, 2052 Continental Illinois Bank Building, Chicago, Ill.
Davis, Skaggs & Co., 111 Sutter Street, San Francisco, Calif.
L. L. Davis Co., 725 South Spring Street, Los Angeles, Calif.
T. J. Davis, 189 West Madison Street, Chicago, Ill.
R. L. Day & Co., 14 Wall Street, New York, N. Y.
Defiance Spark Plugs (Inc.), L. DeBouder, export department, Toledo, Ohio.
DeFoe Boat & Motor Works, Bay City, Mich.
Denver Chemical Manufacturing Co., for F. J. Stein, 163 Varick Street, New York, N. Y.
Denver Post, for financial editor, Denver, Colo.
Detroit Savings Bank, for cashier, State and Griswold, Detroit, Mich.
Detroit & Security Trust Co., for H. K. Latta, statistical department, Detroit, Mich.
De Vilbiss Co., export department, 300 Phillips Avenue, Toledo, Ohio.
Dewey & Almy Chemical Co., Cambridge B. Mass.
Diamond National Bank, for Walter O. Phillips, Pittsburgh, Pa.
Diebold Safe & Lock Co., for C. M. Wilson, export manager, Canton, Ohio.
Dillon, Reak & Co., foreign department, for R. O. Hayward, manager, 28 Nassau Street, New York, N. Y.
Dillon, Read & Co., for H. C. Boshan, 75 Federal Street, Boston, Mass.
Dillon, Read & Co., 3110 Grant Building, Pittsburgh, Pa.
Director of the Mint's office, for S. B. Frantz, Treasury Building, Washington, D. C.
Diversified Investment Trusts (Inc.), for John J. Spearman, in care of Central Depositors Bank & Trust Co., Akron, Ohio.
J. H. Dixon, 45 Hillside Avenue, Nutley, N. J.
Christian Djorup, C. P. A., 521 Fifth Avenue, New York, N. Y.

Henry L. Dougherty & Co., manager foreign department, 60 Wall Street, New York, N. Y.
S. S. Downer, 2205 Twelfth Street, Boulder, Colo.
Drake Jones Co., 608 Merchants Bank Building, St. Paul, Minn.
Louis Dreyfus & Co., for J. Kayaloff, Produce Exchange, New York, N. Y.
Drovers National Bank, for Geo. A. Malcolm, 4201 South Halsted Street, Chicago, Ill.
Du Pont Co., for Tage F. Vohtz, box 133, Parlin, N. J.
E. I. du Pont De Nemours & Co., chemical department, experimental station, Wilmington, Del.
Du Pont De Nemours & Co. (Inc.), for Roberto Gomez, manager foreign trade development division, Wilmington, Del.
Eastman, Dillon & Co., for John Simpson Pearson, 120 Broadway, New York, N. Y.
Economic Research (Inc.), for Philip L. Carret, 120 Broadway, New York, N. Y.
Electric Bond & Share Co., statistical department, 2 Rector Street, New York, N. Y.
Empire National Bank, for the president, Clarksburg, W. Va.
Equitable & Central Trust Co., for Frank N. Phelps, Buhl Building, Detroit, Mich.
Equitable Securities Corporation, Harry Nichol Building, Nashville, Tenn.
Esmont National Bank, Esmont, Va.
Estabrook & Co., 40 Wall Street, New York, N. Y.
Evening Sun, for Rodney Crowther, care of financial department, Baltimore, Md.
Exchange National Bank, Pittsburgh, Pa.
Export Agencies Corporation, for Mr. Feldhum, 116 Broad Street, New York, N. Y.
Federal Farm Board, Library, Washington, D. C.
Federal Inernational Banking Co., 535 Fifth Avenue, New York, N. Y.
Federal National Bank, for Frank R. Loeffler, manager, foreign department, 85 Devonshire Street, Boston, Mass.
Federal Phosphorus Co., 930 Brown-Marx Building, Birmingham, Ala.
Federal Reserve Bank, statistical division, Atlanta, Ga.
Federal Reserve Bank, box 834, Chicago, Ill.
Federal Reserve Bank of Cleveland, for library, Cleveland, Ohio.
Federal Reserve Bank, Library, Dallas, Tex.
Federal Reserve Bank of New York, foreign information department, for Eric F. Lamb, New York, N. Y.
Federal Reserve Bank, reference library, Federal reserve post-office station, New York, N. Y.
Federal Reserve Bank, for library, box 1394, Philadelphia, Pa.
Federal Reserve Bank of Philadelphia, for Arthur E. Post, assistant Federal reserve agent, 925 Chestnut Street, Philadelphia, Pa.
Federal Reserve Bank of Richmond, for George J. Seay, Richmond, Va.
Federal Reserve Bank, Federal reserve agent, San Francisco, Calif.
Federal Reserve Bank, division of statistics, St. Louis, Mo.
Federal Reserve Board, for Walter R. Gardner, division of research and statistics, Washington, D. C.
Federal Reserve Board, library, Washington, D. C.
L. B. Ferguson & Co., for L. B. Ferguson, 208 South La Salle Street, Chicago, Ill.
Fidelity National Co., for Leonard Callender, vice president, Kansas City, Mo.
Fidelity Trust Co., H. O. Metzger, assistant secretary, 120 Broadway, New York, N. Y.
Fidelity Union Trust Co., Newark, N. J.
Field, Glore & Co., 120 West Adams Street, Chicago, Ill.
Fifth Third National Bank, for W. F. Gabel, manager foreign department, Cincinnati, Ohio.
Financial Digest, for Latin American department, 120 Wall Street, New York, N. Y.
Firestone Tire & Rubber Co., for R. S. Leonard, assistant treasurer, Akron, Ohio.
Firestone Tire & Rubber Co., for F. W. Kuhlke, export department, Akron, Ohio.
Firestone Tire & Rubber Co., for library, Akron, Ohio.
First & American National Bank of Duluth, Duluth, Minn.

First Detroit Co., 735 Griswold Street, Detroit, Mich.
First Detroit Co. (Inc.), for Barnet Lefferts, assistant vice president, 14 Wall Street, New York, N. Y.
First Federal Foreign Banking Corporation, 100 Broad Street, New York, N. Y.
First Minneapolis Trust Co., statistical division, Minneapolis, Minn.
First National Bank of Atlanta, Atlanta, Ga.
First National Bank, for James W. McElroy, vice president, Redwood and Light Streets, Baltimore, Md.
First National Bank, for George H. Williams, Bay City, Mich.
First National Bank, for chashier, Belington, W. Va.
First National Bank, for Phil Gass, Belleville, Ill.
First National Bank of Boston, for H. M. Chadsey, assistant cashier, Milk Street, Boston, Mass.
First National Bank of Chicago, executive secretary, Chicago, Ill.
First National Bank, for Harry Salinger, vice president, Chicago, Ill.
First National Bank, for Jane Grogan, foreign banking department, Dearborn and Monroe Streets, Chicago, Ill.
First National Bank in Dallas, for E. M. Bruhns, manager of foreign department, Dallas, Tex.
First National Bank, for Roderick P. Fraser, vice president, Detroit, Mich.
First National Bank in Detroit, Woodward Avenue and Cadillac Square, Detroit, Mich.
First National Bank, G. H. Zimmerman, manager foreign banking, department 660 Woodward Avenue, Detroit, Mich.
First National Bank, for Walter R. Joy, Detroit, Mich.
First National Bank, for Paul L. Hamilton, Fort Worth, Tex.
First National Bank, 2127 Avenue B., Galveston, Tex.
First National Bank, for assistant cashier, Hamtramck, Mich.
First National Bank, Hancock, Mich.
First National Bank, for Andrew C. Jobes, vice president, Kansas City, Mo.
First National Bank, for Edward S. Bice, Marquette, Mich.
First National Bank, foreign exchange departmatnt, Minneapolis, Minn.
First National Bank, Jackson E. Reynolds, president, 2 Wall Street, New York, N. Y.
First National Bank at Pittsburgh, foreign exchange department, box 1233, Pittsburgh, Pa.
First National Bank of Port Townsend, for George Welch, Port Townsend, Wash.
First National Bank, for W. F. Gephart, vice president, St. Louis, Mo.
First National Bank, for Bert H. Lang, vice president, Broadway and Olive Streets, St. Louis, Mo.
First National Bank, I. W. Lonergan, manager, foreign department, Broadway and Olive Streets, St. Louis, Mo.
First National Bank, manager foreign exchange department, St. Paul, Minn.
First National Co., vice president, First National Bank Building, Atlanta Ga.
First National Corporation, for the vice president, 67 Milk Street, Boston, Mass.
First National Old Colony Corporation, for Elisha R. Jones, manager, 402 First National Bank Building, Baltimore, Md.
First National Old Colony Corporation, for bond purchasing department, 100 Broadway, New York, N. Y.
First National Old Colony Corporation, statistical department, 100 Broadway, New York, N. Y.
First National Old Colony Corporation, manager statistical department, 100 Broadway, New York, N. Y.
First National Old Colony Corporation, for the vice president, 67 Milk Street, Boston, Mass.
First National Old Colony Corporation, for T. R. Pierce, assistant vice president, 100 Broadway, New York, N. Y.
First Seattle Dexter Horton National Bank, bank investment department, Seattle, Wash.
First Seattle Dexter Horton National Bank, foreign department, Seattle, Wash.
First Seattle Dexter Horton National Bank, foreign trade department, Seattle, Wash.
First Seattle Dexter Horton, Securities Co., Howard S. Lahman, personal analyst, Seattle, Wash.

First Securities Corporation, Fourth and Robert Streets, St. Paul, Minn.
First Securities Corporation, for A. A. Greenman, St. Paul, Minn.
First Securities Corporation, H. G. Fraine, manager statistical department, Fourth and Robert Streets, St. Paul, Minn.
First Security Bank, for R. J. Comstock, jr., vice president, Nampa, Idaho.
First State Bank, for cashier, Royal Oak, Mich.
First State Savings Bank, for cashier, Birmingham, Mich.
First Trust and Savings Bank, for Ben V. Marconi, Canton, Ohio.
First Union Trust and Savings Bank, for James P. Feeley, assistant cashier, Chicago, Ill.
First Wisconsin Co., analytical division, 68 East Wisconsin Avenue, Milwaukee, Wis.
Fitzsimmons & Co., for H. E. Schuknecht, jr., 120 South La Salle Street, Chicago, Ill.
Fletcher-American National Bank, for M. W. Socwell, Indianapolis, Ind.
Florasynth Laboratories (Inc.), 1513 Olmstead Avenue, New York, N. Y.
Florasynth Laboratories (Inc.), for Charles Senior, 1513 Olmstead Avenue, New York, N. Y.
Folds, Buck & Co., 208 South La Salle Street, Chicago, Ill.
Food Research Institute, Stanford University, California.
Foreign Policy Association, for library, 18 East Forty-first Street, New York, N. Y.
Foreign Policy Association, for W. T. Stone, National Press Building, Washington, D. C.
Foreign Trade Security Corporation, 43 Exchange Place, New York, N. Y.
Foreman State Corporation, for J. F. Notheis, 33 North La Salle Street, Chicago, Ill.
Foreman State National Bank, for library, drawer O, Chicago, Ill.
Foremen State Corporation, for Joe Reilly, 33 North La Salle Street, Chicago, Ill.
Foreman State Corporation, foreign department, 52 Wall Street, New York, N. Y.
Forgan, Gray & Co., for David L. Shillinglaw, 1 La Salle Street, Chicago, Ill.
George M. Forman & Co., for Y. W. Mann, general sales manager, 112 West Adams street, Chicago, Ill.
Foundation Co., for S. Baxter, 120 Liberty Street, New York, N. Y.
Founders Securities Trust, National Union Bank Building, Boston, Mass.
Fourth & First National Co., Nashville, Tenn.
Morris F. Fox & Co., North Water at Mason, Milwaukee, Wis.
Albert Frank & Co., for I. Abramhoff, manager residential department, 165 Broadway, New York, N. Y.
Adolf Friedeberg, 210 Riverside Drive, New York, N. Y.
Fuller Cruttenden & Co., for Fred R. Tuerk, 120 La Salle Street, Chicago, Ill.
Furland & Co. (Inc.), 52 Wall Street, New York, N. Y.
Gammack & Co., for Paul Jordi, 39 Broadway, New York, N. Y.
Garland Co., for R. L. Rich, export manager, Cambridge, Reno and Prince Avenues, at East Ninety-first Street on New York Central Railroad belt line, Cleveland, Ohio.
General Motors Export Co., for analysis division, General Motors Building, Broadway at Fifty-seventh Street, New York, N. Y.
Alicia F. Gideon, room 402, City Hall, Chicago, Ill.
Gillette Safety Razor Co., for Mr. G. H. Marcy, South Boston, Mass.
Garold S. Gillespie, 278 East Main Street, Somerville, N. J.
Gillet & Co., statistical department, Light and Redwood Streets, Baltimore, Md.
Girard Trust Co., Philadelphia, Pa.
Glass Container Association of America, 19 West Forty-fourth Street, New York, N. Y.
Globe-Wernicke Co., for export department, Cincinnati, Ohio.
Goldman, Sachs & Co., 30 Pine Street, New York, N. Y.
Goldman Sachs Trading Corporation, for Mildred A. Lee, 30 Pine Street, New York, N. Y.
Goodyear Tire & Rubber Co., for Z. C. Oseland, treasurer's office, Akron, Ohio.
Goodyear Tire & Rubber Co., for R. E. Davis, economic statistician, commercial research department, Akron, Ohio.
A. S. Goulden & Co., Woodward Building, Washington, D. C.
Grace National Bank, for F. E. Wheeler, vice-president, Hanover Square, New York, N. Y.

G. V. Grace & Co. (Inc.), 34 Pine Street, New York, N. Y.
Graham, Parsons & Co., 48 Wall Street, New York, N. Y.
Grand Rapids Savings Bank, for G. L. Daane, president, Grand Rapids, Mich.
Gray, Emery, Vasconcells & Co., 1717 Stout Street, Denver, Colo.
A. G. Grebe & Co. (Inc.), for G. F. Rhodes, 70 Van Wyck Boulevard, Richmond Hill, N. Y.
Greenstein & Josephson, for export manager, 702 Broadway, New York, N. Y.
Greenpoint Metallic Bed Co. (Inc.), for P. Najera, 226 Franklin Street, Brooklyn, N. Y.
Gregory, Van Cleave & Blair, (Inc.), 105 South La Salle Street, Chicago, Ill.
Gruntal, Lilienthal & Co., 60 Broadway, New York, N. Y.
Guaranteed Garages Corporation, 135-04 One hundred and first Avenue, Richmond Hill, N. Y.
Guaranty Co. of New York, for John W. Meyer, jr., 120 West Adams Street, Chicago, Ill.
Guaranty Trust Co. of New York, foreign relations division, 140 Broadway, New York, N. Y.
Guaranty Co. of New York, C. S. Fink, investment advisory department, 120 West Adams Street, Chicago, Ill.
Guaranty Co. of New York, for Willis H. Booth, 140 Broadway, New York, N. Y.
Guaranty Co. of New York, reference library, 31 Nassau Street, New York, N. Y.
Guaranty Co. of New York, Albert Breton, vice president, 140 Broadway, New York, N. Y.
Guaranty Trust Co. of New York, for H. G. Brock, vice president, 140 Broadway, New York, N. Y.
Guaranty Co. of New York, 811 Fifteenth Street NW., Washington, D. C.
Guardian Detroit Co., V. A. Fletcher, financial library, Fort and Griwsold Streets, Detroit, Mich.
Guardian Detroit Bank, for Richard Laurence, Detroit, Mich.
Guardian Detroit Co., for Henry O'Connor, 1523 Canal Building, New Orleans, La.
Guardian Trust Co., for W. J. Shannon, manager foreign department, Cleveland, Ohio.
Guiterman Co. (Inc.), 35 South William Street, New York, N. Y.
Gulf States Steel Co., for C. V. Orr, assistant treasurer, Brown-Marx Building, Birmingham, Ala.
Benjamin F. Haas, 417 Fifth Avenue, New York, N. Y.
Louis M. Hacker, 908 Avenue O, Brooklyn, N. Y.
Henry O. Hahn, 58 McMullen Avenue, Hartford, Conn.
Hale Waters & Co. for W. L. Cress, 722 Dwight Building, Kansas City, Mo.
Hallgarten & Co., 44 Pine Street, New York, N. Y.
Halsey, Stuart & Co., for librarian, 201 South La Salle Street, Chicago, Ill.
Halsey, Stuart & Co. (Inc.), 35 Wall Street, New York, N. Y.
Albert C. Hammerman, 129 West Seventy-seventh Street, New York, N. Y.
Hammermill Paper Co., for W. T. Brust, Erie, Pa.
Hammond Reed Co., 9 May Street, Worcester, Mass.
Hapag Trading Co., 15 Moore Street, New York, N. Y.
W. A. Harriman & Co., manager foreign securities department, 39 Broadway, New York, N. Y.
Harris, Forbes & Co., for Walter W. Ross, Pine Street, corner William, New York, N. Y.
Stanley G. Harris, 3700 Washington Street, San Francisco, Calif.
Harris Trust & Savings Bank, for Julien H. Collins, 115 West Monroe Street, Chicago, Ill.
Harris Trust & Savings Bank, for W. R. Bimson, 115 West Monroe Street, Chicago, Ill.
Harris Trust & Savings Bank, for H. L. Parker, 115 West Monroe Street, Chicago, Ill.
George D. Harter Bank, for Alfred Ziff, Canton, Ohio.
Cale P. Haun, 403 Harry Nichol Building, Nashville, Tenn.
Harvard University, George B. Roorback, Morgan Hall, Soldiers Field, Boston Mass.
Harvard Economic Society (Inc.), for library, 1430 Massachusetts Avenue, Boston, Mass.
Herrick Co., for T. G. Horsfield, Cuyahoga Building, Cleveland, Ohio.

Hayden, Stone & Co., investment department, 25 Broad Street, New York, N. Y.
Hemphill, Noyes & Co., 35 Wall Street, New York, N. Y.
Hibernia Bank & Trust Co., Carondelet at Gravier Street, New Orleans, La.
Hibernia Commercial & Savings Bank, for manager foreign department, Portland, Oreg.
Thomas C. Higgins, 220 Benjamin Street, Saginaw, W. S., Mich.
Highland Park State Bank, for L. F. Merz, Highland Park, Mich.
N. B. Hinckley, 720 Common Street, New Orleans, La.
Hoover Co., for L. B. Sawyer, controller, North Canton, Ohio.
Horn Saw Manufacturing (Inc.), for H. C. Horn, president, 350 Bowery Street, Akron, Ohio.
Hornblower & Weeks, 42 Broadway, New York, N. Y.
Henry Howard, Paradise Road, Newport, R. I.
John Babcock Howard, 1223 New Industrial Trust Building, Providence, R. I.
Irving H. Howe, 305 Boston Building, Denver, Colo.
J. L. Hudson Co., for H. L. Dunham, Woodward Avenue, Detroit, Mich.
Chas. L. Huisking & Co. (Inc.), 5 Platt Street, New York, N. Y.
Wm. M. Humphrey & Co., 1520 Packard Building, Philadelphia, Pa.
C. H. Huston & Co., 111 Broadway, New York, N. Y.
Hutchings-Sealy National Bank, 2209 Avenue D, Galveston, Tex.
Hytron Corporation, 76 Lafayette Street, Salem, Mass.
August Ihlefeld, jr., 51 Chambers Street, New York, N. Y.
Illinois Bankers' Association, 33 North La Salle Street, Chicago, Ill.
Immigrant State Bank, for F. M. Just, W. North Avenue and Sedgewick, Chicago, Ill.
Industrial Trust Co., for W. G. Meader, Providence, R. I.
International Acceptance Bank (Inc.), for Paul M. Warburg, 31 Pine Street, New York, N. Y.
International Acceptance Bank (Inc.), 52 Cedar Street, New York, N. Y.
International Banking Corporation, for M. D. Currie, vice president, 55 Wall Street, New York, N. Y.
International Banking Corporation, 209 Bush Street, San Francisco, Calif.
International B. F. Goodrich Corporation, 342 Madison Avenue, room 342, New York, N. Y.
International B. F. Goodrich Corporation, Akron, Ohio.
International Business Machines Corporation, G. J. Rebsamen, assistant manager for department, 270 Broadway, New York, N. Y.
International Corporation Co., 150 Broadway, New York, N. Y.
International General Electric Co., for A. D. Kline, Schenectady, N. Y.
International Madison Bank & Trust Co., 100 Park Row, New York, N. Y.
International Manhattan Co., for Miss Nash, 40 Wall Street, New York, N. Y.
International Manhattan Co., J. A. Milholland, vice president, 40 Wall Street, New York, N. Y.
International Paper Co., for H. C. Scott, statistical department, Pershing Square Building, Park Avenue and Forty-second Street, New York, N. Y.
International Telephone & Telegraph Corporation, Sidney Brooks, information department, 67 Broad Street, New York, N. Y.
International Trading Corporation, Norfolk, Va.
Interstate Trust & Banking Co., Canal at Camp Street, New Orleans, La.
Investment Research Corporation, library, Penobscot Building, Detroit, Mich.
Investors Economic Service, 213 W. Wisconsin Avenue, Milwaukee, Wis.
Investors Equity Co., for R. J. George, 65 Broadway, New York, N. Y.
Investors Equity Co. (Inc.), 15 Exchange Place, Jersey City, N. J.
Investors of Washington (Inc.), for John F. Dreyden, Peoples Life Insurance Building, Fourteenth and H Streets, NW., Washington, D. C.
Deputy Superintendent of Banks, investment and statistical bureau, for August Ihlefeld, 80 Centre Street, New York, N. Y.
Iowa Bankers Association, for Frank Warner, secretary, 430 Liberty Building, Des Moines, Iowa.
Iowa-Des Moines Co., for Albert J. Robinson, vice president, Iowa National Bank Building, Des Moines, Iowa.
Irving Trust Co., for James Heckscher, 1 Wall Street, New York, N. Y.
Irving Trust Co., for Lewis Pierson, 1 Wall Street, New York, N. Y.
Irving Trust Co., library, 1 Wall Street, New York, N. Y.
A. Iselin & Co., for G. B. Sherwell, 40 Wall Street, New York, N. Y.
A. Iselin & Co., 40 Wall Street, New York, N. Y.

Italian Investment Corporation, for Dorothy Wagner, 524 Montgomery Street, San Francisco, Calif.

Jackson Bros., Boesel & Co., Brian J. Ducey, statistical department, 316 South La Salle Street, Chicago, Ill.

B. W. Fleisher, Japan Advertiser, 110 East Forty-second Street, New York, N. Y.

David E. Judd, 424 Puritan Road, Swampscott, Mass.

Eldred M. Keays Co., 135 Wells Street, Milwaukee Wis.

Kalman & Co., McKnight Building, Minneapolis Minn.

Kalman & Co., for C. O. Kalman, 144 Endicott Building, St. Paul, Minn.

Keane, Higlie & Co., Penobscot Building, 645 Griswold Street, Detroit, Mich.

Eldred M. Keays Co., 105 Wells Street, Milwaukee, Wis.

Keeney Oil Co. (Inc.), for O. P. Keeney, 11 Broadway, New York, N. Y.

John Eoghan Kelly, 17 Battery Place, New York, N. Y.

Kelly, Converse & Co., 40 Exchange Place, New York, N. Y.

Dr. E. W. Kemmerer, 161 Hodge Road, Princeton, N. J.

Kemsley, Millbourn & Co. (Ltd.), for vice president, 40 Rector Street, New York, N. Y.

Kemsley, Millbourn & Co. (Ltd.), for D. R. Loring, 40 Rector Street, New York, N. Y.

Fred I. Kent, room 1507, 100 Broadway, New York, N. Y.

Kidder, Peabody & Co., William Holway Hill, Boston, Mass.

Kidder, Peabody & Co., 115 Devonshire Street, Boston, Mass.

Kidder, Peabody & Co., 17 Wall Street, New York, N. Y.

Kirstein Business Branch, for Boston Public Library, First floor, 20 City Hall Avenue, Boston, Mass.

Kissel, Kinnicutt & Co., for walter Cruttenden, 120 West Adams Street, Chicago, Ill.

Kissel, Kinnicutt & Co., for B. S. Van Rensselaer (2 copies), 14 Wall Street, New York, N. Y.

Kuhn, Loeb & Co., for John A. Payne, William and Pine Streets, New York, N. Y.

A. E. Kusterer & Co., for Roger Verseput, jr., 303 Michigan Trust Building, Grand Rapids, Mich.

K. V. S. Co., box 207, Lake City, Fla.

A. M. Lamport & Co. (Inc.), 44 Pine Street, New York, N. Y.

Lane, Piper & Jaffray (Inc.), for C. C. Rudd, 1200 First National-Soo Line Building, Minneapolis, Minn.

Lane, Piper & Jaffray, for E. N. Dion, First National-Soo Line Building, Minneapolis, Minn.

Lansford & Co., for P. T. Lansford, president, 33 North La Salle Street, Chicago, Ill.

Lasser Bros., 68 William Street, New York, N. Y.

Stanley F. La Vey, general agent French Lin :, 400 Manufacturers' and Traders' Building, Buffalo, N. Y.

Lawyers International Corporation, 68 William Street, New York, N. Y.

Lazard Freres, for statistical department, 120 Broadway, New York, N. Y.

A. B. Leach & Co. (Inc.), statistical department, 57 William Street, New York, N. Y.

League of Nations, for A. Loveday, finance and economic section, Geneva, Switzerland.

Rufus E. Lee & Co., 1119 City National Bank Building, Omaha, Nebr.

Lee, Higginson & Co., foreign department, 70 Federal Street, Boston, Mass.

Lee, Higginson & Co., for W. M. Flower, 137 West Jackson Boulevard, Chicago, Ill.

Lee, Higginson & Co., for statistical department, 209 South La Salle Street, Chicago, Ill.

Lee, Higginson & Co., 37 Broad Street, New York, N. Y.

Lee, Higginson & Co., for Spencer Phenix, 37 Broad Street, New York, N. Y.

Lenape Trading Corporation, for E. J. Beattie, 225 Broadway, New York, N. Y.

F. St. Elmo Lewis, 1505 Race Street, Philadelphia, Pa.

Liberty Bank of Buffalo, for K. F. Draddy, manager foreign department, Main and Court Streets, Buffalo, N. Y.

S. Liebovitz & Sons, for S. Brownstein, 75 Leonard Street, New York, N. Y.

Life Savers (Inc.), for A. J. Frick, Port Chester, N. Y.

Raymond U. Light, box 167, Montvale, N. J.

Lincoln-Alliance Bank, for Howard W. Glienke, manager, foreign trade department, Rochester, N. Y.
Lincoln National Life Insurance Co., for F. J. Travers, manager investment research division, Fort Wayne, Ind.
Alber F. Lippmann, 120 South La Salle Street, Chicago, Ill.
F. J. Lisman & Co., 44 Wall Street, eighth floor, New York, N. Y.
Loomis, Suffern & Fernald, 50 Broad Street, New York, N. Y.
Los Angeles Division Bank of Italy, for R. E. Dorton, manager international banking department, Seventh and Olive Streets, Los Angeles, Calif.
Louisiana University, College of Commerce, for Prof. Joseph Mayton, Baton Rouge, La.
Chase W. Love, suite 828, State Bank Building, 120 South La Salle Street, Chicago, Ill.
Justus F. Lowe Co. (Inc.), First National-Soo Line Building, Minneapolis, Minn.
Ludlow Sales Corporation (Inc.), 80 Federal Street, Boston, Mass.
Lybrand, Ross Bros. & Montgomery, 80 Federal Street, Boston, Mass.
G. H. Lynen & Co. (Inc.), for Miss Hirschi, 89 Broad Street, New York N. Y.
M. & T. Trust Co., for James M. Cotter, Buffalo, N. Y.
Mackay & Co., for H. Heinemann, 14 Wall Street, New York, N. Y.
Mackubin, Goodrich & Co., for Albert W. Thorpe, 111 East Redwood Street, Baltimore, Md.
Mackubin & Goodrich, for R. L. Degroff, Redwood and South Streets, Baltimore, Md.
Marine Midland Trust Co., for Lawrence Wilkinson, 120 Broadway, New York, N. Y.
Marine Paint & Varnish Co. (Inc.), box 192, New Orleans, La.
Marine Trust Co., Graydon Bowen, statistician, Main and Seneca Streets, Buffalo, N. Y.
Marine Trust, for Ralph Wahlborg, Buffalo, N. Y.
Marine Trust Co. of Buffalo, for A. M. Werner, foreign department, Buffalo, N. Y.
John C. Marshall, 112 Green Bay Road, Hubbard Woods, Ill.
C. Harold Martin, 3900 Greystone Avenue, New York, N. Y.
Martin Rubber Co. (Inc.), for Walter L. Tepper, 327 Jackson Avenue, Long Island City, N. Y.
Matagorda Plantation, for M. M. Hood, Jonestown, Miss.
McCall Co., for export manager, 230 Park Avenue, New York, N. Y.
George H. McFadden & Bro., for William G. Reed, statistician, Philadelphia, Pa.
Dr. C. E. McGuire, Cosmos Club, Washington, D. C.
Robert L. McGuire, box 1325, Norfolk, Va.
J. A. McNear Co., 433 California Street, San Francisco, Calif.
C. A. McQueen, 26 Stone Street, New York, N. Y.
Mercantile-Commerce Bank & Trust Co., A. S. Brueggemann, manager foreign department, Locust, Eighth, and St. Charles Streets, St. Louis, Mo.
Mercantile-Commerce Co., for Walter W. Ainsworth, vice president, Locust, Eighth, and St. Charles Streets, St. Louis, Mo.
Mercantile Trust & Deposit Co., for J. R. Crunkleton, assistant secretary-treasurer, Baltimore, Md.
Mercantile Trust & Deposit Co., for J. R. Crunkleton, assistant treasurer, foreign department, 200 East Redwood Street, Baltimore, Md.
Merchants National Bank, for Carl J. Swenson, foreign department, Boston, Mass.
William J. Mericka, 700 Cuyahoga Building, Cleveland, Ohio.
Merrill, Lynch & Co., 40 Wall Street, New York, N. Y.
D. J. Metcalf & Co., 518 Grand Avenue, Des Moines, Iowa.
Metcalf, Cogwill & Co. (Inc.), for E. S. Cowgill, Equitable Building, Des Moines, Iowa.
Metropolitan Life Insurance Co., for library, 1 Madison Avenue, New York, N. Y.
Metropolitan State Bank, for John Brenza, president, 2201 West Twenty-second Street, Chicago, Ill.
Alfred Meyer, 60 Broad Street, New York, N. Y.
Ben Franklin Meyer, 208 South La Salle Street, Chicago, Ill.
John M. Meyer, jr., 8 Remsen Street, Brooklyn, N. Y.
Meyer-Kiser Bank, 128 East Washington Street, Indianapolis, Ind.
Michigan Trust Co., for H. B. Wagner, Grand Rapids, Mich.

Midland National Bank & Trust Co., for T. Oas, vice president, Minneapolis, Minn.
Millen Manufacturing Co., 7 Water Street, Boston, Mass.
Millers Falls Co., 28 Warren Street, New York, N. Y.
Victor A. Miller, Symes Building, Denver, Colo.
Minnesota Loan & Trust Co., statistical department, Minneapolis, Minn.
Minot, Hooper & Co. (Inc.), 11 Thomas Street, New York, N. Y.
Mississippi Valley Co., Fourth and Pine Streets, St. Louis, Mo.
Mitchell, Herrick & Co., for H. Weisbrod, Cuyahoga Building, Cleveland, Ohio.
Missouri State Life Insurance Co., for R. H. Wibbing, assistant vice president, 601 Harry Nichol Building, 400 Union Street, Nashville, Tenn.
Mitchell, Herrick & Co., for R. S. Carleton, Cuyahoga Building, Cleveland, Ohio.
Mitchell, Herrick & Co., for T. G. Horsfield, Cuyahoga Building, Cleveland, Ohio.
Dr. James R. Mood, Hotel Donald, 1012 Thirteenth Street NW., Washington, D. C.
Moody's Investors Service, for J. S. Porter, vice president, 65 Broadway New York, N. Y. (2 copies).
Moody's Investors Service, foreign department, 65 Broadway, New York, N. Y. (2 copies).
W. L. Moody & Co., 2028 Avenue D, Galveston, Tex.
D. T. Moore & Co., 50 Broad Street, New York, N. Y.
J. P. Morgan & Co., department of files and library, Wall and Broad Streets, New York, N. Y.
F. S. Moseley & Co., 112 West Adams Street, Chicago, Ill.
Marcus Nadler, 90 Trinity Place, New York, N. Y.
Nalray Corporation, 61 Broadway, New York, N. Y.
National Aniline & Chemical Co., librarian, 40 Rector Street, New York, N. Y.
National Bank of Commerce, for manager foreign exchange department, Detroit, Mich.
National Bank of Commerce, for C. F. Reuter, vice president, 439 South Hill Street, Los Angeles, Calif.
National Bank of Commerce, Milwaukee, Wis.
National Bank of Commerce, for manager foreign department, Seattle, Wash.
National Bank of the Republic, for A. E. Wigeland, 134 South La Salle Street, Chicago, Ill.
National Bank of Tacoma, Tacoma, Wash.
National Broadcasting Co. (Inc.), for M. F. Sprague, general library, 711 Fifth Avenue, New York, N. Y.
National Carbon Co. (Inc.), for F. Bellamy, 30 East Forty-second Street, New York, N. Y.
National City Bank, for E. F. Regan, 55 Wall Street, New York, N. Y.
National City Bank, J. T. Cosby, vice president, 55 Wall Street, New York, N. Y.
National City Co., H. T. Booth, assistant general sales manager, 120 South La Salle Street, Chicago, Ill.
National City Co., for T. Pilger, 55 Wall Street, New York, N. Y.
National City Co., for John F. Fennelly, 55 Wall Street, New York, N. Y.
National City Co., for Duane Y. Sarles, Merchants Bank Building, St. Paul, Minn.
National City Co., for Gardner F. Dalton, 502 First Wisconsin National Bank Building, Milwaukee, Wis.
National City Financial Library, 52 Wall Street, New York, N. Y.
National Industrial Conference Board, for library, 247 Park Avenue, New York, N. Y.
National Institute of Finance, for librarian, 2449 West Euclid Avenue, Detroit, Mich.
National Institute of Finance, for librarian, 2449 West Euclid Avenue, Detroit, Mich.
National Investors Corporation, 120 Broadway, New York, N. Y.
National Republican Party, for Wencel F. Hetman, 2057 West North Avenue, Chicago, Ill.
National Seal Co., Fourteenth Avenue and Thirty-seventh Street, Brooklyn, N. Y.
National Shawmut Bank of Boston, for W. J. Hartney, Boston, Mass.

National Shawmut Bank, assistant manager foreign department, 40 Water Street, Boston, Mass.
National Shawmut Bank, for manager foreign department, 40 Water Street, Boston, Mass.
Naval War College, Newport, R. I.
Neuss, Hesslein & Co., for P. H. Dreekmann, 75 Worth Street, New York, N. Y.
New York Herald Tribune, for Edward H. Collins, bond editor, 225 West Fortieth Street, New York, N. Y.
New York University, instructor of finance, Washington Square, East, New York, N. Y.
New York University, for George W. Edwards, Wall Street division, Trinity Place, New York, N. Y. (2 copies).
Wm. H. Newbold's Sons & Co., for C. Newbold Taylor, 1517 Locust Street, Philadelphia, Pa.
New York Trust Co., Alfred E. Frostall, jr., credit department, New York, N. Y.
John Nickerson & Co., 314 North Broadway, St. Louis, Mo.
Charles R. Nixon, 1120 Sixteenth Street NW., Washington, D. C.
North & South American Corporation, for R. F. O'Toole, 1 Exchange Place, Jersey City, N. J.
Northern National Bank, Duluth, Minn.
Northern Trust Co., for Harold H. Rockwell, vice president, Chicago, Ill.
Northern Trust Co., for H. J. Karch, Chicago, Ill.
Northern Trust Co., for George F. Spaulding, Bond department, Chicago, Ill.
Northern Trust, for J. T. Mayall, 906 Pioneer Building, St. Paul, Minn.
North Western Securities Co., 1201 Milwaukee Avenue, Chicago, Ill.
Northwestern National Bank, for F. H. Sandberg, assistant cashier, foreign department, Minneapolis, Minn.
F. C. Norton, 8 Newbury Street, Boston, Mass.
Norwich Pharmacal Co., for Turner F. Currens, 57 East Eleventh Street, New York, N. Y.
John Nuveen & Co., 38 South Dearborn Street, Chicago, Ill.
Oakes & Burger, Cattaraugus, N. Y.
Oliver Farm Equipment Co., export sales department, 400 West Madison Street, Chicago, Ill.
Henry O'Connor, 1523 Canal Bank Building, New Orleans, La.
Ohio Savings Bank & Trust Co., for A. F. Mitchell, Toledo, Ohio.
Old Colony Trust Co., library, 17 Court Street, Boston, Mass.
Old Dearborn State Bank, bond department, 203 North Wabash Avenue, Chicago, Ill.
Old National Bank & Union Trust Co., bond department, Spokane, Wash.
Old National Bank & Union Trust Co., for W. D. Vincent, president, Spokane, Wash.
Old National Bank & Union Trust Co. of Spokane, for E. B. Hutcheck, assistant cashier, Spokane, Wash.
Olmsted & Mulhall, for L. A. Swiat, Commerce Building, Kalamazoo, Mich.
Omaha National Co., for J. F. McCloud, Omaha, Nebr.
Clarence Ousley, 4319 Oak Lawn Avenue, Dallas, Tex.
Overmyer Mould Co., Winchester, Ind.
Pacific National Bank, credit department, San Francisco, Calif.
Pacific World Commerce, for John Thompson, Merchants Exchange Building, San Francisco, Calif.
E. B. Parkard Co., 30 Church Street, New York, N. Y.
Paine-Rice & Co., eighth floor, National Bank Building, Spokane, Wash.
Paine, Webber & Co., for A. M. Sakolski, 25 Broad Street, New York, N. Y.
Paine, Webebr & Co., for C. W. Green, Grand Rapids, Mich.
Charles A. Parcells & Co., 539 Penobscot Building, Detroit, Mich.
Parke, Davis & Co., 181 Hudson Street, New York, N. Y.
Parker, Robinson & Co., for Rex R. Thompson, 120 Broadway, New York, N. Y.
Parr Electric Export Corporation, for Mr. Parr, 77 Warren St., New York, N. Y.
Patterson Parchment Paper Co., for J. A. Newman, Passaic, N. J.
Payson & Co. (Inc.), for R. G. Dittig, 72 Wall Street, New York, N. Y.
Peabody & Co. 10 South La Salle Street, Chicago, Ill.
Henry W. Peabody & Co., for J. E. Devoy, 17 State Street, New York, N. Y.
Peoples Savings Bank, for cashier, Grand Haven, Mich.

Peoples State Bank, Peoples Bank Building, Indianapolis, Ind.
Peoples Trust & Savings Bank, bond department, Michigan Boulevard and Washington Street, Chicago, Ill.
Peoples Wayne County Bank, for Francis A. Grady, Dime Building Office, Detroit, Mich.
Perfection Mattress & Spring Co., 831 North Twenty-fourth Street, Birmingham, Ala.
Edward F. Perkins Co., 937 Michigan Trust Building, Grand Rapids, Mich.
Permutit Co., for manager of sales, 440 Fourth Avenue, New York N. Y.
Personal Finance News, for Mr. Marrinan, 712 Tower Building, Washington, D. C.
Peters Cameron Co., for Reed C. Peters, Peters Trust Building, Omaha, Nebr.
Petter, Curtis & Petter, for Jay H. Petter, 731 Michigan Trust Building, Grand Rapids, Mich.
E. A. Pierce & Co., 700 Seventeenth Street, Denver, Colo.
Pilot Electric Manufacturing Co. (Inc.), 323 Berry Street, Brooklyn, N. Y.
Pittsburgh Des Moines Steel Co., 50 Church Street, New York, N. Y.
Pittsburgh Plate Glass Co., 2 Chester Avenue, Newark, N. J.
Plough Chemical Co., foreign department, box 1507, Memphis, Tenn.
Max Pollack & Co. (Inc.), for J. C. Reyes, export manager, 20 West Thirty-seventh Street, New York, N. Y.
John Pora Co., 3462 Guthrie Street, Indiana Harbor, Ind.
Porter, Isham & Chandler (Inc.), for Dean E. Christy, 38 Dearborn Street, Chicago, Ill.
Prentice-Hall (Inc.), for C. W. Gerstenberg, 70 Fifth Avenue, New York, N. Y.
Prescott, Wright, Snider Co., for J. G. Callaway, 918 Baltimore Avenue, Kansas City, Mo.
Price, Waterhouse & Co., for library, 56 Pine Street, New York, N. Y.
Princeton University, for Prof. C. R. Whittlesey, economics department, Princeton, N. J.
Princeton University, for library (2 copies), Princeton, N. J.
R. E. Prochnow & Co. (Inc.), for R. E. Prochnow, 231 South La Salle Street, Chicago, Ill.
Protection & Investment Counsel, for F. L. McElroy, 235 Montgomery Street, San Francisco, Calif.
Public Securities Corporation, for Russell Browning, 810 Ritz Building, Tulsa, Okla.
F. Racine, 2705 State Street, New Orleans, La.
Raleigh County Bank, for cashier, Beckley, W. Va.
Research Service Corporation, for Helen G. Proudy, 504 Cuyahoga Building, Cleveland, Ohio.
Review of Reviews, for A. C. McPhail, manager, financial department, 55 Fifth Avenue, New York, N. Y.
Rhode Island Bankers Association, for John C. Peel, secretary, Rhode Island Hospital Trust Co., Providence, R. I.
Rhode Island Hospital Trust Co., for Lincoln E. Barber, Providence, R. I.
C. B. Richard & Co., 44 Beaver Street, New York, N. Y.
Richards, Dunn & Co., for Robers C. Dunn, 26 Broadway, New York, N. Y.
Paul W. Richardson, 720 Pacific Southwest Bank Building, Los Angeles, Calif.
William Ries, 381 Fourth Avenue, New York, N. Y.
Riggs National Bank, for B. G. Dent, assistant cashier, Washington, D. C.
Nicolas Rippen, 103 Park Avenue, New York, N. Y.
C. B. Roberts Engineering Co., for H. C. Drown, 25 Broadway, New York, N. Y.
Iris Rogers, 903 Ninth Avenue, Seattle, Wash.
E. H. Rolilns & Sons, for J. R. Kennedy, 735 Dime Bank Building, Detroit, Mich.
E. H. Rollins & Sons, 44 Wall Street, New York, N. Y.
E. H. Rollins & Sons, for Roy D. Waters, 504 Pioneer Building, St. Paul, Minn.
E. H. Rollins & Sons, 212 Hoge Building, Seattle, Wash.
E. H. Rollins & Sons, 1203 Old National Bank Building, Spokane, Wash.
Ross, Pratt & Batty, for William L. Ross, 35 Wall Street, New York, N. Y.
L. F. Rothschild & Co., 120 Broadway, New York, N. Y.
Royal Baking Power Co., for E. B. Filsinger, 595 Madison Avenue, New York, N. Y.
Royal Bank of Canada, economist, Montreal, Canada.
Fred W. Ruble, 1210 First National Bank Building, Denver, Colo.

Rutter & Co., for H. D. Marshall, 14 Wall Street, New York, N. Y.
Salomon Bros. & Hutzler, 60 Wall Street, New York, N. Y.
San Francisco Chronicle, for H. E. McGillicuddy, San Francisco, Calif.
Schluter & Co. (Inc.), for E. Newell, 111 Broadway, New York, N. Y.
J. R. Schmeltzer & Co., 26 Broadway, New York, N. Y.
Schoellkopf, Hutton & Pomeroy (Inc.), for W. A. Anderson, statistical department, 70 Niagara Street, Buffalo, N. Y.
Schoellkopf, Hutton & Pomeroy (Inc.), for George C. Stanley, 63 Wall Street, New York, N. Y.
J. Henry Schroeder Banking Corporation, manager credit information department, 46 William Street, New York, N. Y.
J. Henry Schroeder Banking Corporation, for research department library, 46 William Street, New York, N. Y.
Schultz Bros. & Co., Union Trust Building, Cleveland, Ohio.
Schuneman, Bayliss & Co., 620 Merchants Bank Building, St. Paul, Minn.
Scott Paper Co., credits and collections, Front and Market Streets, Chester, Pa.
Scudder, Stevens & Clark, for J. Wallace Winslow, jr., 111 Broadway, New York, N. Y.
Seattle Co., 803 Second Avenue, Seattle Wash.
Second National Bank of Boston, for foreign department, 111 Devonshire Street, Boston, Mass.
Second Wisconsin National Bank, for F. C. Clifford, Milwaukee, Wis.
Security First National Bank, for Sylvester H. Rave, West Los Angles, Calif.
Security First National Bank of Los Angeles, for manager foreign department, box 160, Arcade Station, Los Angeles, Calif.
Security-First National Co., for W. V. Shannon, Arcade Station, box 160, Los Angles, Calif.
Security Home Trust Co., for S. L. McNary, Toledo, Ohio.
Security Savings Bank & Trust Co., for C. E. Christen, manager travel department, Toledo, Ohio.
Security Trust & Savings Bank, for vice president, Fifth and Spring Streets, Los Angles, Calif.
J. & W. Seligman & Co., for Linton Wells, 54 Wall Street, New York, N. Y.
J. & W. Seligman & Co., for Philip E. Bradley, 54 Wall Street, New York, N. Y.
J. & W. Seligman & Co., for statistical department, 54 Wall Street, New York, N. Y.
Shaw, Loomis & Sayles, for Ansel G. Coffin, 1500 Walnut Street, Philadelphia, Pa.
Silberling Research Corporation (Ltd.), 127 Montgomery Street, San Francisco, Calif.
Simmons Co., for Norman C. Pierson, 5511 Fifth Avenue, Kenosha, Wis.
I. M. Simon & Co., 315 North Fourth Street, St. Louis, Mo.
Sinclair & Valentine Co., 11 St. Clair Place, New York, N. Y.
L. O. Skowronski, 5017 Sixth Avenue, Kenosha, Wis.
R. W. C. Smale, 2212 East Seventieth Street, Chicago, Ill.
Chas. H. F. Smith & Son, banking floor, Bremer Arcade, Robert at Seventh Streets, St. Paul, Minn.
South Side Trust & Savings Bank, for H. R. Spellbrink, 4659 Cottage Grove Avenue, Chicago, Ill.
Spreyer & Co., 24 Pint Street, New York, N. Y.
Stable Money Association, for Norman Lombard, 31 Fairview Road, Scarsdale, N. Y.
Standard Accident Insurance Co., investment department, 111 John Street, New York, N. Y.
Standard Oil Group (Inc.), 60 Broadway, New York, N. Y.
State Department, for F. Livesey, economic advisor, Washington, D. C.
State-Planters Bank & Trust Co., for Warren M. Goddard, vice president, Richmond, Va.
A. B. Stevenson, Honeywood Ave., Belle Meade Park, Nashville, Tenn.
Stifel, Nicolaus & Co. (Inc.), for Alex Grosberg, 314 North Broadway, St. Louis, Mo.
Joel Stockard & Co., 106 Penobscot Building, Detroit, Mich.
Stone, Webster & Blodget, for Henry R. Hayes, 90 Broadway, New York, N. Y.
Straus National Bank & Trust Co., 565 Fifth Avenue, at Forty-sixth Street, New York, N. Y.
S. W. Straus & Co., for W. C. Clark, 565 Fifth Avenue, New York, N. Y.

S. W. Straus & Co., economics department, 565 Fifth Avenue, New York, N. Y.
Stroud & Co., 1429 Walnut Street, Philadelphia, Pa.
Studebaker Corporation of America, for A. E. Gotsch, foreman credit department, 635 South Main Street, South Bend, Ind.
Sturgis & Melich, 521 Fifth Avenue, New York, N. Y.
Messrs. Sullivan & Cromwell, for Lotus L. Mitchell, librarian, 48 Wall Street, New York, N. Y.
John Sutorius, 1052 Carmel Avenue, Detroit, Mich.
Henry Swanson, 634 Paris Avenue SE., Grand Rapids, Mich.
A. L. Swett Iron Works, for G. E. Schaefer, secretary, Medina, N. Y.
F. H. Sweetland & Co., 403 Perkins Building, Tacoma, Wash.
Swift & Co., for librarian, Union Stock Yards, Chicago, Ill.
Swift & Co., for A. S. Brant, Adams Building, Washington, D. C.
W. C. Sylvester Investment Co., 919 Baltimore Avenue, Kansas City, Mo.
Tacoma Cooperative Office, care of Tacoma Chamber of Commerce, Tacoma, Wash.
Texas Star Flour Mills, Galveston, Tex.
University of Texas, bureau of business research, Austin, Tex.
Third National Bank, foreign department, Dayton, Ohio.
Toledo Scale Manufacturing Co., for research library, Toledo, Ohio.
Tradesmens National Bank & Trust Co., 320 Chestnut Street, Philadelphia, Pa.
Treasury Department, Secretary of Financial and Economic Research, office of the Secretary, room 257, Washington, D. C.
Treasury Department, office of Director of the Mint, Washington, D. C.
Trojan Powder Co., Manager, production department, Allentown, Pa.
Tropenas Co., 2236 Cunard Building, 25 Broadway, New York, N. Y.
Trumbull, Wardell & Co., for C. L. Trumbull, 105 West Adams Street, Chicago, Ill.
Trust Co. of North America, for F. J. Oehmichen, vice president, 93 Liberty Street, New York, N. Y.
Tucker, Anthony & Co., for Frederick Deane, 74 State Street, Boston, Mass.
Tucker, Anthony & Co., statistical department, 120 Broadway, New York, N. Y.
Tucker, Anthony & Co., for Ross J. McClelland, 120 Broadway, New York, N. Y.
Lawrence Turnure & Co., 64 Wall Street, New York, N. Y.
T. W. Tuttle & Co. (Inc.), 500 First Wisconsin National Bank Building, Milwaukee, Wis.
Twin Cities National Bank, for L. C. Simons, St. Paul, Minn.
Ulen & Co., Lebanon, Ind.
Ulen & Co., 120 Broadway, New York, N. Y.
Hans Ullendorff, Park Central Hotel, New York, N. Y.
Ullman & Co. (Inc.), 640 Guardian Building, Cleveland, Ohio.
Undine Twine Mills (Inc.), Moodus, Conn.
Union National Bank, Pittsburgh, Pa.
Union Savings Bank, for Anna G. Kalmer, Pittsburgh, Pa.
Union Special Machine Co., for R. Ibbotsson, credit manager, 400 North Franklin Street, Chicago, Ill.
United Trust Co., Second Avenue and Columbia Street, Seattle, Wash.
Union Trust Co., for J. G. Geddes, vice president, Cleveland, Ohio.
Union Trust Co., for Emma M. Boyer, librarian, Euclid and East Ninth Street, Cleveland, Ohio.
Union Trust Co., for C. C. Hawkins, manager, travel department, Dayton, Ohio.
Union Trust Co., Madison, Wis.
Union Trust Co., box 755, Pittsburgh, Pa.
United Continental Corporation, for Elisha M. Friedman, room 2100, 165 Broadway, New York, N. Y.
United Continental Corporation, for L. R. Gottlieb, 165 Broadway, New York, N. Y.
United Shoe Machinery Corporation for W. B. Barkley, 140 Federal Street, Boston, Mass.
United Shoes Machinery Corporation, for A. M. Romero, foreign department, 140 Federal Street, Boston, Mass.
United States Chamber of Commerce, for John P. Gregg, manager, American section, Washington, D. C.

United States Military Academy, for Col. Lucius H. Holt, West Point, N. Y.
United States National Bank, manager foreign department, Portland, Oreg.
United States Smelting, Refining & Mining Co., 1 State Street, Boston, Mass.
United States War Department, General Staff, Military Intelligence Division, Intelligence Branch, Room 603 Walker-Johnson Building, Washington, D. C.
University of Alabama, bureau of business research, University, Ala.
University National Bank, for Harry B. Lear, Seattle, Wash.
University of California, for library, Berkeley, Calif.
University of Pennsylvania, Lippincott Library, Philadelphia, Pa.
University of Pennsylvania, for Dr. R. A. Young, Wharton School, Philadelphia, Pa.
University of Wisconsin, for Chester Lloyd Jones, Madison, Wis.
Utility Securities Co., for J. C. Ruth, Box 412, Aurora, Ill
Hugo Victor, 53 Fourth Street, Portland, Oreg.
William R. Warner & Co. (Inc.), 113 West Eighteenth Street, New York, N. Y.
Warren Brothers Co., for Job H. Lippincott, vice president, Hudson Terminal Building, 50 Church Street, New York, N. Y.
Washburn Crosby Co. (Inc.), export office, 117 Liberty Street, New York, N. Y.
Washington Loan & Trust Co., for Norman E. Towson, assistant treasurer, Washington, D. C.
Washington National Bank in the City of Takoma, Tacoma, Wash.
Webster & Atlas National Bank, foreign department, 199 Washington Street, Boston, Mass.
George D. Webster, 720 Cuyahoga Building, Superior Avenue NE., Cleveland, Ohio.
Walter M. Weilepp, Munsey Building, Baltimore, Md.
Hugo Weiner, 1010 Bankers Building, 84 East Wisconsin Avenue, Milwaukee, Wis.
Welch Grape Juice Co., for B. H. Lott, Westfield, N. Y.
Wells-Abott-Nieman Co. (Inc.), Schuyler, Nebr.
Wells-Dickey Co., for E. A. Purdy, vice president, Minneapolis, Minn.
Wessel, Duval & Co., for W. F. Wallace, 1 Broadway, New York, N. Y.
Wheeler & Woolfolk, St. Charles Hotel Building, New Orleans, La.
Oscar R. Whilden, Whitney Central Building, New Orleans, La.
Charles M. White, Stevens Point, Wis.
White Co., for Seth Robsinson, 152 Thompson Avenue, Long Island City, N. Y.
J. G. White & Co., for W. B. Langmore, investment advisory department, 37 Wall Street, New York, N. Y.
J. G. White Engineering Corporation, 43 Exchange Place, New York, N. Y.
White, Weld & Co., for William A. Pearl, 40 Wall Street, New York, N. Y.
White, Weld & Co., 40 Wall Street, New York, N. Y.
Whitney-Central National Bank, J. E. Bouden, jr., president, New Orleans, La.
Whittemore Brothers Corporation, for R. B. Capon, export manager, Cambridge, Mass.
Whittlesey, McLean & Co., 2016 Penobscot Building, Detroit, Mich.
Shelby L. Wiggins, 515 Pacific Building, Portland, Oreg.
Wile & Blum (Inc.), 10 Hubert Street, New York, N. Y.
E. W. Wilson Co., for E. W. Wilson, 604 Hunter Dulin Building, San Francisco, Calif.
C. T. Williams & Co. (Inc.), 211 Fidelity Building, Baltimore, Md.
Lloyd E. Work & Co., 105 South La Salle Street, Chicago, Ill.
Yale University, for Prof. Fred R. Fairchild, New Haven, Conn.
Adolph J. Zang Investment Co., 316 Symes Building, Denver, Colo.
Ernest Zobel Co. (Inc.), Second Avenue and Tenth Street, Brooklyn, N. Y.

Senator JOHNSON. Mr. Corliss, subsequent to that circular was any loan made to Colombia, if you know?

Mr. CORLISS. No long-term loan was made to the Colombian National Government. As I remember it, there was a short-term advance of $2,000,000 made in 1929 which was taken over by another group in the first part of 1930 and finally paid off from the $20,000,000 short term advance arranged later on in 1930. A long-term loan of $2,000,000 was floated for the Department of Santander in November, 1928; one of $1,750,000 for the Department of Antiaquia in January, 1929, and one of $500,000 for the city of Barranquilla, in April, 1930.

Senator JOHNSON. Has your department, or have you in your custody officially, any agreement made in reference to the Colombian loan, or the Colombian short-term loan?

Mr. CORLISS. I would have to look that up to make sure.

Senator JOHNSON. You do not know at the present time?

Mr. CORLISS. I do not know offhand.

Senator JOHNSON. If you have any agreements that were made in reference to any loans to Colombia, will you please present them here to be inserted in the record?

Mr. CORLISS. If they are not confidential I do not see any reason why they should not be furnished, if there are any.

Senator JOHNSON. Why would they be confidential?

Mr. CORLISS. Only that we may have got them from confidential sources if they were not made public. I do not know about that, and maybe they are public documents. I would have to look them up.

Senator JOHNSON. I am not asking whether they are or are not public documents, but it you have any such agreements I ask you to present them here. If you do not present them for any reason will you state the reason why you do not present them?

Mr. CORLISS. Yes, sir.

DEPARTMENT OF COMMERCE,
BUREAU OF FOREIGN AND DOMESTIC COMMERCE,
Washington, January 8, 1932.

Hon. REED SMOOT,
Chairman Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: In the hearings before the Committee on Finance on January 7, 1932, I was requested to insert in the record a copy of the agreement relative to the $20,000,000 advanced by American bankers to Colombia in 1930. This I promised to do if the information was not confidential.

I now find that I have in my files a typewritten statement of what purports to be a copy of the agreement relative to the above loan but that the information was furnished to the Department of Commerce in strict confidence. Under these conditions, I believe it would be inappropriate for this department to make public the agreement in question.

Respectfully yours,

J. C. CORLISS,
Finance and Investment Division.

Senator JOHNSON. Mr. Corliss, do you know from your investigations and your knowledge of the situation in Latin America, whether or not among those who were dealing in Latin-American securities there was any competition, keen or otherwise?

Mr. CORLISS. Yes, sir. There was very keen competition in a great many countries for those loans.

Senator JOHNSON. Will you explain what you mean by keen competition in these various countries for the loans that they made?

Mr. CORLISS. At one time in Colombia there were something like 29 representatives, I was told. Perhaps that figure is exaggerated, but there were a great many representatives of American financial houses there trying to get various loans from the national government, from the departments, and so forth.

Senator JOHNSON. Does that apply as well to other countries in Latin America, and in South America?

Mr. CORLISS. I would say that in a great many countries it did.

Senator JOHNSON. There were some firms, Mr. Jones stated on yesterday, that did not indulge in that competition. Are you familiar with that matter?

Mr. CORLISS. I do not recall that the Morgan firm engaged in it. Kuhn, Loeb & Co. I think were only interested in the Mortgage Bank of Chile.

Senator JOHNSON. The only reason I asked you that question is in justice to any firms not indulging in that competition, in order that our record may show the fact.

Mr. CORLISS. There were others whose names do not come to my mind just now.

Senator JOHNSON. But generally speaking, if I may paraphrase the language used by Mr. Jones on yesterday, lenders were seeking borrowers in South America and in Latin America?

Mr. CORLISS. Yes, sir.

Senator JOHNSON. And they were endeavoring to induce them if they could to make loans through them.

Mr. CORLISS. Well, I think before the representatives of the bankers arrived on the scene the loans had been authorized. I do not know of any case where that was not so, although there might have been.

Senator JOHNSON. Are you familiar with the Bolivian loans?

Mr. CORLISS. Yes, sir.

Senator JOHNSON. Would you state whether you expressed any opinion as to whether or not Bolivia would be able to carry out her commitments?

Mr. CORLISS. Do you mean of the present loans?

Senator JOHNSON. Of any loans.

Mr. CORLISS. Did we express any opinion?

Senator JOHNSON. Yes.

Mr. CORLISS. We did.

Senator JOHNSON. What was that?

Mr. CORLISS. The opinion that was expressed by Mr. Jones here on yesterday.

Senator JOHNSON. And that opinion was what?

Mr. CORLISS. That it was our belief that Bolivia had overborrowed.

Senator JOHNSON. And as to the unwisdom of any future borrowing?

Mr. CORLISS. Yes.

Senator JOHNSON. Do you know anything about Peru?

Mr. CORLISS. Yes, sir.

Senator JOHNSON. Will you state whether or not——

The CHAIRMAN (interposing). One moment, Senator Johnson. Mr. Corliss, to whom did you make that statement? And was it in writing or was it made verbally to individuals or representatives of companies?

Mr. CORLISS. Well, Mr. Jones handled that himself.

Mr. JONES. It was very largely a matter of conversation, Mr. Chairman.

The CHAIRMAN. They came to the department, or did the department ask them to come and receive the information?

Mr. JONES. It was a matter of conversation between the economic adviser of the State Department and myself.

Senator COUZENS. This conversation did not take place between any of you in the Department of Commerce and any international bankers?

Mr. JONES. No.

The CHAIRMAN. That is exactly what I wanted to find out.

Mr. JONES. No. Dillon, Read & Co., who negotiated that loan, never consulted us about it.

The CHAIRMAN. Nor did you inform them about it in any way?

Mr. JONES. We did not volunteer any information because we did not think it was our function to do so.

Senator COUZENS. At that particular point I should like to ask if there is any provision of law which authorizes you to disseminate information as to your judgment about Latin American or any other foreign loans.

Mr. JONES. There is no such provision of law. Do you mean to disseminate our judgment?

Senator COUZENS. Yes.

Mr. JONES. No. But I think there is authorization under the law which permits us to disseminate facts regarding commercial and economic and financial conditions abroad.

Senator COUZENS. But there is nothing in the law which authorizes you to exploit your judgment concerning this matter of loans.

Mr. JONES. Absolutely not.

The CHAIRMAN. And did you send out any written statement as to the situation in regard to Bolivia?

Mr. JONES. We had issued a comprehensive handbook on Bolivian public finances, which represented the very careful work over a period of several months by a man in my division named McQueen. That was intended to be a basic work. We hoped in time to get out a whole series of such studies. We got out such studies for Chile, Bolivia, Colombia, and Peru, all the work of Mr. McQueen, and rather comprehensive studies, as to revenue, budgetary history, and records of those countries.

The CHAIRMAN. With any recommendations?

Mr. JONES. None at all. Purely factual studies. And I might add that Mr. McQueen got a very fine compliment at one time on his Chilean study. The Chilean ambassador is quoted as having said that when he wanted to find out facts regarding the finances of his own country he turned to that handbook. It was a very difficult work to undertake, because the foreign accounts were kept in paper pesos and in terms of gold notes. There was quite an undertaking growing out of condition of budgets, and the attempt to bring them together, and to make the results comparable over a period of years, because from time to time in the case of Chile she would change her method of accounting. I might say that we attempted as best we could with our limited staff and with the information available to keep up to date information to the public in these formal studies, and as Mr. Corliss has pointed out we did that through the medium of our bulletins. We have a series which we call trade information bulletins in which we reviewed Latin American budgets by years. Then also this mimeograph service mailing list which you questioned me about; and we put in little items of news which we think would be of interest to anyone following the Latin American situation. It is very much appreciated by bankers as they have told me, and by others. And the list is open to anyone expressing a desire to be put on it.

The CHAIRMAN. Was there ever any company or any individual that has made loans in any country in South America that ever came to the Department of Commerce and asked your opinion as to whether a loan would be safe? And if so, did the Department of Commerce give them the facts in the case as they had collated them?

Mr. JONES. There were a great many instances, Senator Smoot, in which representatives of banking houses asked us for data bearing on the finances of those countries for which loans were being considered. We confined ourselves to giving them the facts. We did not attempt to advise them as to what they should do. We thought our function was fulfilled when we gave them the facts.

The CHAIRMAN. In regard to what issues did that take place?

Mr. JONES. More particularly in the last three or four years when the service of the finance and investment division came to be better known. I remember several cases. There was a case of a house in New York, a very obscure house, the name of which for the moment I have forgotten, which had secured a lease for a loan desired by the State of Matto Grosso, Brazil. It so happened that we had issued a circular on the finances of that State in the regular order. It happened to be prepared by the consul general at Sao Paulo. It was an official report based upon their own reports down there. The plain inference to be drawn from the reading of that circular was that it would be unwise to make a loan to the State of Matto Grosso, but we did not say so. We never made a statement to that effect. But the committee might be interested to know that this particular banking house wanted us to bring out a revised circular on Matto Grosso, based upon data which they had gotten from the minister of finance.

The CHAIRMAN. Was that a banking house in New York City?

Mr. JONES. Yes; but a very small house. One great trouble during this period was that so many banking houses of little experience in international finance stepped into the picture in an attempt to bring out loans.

The CHAIRMAN. Was that loan made?

Mr. JONES. That loan was not made, fortunately. When I say fortunately, I should explain that I am expressing merely a personal opinion.

Senator HARRISON. Has any other organization got similar data to that of your department respecting the finances of foreign countries?

Mr. JONES. Well, about four or five years ago there was established under the auspices of the Investment Bankers' Association of America, an organization known as the Institute of International Finance, which is operated in conjunction with the Wall Street division of New York University. A part of the expenses of that institute is borne by New York University, which contributes the services of certain professors and of certain students who receive fellowships from New York University. A part of the expense is borne by the Investment Bankers' Association of America. The Institute of International Finance has during the last three or four years issued quite a number of bulletins similar to those we have issued.

Senator HARRISON. Does the United States Chamber of Commerce or the International Chamber of Commerce gather this information and make it available to the business interests of this country?

Mr. JONES. About five years ago they issued several circulars. The international section of the United States Chamber of Commerce issued several circulars. I remember a man named Borland being responsible for them, and I remember when Mr. C. J. J. Quinn was the manager of the international section of the United States Chamber of Commerce he was very much interested in having the United States Chamber of Commerce organize some sort of service of informational character. But that never came to fruition.

Senator HARRISON. What is the annual appropriation now for that particular kind of work in the Deparment of Commerce?

Mr. JONES. Well, I think it comes out of a lump sum, Senator Harrison.

Senator HARRISON. About how much is expended by the Department of Commerce for that purpose?

Mr. JONES. In the matter of salaries in my division it would be about $28,000.

Senator HARRISON. But that does not include it all. You have to spend money getting this information and elaborating it.

Mr. JONES. For that purpose we use the service of our foreign representatives.

Senator HARRISON. You could not give us any idea about the total cost of getting up all this data, could you?

Mr. JONES. No; because I would not be able to apportion the time of the commercial attachés, diplomatic and consular officers devoted to it. I might say that the State Department itself through its diplomatic and consular officers furnishes a great deal of information which under the law comes to the Department of Commerce for dissemination.

Senator REED. How much was that proposed loan to the State of Matto Grosso, Brazil?

Mr. JONES. I do not recall distinctly, but I think not more than $8,000,000.

Senator REED. Well, if you have saved the American people that much that is a justification for your annual appropriation for some time, is it not?

Mr. JONES. Yes, sir.

Senator JOHNSON. Now, Mr. Corliss, you had mentioned particularly Chile, Peru, and Bolivia upon which there were very elaborate studies made by the Department of Commerce; is that correct?

Mr. CORLISS. There were four countries, Chile, Peru, Bolivia, and Colombia.

Senator JOHNSON. They were Chile, Peru, Bolivia, and Colombia.

Mr. CORLISS. Yes, sir.

Senator JOHNSON. Upon this mailing list to whom you send the studies that you make were all the principal bankers of New York, were there not?

Mr. JONES. We think they are; yes.

Senator JOHNSON. And then in the ordinary course of the transaction of the business in your department you transmitted copies of these reports to them, did you not?

Mr. JONES. When they requested it.

Senator JOHNSON. I mean on this mailing list.

Mr. JONES. Oh, yes. They went out automatically to the names on that mailing list.

Senator JOHNSON. Mr. Corliss, was it the view of your department and of yourself that those four South American States were overborrowed?

Mr. CORLISS. Do you mean in 1928, Senator?

Senator JOHNSON. Take any time you like.

Mr. CORLISS. Well, let us take them in their order: It was our view in 1928 that Bolivia was overborrowed. It was our view in the same year that Colombia was overborrowed. About 1930, around the late fall of that year, we began to feel that Chile was overborrowed. As I recall it, Peru's loans were issued before we could make another analysis of that country's finances; we had gone into these others first.

Senator REED. You have not told us whether any loans were made to Chile after you reached the conclusion that it was overborrowed in 1930.

Mr. CORLISS. I do not believe any other than short-time loans, Senator—bankers advances. We put out in January of 1931 a summary of a statement—I believed it was of the Minister of Finance of Chile—wherein the position was presented in rather an unfavorable light by the minister himself. It was an attempt on his part ot convince his congress of the necessity of cutting down their budget.

Senator REED. So far as you know there have been no loans floated to the American public for Chile or any of her Provinces since that time?

Mr. CORLISS. No, sir.

Senator KING. Well, let me ask you right there: Do you think that our country is overborrowed?

Mr. CORLISS. I shouldn't want to express an opinion on that.

Senator KING. Has your staff, with their technique and long experience and ability, put out any statements as to whether we should balance our Budget, and if so how were they made?

Mr. CORLISS. Oh, I think not. Mr. Jones might answer that.

Mr. JONES. No, sir; we have not made any statement on that.

Senator KING. But you address yourself to other countries.

Mr. JONES. Yes, sir.

Senator KING. And you have been rather critical of other nations for not balancing their budgets.

Mr. JONES. I should not say that.

Senator KING. While we are the greatest offender now, aren't we?

Mr. JONES. Well, at the moment our Budget is badly unbalanced, yes.

Senator KING. And there are none other comparable to us, not even Great Britain.

Mr. JONES. At this moment, I guess our Budget is as badly unbalanced as that of any other nation.

Senator KING. It is worse unbalanced, is it not?

Mr. JONES. I would have to look that up in order to be able to answer definitely.

Senator KING. Well, we had a big deficit last year, and a larger one this year, and next year we will perhaps have a deficit of $2,000,000,000 unless we increase our taxes.

Mr. JONES. Perhaps if I were blessed with a larger income I would be better informed.

The CHAIRMAN. If our Government wanted to borrow any money there would be no trouble about it, I take it.

Mr. JONES. Oh, no.

Senator KING. Well, our bonds were down on yesterday to 84.

Mr. JONES. The 3 per cents were; yes, sir.

The CHAIRMAN. And that was on account of the rate of interest.

Senator KING. That might or might not be so. Mr. Corliss, was your attention called to the statement in the Boston News Bureau of October, 1931, a very interesting article or statement by Mr. Leopold Fredrick, who is quite an authority on international finance, I am advised, and in which he called attention to the unsatisfactory condition of the Austrain Credit Bank and another bank over there, and that there did not seem to be any accurate information as to the financial standing of those two banks, as well as others. And then in a letter to Mr. Wiggin he made certain statements, and this is the important part that I wish to ask you about, whether you were advised of——

Senator JOHNSON (interposing). What was that date?

Senator KING. October 30, 1931. He suggested to Mr. Wiggin that there be set up a clearing house for foreign credits in New York. And then he referred to what the Federal Reserve Bank in New York had been doing, and others. I was wondering if that matter had been brought to your attention, and whether your organization or the Department of Commerce had taken up this suggestion and amplified it in any way or approved it.

Mr. JONES. It happens that Mr. Fredrick, whom I know personally, sent me a copy of that clipping, but he did not ask me to express an opinion on it, simply sending it to me for my information.

Senator KING. For my information, would you mind expressing your opinion as to the wisdom of banking institutions and so forth setting up a clearing house for foreign credits in New York?

Mr. JONES. As a matter of fact, such clearing house arrangements have been established recently as between Hungary and Switzerland and as between Australia and Switzerland. A few months back the countries in that area gathered at Prague to consider the establishment of such a clearing house for the Balkan area. But that broke down on account of the difficulties interposed by the different countries. The trouble with an international clearing house for credits is that each individual country will hold out for a particular point of view. Of course, if foreign exchange is practically normal we have a sort of clearing house in actual operation. But under present conditions, with so many countries imposing embargoes on the export of gold, restricting the sale of foreign exchange, imposing tariff barriers of one sort and another, it is a very difficult matter I think to establish an international clearing house for credits.

Senator KING. You mean at the present time?

Mr. JONES. Yes.

Senator KING. But you are not speaking of the past or of the future?

Mr. JONES. No, but under these abnormal conditions.

Senator KING. The suggestion was that a credit clearing house in New York would be managed by a board of directors chosen among the heads of foreign departments and the members of reserve banks, and that there should be a manager who would be some one with extensive practical credit experience in the United States and foreign countries, and that such an organization would be of incalculable benefit.

Mr. JONES. I am not so sure of that. My own observation is that so many of these efforts to establish new forms of international financial machinery have been far from successful. I go back immediately to the Ter Meulen plan proposed just after the war.

The CHAIRMAN. Senator Johnson, Mr. Swan is here from New York, and we can hear these gentlemen from the Washington departments at any time.

Senator JOHNSON. Mr. Chairman, if you desire, we can have these gentlemen stand aside and now take up the New York witnesses.

The CHAIRMAN. I wish you would.

Senator JOHNSON. Very well.

Senator JOHNSON. I offer in evidence for the purpose of the record a letter received by me from Mr. Grosvenor Jones, dated January 11, 1932, in answer to an inquiry I made to him as to whether or not the tables put into the Congressional Record by Congressman LaGuardia were substantially accurate. I want this in the record for the purpose of showing, without the necessity of calling every single, solitary banker that sold a share or a security in this country, the amount that was sold and the prices and the subsequent depreciation. I read the letter:

DEPARTMENT OF COMMERCE,
BUREAU OF FOREIGN AND DOMESTIC COMMERCE,
Washington, January 11, 1932.

Hon. HIRAM W. JOHNSON,
United States Senate, Washington, D. C.

MY DEAR SENATOR: Receipt is acknowledged of your letter of January 9 asking me to check the data regarding foreign loans that were read into the Congressional Record of December 11, 1931, by Congressman LaGuardia.

I have had those data checked and find that in the main they are quite accurate. However, the South American list excludes sterling issues, portions of which were sold in the United States. Two such issues are outstanding at present in a combined amount of about $14,000,000. On the other hand the data published in the Record take no account of those portions of dollar issues that were originally sold abroad, for which a deduction of at least $125,000,000 from the amounts now outstanding should be made.

It might also be noted that the statements reproduced in the Record do not contain any data regarding the Canadian, Far Eastern, Central American, and West Indian issues. These data can be supplied in comparable form if you so desire. Bulletins already in the hands of the committee give the details of the issues by years as well as summary tables.

On pages 405, 407, and 410 of the Record, it is stated that banking commissions are at least 5 per cent. In view of the testimony recently given before the Finance Committee it is, perhaps, unnecessary for me to mention that commissions vary widely.

The depreciation of these foreign bonds from par has been stated in such a way as to give the impression that American investors have lost those sums. As a matter of fact the foreign bonds were sold, almost without exception, at a discount amounting in a number of cases to as much as 13 per cent. Furthermore, about $3,000,000,000 of foreign issues, originally sold at discounts, have been repaid through sinking fund and redemption operations, at par or above.

If you will inform me whether you wish further data on the points referred to above, I shall be glad to have them prepared for you promptly.

Sincerely yours,

GROSVENOR M. JONES,
Chief, Finance and Investment Division.

In the interest of accuracy as to the statement of the Department of Commerce in regard to these loans I offer the letter with its attached exhibit.

(The exhibit attached to the foregoing letter is here printed in full as follows:)

War Debts and Reparations

[Extension of remarks of Hon. Fiorello H. LaGuardia, of New York, in the House of Representatives, Friday, December 11, 1931]

ARTICLES FROM THE NEW YORK AMERICAN CONCERNING INVESTMENTS OF AMERICANS IN FOREIGN SECURITIES

Mr. LaGuardia. Mr. Speaker, the New York American has published figures indicating the extent to which Americans have invested in securities of foreign countries.

It is evident from these articles that a thorough search was made for facts. The results of the New York American's survey were published in a series of articles.

In view of the widespread interest in this subject, with Congress considering the war debts owed the United States by foreign nations, I believe the articles from the New York American will be of great assistance to Congress and the country.

The articles are as follows:

[No. 1, November 8, 1931]

BILLIONS OF DOLLARS LOSS TO AMERICAN PRIVATE INVESTORS IN FOREIGN SECURITIES IS DISCLOSED IN A SURVEY JUST COMPLETED BY THE NEW YORK AMERICAN

The survey, convering the entire field of the American public's foreign financing since the war, reveals enormous depreciation in at least 90 per cent of the foreign bonds and stocks sold to the American public during the hectic period facetiously characterized as "America's attainment of its financial majority."

What this achievement has cost America's private investors is tragically portrayed in facts and figures which will be presented in a series of articles of which this is the first.

COST ENORMOUS

What the cost of the foreign financing folly has been indirectly can only be approximated. How serious an influence the phenomenal losses in foreign securities have been on the American securities market can only be surmised.

Suffice to accept as probably enormous the pressure which the huge losses have exerted upon banking and private loans secured in large part by the supposedly safe foreign securities. With the rapid shrinkage of their value the effect undoubtedly has been to force heavy dumping of our own American securities with disastrous consequences to the American markets.

The survey includes only those securities actually publicly offered in the United States and, presumably, bought by the public in firm conviction that they were participating in sound investments, as represented by the Nation's leading bankers.

SCOPE LIMITED

No account is taken of the enormous aggregate of short-term credits, central bank credits, etc., running upward of a billion dollars, and advanced in great part out of public funds placed with the Nation's banking community. Nor is Canada's vast borrowings included in the survey.

The story of America's private foreign "investments" is one of simple faith and bitter disillusionment.

It is a tale of violent depreciation, of virtual cancellation of invested funds. It is written across the boundaries of virtually all nations, great and minor, of Europe, and through the whole of South America. Other parts of the world contribute to the tragedy, but these two continents—Europe and South America—absorbed the greatest proportion of America's private foreign lending of the postwar and war periods.

America's private foreign financing is a portrait of a nation following blindly the dictates of a banking community suddenly become international-minded getting into "foreign entanglements" in a financial sense, and running amuck on misguided conception of foreign "investing" or lending, extension of loans with a colossal ignorance of prospects, and with a prodigality unequaled in the economic history of the world.

The American private investor's experience in foreign financing has become a nightmare, and hundreds of thousands of our investors have suffered therefrom.

In all, the world at large during the period of 1914–1930 came to the United States for a total of $15,000,000,000 in loans.

This is wholly exclusive of the billions advanced directly by our Government to Europe's governments as "war loans" and which the debtor countries to-day are seeking to have canceled.

Funds for those loans, too, came from the American investor via the Liberty and Victory loans, but for the purpose of the present survey they are entirely ignored. As a matter of fact, these government loans have at least the United States Government's backing and as such presumably are subject to protection by Uncle Sam.

But what of the private "investor"?

THREE CLASSIFICATIONS

There are three classes of foreign financing:

1. Government loans—by the United States Government to foreign governments (the war loans).

2. Private credits—extended by banks and banking houses out of funds in their control.

3. Public loans—advances by American banks and bankers to foreign governments and corporations and municipalities, the funds being derived from sale to American private investors of the bonds and stocks of the foreign governments or corporations.

It is with the latter class of financing alone that the American's survey is dealing.

From an insignificant annual lending of a comparatively few millions, or better still, from being itself a borrower, the United States following the war became the great supplier of capital for the entire world.

QUESTION OF PRIORITY

Naturally, in view of the difficulties which since have become publicly known, the major question becomes—

Which class of loan shall have priority, government-to-government, private credits, or loans made by private American investors? This is a matter of prime importance to the private investor, especially in view of the violent campaigns now engaging the financial world with respect to priority of loans. For a great many investors the question already has been answered by reason of the virtual wiping out of their investments.

Our annual private lending abroad bounded forward with amazing rapidity, until it finally crossed the billion-dollar mark in 1924. Then followed a remarkable era of billion-dollar years, during which governments, corporations, municipalities, churches, and almost every other conceivable enterprise or element the world over drew upon the seemingly endless American reservoir of capital.

NO DEFINITE POLICY

And borrowing was easy. The American investor was relying upon the bankers. And faith in the banker was virtually the only measuring rod for the investor, for the bankers themselves were subjected to virtually no restriction.

The State Department at Washington, which conceivably is the proper safety valve for such activities has never had a definite policy regarding private loans to foreigners or foreign issues floated in the United States. From Washington comes this explanation of the State Department attitude:

"There is an understanding between financiers and the department by which all such loans are submitted informally to the State Department before any action is taken in order to secure State Department approval.

"This has been the practice for some time now dating back to the Coolidge administration. In general, loans are approved if for constructive purposes rather than for military purposes.'

LITTLE RESTRAINT

Actually the State Department control over foreign issues has been perfunctory. Its restrictive powers were exercised, if at all, in exceptionally few instances on record.

No official restraint was practiced anywhere in the United States with respect to foreign loans being sold to American private investors. Not even the blue-sky control which frequently detects and prevents fraudulent or suspicious domestic financing was effective in stemming the tide of foreign loans.

The sellers of these foreign securities enjoyed an absolutely free hand in their foreign-issue offerings in the American market, even securing listing on the New York Stock Exchange and other American exchanges by the mere formality of presenting an innocuous document prepared by the minister of finance or treasurer of the foreign nation, municipality, or enterprise.

No check-up was made by the stock exchange to ascertain the accuracy of the statements therein made, and no recourse is left to the American investor but to sit idly by while his investment suffers untold shrinkage.

NO RECOURSE

For to what source is the American private investor to appeal for aid in proving suspicions of fraud or immorality in the financing? At least the great banks of the country and the banking houses now worried by their "frozen credits" in foreign nations can demand Government support to their attempts to recuperate

But the individual private investor has nothing but a vicious loss to record his participation in the Nation's rise to "world banking leadership."

How great an outpouring of public offerings of foreign securities was experienced during the last eight years alone is graphically evidenced in the following table:

	Total nominal capital
1923	$497,000,000
1924	1,217,000,000
1925	1,316,000,000
1926	1,288,000,000
1927	1,577,000,000
1928	1,489,000,000
1929	705,000,000
1930	1,087,000,000

What amazing influence had stretched itself over the United States sufficient to induce such prodigal lending? True, the Nation emerged from the war powerful in resources, and its material wealth, aside from loss of man power, was tremendously increased.

But why the staggeringly immense foreign landing?

SECRET GUARDED

Representative McFadden chairman of the Congressional Banking and Currency Committee, ... publicly declared that international bankers reap commissions or profits of 8 to 10 per cent on foreign financing?

The exact figures of commissions or profits are closely guarded secrets. The New York American attempted to ascertain the figures from New York bankers, from Washington, Paris, London, Berlin, and elsewhere, but all to no avail. They may hold the secret for the great banking flotations. There has lately arisen a growing demand for congressional investigation of the whole sordid story of American foreign financing spree.

Representative McFadden's assertions, if they can be accepted, would place a possible profit to the bankers on their foreign financing operations at from twelve hundred million to fifteen hundred million dollars. At 5 per cent the profits to the security dealers would be $750,000,000.

But whatever the inducement for the great flood of foreign financing the American investor is paying the fiddler.

SOUTH AMERICA HIT

What is the record? Only facts and figures are presented.

In the course of the American's survey a compilation became available from a seemingly unprejudiced source. It is a table presenting details of the United

States public's "investing" record in South America. The source is the Latin-American Bondholders' Association (Inc.), an organization formed, incidentally, because of the tragic depreciation in our investments on that continent.

The losses suffered in South American investments are fantastic.

The association's compilation relates that approximately 80 per cent of American investments in that continent had been wiped out by reason of the depreciation in market values of the "dollar loans" sold to the United States public.

Here are the association's figures:

One hundred and twenty-two South American dollar loans have shrunk in value an aggregate of eleven hundred million dollars.

Their aggregate par value is only $1,531,906,000.

WORTH ONLY 10 PER CENT

For some countries the bonds sold to American private investors dropped to an average of less than 10 per cent of their par value. Peru's bonds were selling this year at 6.8 per cent of par.

Nor was this an isolated case.

Bolivia's bonds were quoted at but 7.7 per cent of par.

But why take individual instances for recording? Here is the association's compilation country by country:

	Amounts issued	Approximate principal amounts outstanding (not complete)	Approximate market value at 1931 low		Contraction in values from par
			Dollars	Per cent of par	
Argentina	$420,418,500	$389,414,000	122,035,000	31.4	$267,379,000
Bolivia	68,653,500	59,293,000	4,521,000	7.7	54,772,000
Brazil	414,130,000	359,745,000	63,035,000	18.1	296,710,000
Chile	296,112,000	282,935,000	33,947,000	12.0	248,988,000
Colombia	170,335,000	154,358,000	28,781,000	18.7	125,577,000
Peru	94,500,000	90,950,000	5,152,000	6.8	84,798,000
Uruguay	67,757,000	59,490,000	14,272,000	21.0	45,218,000
Total	1,531,906,000	1,396,185,000	272,743,000		1,123,442,000

One of the Peruvian National Government issues sold at 5¼. The interest alone called for 6. The bonds were sold at 91½.

The association estimates that 200,000 investors and millions of other people in the United States are directly involved in these loans. The chairman of the association remarks:

"It is too much to hope that all of these issues will ever be paid 100 per cent."

Chile, Bolivia, and Peru already have defaulted on their bonds.

EXACT STATUS VAGUE

Brazil, while not actually in default, has made an arrangement whereby its obligations are paid by coupons of interest-bearing scrip. Considerable mystery still surrounds the actual disposition of the Brazilian debts.

The scrip policy has been officially adopted by the Government of Brazil through an arrangement with creditors, but as yet the Brazilian States and municipalities have not announced their status regarding their securities.

(The New York American's next article in this series, to be published tomorrow, will deal with the individual records of the various South American dollar loans sold to the American investor. Subsequent articles will deal with the European phase of the foreign-securities spree.)

[No. 2, November 9, 1931]

FINANCING COMPLETED MAINLY THROUGH SALE OF "DOLLAR BONDS"

(Following is second article in the New York American series on foreign securities publicly sold in the United States. First article disclosed billions of dollars loss to American private investors who bought foreign securities. It related a loss of $1,100,000,000 in American purchases of South American "dollar loans.")

During the period 1914–1930, inclusive, $2,383,000,000 South American government and corporate bonds and stocks were sold to private investors in the United States.

The total borrowings were divided as follows:

Argentina	$924, 740, 000
Chile	514, 652, 000
Brazil	448, 667, 000
Colombia	219, 774, 000
Peru	103, 710, 000
Bolivia	72, 930, 000
Uruguay	53, 918, 000
Venezuela	42, 892, 000
Paraguay	2, 272, 000

The greatest portion of South American financing in this market has been through sale of "dollar bonds" to the American private investor. There are still outstanding, at par value, $1,396,000,000 of such bonds.

VALUE AT LOW PRICES

Their value, however, at the 1931 low prices, approximated $272,000,000, a depreciation of 80 per cent.

The above table of South American "investments" sold to American investors entirely excludes whatever credits have been advanced to South American governments, business enterprises, municipalities, and others, where the funds were not obtained through direct sale of securities to the American public.

It is understood that the aggregate of such credits is enormous. There has also been a huge total of offerings to the American public of securities representing United States or semi-United States companies operating in South America, but which also has been excluded from the present study.

BIG SHRINKAGE

The record of the "dollar loans" of South America bought by American private investors is dramatic evidence of the phenomenal shrinkage in values. The complete record of each "dollar loan," as compiled by the Latin-American Bondholders Association (Inc.), is shown in the following table:

Complete record of "dollar loans"

Borrower	Amount issued	Coupon per cent	Year	Price	Approximate		
					Amount outstanding	Low, 1931	Market value, low, 1931
ARGENTINA							
National Government	$40, 000, 000	6	1924	96½	$35, 938, 000	35½	$12, 758, 000
	30, 000, 000	6	1924	95	27, 657, 000	35½	8, 918, 000
	45, 000, 000	6	1925	96	41, 818, 000	35½	14, 845, 000
	29, 700, 000	6	1925	96½	27, 605, 000	35½	9, 800, 000
	20, 000, 000	6	1926	98	19, 008, 000	35½	6, 748, 000
	16, 900, 000	6	1926	98¼	15, 942, 000	35½	5, 659, 000
	27, 000, 000	6	1927	98¼	25, 650, 000	35½	9, 106, 000
	21, 200, 000	6	1927	99	20, 268, 000	35	7, 195, 000
	40, 000, 000	6	1927	99½	38, 227, 000	35	13, 571, 000
	20, 000, 000	5½	1928	97	19, 217, 000	31	[1] 5, 957, 000
Buenos Aires Province	14, 472, 000	7½	1926	99	12, 588, 000	25	3, 147, 000
	10, 600, 000	7	1926	96½	8, 978, 000	23½	2, 110, 000
	41, 101, 000	6	1928	96½	39, 496, 000	19½	7, 702, 000
	11, 675, 000	6½	1930	95½	11, 500, 000	18¼	2, 099, 000
Buenos Aires City	8, 490, 000	6½	1925	96½	7, 676, 000	30½	2, 341, 000
	3, 396, 000	6	1927	97½	3, 221, 000	28	902, 000
	3, 396, 000	6	1928	98½	3, 242, 000	28	908, 000
Cordoba Province	5, 943, 000	7	1925	95	4, 743, 000	41	1, 945, 000
Cordoba City	4, 669, 500	7	1927	98¾	4, 414, 000	16	706, 000
	2, 547, 000	7	1927	97	1, 750, 000	30	525, 000
Mendoza Province	6, 500, 000	7½	1927	98¾	5, 000, 000	18	1, 062, 000
Santa Fe Province	10, 188, 000	7	1925	96	7, 734, 000	30	2, 320, 000
Santa Fe City	2, 122, 500	7	1927	94½	1, 795, 000	25	449, 000
Tucuman Province	2, 122, 500	7	1927	94½	1, 897, 000	25	474, 000
Tucuman City	3, 396, 000	7	1928	96½	3, 150, 000	25	788, 000
Total for Argentina	420, 418, 500				389, 414, 000		122, 035, 000

[1] $50,000,000 1-year notes offered in 1930.

Complete record of "dollar loans"—Continued

Borrower	Amount issued	Coupon per cent	Year	Price	Approximate		
					Amount outstanding	Low, 1931	Market value, low, 1931
BOLIVIA							
National Government	$2,400,000	6	1917	97½	$1,279,000	7	$90,000
	24,000,000	8	1922	101			
	3,065,000	8	1924	93	22,074,000	10	2,207,000
	2,188,500	8	1924	93			
	14,000,000	7	1927	98½	13,380,000	6½	870,000
	23,000,000	7	1928	97½	22,560,000	6	1,354,000
Total for Bolivia	68,653,500				59,293,000		4,521,000
BRAZIL							
Federal Government	50,000,000	8	1921	98	32,546,000	20	6,509,000
	25,000,000	7	1922	96½	17,881,000	15	2,682,000
	60,000,000	6½	1926	90½	56,121,000	17	9,541,000
	41,500,000	6½	1927	92½	39,477,000	18	7,106,000
Rio de Janeiro City	12,000,000	8	1921	97¾	8,295,000	14¼	1,182,000
	30,000,000	6½	1928	97	30,000,000	10	3,000,000
	1,770,000	6	1928	99	1,770,000	20	354,000
Ceara State	2,000,000	8	1921	99½	1,980,000	15	297,000
Maranhao State	1,750,000	7	1928	94	1,702,000	10	170,000
Minas Geraes State	8,500,000	6½	1928	97½	8,128,000	12	975,000
	8,000,000	6½	1929	87	7,812,000	12	937,000
Parana State	4,860,000	7	1928	98	4,642,000	9¼	429,000
Pernambuco State	6,000,000	7	1927	97¾	5,248,000	7	367,000
Rio de Janeiro State	6,000,000	6½	1929	91½	6,000,000	12½	750,000
Rio Grande do Sul State	10,000,000	8	1921	99½	6,000,000	25	1,500,000
	10,000,000	7	1927	98	9,748,000	12	1,170,000
	23,000,000	6	1928	94¼	23,000,000	10	2,300,000
Cons. municipal	4,000,000	7	1930	97	3,893,000	12	467,000
Porto Alegre city	3,500,000	8	1922	99	3,105,000	12	372,000
	4,000,000	7½	1926	96	3,664,000	10	366,000
	2,250,000	7	1928	97½	2,097,000	8	168,000
Santa Catharina State	5,000,000	8	1922	101	4,705,000	12	565,000
Sao Paulo State	10,000,000	8	1921	97½	4,950,000	28½	1,411,000
	15,000,000	8	1925	99½	15,000,000	12¾	1,912,000
	7,500,000	7	1926	96½	6,914,000	10	691,000
	15,000,000	6	1928	94½	14,698,000	10	1,470,000
	35,000,000	7	1930	96	31,489,000	47	14,800,000
Sao Paulo city	8,500,000	6	1919	95½	5,706,000	19	1,084,000
	4,000,000	8	1922	100	3,174,000	14½	460,000
Total for Brazil	414,130,000				359,745,000		63,035,000
CHILE							
National Government	18,000,000	7	1922	96½	15,100,000	18	2,718,000
	42,500,000	6	1926	93¼	40,413,000	10	4,041,000
	27,500,000	6	1927	93¼	26,004,000	10	2,600,000
	16,000,000	6	1928	94	15,577,000	12	1,869,000
	45,912,000	6	1928	93½	44,152,000	12	5,298,000
	10,000,000	6	1929	93½	9,790,000	12	1,175,000
	25,000,000	6	1930	91½	24,875,000	11	2,736,000
Mort. Bank of Chile	20,000,000	6½	1925	97¾	18,700,000	12	2,244,000
	20,000,000	6¾	1926	99¼	18,623,000	23½	4,376,000
	10,000,000	6	1926	98¾	10,000,000	12	1,200,000
	20,000,000	6	1928	95¾	19,237,000	10	1,924,000
	20,000,000	6	1929	92	19,797,000	7½	1,485,000
Chilean Cons. Mun	15,000,000	7	1929	94	14,767,000	12¼	1,809,000
Santiago City	4,000,000	7	1928	100¼	3,722,000	8	298,000
	2,200,000	7	1930	96½	2,178,000	8	174,000
Total for Chile	296,112,000				282,935,000		33,947,000
COLOMBIA							
National Government	25,000,000	6	1927	92½	23,750,000	20	4,750,000
	35,000,000	6	1928	95	33,500,000	19	6,365,000
Agric. Mort. Bank	3,000,000	7	1926	94	2,200,000	21¼	467,000
	3,000,000	7	1927	97¾	2,600,000	20½	533,000
	5,000,000	6	1927	92	4,250,000	20	850,000
	5,000,000	6	1928	93½	4,250,000	21½	914,000

Complete record of "dollar loans"—Continued

Borrower	Amount issued	Coupon per cent	Year	Price	Approximate		
					Amount outstanding	Low, 1931	Market value, low, 1931
COLOMBIA—continued							
Antioquia department:							
A	$3,000,000	7	1925	90	$5,200,000	16½	$858,000
A	3,000,000	7	1926	93			
B	6,000,000	7	1926	91½	5,100,000	16½	842,000
C	2,500,000	7	1927	96½	2,000,000	16¼	325,000
D	3,750,000	7	1928	95½	5,000,000	16¼	813,000
D	1,750,000	7	1929	93			
1st	4,000,000	7	1927	93	3,716,000	14	520,000
2d	4,000,000	7	1927	94¼	3,670,000	13	477,000
3d	4,350,000	7	1928	96½	4,121,000	13	536,000
Interest	800,000	8	1928	96½	800,000	17	138,000
Medellin City	3,000,000	7	1926	93¼	2,600,000	22	572,000
	9,000,000	6½	1928	93¼	8,350,000	14¾	1,232,000
Caldas Department	6,000,000	7½	1926	95½	8,500,000	20¼	1,721,000
	4,000,000	7½	1926	98			
Cauca Valley Department	2,500,000	7½	1926	96½	3,600,000	20	700,000
	1,500,000	7½	1927	98			
	4,500,000	7	1928	96	4,125,000	17	701,000
Cali City	2,000,000	7	1927	93	2,600,000	22	572,000
	635,000	7	1928	97			
	250,000	7	1930	97			
Cundinamarca Department	12,000,000	6½	1928	93½	11,500,000	15½	1,783,000
Bogota City	6,000,000	8	1924	98	4,900,000	25	1,225,000
	2,700,000	6½	1927	91	2,250,000	20½	401,000
Santander Department	2,000,000	7	1928	94	1,927,000	25	482,000
Tolima Department	2,500,000	7	1928	93½	2,112,000	23	486,000
Barranquilla City A	500,000	8	1925	99	190,000	25	49,000
B	500,000	8	1925	100	305,000	25	76,000
C	500,000	8	1927	101	423,000	25	105,000
D	500,000	8	1928	102	450,000	25	113,000
E	500,000	8	1930	99	469,000	25	117,000
Total for Colombia	170,335,000				154,358,000		28,781,000
PERU							
National Government	$15,000,000	7	1927	96½	$14,400,000	10	$1,440,000
	50,000,000	6	1927	91½	48,000,000	5¼	2,520,000
	25,000,000	6	1928	91	24,400,000	7	1,708,000
Callao Province	1,500,000	7½	1927	99	1,250,000	10	125,000
Lima City	3,000,000	6½	1928	93	2,900,000	13¾	399,000
Total for Peru	94,500,000				90,950,000		6,152,000
URUGUAY							
National Government	1,505,000	5	1915	90	1,293,000	20	259,000
	7,500,000	8	1921	98½	3,500,000	30	1,050,000
	30,000,000	6	1926	96½	28,026,000	25	7,007,000
	17,581,000	6	1930	98	17,304,000	25	4,326,000
Montevideo City	6,000,000	7	1922	97	4,500,000	16¾	754,000
	5,171,000	6	1926	93¼	4,867,000	18	876,000
Total for Uruguay	67,757,000				59,490,000		14,272,000

(Next article in the American series will be devoted to a study of European government bonds sold to American investors. It will be another story of enormous losses for American investors.)

[No. 3, November 10, 1931]

MORE THAN SIX BILLION BORROWED HERE FROM PUBLIC INVESTORS

(Following is third article in the New York American survey on American private investors' losses in foreign-security investments. Previous articles detailed the enormous aggregate depreciation in such investments in South America. More than a billion dollars' shrinkage in "dollar loans" to South America alone were disclosed in yesterday's article.—Editor's note.)

European governments and semigovernmental agencies, when they sought loans in this country in recent years, found the American investor's pocketbook wide open.

Advised by American bankers that they were making sound and safe investments, American private investors absorbed a staggering amount of European securities.

The price they have paid for their error is colossal.

The New York American's survey discloses a depreciation of almost $800,000,000 has taken place in American private investors' holdings of European government and quasi-government securities.

What the American private investor has lost in European corporate securities as distinguished from government and government-guaranteed issues is another story, but equally tragic.

Since 1914 Europe as a whole obtained upwards of sixty-seven hundred million dollars from American private investors in the form of loans or through sale of stocks in this country.

This is 40 per cent of all foreign investments made by American private investors during the period 1914–1930, inclusive. In all, 15 billions of foreign offerings were floated in the American market to private investors.

Emphasis is placed on private investors throughout the present series so that there will be no misconception of the field covered.

This series deals only with foreign bonds and stocks actually sold to the private American investor through public offering by American bankers. It ignores entirely the billions lent directly by the United States Government to Europe's governments as "war loans."

Twenty-six European nations and political subdivisions dipped into the American private investor's funds at some time or other during the last 17 years. And where the government or municipality of a country or region for some reason or other failed to float an American loan, its corporations borrowed in the United States.

Governments, however, accounted for approximately five-sixths of the total borrowings.

The complete record covering the 17-year period 1914–1930 for every European country or division will be found at the right.

Not all of these securities still are outstanding. Some have been retired, and a great number of "refunding" operations have been effected whereby new securities were issued, almost invariably through the American market, to substitute for or retire issues previously outstanding.

There still are outstanding in excess of $2,400,000,000 of such European government and government-guaranteed issues, at par value. This is the total now owned by American investors.

The current market value of these issues is $1,600,000,000.

Their depreciation from par value is $772,000,000.

(How this enormous loss is divided among the different European nations will be disclosed in the next article in the New York American survey.)

European securities publicly offered in the United States, 1914–1930

	Government	Corporate	Total
England	$1,470,287,000	$97,828,000	$1,568,915,000
France	1,157,295,000	21,950,000	1,179,245,000
Germany	949,842,000	430,794,000	1,380,637,000
Italy	410,795,000	206,837,000	617,632,000
Belgium	305,545,000	34,130,000	339,675,000
Norway	184,625,000	26,515,000	211,140,000
Switzerland	105,322,600	12,480,000	117,802,000
Sweden	25,000,000	142,846,000	167,846,000
Netherlands	96,451,000	18,947,000	115,398,000
Austria	99,111,000	15,009,000	114,120,000
Poland	132,075,000	39,250,000	171,325,000
Denmark	215,077,000	7,164,000	222,241,000
Danzig	3,000,000		3,000,000
Saar Territory	11,500,000		11,500,000
Hungary	48,650,000	40,293,000	88,943,000
Russia	75,000,000		75,000,000
Rumania	9,169,000		9,169,000
Finland	70,000,000	7,000,000	77,000,000
Estonia	4,000,000		4,000,000
Spain		44,400,000	44,400,000
Luxemburg		7,500,000	7,500,000
Greece	29,000,000	600,000	29,600,000
Czechoslovakia	53,750,000	5,500,000	59,250,000
Bulgaria	13,500,000		13,500,000
Ireland	15,000,000	875,000	15,875,000
Yugoslavia	64,285,000		64,285,000
Total	5,548,200,000	1,159,000,000	6,708,000,000

[No. 4, Thursday, November 12, 1931]

Here is the fourth article in New York American survey of foreign securities sold to American private investors. Thus far the following facts have been shown:

First. Some fifteen billions of foreign government and foreign corporation securities have been floated in the United States since 1914.

Second. Eleven hundred million dollars' depreciation has taken place from par in American private investor's holdings of South American "dollar bonds."

Third. European government and semigovernment issues of European countries sold to American private investors have shrunk in value almost $800,000,000.

Fourth. The list of American citizens' investments in the government bonds of 16 European countries shows a loss of 43 per cent from par value at a recent figure, which was not the low figure of the European debacle.

Fifth. Banking commissions on the sale of the fifteen billion of foreign securities floated in the United States since 1914 would amount to $750,000,000 if 5 per cent can be accepted as a fair average commission.

These bankers' commissions, however, sometimes greatly exceed 5 per cent, so that an estimate of $1,000,000,000 in commissions would not be excessive.

Sixth. None of the foregoing figures have anything to do with United States Government loans direct to European nations during and immediately following the war.

Securities of 16 European governments and government agencies have shrunk in value more than 43 per cent since they were sold to American private investors.

Total depreciation from par value of these European securities amounts to more than $700,000,000.

And still this enormous loss excludes entirely the vast amount of European corporation securities which also were sold to American investors.

LOSSES TO INVESTORS

For the purpose of ascertaining the status of American private investment in European government and semigovernment enterprises the New York American survey was divided into two parts. The part dealt herewith covers those countries where the decline has been bigger than 10 per cent.

Losses to American investors run into staggering amounts. The $75,000,000 old Russian loans, for example, have been competely wiped out.

Depreciation of 50 per cent or more are frequent.

Accompanying compilation reveals the tragic consequences of America's liberality in lending billions of dollars to Europe, over and above the billions advanced by our Government as war loans.

Every country in Europe availed itself of the American liberality.

Germany was a particular beneficiary. That nation's government and semigovernment units now owe to American private investors over $700,000,000.

CURRENT VALUE

How the market rates this debt is exemplified by the current value of only $277,000,000.

Depreciation in German Government and semigovernment securities alone approximates 57 per cent.

It is a sad commentary on the German lending that some of that nation's outstanding citizens now complain that they were virtually implored by American bankers to accept loans. The proceeds in a great many instances, notwithstanding the supposedly dire needs of the country, were utilized for the construction of bathing facilities, parks, playgrounds, and similar developments.

The bankers' funds for making those loans of course came from the private American investor who bought the German bonds offered by the bankers.

But even this isn't the worst experience for the American investor, forgetting the Russian loan folly.

Bulgarian securites sold to the American private investor have dropped in value 62 per cent.

Hungarian issues have slumped 60 per cent. Yugo-Slavian securities are available now for 45 per cent of par, a depreciation of 55 per cent. Poland's securities have slumped 43 per cent. And so on down the line for the entire 16 nations of Europe.

Czechoslovakia, Italy, and Norway, along among the 16 countries surveyed to-day, show depreciation of 20 per cent or less. Norway's securities have slumped 10 per cent.

These facts are reflective of aggregate totals for each nation.

Individual issues have slumped as much as 75 per cent.

The table gives in detail the experiences of the average American investor in the 16 countries.

(Next article in New York American survey will deal with German Government issues sold to United States private investors.)

Enormous depreciation shown in American holdings of European government issues

Country	Par value of offerings now whole or in part outstanding	Actual cash invested by public of United States	Par value of outstanding issues	Current value of outstanding issues	Depreciation from par	Depreciation (per cent)
Austria	$135,611,000	$127,273,000	$132,426,000	$91,520,130	$40,905,870	−30.3
Bulgaria	13,500,000	12,870,000	13,348,537	5,209,605	8,138,932	−62.6
Denmark	151,977,500	146,190,540	149,216,750	114,940,310	34,276,440	−22.1
Estonia	4,000,000	3,780,000	4,946,500	2,967,900	1,978,600	−40
Finland	70,000,000	65,225,000	62,948,260	36,564,370	26,383,890	−41
Germany	711,192,600	656,239,050	649,089,110	277,413,160	371,675,950	−57
Greece	26,000,000	23,330,000	25,603,000	14,985,480	10,617,520	−41
Hungary	44,650,000	43,606,100	42,599,300	13,911,530	28,687,770	−60
Ireland	15,000,000	14,550,000	3,612,500	2,709,375	903,125	−25
Italy	187,150,000	176,150,000	171,610,655	137,386,302	34,224,353	−20
Norway	170,500,000	165,002,325	166,343,000	135,322,146	31,020,854	−10.8
Poland	122,075,750	114,718,250	108,280,030	61,052,800	47,227,230	−43.9
Rumania	5,419,500	4,769,160	5,419,500	3,251,700	2,167,800	−40
Russia	75,000,000	73,687,500	75,000,000	750,000	74,250,000	−99
Saar Terri	11,500,000	11,052,500	7,834,000	5,481,170	2,352,830	−30
Yugoslav	49,286,400	45,992,200	49,285,000	22,093,000	27,192,000	−55
Total	1,792,872,000	1,684,437,000	1,667,562,000	925,559,000	742,003,000	−43

[No. 5, November 14, 1931]

(Following is fifth article in New York American survey of foreign securities sold to private investors in United States, aggregating $15,000,000,000 since 1914. Previous articles disclosed eleven hundred millions depreciation in South American "dollar bonds" held by Americans. Eight hundred million decline in European government and semigovernment securities sold to American private investors has been disclosed. Decline of 43 per cent has taken place in value of 16 European countries' securities sold here. Bankers' commissions on the fifteen billion foreign financing in the American market has netted them at least a billion dollars, it is estimated. This series ignores the European "war debts" to the United States Government.—Editor's note.)

1. Four hundred and fifty million dollars depreciation has taken place in value of German Government and semigovernment securities sold to American private investors.

2. American investment losses in German securities are the largest in any foreign nation.

3. There is outstanding to-day and owed to American investors more than $700,000,000 of German Government and semi-Government loans.

4. Germany has been the most prodigious European postwar borrower from the United States. Her aggregate borrowings from private investors in this country have exceeded thirteen hundred millions, almost all advanced during the period 1924–1930, inclusive. Our international bankers sold these securities to American investors, thereby earning large commissions.

5. Germany for years used her American borrowings to meet her reparations debts.

6. The ogre of a possible moratorium for Germany hangs over all her obligations.

For seven years, 1924–1930, inclusive, Germany indulged in the greatest borrowing spree the world has ever witnessed.

In that period the Reich and its political divisions and German corporations marketed in the United States more than thirteen hundred million dollars of their securities.

Liberality with which American investors' funds were advanced to Germany embodied all of the ignorance and amazing lack of foresight which characterized the whole postwar foreign financing era in the United States.

As a result American investment losses in German securities are the largest in any foreign land.

FIFTY-SEVEN PER CENT DEPRECIATION

Of the $1,372,000,000 total German financing in the United States, there still is outstanding $780,000,000 of Government and semi-Government issues at par value.

Market value of these securities to-day is $329,000,000.

Depreciation totals $450,000,000, or 57 per cent.

And even this enormous shrinkage is totally exclusive of losses suffered in German corporate securities floated to an aggregate above $400,000,000.

Successful flotation of the Dawes plan loan in the international capital markets opened the eyes of Germany to the vast possibilities for enticing foreign capital into that country. There followed then a period of foreign financing for Germany which has no duplicate in world history.

From years of absolutely no German financing in the American market there developed an amazing growth of German security sales here. The United States, then in the supposedly endless era of prosperity at home, absorbed hundreds of millions in German securities.

Germany, to her amazement, found the American money markets actually eager to secure her bonds and stocks. And Germany finally discovered some embarrassment in using these foreign funds.

For several years during the fantastic era Germany utilized the proceeds of her foreign financing, chiefly from American investors, to meet her reparations requirements.

USE OF LOANS

Furthermore, German recipients of American investors' liberality deemed it advisable to build up their industrial machinery to compete once again in the world's markets. Proceeds of loans were also used in the construction of public conveniences above and beyond necessities. Playgrounds, home developments, public parks, and similar undertakings were all financed with the inflowing foreign capital.

How freely the American market absorbed German securities is evidenced in the following table. It presents yearly totals of German Government and semi-Government securities publicly sold to American private investors:

[Thousands omitted]

Year	Government	Corporate	Total	Year	Government	Corporate	Total
1924	$110,000	$8,000	$118,000	1929	$21,476	$10,149	$31,625
1925	158,750	59,500	218,250	1930	143,308	23,510	166,818
1926	151,138	143,108	294,245				
1927	150,405	80,120	230,525	Total	941,846	430,793	1,372,639
1928	186,370	106,106	292,476				

The aftermath of this fantastic era of foreign lending by the American investor is chilling. To-day the world is rife with ugly rumors concerning Germany's capacity to pay, her inclination to meet her obligations, and similar doubts questioning the safety of all foreign investments in Germany. And the United States investor has the biggest stake of any nation's private investors. This, of course, excludes the political and intergovernmental debts.

The dollar-and-cents story of American loans to German Government and semi-Government bodies is graphically told in the accompanying table.

(Next article in this series will deal with American private investors' losses in European corporate securities.)

German State issues publicly sold in United States and now outstanding

Borrower	Amount issued	Interest		Amount current		Current value	Depreciation from par
		Rate, per cent	Issue price	Outstanding	Quotation		
Free State of Anhalt	$1,750,000	7	98⅞	$1,400,000	25	$350,000	$1,050,000
Free State of Bavaria	15,000,000	6½	88½	11,250,000	35	3,837,000	7,412,000
	8,000,000	6½	92¾	7,838,000	35	2,743,000	5,094,000
Bavarian Palatinate Consolidated Cities	3,800,000	7	93⅜	3,385,000	25	846,000	2,539,000
Berlin City Electric Co	15,000,000	6½	93½	14,288,000	40	5,715,000	8,572,000
	9,651,000	6½	93½	9,451,000	41	3,912,000	5,629,000
	12,778,000	6½	90½	12,778,000	35	4,472,000	8,305,000
Berlin Elevated Underground R. R. Co	9,681,000	6½	94½	9,681,000	44	4,025,000	5,123,000
Brandenburg Electric Co	5,000,000	6	93½	4,765,000	29	1,381,000	3,383,000
Brown Coal Industrial Corporation	2,000,000	6½	93½	2,000,000	40	800,000	1,200,000
City of Berlin	13,000,000	6½	89	11,579,000	37	4,284,000	7,295,000
	178,000	6	75	133,000	25	33,000	100,000
	1,190,000	5	91⅝	671,000	65	436,000	234,000
	15,000,000	6	95	14,616,000	29	4,238,000	10,477,000
City of Cologne	8,000,000	6½	87½	7,014,000	34	2,385,000	4,629,000
German consolidated municipal loan of German savings banks and clearing house associations	17,500,000	6	94½	16,433,000	32	5,258,000	11,174,000
Central Bank of Agriculture	19,000,000	7	93	17,300,000	51	8,823,000	8,477,000
	19,000,000	6	95	18,385,000	50	9,192,000	9,192,000
	43,405,000	6	95½	41,130,000	49	20,153,000	20,976,000
	26 000,000	6	95½	24,963,000	52	12,970,000	11,992,000
Central Bank of German State and Provincial Banks (Inc.)	3,500,000	6	95	3,340,000	31	1,035,000	2,305,000
	10,000,000	6	95	9,275,000	33	3,060,000	6,214,000
Central German Power Co. of Magdeburg	2,430,000	6	98¼	2,430,000	89	2,162,000	267,000
Consolidated Agricultural Loan of German Provincial and Communal Banks	21,000,000	6½	97½	20,290,000	38	7,710,000	12,579,000
Consolidated Hydroelectric Works of Upper Wurttemburg	4,000,000	7	93	3,778,000	40	1,515,000	2,273,000
Consolidated Municipalities of Baden	4,500,000	7	93	4,135,000	30	1,240,000	2,894,000
Consolidated municipal loan of German savings banks	19,950,000	7	93¾	18,385,000	35	6,434,000	11,950,000
Dortmund Municipal Utilities	3,000,000	6½	91½	3,000,000	45	1,350,000	1,650,000
City of Dresden	3,750,000	7	94	3,174,000	32	1,015,000	2,158,000
City of Duisburg	3,000,000	7	98⅜	2,250,000	25	562,000	1,687,000
City of Dusseldorf	1,750,000	7	93⅜	1,312,500	80	1,050,000	262,500
Electric Power Corporation	5,000,000	6½	87	5,000,000	38	1,900,000	3,100,000
	2,500,000	6½	87	2,500,000	38	950,000	1,550,000
	5,000,000	6½	99½	5,000,000	35	1,750,000	3,250,000
East Prussian Power Co	3,500,000	6	91	3,426,000	30	1,027,000	2,398,000
City of Frankfort on the Main	2,800,000	7	94	2,800,000	40	1,120,000	1,680,000
	6,250,000	6½	99½	6,062,000	29	1,758,000	4,304,000
German Building and Land Bank	5,250,000	6½	98½	5,079,000	30	1,523,000	3,555,000
Government of Germany	110,000,000	7	92	83,791,000	64	53,731,000	30,060,000
	98,250,000	5½	90	98,250,000	38	37,335,000	60,915,000
Hamburg Electric Co	4,000,000	7	95½	3,000,000	84	2,520,000	480,000
Hamburg Elevated, Underground & Street Rys. Co	6,500,000	5½	92½	6,293,000	50	3,146,000	3,146,000
City of Hamburg	10,000,000	6	91¾	10,000,000	39	3,900,000	6,100,000
City of Hanover	3,500,000	7	98	3,459,000	35	1,210,000	2,248,000
City of Heidelberg	1,500,000	7½	98½	1,401,000	32	488,000	912,000
Province of Hanover Harz Water Works	1,000,000	6	95	1,000,000	35	350,000	750,000
	3,725,000	6½	94½	3,725,000	26	968,000	2,756,000
City of Leipzig	3,750,000	7	94¾	3,339,000	35	1,168,000	2,170,000
Leipzig Overland Power Co	2,425,000	6½	92½	2,101,000	30	630,000	1,370,000
Luneburg Power, Light & Waterworks (Ltd.)	1,100,000	7	98	1,087,000	40	434,000	652,000
Free State of Oldenburg	3,000,000	7	93⅞	2,403,000	45	1,081,000	1,321,000
Manheim & Palatinate Electric Co	2,675,000	7	96½	2,675,000	46	1,230,000	1,444,000
City of Munich	8,700,000	7	92½	6,525,000	34	1,631,000	4,893,000
Municipal Bank of State of Hessen	3,600,000	7	95¾	2,700,000	30	810,000	1,890,000
Municipal Gas & Electric of Recklinhausen	1,500,000	7	94	1,384,000	25	346,000	1,384,000
Nassau Land Bank	3,000,000	6½	97½	3,000,000	45	1,350,000	1,650,000
City of Nuremburg	5,000,000	6	94	4,660,000	26	1,211,000	3,448,000

German State issues publicly sold in United States and now outstanding—Continued

Borrower	Amount issued	Interest		Amount current		Current value	Depreciation from par
		Rate, per cent	Issue price	Outstanding	Quotation		
Oberpfalz Electric Power Corporation	$1,250,000	7	97½	$1,077,000	35	$377,000	$700,000
Free State of Oldenburg	3,000,000	7	93⅞	2,403,000	45	1,081,000	1,321,925
Pomerania Electric Co	3,500,000	6	92½	3,427,000	29	993,000	3,427,000
Provincial Bank of Westphalia	3,000,000	6	97¾	3,000,000	25	750,000	2,250,000
Free State of Prussia	17,500,000	6½	95	17,500,000	35	6,125,000	11,375,000
	24,500,000	6	96½	23,078,000	35	8,077,000	15,000,000
Prussian Electric Co	4,000,000	6	91	4,000,000	30	1,210,000	2,790,000
Rhine Main Danube Corporation	6,000,000	7	96	5,414,000	43	2,328,000	3,085,000
Rhine Ruhr Water Service Union	7,500,000	6	93	7,070,000	29	2,050,000	5,019,000
Rhine Westphalia Electric Power Corporation	10,000,000	7	94	8,510,000	62	5,276,000	3,223,000
	10,500,000	6	95½	10,098,000	49	4,948,000	5,150,000
	14,850,000	......	93	14,850,000	50	7,425,000	7,425,000
	12,500,000	6	94	12,168,000	49	5,962,000	6,206,000
Saxon Public Works	15,000,000	7	92	15,000,000	45	6,750,000	8,250,000
	11,000,000	6½	91½	10,698,000	38	4,065,000	6,633,000
	10,000,000	5	97½	10,000,000	43	4,325,000	5,675,000
Saxon State Mortgage Institutions	2,000,000	6	95	1,849,000	25	462,000	1,386,000
	5,000,000	7	93½	4,346,000	50	2,173,000	2,173,000
	4,000,000	6½	97	3,579,000	42	1,503,000	2,075,000
State of Bremen	11,250,000	7	94	10,019,000	45	4,508,000	5,510,000
Stettin Public Utilities	3,000,000	7	94½	2,400,000	30	720,000	1,680,000
Unterelbe Power & Light Co	4,250,000	6	93	4,097,000	34	1,392,000	2,704,000
United Industrial Corporation	6,000,000	6½	97½	6,000,000	36	2,160,000	3,840,000
Vesten Electric Rys	1,750,000	7	98	1,614,000	25	403,500	1,210,000
Westphalia United Power Corporation	20,000,000	6	92½	20,000,000	34	6,975,000	13,025,000
State of Wurttemberg	8,400,000	7	93⅞	6,300,000	25	1,575,000	4,725,000
Total	845,088,000	......	......	780,226,000	......	329,536,000	450,375,000

Current quotations of above table represent either last sale, last bid, or nominal price.

[No. 6, November 15, 1931]

1. Thirteen hundred million dollars have been raised by European corporations through sale of their securities to American private investors since 1914.

2. Eight hundred millions of such securities still are outstanding and held by American investors.

3. Four hundred and sixty million dollars depreciation has taken place in these securities. This represents 56 per cent loss from par value. By countries, the depreciation runs as high as 83 per cent.

4. Much of this money raised in America has been used in improving and strengthening the competitive position of foreign industries.

5. Value of many foreign corporate securities can not be ascertained because of absence of quotations.

6. German corporation securities represent almost half all American holdings of European securities. Loss in German corporate issues alone totals $210,000,000.

7. Bankers' commissions on European corporate securities ranged from 5 per cent up to several times this rate.

Through sale of their securities to American private investors Europe's corporations raised an aggregate of $1,134,000,000 new capital during the period 1914–1930, inclusive.

The American investor, through American bankers who sold them these securities, have become (a) creditor of European corporations through purchase of their bonds and notes, or (b) partner by buying their stocks.

Either "investment" has proved extremely expensive.

The American private investor still holds $826,956,000 of European corporate securities. This is entirely distinct from European government and semigovernment issues publicly floated in the United States during the same period. These latter, as disclosed in previous articles in the New York American survey, represent an aggregate loss of about $800,000,000 to the American investor.

Those American investors who bought European corporate securities have been equally unfortunate.

Depreciation of $464,398,000 has taken place in these corporate issues.

The shrinkage represents 56 per cent of their par value.

And still this stupendous loss excludes millions more lost in securities for which no present value can be established, or which represent enterprises which have virtually disappeared in recent years.

Corporations of all Europe dipped into the American investment funds for new capital, but German corporations obtained almost half the total for the entire continent.

In these German corporate issues American investors now suffer a depreciation of $210,000,000, equal to 60 per cent.

Accompanying table discloses the experiences of the American investor in Europe's corporation issues sold in this country.

The shrinkage, by countries, runs from 9 per cent for Denmark all the way up to 83 per cent for British corporate flotations in the United States.

Besides Britain and Germany, decline of 60 per cent or more is shown in corporate securities of the following countries: Belgium, 62 per cent; Luxemburg, 63 per cent; Poland, 63 per cent; Netherlands, 70 per cent.

Almost invariably the American investor's money placed in European corporate issues was used to modernize, strengthen, or otherwise improve the competitive position of the corporation. In some instances the American capital provided the wherewithal to build new plants in foreign lands. It would not be a far exaggeration to say that American private investors capitalized the postwar industrial revival of Europe.

(Next article in this series will deal with another interesting phase of American foreign investments.)

VALUE OF UNITED STATES INVESTORS' HOLDINGS OF FOREIGN STATE ISSUES DOWN $2,000,000,000

Two billion dollars loss to American private investors who bought European and South American Government securities sold in the United States since 1914 has been disclosed to date by the New York American. These losses, covering only government and semigovernment securities, are divided as follows:

(a) Eleven hundred millions depreciation in South American "dollar bonds," which have dropped 80 per cent in value; and

(b) Eight hundred millions decline, from par, in European government and semigovernment issues sold to private American investors.

Europe and South America combined have taken the bulk of the $15,000,000,000 raised from the American private investor through sale in the United States of foreign securities during the last 17 years.

To-day's article, sixth in the series, is devoted to another phase of the foreign financing era: Sales of European corporation securities to the American public by American bankers, who, it is estimated, profited $1,000,000,000 through selling foreign government and corporation securities in the United States during the period covered by this survey, 1914–1930, inclusive.

TESTIMONY OF JOSEPH R. SWAN, PRESIDENT GUARANTY CO., NEW YORK CITY

(The witness was duly sworn by the chairman of the committee.)

The CHAIRMAN. Mr. Swan, whom do you represent?

Mr. SWAN. I represent the Guaranty Co. of New York, which is a wholly-owned subsidiary of the Guaranty Trust Co. of New York. I am president of the Guaranty Co. of New York.

Senator COUZENS. Is that wholly a marketing house for securities?

Mr. SWAN. It is really a department of the Guaranty Trust Co. of New York. It was formerly the bond department of the Guaranty Trust Co., and for the purpose of easier operation it was formed into a separate corporation, but its stock is entirely owned by the Guaranty Trust Co. of New York.

Senator COUZENS. It is mostly engaged in the marketing of securities?

Mr. SWAN. Entirely so.

Senator KING. It is a merchant dealing in bonds and securities.

Mr. SWAN. It is purely a merchandizing organization.

Senator JONES. Mr. Chairman, I could not hear the witness way down here at this end of the table. I do not know whether the gentleman gave his occupation or not.

The CHAIRMAN. Will you repeat it, Mr. Swan?

Mr. SWAN. I am president of the Guaranty Trust Co. of New York, which is a wholly-owned subsidiary of the Guaranty Trust Co. of New York, and is engaged in merchandising securities.

Senator JONES. I thank you.

Senator COUZENS. The organization of such companies is for the purpose of enabling, in this case, the Guaranty Trust Co. of New York, to live within the law; is that correct?

Mr. SWAN. Well, I should say that the Guaranty Co. of New York was formed in order to have offices around in various centers throughout the country where we do distribution work. I mean in Chicago, Philadelphia, or in Boston and so on.

Senator COUZENS. In other words, where you could not have offices of the Guaranty Trust Co. of New York itself?

Mr. SWAN. Where the Guaranty Trust Co. of New York is not allowed to have offices, under the laws of the States.

Senator COUZENS. I suppose you are in hearty sympathy with the custom of these big trust companies and banks having affiliates to do that kind of work.

Mr. SWAN. I think it a proper function of the banking business.

Senator COUZENS. But you do not believe it should be incorporated in the law or in the charter of the bank or trust company?

Mr. SWAN. It does not seem to be necessary.

Senator COUZENS. And you are able to get around that.

Mr. SWAN. I think it is a proper function of banking.

Senator KING. Let me see if I understand you——

Senator JOHNSON (interposing). Will you pardon me to get some information for the newspaper men first: Mr. Swan, will you give your full name?

Mr. SWAN. Joseph R. Swan.

Senator KING. I do not wish to misunderstand you, but I understood you to say that you thought it was a proper function for commercial banks to have affiliates.

Mr. SWAN. It is a proper function of the banking business in order to merchandise securities, and any body in the banking business wants to be able to render a complete banking service to a client.

Senator KING. Do you think it is a proper function of commercial banks upon whom the people rely and with whom the people make deposits, to organize or permit to be organized or to associate themselves in the organization of affiliates to carry on all sorts of business, such as the mining of copper in one country, or the producing of cotton in another country?

Mr. SWAN. We have never done that. We have confined ourselves to the merchandising of securities, which I think is a proper function of banking.

Senator KING. So that I may understand the implications of your answer, let me ask: Do you approve of the idea of your commercial bank organizing affiliates, for instance such as to carry on a sugar business in Cuba, and lending it enormous sums of money?

Mr. SWAN. We have never done that. We have never had occasion to do that.

Senator KING. Would you think it within the function of your organization to organize and put up capital for or to loan to an organization that was promoting a sugar business in Santo Domingo or in Cuba, or the rubber business in Brazil?

Mr. SWAN. That is a question I would not care to answer until the situation presented itself. We have never been put in the position where that seemed to come in as a function of our banking business.

Senator COUZENS. Does the Guaranty Co. of New York handle stock only, or bonds and stocks also?

Mr. SWAN. It handles whatever we consider is a sound investment, in any sense in which it may be placed—common stocks, preferred stocks, debenture bonds, or mortgages.

Senator COUZENS. Is there any considerable difference of opinion among bankers as to the wisdom of such affiliates being connected with banks of deposits or trust companies of deposits?

Mr. SWAN. I have seen a great deal in the newspapers recently about it, but I think it depends, like any other function of the banking business, on how it is conducted. If it is conducted with care, in good faith, it seems to me a perfectly proper function of the banking business, and a very wise thing for a bank to have.

Senator COUZENS. As a matter of fact, there are no governmental agencies that have jurisdiction over them, either State or national, are there?

Mr. SWAN. We are examined by the office of the superintendent of the State banking department of New York, the same as the Trust Co.

Senator COUZENS. Just the same?

Mr. SWAN. Yes, sir.

Senator KING. Are the affiliates examined?

Mr. SWAN. I say, the Guaranty Co. of New York is examined by the same people and in the same sort of examination as the Guaranty Trust Co. of New York.

Senator KING. But suppose you should loan money to an affiliate, or should organize an affiliate, and that affiliate were operating in Cuba or Brazil or Germany or Canada, who would examine it?

Mr. SWAN. I presume as to such an affiliate, if we were to have it, would also be examined by the superintendent of banks of the State of New York.

Senator KING. But supposing those affiliates were foreign corporations, or a corporation in some other state, just an ordinary corporation organized under the corporate laws of a State, they would not then be subject to his examination, would they?

The CHAIRMAN. They would be in our State.

Senator KING. I do not think so.

Mr. SWAN. I think they would be examined under the financial laws of the State of New York.

Senator COUZENS. The Guaranty Trust Co. of New York is organized under the laws of the State of New York, is it?

Mr. SWAN. Yes, sir.

Senator COUZENS. So that no Federal agency has any right to examine the Guaranty Trust Co. of New York or the Guaranty Co. of New York?

Mr. SWAN. The Federal reserve bank does that.

Senator COUZENS. Because of your membership?

Mr. SWAN. Yes, sir.

Senator COUZENS. When the Guaranty Co. of New York purchases a loan to market, or purchases any security, do they in turn borrow from the Guaranty Trust Co. of New York, putting up those securities as collateral?

Mr. SWAN. We from time to time borrow from the Guaranty Trust Co. of New York, of course within the limits that the Guaranty Trust Co. is permitted by law to make loans to us, just as they would do in the case of any other client.

Senator COUZENS. But because of the fact that the Guaranty Co. is connected with the Guaranty Trust Co. is there not perhaps an undue influence to have the Guaranty Trust Co. loan on securities of the Guaranty Co. to an extent that might not be true in the case of an ordinary applicant for a loan?

Mr. SWAN. The Guaranty Trust Co. and the Guaranty Co. are so close in their operations that the Guaranty Co. does not do any business that does not receive the full approval of the Guaranty Trust Co. We are really, or practically speaking, a department of the Guaranty Trust Co.

Senator REED. And you do not buy a foreign loan until you know it is satisfactory to the Guaranty Trust Co. of New York?

Mr. SWAN. We are in constant consultation. Of course we get all the help and support we can from them all the time. They have correspondents and branches in various parts of the world. They are of tremendous assistance to us in making our decision whether a loan is good or not. We would not think of taking up a foreign loan without discussing it with the Guaranty Trust Co.

Senator COUZENS. The fact of the matter is that you have the benefit of all the deposits of the Guaranty Trust Co. for the use of the Guaranty Co.?

Mr. SWAN. Oh, no. We have not.

Senator COUZENS. In effect you do because you work so close together.

Mr. SWAN. We may have only the benefit of that portion of the deposits of the Guaranty Trust Co. which they are permitted to loan to us in accordance with the law.

Senator COUZENS. I understand that, of course, but an independent investment banker that did not have the Guaranty Trust Co. as its parent, or some equally strong financial house as its parent would not be in the same position as is the Guaranty Co.

Mr. SWAN. It unquestionably improves our position.

Senator COUZENS. So that in effect you have the use of all of the deposits of the Guaranty Trust Co. and of its capital stock and surplus, I mean to the extent that the law permits——

Senator KING (interposing). And its prestige.

Senator COUZENS. Yes; and of its prestige, with which to secure loans, and which the ordinary investment banker would not have.

Mr. SWAN. I should say that our connection with the Guaranty Trust Co. puts us in contact with business which possibly others who are not as closely connected with large banking institutions and that can not make the same contacts, would not have.

Senator COUZENS. You do not think it would be appropriate, then, to have legislation preventing national banks or any member of the Federal Reserve Bank, having affiliates engaged in the sales business?

Mr. SWAN. Why, I think that the relationship between large banks, such as ours, with an affiliate is a safeguard.

Senator COUZENS. A safeguard to whom?

Mr. SWAN. A safeguard to the investor. I think we are in better position to weigh securities, and to better find out about securities, than most other merchandizing security houses. I think we have better sources of information.

Senator COUZENS. I think that is probably true, and perhaps better for your sales department. But the question that arises in my mind is, whether it is as secure for the depositors of these big financial institutions such as yours.

Mr. SWAN. I think I could probably produce figures, although I do not know that I could, to show that the depreciation of securities offered by the affiliates of large banks and trust companies is less in the value of those securities than in the case of securities offered by others. Of course this security business is going to be done by someone, and I think affiliates of large banking institutions in New York City are better qualified in relation to that business than independent houses.

Senator COUZENS. How was the capital stock of the Guaranty Co. of New York raised?

Mr. SWAN. The Guaranty Trust Co. of New York purchased the entire issue of stock when the Guaranty Co. was incorporated.

Senator COUZENS. In other words, under the charter that you secured from the State of New York the Guaranty Trust Co. of New York was permitted to buy common stock.

Mr. SWAN. The Guaranty Trust Co. was permitted to invest a certain amount of its capital in the stock of the Guaranty Co.

Senator COUZENS. Or in any other common stock, I assume.

Mr. SWAN. Yes, sir.

Senator COUZENS. Do you think it wise for a financial institution that accepts public deposits to buy common stocks?

Mr. SWAN. I think all those things are questions of management. I do not think that legislation is going to prevent bad management, and I do not think that any large financial institution properly managed is going to invest in too large an amount of common stocks. I do not think common stocks are the only bad investment one can make. They may be a very good investment.

Senator COUZENS. I agree with that opinion. But they are obviously not as secure.

Mr. SWAN. I think some common stocks are much more secure than some bonds that I know of.

Senator COUZENS. Would you say that with respect to the railroads?

Mr. SWAN. Well, I do not think you could generalize on that. I think you have to take specific cases.

Senator COUZENS. Do you mean specific railroads?

Mr. SWAN. I mean specific common stocks and specific railroads.

Senator COUZENS. But you do admit that bonds of railroads are more secure than common stocks of railroads?

Mr. SWAN. Of some railroads, yes. But we think the bonds of some railroads are less secure than the common stocks of other railroads.

Senator COUZENS. As a matter of fact there isn't any security for any common stock of any railroad anywhere right now, is there?

Mr. SWAN. Oh, I think I will have to differ with you on that.

Senator COUZENS. I doubt if there is any security of any common stock of any railroad anywhere, because they are all bonded more or less up to the limit, and by the time their indebtedness is liquidated under existing conditions, and with the probabilities of competition, it is apparent that the common stock of any railroad is hardly worth much more than wall paper.

The CHAIRMAN. Oh, no.

Senator REED. I can not agree to let that proposition go into the record unchallenged.

Senator COUZENS. Well, that is my view, and I am merely expressing it.

Senator REED. I understand, but I do not feel that I could sit here and not challenge that view.

Mr. SWAN. I think I could point out the common stocks of a number of railroads to-day to which that statement could not possibly apply. For instance, I would say the Norfolk & Western Railway.

Senator COUZENS. Well, possibly there are exceptions to my views on that subject. But the State of New York has never attempted by way of legislation, nor has there been proposed any legislation there to prevent these trust companies and banks that accept public deposits from organizing affiliates?

Mr. SWAN. Not so far as I know.

Senator HARRISON. Are the laws of the State of New York quite similar to those of other States on that subject, for instance, the State of Illinois?

Mr. SWAN. I am afraid I can not answer that question.

Senator HARRISON. They permit affiliates to be organized by big banks?

Mr. SWAN. Well, I know that they do have affiliates in Illinois. But I differentiate somewhat as between an affiliate such as the Guaranty Co. of New York and others, because the Guaranty Co. of New York is a subsidiary and its entire capital stock is owned by the Guaranty Trust Co. of New York. I should say that an affiliate as generally understood is a company whose stock is owned by the stockholders of the other organization.

Senator COUZENS. I suppose it is a matter of public property what the Guaranty Co. of New York made in 1931, is it not?

Mr. SWAN. Do you mean in the way of profits?

Senator COUZENS. Yes.

Mr. SWAN. It did not make any.

Senator COUZENS. Did they make any profits in 1930?

Mr. SWAN. Well, perhaps I should explain that we made operating profits both in 1930 and 1931, and yet quite naturally the depreciation in securities which we owned offset those profits.

Senator COUZENS. Do you pay dividends to the Guaranty Trust Co. of New York?

Mr. SWAN. We have paid dividends, and very satisfactory dividends, over a period of years. Of course our business during the last two years has not been as satisfactory as prior to that time.

Senator COUZENS. Senator Johnson is not in the room for the moment. Do you want to make a statement?

Senator REED. Senator Johnson asked me to carry on the examination in his absence.

Senator KING. Just one question: Where did the Guaranty Trust Co. of New York get the money with which to purchase the stock of the Guaranty Co. of New York?

Mr. SWAN. The Guaranty Trust Co. of New York has about $300,000,000 in capital, surplus, and undivided profits.

Senator KING. So you took your capital, surplus, and undivided profits for the purpose of organizing the Guaranty Co. of New York?

Mr. SWAN. Well, it is really difficult to segregate the money that one has used in a case of that kind. Some of our money comes from deposits and some from capital and some from surplus. I do not think that we set aside a specific amount of money for this purpose.

Senator REED. When was the Guaranty Co. of New York organized?

Mr. SWAN. It started business in 1920.

Senator REED. What is its present capital stock?

Mr. SWAN. Might I just go back to 1920?

Senator REED. Certainly.

Mr. SWAN. I will go back to 1920 and say that we started at that time with $5,000,000 capital stock. And then later on our capital stock was increased, and I don't remember just what year, to $9,000,000. And then later our capital stock was increased to $20,000,000, and recently we have decreased it to $10,000,000, because during the last year or two we have had surplus funds. I think during the month of November, for instance, we averaged $14,000,000 of surplus funds, that we had no use for, and it did not seem wise to keep it in the stock of the Guaranty Co., so that our capital stock has now been reduced to $10,000,000.

Senator REED. So that out of $300,000,000 of capital, surplus and undivided profits of the Guaranty Trust Co. of New York, there is an undivided part of it amounting to $10,000,000 in the Guaranty Co. of New York?

Mr. SWAN. That is correct.

Senator REED. And by means of that subsidiary company, treating it as a department of the Guaranty Trust Co. of New York, you are enabled to carry on the business of merchandising securities in many States of the Union, are you not?

Mr. SWAN. Yes, sir.

Senator REED. But the Guaranty Trust Co. does not carry on a banking business in any State except New York.

Mr. SWAN. That is correct. Of course we have foreign branches in London, Paris, Brussels——

Senator REED (interposing). I understand that you have branches abroad, and you did have some in South America, did you not?

Mr. SWAN. No; we have never had any branches in South America. The Guaranty Trust Co. of New York has branches in London, Paris, and Brussels, also Liverpool, Havre, and Antwerp, but these three latter are smaller.

Senator REED. But you have no branches for doing a banking business in any State of the Union other than New York?

Mr. SWAN. That is correct.

Senator JOHNSON. Would you insert in the record, unless you can give them immediately, the members of the board of directors of the Guaranty Co. of New York and of the Guaranty Trust Co. of New York?

Mr. SWAN. I have not that information with me, I am sorry. I will say, however, that it will be provided for you. However, at the moment I might explain that the directors of the Guaranty Co. are made up of the officers of the Guaranty Trust Co. and the Guaranty Co.

The CHAIRMAN. Have there been any changes in the last year?

Mr. SWAN. Of the Guaranty Co.?

The CHAIRMAN. Yes.

Mr. SWAN. Two Guaranty Co. officers added and one Guaranty Trust Co. officer resigned.

The CHAIRMAN. Or of the Guaranty Trust Co. of New York?

Mr. SWAN. There have been no additions to the directorate.

The CHAIRMAN. I was going to say, Senator Johnson, if there have been no changes we can get that data from the public statements that have been already made. If there have been any changes since the last report of course that could be furnished.

Senator JOHNSON. I think the names of the directors may be obtained from the published report.

The CHAIRMAN. Yes.

Senator JOHNSON. You have been called here to testify concerning foreign loans of your particular establishment. Have you a list of them with you?

Mr. SWAN. I have. I have two lists. I have a list of foreign loans which we have headed and in which we have appeared in the primary position, and then I have a second list of loans in which we have appeared but not in the primary position.

May I just make a short statement as to that? The Guaranty Co. has originated and managed foreign loans in the principal amount of $540,686,000. Of that amount 19 per cent, or $104,056,000, have been retired. The total profits to the Guaranty Co. before general expenses and overhead on those loans have been deducted were $3,205,000.

The Guaranty Co. has participated in loans originated and managed by others to the amount of $4,960,238,000——

Senator REED. Is that the total amount of your participation, or the total amount of the loans?

Mr. SWAN. The total amount of the loans.

Senator REED. You did not sell anything like that amount to your customers?

Mr. SWAN. My impression is that we sold of those loans in the neighborhood of $240,000,000, maybe 5 per cent of the total amount. The total profits of the Guaranty Co., before general expenses or overhead, were $9,858,000.

The total amount of foreign issues in which the Guaranty Co. has been interested is $5,500,924,000. The total profits before general expenses or overhead, $13,061,000.

Senator COUZENS, Over what period?

Mr. SWAN. Over a period of 12 years.

Senator COUZENS. In that connection, there seems to be a striking situation in this, that where you were the primary house in the transaction you only made $3,000,000 on some $500,000,000 of transactions, but where you were only participating to the extent of some $250,000,000, you made $9,000,000. How is that?

Mr. SWAN. I think I must explain that. Of those loans under the $4,900,000,000 there was quite a lot of those loans where, while we were not the leader, we were joint managers, particularly in the matter of the Belgian & Mortgage Bank of Chile and a few other loans. Probably $400,000,000 of those loans we in reality had practically the same position as in the $500,000,000 which I spoke of above, but with qualifications, so that it would not show a duplication.

The Belgian business was handled jointly by Morgan and ourselves. The Mortgage Bank of Chile business was handled by Kuhn, Loeb, & Co., and ourselves.

Senator COUZENS. Even taking into consideration your statement of the sum of $4,900,000,000 in which you participated, you were primarily responsible for some $400,000,000?

Mr. SWAN. That is correct.

Senator COUZENS. And in connection with the $400,000,000 of the $4,900,000,000 in which you participated, it appears from your statement that you made three times as much as you did in those in which you were the primary agent. How do you account for that?

Mr. SWAN. In this total principal amount of $540,000,000 we were primarily interested in those loans, but we did not contract for the entire amount of those loans. I refer particularly to the loan to the Dutch East Indies. I think we probably loaned $140,000,000 or $150,000,000 to the Dutch East Indies, and we managed that account with a group of six people. Our interest in it was probably 20 per cent. In other words, the $540,000,000 does not represent our commitment. Our commitment was a fraction of that.

Senator COUZENS. Although you were the primary agent?

Mr. SWAN. Yes, sir. I think that is all that I have to say, Mr. Chairman. That is just a statement of the amount of business that we have done.

The CHAIRMAN. Those are the totals?

Mr. SWAN. Yes.

The CHAIRMAN. Have you your individual loans?

Mr. SWAN. I have the details of those loans in these schedules here [exhibiting] and I am quite prepared to answer any questions with regard to any of those.

Senator JOHNSON. Have you a statement there of the various loans with the amounts in which you participated?

Mr. SWAN. Yes, Senator.

Senator JOHNSON. May I see that statement?

Mr. SWAN. Certainly. The first schedule is of the loans which we managed, and the second two are loans in which we participated.

Senator COUZENS. In going through the whole process, in one case you are the primary agent in the underwriting, and then you are among the distributors. In some cases you participate in the primary purchase of the bonds, in the underwriting, and also in the distribution?

Mr. SWAN. That is correct.

Senator COUZENS. Is there any case where there may be more than those three steps?

Mr. SWAN. I think that in some cases there were four steps.

Senator COUZENS. Where there was a second underwriting?

Mr. SWAN. The origination, and then there was what we call an intermediate group, then the banking group, and then the distributing group.

Senator COUZENS. So that in some cases you secured four profits?

Mr. SWAN. The profit was divided into four parts—I think would be a better statement of that.

Senator COUZENS. I am not finding fault. I am just saying that you would get four bites of the cherry?

Mr. SWAN. No. The profit is a certain gross spread which we take in different groups, but the profit is just one gross amount of which we got our share through the division of the underwriting in the different groups.

Senator COUZENS. But the amount is not the same in each case. You took one bite when you first assumed the responsibility of underwriting?

Mr. SWAN. Yes.

Senator COUZENS. And then another profit may be a lesser amount when you underwrite it?

Mr. SWAN. That is correct.

Senator COUZENS. And then a lesser or greater amount when you come to distribute them?

Mr. SWAN. Yes.

Senator REED. And the aggregate of your profits in your whole process in each of the loans is the amount that you have stated? The amount of your profit from all of these loans is the aggregate which you have already stated to the committee?

Mr. SWAN. That is correct; yes.

Senator JOHNSON. Have you a copy, as well, of these statements?

Mr. SWAN. I am sorry to say that that is our only copy, Senator. We prepared these figures rather hastily. We did not know we were going to be called until yesterday morning. I happened to be in Washington at that time, so I could not review these figures until they were brought down to me last evening, and we only have that one copy with us.

As a matter of fact, I do not want to leave those copies with the committee now. I should like to revise them slightly, because they are not quite satisfactory to me. I should like to give those schedules to the committee on Saturday, if that is satisfactory.

Senator JOHNSON. Are you familiar with these various transactions that are indicated in this statement?

Mr. SWAN. Only by refreshing my memory through those schedules.

Senator JOHNSON. The reason I ask you is this: Are you prepared to testify in detail respecting these?

Mr. SWAN. Yes; if I may have those before me.

Senator JOHNSON. It would be rather difficult for both of us to have them at the same time. You start off with a loan to Colombia, a $4,000,000 issue; date offered, July 15, 1927. What is the condition of that particular loan at the present time?

Mr. SWAN. The market price of the loan is low.

Senator JOHNSON. What?
Mr. SWAN. It is about 15.
Senator JOHNSON. What was it sold at, if you recall?
Mr. SWAN. I think that is stated in the schedule under the offering price.
Senator JOHNSON. Ninety-three with a spread of 4¼. Do you recall that?
Mr. SWAN. Yes, sir.
Senator JOHNSON. That loan was distributed apparently, from a note at the bottom of it, to dealers, $168,000; banks, $936,000; investors, $1,626,000. Is that correct?
Mr. SWAN. That is correct. That is our retail sale.
Senator JOHNSON. Your retail sale?
Mr. SWAN. Yes.
Senator COUZENS. Is it in default?
Mr. SWAN. It is not in default; but it may be in default. It is not now.
Senator JOHNSON. It is one of the doubtful ones, is it not?
Mr. SWAN. Yes.
Senator JOHNSON. Who participated with you in that?
Mr. SWAN. I think, the International Acceptance Bank. There may have been others. I am afraid I have not got that information there. That can be supplied.
Senator JOHNSON. Apparently it was indorsed by the Guaranty Co. of New York and the International Acceptance Bank, both. Who made the investigations with respect to that loan?
Mr. SWAN. I presume we made the investigation, as we do of all loans where we head the business.
Senator JOHNSON. Do you recall personally anything about it, or are you acting merely upon that assumption, that that is the fact?
Mr. SWAN. I do not think I personally handled that loan. The loan was brought to us by the International Acceptance Bank. They had the business in hand. They brought it to us and asked us to join them in it, and we then made our investigation of it.
Senator JOHNSON. Is this circular that is signed here by the Guaranty Co. of New York and the International Acceptance Bank (Inc.)—was that sent out to the general public for the purpose of selling?;
Mr. SWAN. That is correct.
Senator REED. Not only sent out by circular, but it was published in the newspapers also, I presume?
Mr. SWAN. A public advertisement was based on that circular.
Senator REED. It is customary, is it not, in floating these issues to advertise both by mail and by newspaper advertisement?
Mr. SWAN. I think, almost invariably.
The CHAIRMAN. Mr. Swan, the reports that you have handed to Senator Johnson, and I suppose that you will hand to him or to the committee, are not prepared the same as all the other reports that have been made and that have been submitted to the committee, and I was wondering how long it would take you, or whether you could—and I suppose you can—to prepare your statement in the same form.
Mr. SWAN. We are quite agreeable to preparing our statement in that form. We can probably submit it by Monday.

The CHAIRMAN. It is so much easier. We can ascertain who your affiliates are, the amount, and everyghing else.

Mr. SWAN. We will be very glad to prepare it in that from, Mr. Chairman.

Senator JOHNSON. I suggest that at such time as it would be convenient for the witness, he prepare a statement in accordance with that form.

The CHAIRMAN. He says he will have it by Monday.

Senator JOHNSON. Then we can examine him and it will save his time and our time, as far as that is concerned.

Senator COUZENS. We can not go through with it in this way; that is quite apparent.

Mr. SWAN. We had no indication from you as to how you wanted it prepared.

The CHAIRMAN. We are not criticizing at all. I am only suggesting that you prepare them in the same way, because it would be very handy for us by reason of the fact that all the others have been prepared in that way.

Would it be convenient for you to return on Monday?

Mr. SWAN. I am quite at your disposal, of course.

The CHAIRMAN. Do you think you can have them prepared that way?

Mr. SWAN. Yes, sir.

Senator COUZENS. We can show him a sample of the way the others did it.

Senator KING. I would like to ask one or two questions.

A moment ago, Mr. Swan, we were talking about affiliates, and it has been developed during the hearing that some of these banking institutions have organized subsidiaries, such as the Guaranty, and that those subsidiaries have loaned large sums of money to various enterprises. I want to ask you whether or not those affiliates have taken stock, either common, preferred, or bonds, of corporations to which they have loaned money?

Mr. SWAN. I am afraid I can not answer the question with regard to others. I just do not know. As far as we are concerned, that is not the case.

Senator KING. Does the Guaranty Co. own stock in corporations or enterprises to which loans have been made?

Mr. SWAN. I can not answer that absolutely definitely, but I would say that possibly only in cases where there have been reorganizations, where they have gotten stock for loans which have not turned out successfully.

Senator KING. Is it not the practice?

Mr. SWAN. It is not our practice.

Senator KING. Is it not the practice for your organization to acquire stock, perhaps a control of the stock, a voting control, at least, in corporations and enterprises to which you have loaned money, and that your company has a controlling voice in the management of those corporations?

Mr. SWAN. It is absolutely not our practice. In fact, I imagine that if we hold any stocks at all it is an insignificant amount taken as I say. We have no large amounts of stock in the aggregate.

Senator KING. Has your company, the Guaranty Co., when a loan has been made to these corporations and enterprises, taken stock as commission in addition to the interest which you charge?

Mr. SWAN. I think in some insignificant way. I think in one or two cases we were given stock warrants, if not stock; that is, rights to purchase stock at a future time at a fixed price; but very small amounts.

Senator KING. Is it your practice to have directors in the companies to whom you loan money?

Mr. SWAN. We have directors on the boards of a number of companies to whom we loan money, but it is not a practice of ours to have directors. I mean, we do not make it as a part of our contracts. It is because the company asks us to be represented; they want our financial advice.

Senator KING. Is it true or is it not true that it is the common practice of your company, as well as that of other companies, so far as you know, to get control of corporations and enterprises to which money is loaned by getting common stock and by having directors upon those corporations and companies?

Mr. SWAN. I would not care to talk about others, but as far as we are concerned, that is not the case, or anything close to it. It is just entirely out of our line.

Senator KING. But you have some instances where reorganizations have occurred?

Mr. SWAN. Yes, and had to take stock for bad loans.

Senator KING. That is all.

Senator JOHNSON. Are you fiscal agents for any other country?

Mr. SWAN. I do not know exactly what a fiscal agent really is. We have a friendly arrangement with Belgium, by which they come to us when they want to do some financing. They are not bound to us nor are we to them.

Senator JOHNSON. Have you any contract?

Mr. SWAN. No, sir.

Senator JOHNSON. No written contract at all?

Mr. SWAN. There may be some memorandum of our understanding; I could not tell you. I do not know exactly what the arrangement is. There is nothing that binds them to us.

Senator JOHNSON. Any other country than Belgium?

Mr. SWAN. I do not think we have any firm contract with any country.

Senator JOHNSON. In any of the instances where you have been the original sponsor of a loan, are sinking fund payments to be made to your establishment?

Mr. SWAN. They are to be made to the trust department of the Guaranty Trust Co. in a number of instances.

Senator JOHNSON. Can you state the countries or the specific loans in which that may be the case?

Mr. SWAN. I have a list here.

Senator JOHNSON. If you could state them, I should be very glad.

Senator COUZENS. While you are looking that up: Did you receive a letter from the State Department in 1927 to the effect that Germany was overborrowed and that any further loans would bring about a financial catastrophe?

Mr. SWAN. I do not recall such a letter. I could search our files and find out.

Senator COUZENS. You do not recall such a letter?

Mr. SWAN. No, sir.

Senator COUZENS. If you received such a letter you would recall it, would you not?

Mr. SWAN. I should think so.

Senator COUZENS. I am advised that such a letter was sent out, and the State Department admits sending such a letter out in 1927; and it seems rather strange that a house as large as yours should not have received one.

Mr. SWAN. I should think I should remember that.

Senator KING. Have you made any loan to Germany since the date that Senator Couzens mentioned?

Mr. SWAN. Our records will show when we made our last loan to Germany. I do not have it in mind. Just a second, please. I may be able to answer that question.

(After referring to memoranda): We made a loan to the Hansa Steamship Co., a German corporation, in September, 1929.

Senator KING. Any to the government or municipalities or railroads of Germany?

Mr. SWAN. No, sir.

Senator KING. Did your company make a loan to Nicaragua?

Mr. SWAN. I do not think we have ever made a loan to Nicaragua. We have discussed loans to Nicaragua, but we have never made a loan.

Senator KING. Do you know of your own knowledge which banks loaned to Nicaragua during the past two or three years?

Mr. SWAN. No, sir.

Senator KING. Morgan & Co. made a loan a number of years ago, did it not?

Mr. SWAN. I am afraid I can not answer that, Senator.

Senator KING. But your company did not?

Mr. SWAN. We did not.

Senator KING. Nor any of your affiliates?

Mr. SWAN. No. I think we are the only financing subsidiary.

Senator GORE. I was not here when you began. You say you are the only subsidiary. What do you mean by that?

Mr. SWAN. That the entire capital stock of the Guaranty Co. is owned by the Guaranty Trust Co.

Senator GORE. What about the directors? Are they also the same?

Mr. SWAN. The directorate of the Guaranty Co. is composed of some of the officers of the Guaranty Trust Co.

Senator GORE. Are any of the officers also common to both concerns?

Mr. SWAN. I am president of the Guaranty Co. and vice president of the Guaranty Trust Co.

Mr. Sabin is chairman of the board of the Guaranty Trust Co. and of the Guaranty Co.; and Mr. Walker, another vice president, is vice president of the Guaranty Co. and of the Guaranty Trust Co.

GUARANTY CO. OF NEW YORK,
New York, January 11, 1932.

Senator REED SMOOT,
Chairman Committee on Finance, United States Senate,
Washignton, D. C.

GENTLEMEN: As requested by you, I am inclosing herewith certain material which I was requested to furnish the Senate Finance Committee in connection with my testimony on Thursday, January 7, 1932.

I should like to take this opportunity to again express my appreciation of your courtesy and that of the other members of the committee.

In connection with my testimony on pages 756 to 758, my answers were made on the basis that the question under discussion was whether or not the Guaranty organization took stock in connection with loans for the purpose of obtaining representation in or control of the issuing company's management. My negative answer to this question is entirely correct. I did not understand that present holdings of the Guaranty Co. of New York acquired as the result of ordinary routine investment banking operations were under discussion, for example, stock remaining in our hands as the result of an unsuccessful stock underwriting. It is our practice to dispose of such stocks as soon as market conditions permit.

As arranged by Mr. Shriver with the committee clerk, I am giving you hereunder another change which the latter thought ought to come by letter from me. This change was not written into the corrected transcript by Mr. Shriver. This should appear in place of line 27, page 760, to line 3, page 761. When asked by Senator Gore as to the common officers of the Guaranty Trust Co. and the Guaranty Co. I gave in reply only the three important officers here in New York—Mr. Sabin, Mr. Swan, and Mr. Walker. I think that the record ought to include the complete list as follows:

COMMON OFFICERS OF THE GUARANTY TRUST CO. OF NEW YORK AND GUARANTY CO. OF NEW YORK

Charles H. Sabin, chairman, Guaranty Trust Co.; chairman of board, Guaranty Co.

Joseph R. Swan, vice president Guaranty Trust Co.; president Guaranty Co.

Burnett Walker, vice president Guaranty Trust Co.; vice president Guaranty Co.

Daniel B. Grant, vice president Guaranty Trust Co. (London office); vice president Guaranty Co. (London Office).

Leon de Waele, manager Guaranty Trust Co. (Belgium office); European manager Guaranty Co. (Belgium office).

The following have titles as junior officers of the Guaranty Trust Co. of New York, mainly for the purpose of signing, if necessary, cablegrams, certain papers, etc., or for auditing purposes:

E. M. Bentley, assistant treasurer Guaranty Trust Co.; treasurer Guaranty Co.

W. R. Nelson, assistant treasurer Guaranty Trust Co.; secretary, Guaranty Co.

James H. Wickersham, assistant secretary Guaranty Trust Co.; second vice president Guaranty Co.

Joseph E. Glass, auditor Guaranty Trust Co.; auditor Guaranty Co.

William H. Bennett, assistant auditor Guaranty Trust Co.; assistant auditor Guaranty Co.

You will note that the totals as given in the charts vary slightly from those given in my testimony. As a result of the additional time available we have been able to include in the charts the operations of our foreign branches which account for most of the changes made. I should appreciate having the figures given in my testimony corrected to agree with those submitted herewith.

If there is anything further that we can do I hope very much that you will call upon us.

Very truly yours,

J. R. Swan, *President.*

Senator Johnson. I want to read to you the letter of the Secretary of State which was sent in 1926, as I understand it, to all of the bankers, to see if you do not recall that, and I want to ask you then what subsequently was your action with respect to it. This was written by Secretary of State Kellogg. [Reading:]

Since the flotation of the German international loan provided for by the Dawes plan, offerings of German loans in the American market have aggregated, according to the information before this department, more than $150,000,000. And it appears that a considerable volume of additional German financing is now under contemplation. In addition to the public offerings referred to above, the department is informed that a large amount of private bank and commercial credits have been extended to German interests during the past year.

In these circumstances the department believes that American bankers should examine with particular care all German financing that is brought to their attention with a view to ascertaining whether the loan proceeds are being used for productive and self-supporting objects that will improve directly or indirectly the economic condition of Germany and tend to aid that country in meeting its financial obligations at home and abroad. In this connection I feel that I should inform you that the department is advised that the German federal authorities themselves are not disposed to view with favor the indiscriminate placing of German loans in the American market, particularly when the borrowers are German municipalities and the purposes are not productive.

Moreover, it can not be said at this time that serious complications in connection with interest and amortization payments by German borrowers may not arise from possible future action by the agent general and the transfer committee. While the Department of State does not wish to be understood as passing upon the interpretation or application of the provisions of the Dawes Plan or upon their effect, if any, upon loans such as the one now under consideration by you, it desires to point out that there is no clear indication of what the attitude of the agent general and the transfer committee would be toward such loans in the event of a scarcity of available foreign exchange embarrassing their operations in effecting the transfers necessary to the execution of the Dawes Plan. It seems to the department, therefore, that before issuing such loans you should inform yourselves whether the transfer committee will place any priorities or obstacles in the way of transferring funds for the payment of principal and interest and that you should make clear to your clients the full situation.

A further point which the Department of State feels should be considered by you in connection with the proposed loan is the provision of article 248 of the treaty of Versailles under which a first charge upon all the assets and revenues of the German Empire and its constituent states is created in favor of reparations and other treaty payments subject to such exceptions as the Reparations Commission may approve.

These risks which obviously concern the investing public should in the opinion of the department be cleared up by you before any action is taken. If they can not be definitely eliminated, the department believes that you should consider whether you do not owe a duty to your prospective clients fully to advise them of the circumstances.

While the foregoing considerations involve questions of business risk and while the department does not in any case pass upon the merits of foreign loans as business propositions, it is unwilling, in view of the uncertainties of the situation, to allow the matter to pass without calling the foregoing considerations to your attention. In reply to your inquiry, however, I beg to state that there appear to be no questions of Government policy involved which should justify the department in offering obection to the loan in question.

Were you familiar with that letter?

Mr. SWAN. I do not know that I remember that letter in detail. I remember that there was something of that sort.

Senator GORE. What was the date of that?

Senator JOHNSON. The first I ever heard of that letter was to-day, in the Baltimore Sun.

Senator GORE. What is the date of it?

Senator JOHNSON. 1926; but I have simply clipped it from that newspaper this morning, assuming, of course, that it is correct and authentic.

You do recall a letter somewhat of that sort?

Mr. SWAN. I remember vaguely something from the State Department.

Senator JOHNSON. And did you thereafter, when you sold German loans in this country, advise your clients of what the Secretary of State of the United States asked you to advise them?

Mr. SWAN. I presume that our circular advised them of all of the details of the loan.

I would like to say regarding the German loans which we have made that we have managed and appeared first in four German loans. One of them was for $5,000,000 to the State of Bremen; $10,000,000 to the State of Bremen; $5,000,000 to the State of

Bremen. There is $20,000,000 in the aggregate to the State of Bremen. $5,000,000 to the Hansa Steamship Co. The three first loans were made in 1925. The Hansa Steamship loan was a corporation loan made in 1929. Both the State of Bremen and the Hansa Steamship Co. had ample foreign exchange to take care of their loans, one from Port receipts, and the other from other receipts.

Senator JOHNSON. Are those the only loans that you participated in?

Mr. SWAN. The only ones that we have managed and appeared first in.

Senator JOHNSON. Did you not participate to a considerable extent in the State of East Prussia loan?

Mr. SWAN. We participated to the extent of $100,000 in a loan to the State of Prussia made in September, 1926, and to the extent of $475,000 in a loan made in October, 1927.

Senator JOHNSON. Were there any other German loans in which you participated as well?

Mr. SWAN. Yes.

Senator JOHNSON. We will come to them when we get your list fixed. The query I repeat to you is this; Do you know whether or not, either in your circulars or otherwise, you advised your clients of the attitude of the Department of State of the United States in respect to German loans?

Mr. SWAN. I am afraid I cannot answer that question. I would have to refer to our circulars.

Senator JOHNSON. Do you recall a statement in a report that was made by S. Parker Gilbert on the 6th day of November, 1927, in respect to the ability of Germany to borrow?

Mr. SWAN. I would like to say that in any loans we have made to Germany and, I think, in any loans that we have participated in, we were always very anxious to take into account the attitude of Mr. S. Parker Gilbert, agent general for reparations payments.

Senator JOHNSON. That is not what I asked. Are you familiar with the report that he made on the 6th day of November, 1927?

Mr. SWAN. I do not know what report that was.

Senator JOHNSON. If I refresh your recollection perhaps you will recall. It is a report in which he said that Germany was overborrowed.

Mr. SWAN. I remember his making a statement in a report that Germany was overborrowed.

Senator JOHNSON. Now we have in 1926 the Secretary of State of the United States warning against Germany loans and asking all of the international bankers to advise their clients of the exact situation which the Secretary of State details in his letter. We have, secondly, in November, 1927, an expert who was reporting upon Germany's condition, saying in so many words that Germany was overborrowed and that to continue making loans there might result—I do not quote exactly the language, although he used the term "overborrowed—might result in disaster.

Mr. SWAN. I think that they were fearful of indiscriminate borrowing of certain German municipalities, and they were trying to check that. I do not think they were trying to check all loans to Germany. I do not think that the loans in which we participated were of the kind to which they were objecting.

Senator JOHNSON. That may be possible. Have you his approval in writing?

Mr. SWAN. Mr. Parker Gilbert would never give any approval or assurance but our practice was to inform him, just as we consulted with the State Department in regard to loans in order that they might know what we were doing. The State Department would say, "We interpose no objection to the loan," and it was only a negative answer we would get from Mr. Gilbert.

Senator JOHNSON. It would be a negative statement either from the State Department or Mr. Gilbert?

Mr. SWAN. Yes, sir.

Senator JOHNSON. Did you address communications to Mr. Gilbert?

Mr. SWAN. I think it was all done by visits of our representatives to Mr. Gilbert to inform him of our loans.

Senator JOHNSON. After the State Department's warning and after Mr. Gilbert's warning, did you advise your clients or those to whom you sold German securities what the State Department's attitude was, or Mr. S. Parker Gilbert's warning?

Mr. SWAN. I do not think that those warnings applied to the loans we made. I think those warnings were not to make loans that were not to be used for productive purposes.

Senator JOHNSON. Do you read the letter of the State Department that way? Is that your construction of the letter of the State Department?

Mr. SWAN. I should like to reread that letter before I answer that question. But I would say that the State Department did not request that no loans be made to Germany, but that lenders loan to Germany only for productive purposes.

Senator JOHNSON. And that there were complications which would arise and that bankers ought to advise their clients of exactly the situation? You recall that, do you not?

Mr. SWAN. I heard you read that, sir.

Senator JOHNSON. The query is, did you advise your clients, the purchasers in that situation, of the State Department's attitude?

Mr. SWAN. I do not like to answer that question without referring to our circulars.

Senator JOHNSON. The circulars will determine that, however?

Mr. SWAN. Yes.

Senator COUZENS. These circulars referring to the loan to the State of Bremen were all issued prior to the letter sent out by the State Department, and therefore they could not advise them in those circulars.

Senator JOHNSON. But the subsequent loans——

Senator COUZENS. Those are apparently not here.

Senator KING. I understood you, Mr. Swan—and I do not want to misunderstand you—to state that you made inquiries of the State Department either prior or subsequent to the letter to which Senator Johnson has referred, as to the advisability of making loans to Germany or to other countries.

Mr. SWAN. With regard to foreign loans that we made we were requested by the State Department to inform them in regard to any loans we contemplated. We advised them always well ahead of making any loans, to find out if they had any objection to the loan.

Senator KING. Did the State Department in writing ask you or other banking institutions to communicate with the State Department when you anticipated making a foreign loan?

Mr. SWAN. I can not answer that question. It must have been in writing, I should think, because we used to do it as a regular matter of course. We would call them on the telephone or address a letter the them asking if they interposed any objection.

Senator KING. Do you recall whether those communications were by telephone or in writing, or both?

Mr. SWAN. I should think, both; but I should think always telephone communications would have been confirmed by writing.

Senator KING. Did you make any foreign loan, after that letter to which Senator Johnson invited attention, without communicating with the State Department?

Mr. SWAN. No; I am sure we did not. We never made any loan without advising with the State Department—any foreign loan.

Senator KING. Did you think the State Department had any authority in the premises to prohibit a loan or to advise a loan?

Mr. SWAN. I did not think they had any authority to prohibit a loan, but we would not have done anything contrary to their desires in the matter.

The CHAIRMAN. I have seen the copy of the letter which you just read, Senator. Does that have reference to Government loans to Germany or private loans within Germany?

Senator COUZENS. All loans.

Senator JOHNSON. My knowledge of it is derived simply from the publication of it that I observed this morning in the Baltimore Sun.

The CHAIRMAN. I saw the same article, but I forget now whether it had reference to public loans or loans directly to the German Government, or whether it referred to private loans of a character such as the witness just stated in relation to an institution in Germany.

Mr. SWAN. May I, Mr. Chairman, read a paragraph from one of our circulars?

The CHAIRMAN. Certainly.

Mr. SWAN. This is a circular with reference to a loan of $5,000,000 to the State of Bremen.

Senator COUZENS. But may I direct your attention to the fact that that was issued in September, 1925?

Mr. SWAN. It was in December; and it says:

These notes are direct obligations of the State of Bremen, which agrees that until it shall have paid to the paying agent the funds required for the payment at maturity of these notes, it will not pledge any of its assets or revenues as security for any loan. The entire assets and revenues of the German Reich and its constituent States were made subject to a first charge for reparation payments under article 248 of the Versailles treaty. The enforcement of this charge is suspended during the operation of the Dawes plan. The Dawes plan provides that payments shall be made by Germany to the Reichsbank for account of the agent general for reparations, and to secure these payments certain revenues are specifically pledged. The revenues of the State of Bremen are not included in the pledges made by Germany under the Dawes plan.

Senator JOHNSON. The particular clause of this letter that I call to the chairman's attention probably answers his question:

In these circumstances the department believes that American bankers should examine with particular care all German financing that is brought to their attention with a view to ascertaining whether the loan proceeds are being used for productive and self-supporting objects that will improve directly or indirectly the economic condition of Germany and tend to aid that country in meeting its financial obligations at home and abroad.

The CHAIRMAN. That is as I remember your reading it; and it does not apply to any individual loan, other than simply to say that if you do make a loan there, make a thorough investigation.

But there is another part of that letter that seemed to me rather stronger than that.

Senator JOHNSON. Oh, there is [handing clipping to the chairman].

Senator REED. While the chairman is reading that letter, let me ask you about this loan to the State of Bremen as to which you stated in your circular to your customers the circumstances of the pledge under the treaty of Versailles. For what purpose was that loan made?

Mr. SWAN. For port improvements.

Senator REED. Were they considered productive purposes?

Mr. SWAN. Quite.

Senator REED. Did they increase the revenue of the State of Bremen?

Mr. SWAN. I believe so, materially.

Senator COUZENS. I think if you will examine the statement, not only are the revenues pledged, but they have collected taxes to make good, and therefore it can not be said to be self-liquidating or self-supporting.

Senator KING. You mean, they collected taxes in the municipalities——

Senator COUZENS. I mean that the revenues from the improvements of the port did not appear to be adequate to liquidate the loan, and therefore taxes were added to whatever additional revenues might be derived from the port of Bremen.

Senator KING. Has Bremen defaulted in interest?

Mr. SWAN. Oh, not at all; no.

Senator KING. Has any part of the loan been amortized?

Mr. SWAN. Yes. Our records will show that. We considered it then and consider it now an extremely good loan, one of the best loans with Germany.

Senator REED. Have the services been punctually performed?

Mr. SWAN. Absolutely.

Senator KING. Senator Johnson, I understood the last clause to which you referred meant that it was not a prohibition of loan or advice in making loans, but to scrutinize and determine whether the loans were for productive purposes.

Senator JOHNSON. Oh, the letter goes much further than that.

Senator KING. I mean, the clause you just read.

Senator JOHNSON. The particular clause that I just read; yes. That was as to the careful scrutiny of loans. But if you will read on in the letter you will find that the State Department did a very wise thing in advising all of the bankers as to the situation and asking them to advise all of their customers as well, to put before them in detail the facts. I never read the letter until this morning, and I think it was a very remarkable and a very excellent letter to have been sent out by the Secretary of State in reference to loans. If a warning like that had been included with all loans subsequently made—I am not referring to this witness or to his house particularly—it would have had a very, very salutary effect.

Senator REED. That is what I am getting at, Mr. Swan. Even before this letter was issued by the Secretary of State—and I agree with Senator Johnson that it was a wise letter and ought to have been heeded—but even before that letter was sent out, you did give that warning as to the circumstances of the Treaty of Versailles. You seem to have scrutinized the purpose for which this loan was made; you seem to have found it was for productive purposes, and the loan was made and it has been faithfully observed ever since and it is still good?

Mr. SWAN. That is what I started to say when Senator Johnson was talking to Senator Smoot, that nothing contained in the Secretary of State's letter caused us to do anything other than what we had previously been doing. We had been scrutinizing these loans with the greatest care. The fact that we have made very few loans to Germany shows that that is the fact. It had seemed to us that two things were very important in connection with making loans to Germany. One was that the proceeds of the loan should be used productively, and the other was that the borrower had access to foreign exchange to pay the services on the loan.

Senator GEORGE. Senator Johnson, have you inserted in the record the S. Parker Gilbert statement to which you have referred?

Senator JOHNSON. No: I will insert it in the record at this time if you desire. It is a very lengthy report of which I have a photostatic copy.

Senator GEORGE. Does the statement call attention to the fact that Germany was not balancing her budget at the time?

Senator JOHNSON. The conclusion of the statement of Mr. Gilbert is as follows:

> I have attempted to bring together in the foregoing pages the accumulating evidences of overspending and overborrowing on the part of the German public authorities, and some of the indications of artificial stimulation and overexpansion that are already manifesting themselves.
>
> These tendencies, if allowed to continue unchecked, are almost certain, on the one hand, to lead to severe economic reaction and depression, and are likely, on the other, to encourage the impression that Germany is not acting with due regard to her reparation obligations.

The CHAIRMAN. That is, the German Government?

Senator JOHNSON. I am reading from Gilbert's memorandum on reparations——

The CHAIRMAN. But it has reference to the German Government?

Senator JOHNSON. Unquestionably.

The CHAIRMAN. I notice in this letter, Senator Johnson, that attention is called to the provisions of article 248 of the treaty of Versailles "under which a first charge upon all the assets and revenues of the German Empire and its constituent states is created in favor of reparations and other treaty payments subject to such exceptions as the Reparations Commission may approve."

It seems clear that all through this letter it refers to the obligations of the German Empire. Then it says:

"These risks which obviously concern the investing public should in the opinion of the department be cleared up by you before any action is taken. If they can not be definitely eliminated, the department believes that you should consider whether you do not owe a duty to your prospective clients fully to advise them of the circumstances."

They may have made loans after this——

Senator JOHNSON. There were subsequent loans in which they participated.

The CHAIRMAN. But I suppose they went into every detail as to the revenues and the obligations that were owing at that time. Do you take the position that if the city was absolutely safe in borrowing the money, and without a question of a doubt the loan was perfectly safe, they should not have made it because of the statement that is made here?

Senator JOHNSON. I am not passing upon any such question as that at all; but I do insist that with a document such as that from the Secretary of State it was the duty of every banker who floated a German loan in this country to tell his people exactly what the Government of the United States said in respect to German loans. There was his obligation. The chairman and I may disagree upon that point, but I feel very clearly that when there is an official communication of that sort—and this is a remarkable communication when you consider that it comes from the State Department that is not accustomed to writing that kind of letter with reference to investors in this nation—when that kind of a warning is made by our Department of State and is transmitted, as I understand from the article that appears in the paper this morning—and I speak only from that—to all of the bankers dealing in German loans, upon them rested as dealers the obligation to advise their people of the attitude of the United States Government.

The CHAIRMAN. I agree with that, Senator.

Senator JOHNSON. All right, sir.

The CHAIRMAN. However, this was not such a loan as is mentioned in this letter. That ought to have been done; there is no doubt about that.

Mr. SWAN. Somebody asked a question about foreign loans for which we were trustees where sinking funds were taken care of. What was that question?

Senator JOHNSON. I asked you whether you were fiscal agents in the aspect of being in charge of the sinking fund of various foreign loans.

Mr. SWAN. Here is a list of foreign loans for which the trust department of the Guaranty Trust Co., is the trustee or agent.

Senator JOHNSON. That is, they collect, as I understand it, the sums that are paid for the sinking fund?

Mr. SWAN. They pay dividends and perform other obligations under the terms of the indenture as to the sinking fund, whatever those obligations may be.

Senator JOHNSON. What is the indenture that you refer to?

Mr. SWAN. The loan contract.

Senator JOHNSON. Have you bond purchase agreements with any of your customers, sir; that is, any of these foreign countries?

Mr. SWAN. I have not them with me.

Senator JOHNSON. No; but you have them, have you not?

Mr. SWAN. Yes.

Senator JOHNSON. First, you have your loan contract, have you not?

Mr. SWAN. Yes, sir.

Senator JOHNSON. Secondly, have you as well another contract, that is, a bond purchase agreement or contract?

Mr. SWAN. I would imagine that in most cases we probably started with a letter between the borrower and the lender, ourselves, which letter went into the form of a loan contract.

Senator JOHNSON. And no subsequent contract?

Mr. SWAN. Probably not.

Senator JOHNSON. But as to the matter of the fiscal agency, you told me once that you had no——

Mr. SWAN. That would be part of the loan contract.

Senator JOHNSON. Wholly part of the loan contract?

Mr. SWAN. Yes. There might be some separate indenture between the borrower and the trust company. Very likely there would be.

Senator JOHNSON. When you prepare your data and come again will you have a couple of copies of your loan contracts made in order that they may go into the record?

Mr. SWAN. Certainly, Senator.

Senator JOHNSON. Another thing that I ask you to do is to bring your correspondence with the Department of State with respect to any foreign loans. That will be far better than recollection.

Mr. SWAN. You mean, all foreign loans?

Senator JOHNSON. Yes; I should say that——

Senator REED. It will take some time to get them together, I should think.

Senator JOHNSON. They would be together all in one folder for the last 10 years, would they not?

Mr. SWAN. It would be quite a job. We would have to go to our storage vaults. But whatever you want, we will do, of course.

Senator JOHNSON. Let us see if it is a terrific job. I understood—if I am in error, please correct me—that you addressed a letter to the State Department in respect to your loans; that the State Department then answered negatively, as you have said, "No objection." Were there any instances where there was either involved correspondence or lengthy correspondence respecting any loan?

Mr. SWAN. I do not think so.

Senator JOHNSON. Then the job is not an enormous one, is it?

Mr. SWAN. It is just a question of the number of years. Twelve years?

Senator JOHNSON. Take it from 1925. That will ease it up, will it not?

Senator GORE. Does that refer to just German loans?

Senator JOHNSON. No; I am speaking of all his loans.

The CHAIRMAN. You followed the same course in every loan, did you not?

Senator REED. He said that sometimes they telephoned and sometimes they wrote.

Senator JOHNSON. Of course we can not get the telephonic messages.

Mr. SWAN. Would you care to have me read from some correspondence with the Department of State?

Senator JOHNSON. Yes; read it.

Mr. SWAN (reading):

APRIL 29, 1926.

The SECRETARY OF STATE,
State Department, Washington, D. C.

SIR: We are negotiating for an issue of $3,000,000 7½ per cent sinking fund land mortgage gold bonds of the Hungarian Land Mortgage Institute (Magyar Foldhitel Intezet) of Budapest, Hungary. We are advised that the dollar bonds which it is proposed to issue will have, in accordance with Hungarian law, the following security: An equal amount of first land mortgages, made and repayable in dollars; a special reserve fund amounting to 5 per cent of the bonds outstanding, to be invested in dollar securities, approved by the trustee; and the joint and several, unlimited liability of the members of the institute, consisting of the holders of founders' shares and also of all mortgagors (in amounts of 2,000 kr. or over) under all first land mortgages for the time being.

We should appreciate very much receiving, at the department's earliest convenience, its views with reference to this proposed financing.

And a reply from the Department of State, dated May 7, 1926, addressed to the Guaranty Co. of New York, 140 Broadway, New York, N. Y., as follows:

SIRS: I beg to acknowledge the receipt of your letter of April 29, 1926, regarding your interest in a loan of $3,000,000 to the Hungarian Land Mortgage Institute, and to state that in the light of the information before it, the Department of State offers no objection to this financing.

You of course appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

Senator COUZENS. Let us take a recess until the witness gets the papers that he has mentioned.

Mr. SWAN. You still want the data covering the period from 1925 to this time?

Senator JOHNSON. If it is not too much trouble.

(The text of S. Parker Gilbert's memorandum on reparations, submitted by Senator Johnson, is here printed in full, as follows:)

[The New York Times, Sunday, November 6, 1927]

TEXT OF GILBERT'S MEMORANDUM ON REPARATIONS AND THE REPLY BY GERMANY

[Memorandum for the German Government]

The full text of Mr. Gilbert's memorandum, made public here, follows:

THE AGENT GENERAL FOR REPARATION PAYMENTS,
Berlin, October 20, 1927.

I am presenting this memorandum for the purpose of calling attention to the dangers involved in the present economic situation, in the hope that by doing so fully and frankly at this time I may render some service to the German Government and to the German economy, as well as to the international situation generally.

I approach the problem from the standpoint adopted by the experts' plan, and reiterated in the conclusion to my last report, "that what is in the interest of the German economy is also in the interest of the execution of the plan."

In considering the interests of the German economy I should assume that the general aim of Germany, as of other modern industrial States, would be the continuous development of industry and commerce, both domestic and foreign, with a view to the gradual improvement of the standard of living of her people. For this the most favorable conditions internally would seem to be the constant cheapening of production, accompanied by such increase of wages as cheapened production will permit and as will neither increase prices nor the cost of living.

Stable prices particularly favor stable trade. But the development of industry and commerce also requires a steady supply of new capital, based on savings at home or borrowings abroad, and under prevailing conditions in Germany there is need not only for the creation of new capital but also for the rebuilding of the old liquid capital destroyed by the war and lost by inflation. In Germany, therefore, there is a special need and a special incentive for saving, and for careful spending as well. Under these conditions sound and well-ordered public finance, which underlies the whole economic life, is of the utmost importance.

ACCEPTS GOVERNMENT'S GOOD FAITH

From the standpoint of the execution of the experts' plan, I accept at full value the often-repeated assurances of the German Government that its settled policy is to do everything within its power to fulfill the obligations it has undertaken. The aim of the plan was to put the problem of reparation to the test of practical experience under a program which, as the experts said, "adjusts itself to realities."

It is fundamental to this conception that the German Government should permit the plan to have a fair test and, while the test is in progress, that the German Government itself should exercise prudence in the management of its affairs.

Recent developments in public finance do not appear to be in the interests either of German economic life or of the execution of the experts' plan. The evidences, in fact, are accumulating on every side, and more rapidly within recent months, that the German public authorities are developing and executing constantly enlarging programs of expenditure and of borrowing, with but little regard to the financial consequences of their actions.

The rising level of public expenditure is already giving an artificial stimulus to economic life, and it threatens to undermine the essential stability of the public finances. If present tendencies are allowed to continue unchecked the consequence is almost certain to be serious economic reaction and depression, and a severe shock to German credit, at home and abroad.

The remedies consist primarily in reversing the present tendencies toward overspending and overborrowing, and applying instead a régime of strict economy and of ordered public finance. These are remedies which lie largely in the hands of the German Government, and, if they will act promptly and effectively, the Reich and the other public authorities still have it in their power to prevent a crisis.

The economic situation though it is already showing signs of tension, does not seem as yet to have developed points of immediate danger. Moreover, some of the new expenditures that threaten the most far-reaching consequences are still only in the stage of discussion and have not yet been authorized by law.

In presenting this memorandum it is unnecessry to go much into detail. Each of my public reports as agent general for reparation payments has pointed to various sources of danger that seemed to me to have appeared from time to time and my last report, dated June 10, 1927, warned particularly against the tendencies of budgetary and credit policy.

I have also had numerous conversations on these subjects with the minister of finance, the president of the Reichsbank, and less frequently with the chancellor of the Reich. In the following pages I shall endeavor to bring matters up to date, with a review of recent events in public finance and credit policy, and to indicate the relation of these events to the economic situation in Germany, as well as to the execution of the experts' plan.

SUMMARY OF RECENT EVENTS

I. THE FINANCIAL POLICY OF THE REICH

In my report of June 10, 1927, I made the following general observations on the German budget:

"The point that stands out most clearly in the budgets of the Reich is the constantly mounting level of expenditure. The problem of checking the rising tide of Government expenditures has, in fact, become acute, and it requires the closest attention, not merely from the standpoint of the experts' plan, but in the interests of the German economy as a whole. At the same time it is clear that the essential stability of the German budget remains unimpaired, and that the problems presented by the budget should yield readily enough to a steady application of sound principles of budget making."

The upward tendency of the expenditures and commitments of the Reich clearly appears from the following summary of recent events:

On December 17, 1926, the Reichstag voted a supplementary budget for the financial year 1926-27. This added about 1,000,000,000 reichsmarks to the expenditures originally authorized for that year, bringing them up to a total of 8,534,000,000.

On January 5, 1927, the draft budget for 1927-28 was submitted to the Reichstag, carrying estimated expenditures of about 8,525,000,000 reichsmarks.

On February 16, 1927, the finance minister made his budget speech in the Reichstag, outlining the financial position of the Government. With regard to budget policy, the minister said:

"We must arrange to get along with what we have, even if we have to postpone and reduce expenditures for things which are desirable and useful. * * * Our burdens are so great that we must take advantage of every opportunity to save. * * * Our tasks during the next few years will be very difficult and bitter. * * * Years of restriction and struggle are facing us."

With regards to administrative reforms he said:

"A definitive financial settlement (between the Reich and the States and communes) presupposes not only a rationalized State administrative system but also a private economic system which is not shaken by crises."

With regard to reparation payments, he referred first to the agreement made last year for the settlement of the supplementary budget contributions, and then said:

"I look into the future with grave anxiety. Under the Dawes agreement our payments out of the budget and for the service of railway bonds and for the service of industrial debentures, will increase next year a further 432,000,000 marks and in 1929 and onward by a still further 290,000,000 marks. At the present moment, in spite of the best will, I see no possibility of providing these sums, to which there will be added, beginning in 1929, supplemental payments on the basis of the index of prosperity. * * * Germany will continue to do everything in her power in order loyally to fulfill the obligations she has assumed, but to this end she must be furnished with the necessary prerequisites. * * * For us the prerequisites for the execution of the Dawes agreement is the strengthening of our economic life."

In the same speech the minister went on to propose that during the financial year 1927-28 further expenditures should be incurred by raising official salaries "to the extent of what is financially possible"; and he referred also to the importance of indemnifying those who had lost their private property abroad in the war.

Following the finance minister's budget speech, the tendency of the Government's policy seems to have been in the direction of increased expenditure and enlarged commitments.

1927-28 BUDGET INCREASED

In spite of the necessity for economy urged by the minister, the authorizations of expenditures carried in the 1927-28 budget were increased by 600,000,000 reichsmarks before its final enactment on April 14, 1927. The only important reduction was one of about 45,000,000 in the appropriation for canal and other new constructions.

Taking the so-called ordinary and extraordinary budgets together, the total expenditures authorized amounted to 9,130,000,000 reichsmarks, as compared with estimated expenditures of 8,543,000,000 in 1926-27, and actual expenditures of 7,444,000,000 in 1925-26—an increase of nearly 1,700,000,000 reichsmarks in the two years. Of this increase about 540,000,000 reichsmarks were for reparation payments under the experts' plan, with 67,000,000 additional as a reserve fund for the controlled revenues.

Both the 1926-27 and 1927-28 budgets showed an excess of current expenditures over current revenues, amounting to over 850,000,000 reichsmarks in each year. To cover the 1927-28 deficit, the budget authorized loans of 466,000,000 and appropriated 390,000,000 from surplus and reserve funds. It also left undisturbed outstanding authorizations to borrow to the amount of 571,000,000 reichsmarks to cover outstanding extraordinary expenditures for 1926-27.

In the midst of budget discussions on March 4, 1927, the finance minister of the Reich appeared before the taxation committee of the Reichstag to urge the passage of a draft law postponing for a further two years the definitive settlement of the financial relations between the Reich and the States and communes, and providing in the meantime for increased guaranties by the Reich to the States and communes.

On March 17, 1927, I addressed a letter to the finance minister of the Reich, pointing out a number of considerations suggested by the Government's proposals and emphasizing their importance in connection with the fulfillment of the international obligations of Germany under the experts' plan, not merely as regards the immediate present but more especially as regards the future.

HIS PREDICTIONS FULFILLED

On April 9, 1927, the law was passed, substantially in accordance with the finance minister's recommendations, with results for the public finances that I have already summarized in my report of June 10, 1927.

The Governemnt of the Reich in the meantime had made another important concession to the States and communes, by agreeing to assume, as from April 1, 1927, practically the entire responsibility for advancing, when necessary, the supplementary funds required for purposes of unemployment relief beyond those furnished by employers and employees, though up to that time the States and communes had been obliged to furnish five-ninths of these supplements.

The present financial settlement between the Reich and the States and communes can not be considered a provident arrangement for the Reich; and it is open, as pointed out in my last report, to fundamental objections of principle. These criticisms are fully confirmed by recent events. The States and communes are now drawing larger payments from the Reich than ever before, and will get the principal benefits from any increased revenues that the Reich may collect from the income, corporation, and turnover taxes in excess of the amount required to fulfill the guaranty already given.

At the same time the responsibility for taxation and public expenditure seems to become more and more confused. Notwithstanding their increased transfers from the Reich, the States and communes are pressing new demands for still larger payments to meet their constantly increasing expenditures, and the Reich itself has added to the confusion by bringing forward new proposals for expenditure which still further burden the budgets of the States and communes.

After the adoption of the 1927–28 budget the question of increasing the salaries of officials became active, and when the Reichstag adjourned in July it was understood that increases of about 10 per cent were under consideration.

But, on September 11, 1927, before a meeting of Government officials at Magdeburg, the minister of finance announced that he had suggested and the cabinet had approved "a considerable increase in the rate at first contemplated." The rates of increase, he said, would vary from 18 to 25 per cent and the total cost to the Reich would be 325,000,000 annually, of which 155,000,000 would be for salaries and 170,000,000 for pensions and similar allowances.

It is generally assumed that the States and communes, the postal service and the railway will all make much the same increases. The total cost is variously estimated at from 1,200,000,000 to 1,500,000,000 reichsmarks annually. To provide for the additional expenses which the action of the Reich throws upon them, the States are already insisting that increased transfers of revenue from the Reich will be necessary.

As for the Reich itself, it appears from the discussion before the Reichstag on October 13, 1927, that in the opinion of the finance ministry the Reich will be able to meet the costs of the salary increases in its own services during the coming year only if its hopes for an increase in tax receipts are realized.

The salary proposals of the Government are noteworthy not merely because of the large expense which they entail, but even more because they have been made on the most sweeping basis, and in the way most likely to bring serious consequences for the general economy of the country. They are apparently intended to apply quite as much to pensioners and retired officials as to officials on the active list, while even for the active officials they appear to contemplate a general increase in salaries, without any effective attempt at administrative reform.

It is not for me to express an opinion on the merits of the salary proposals, but it would seem as if the German Government could have served its own interests better by using such substantial increases as an instrument for securing the reform in administration of which so many announcements have been made in the past two or three years.

TWO NEW HEAVY BURDENS

It may not even now be too late to make the salary increases serve this purpose. But as matters stand at present, they seem likely to hinder rather than to help the cause of administrative reform, and to saddle new and lasting burdens on the already heavily-burdened budgets of the Reich and the other public authorities.

In addition to these general increases in pensions and in the salaries of officials, the Government of the Reich is advancing two other measures which seem likely to involve large new expenditures, one, the proposal to compensate German nationals for loss or damage to private property during the war, and the other, a general school law for the Reich.

Neither of these measures has as yet been enacted into law. The first of them, the draft law for indemnifying German nationals for property lost abroad, apparently contemplates expenditures of about 1,000,000,000 reichsmarks, but the draft law has not yet been presented to the Reichstag, and it is not clear what means of financing are to be adopted or how far the budget is to be burdened with the proposed payments.

In this connection I have already suggested in my letter of August 29, 1927, to the finance minister of the Reich, some of the considerations that would be raised, from the standpoint of the experts' plan by an external offering of preference shares of the German Railway Co.; the same considerations of course would apply a fortiori to any external loan of the Reich that might be proposed for this purpose.

As for the new school law, no information is available regarding the probable costs, and apparently little consideration has been given as yet to its financial consequences. But it is noteworthy that serious misgivings are being expressed in many quarters in Germany as to the cost of the new law, and that the States and Communes have already given warnings that they will want more money for the purpose from the Reich.

On October 14, 1927, the Reichsrat rejected the draft law for a variety of reasons, after first approving an amendment that would require the Reich to bear all the cost. Since then the Government has submitted the draft law to the Reichstag in its original form, with a statement from the Minister of the Interior to the effect that it is immaterial whether the Reich or the States have to bear the cost, because in any event the burden will fall on the German economy.

The government appears to have refrained, however, from making any estimate of the cost of the new law, on the ground that this can not be done until its provisions are finally determined and the distribution of the cost becomes somewhat clearer.

I do not mention this series of new expenditures and commitments for the purpose of passing judgment on any of them individually. That, indeed, does not fall within the functions of the agent general for reparation payments. The German Government, under the terms of the plan, is left free to prepare and administer its own budget, and it acts throughout on its own responsibility. This very freedom, however, implies a corresponding responsibility for the natural and probable consequences of its own actions.

These, it seems to me, can be summarized briefly, as follows:

1. The Reich, by failing to exercise proper restraint in its expenditures, is endangering the stability of its budget, the establishment and maintenance of which was the cornerstone of the experts' plan for the reconstruction of Germany. The situation at the moment is somewhat relieved by increasing revenues and declining unemployment. But any reaction in business would be likely to reduce the revenues of the Reich and increase its liabilities for unemployment relief.

In these circumstances, and with increasing reparation payments to face, this does not seem to be the time to burden the budget with new permanent expenditures.

2. With its own expenditures constantly rising, the Reich naturally finds it difficult to induce the States and communes to bring their budgets into proper order, particularly at a time when the measures which the Reich itself has initiated may add very greatly to their expenditures and throw many of their budgets still further out of balance.

The States are already demanding the reopening of the financial settlement for the purpose of securing still larger transfers of revenue from the Reich. And the expected reduction of State and communal real estate taxes which it was announced in April would be one of the conditions of the financial settlement now appears more and more unlikely of realization, while in some cases at least increased local taxation may be necessary.

UNSOUND FINANCE ENCOURAGED

3. The result is a general lack of effective control over public spending and public borrowing. In consequence, unsound public finance is increasingly prevalent in Germany, and the money which is so badly needed for the development of German agriculture and industry is being absorbed, through taxes and public loans, in a scale of public expenditure which seems to be incurred without regard for the loss of liquid capital which Germany has suffered and the urgent need of recreating this capital through economy and careful spending.

4. Still more broadly, in their effects on economic life, the measures taken by the Reich and other public authorities are tending strongly toward increased costs of production, increased prices, and increased cost of living.

The result is to negative, in large measure, the benefits that might be expected to accrue from the process of rationalization which German business and industry have succeeded in carrying out since the stabilization of the currency.

The tendency toward higher prices already exists, partly as a result of the high customs duties on imports of many staple products; and it would be greatly stimulated if, as now seems probable, the Government's salary proposals should lead, on the one hand, to demands for similar increases in general business and industry, and, on the other, to increased railroad tariffs, and the like. Manifestly, all these developments tend to raise the costs of production and thus to diminish the capacity of the German economy to compete for export.

STIMULATION TO IMPORTS

As the experience of recent months has abundantly shown, they operate also on the other side of the German balance of payments, by greatly stimulating German imports from other countries. Rising internal prices almost always have this effect, and under present conditions the tendency is enhanced by the additional purchasing power which is being placed in the hands of the public by the increasing expenditures of the Reich and the States and communes.

The consequences of Reich financial policy, which have been summarized above, must be considered also in connection with the financial policies of the States and communes, and with the currency and credit policy of the Reichsbank. There is naturally a close relationship between them and an intimate connection between the results attributable to them.

II. FINANCES OF THE STATES AND COMMUNES

There is little or no current information as to the financial condition of the States and communes, but their demands for additional grants from the Reich and their frequent borrowings at home and abroad indicate that as a whole they are living beyond their means.

The domestic long-term loans of the States, Provinces, and communes, and of the various public undertakings in which they are interested, have amounted to about 1,000,000,000 reichsmarks since the beginning of 1926, when the domestic market first became available for long-term borrowing. This sum is more than twice the amount of oong-term domestic loans placed in the same period by German industry and trade. These various public loans, taken together with the Reich internal loan of 1927, were mainly responsible for overloading the domestic market and bringing about the state of exhaustion which still obtains.

HEAVY DRAFTS ON CREDIT

Foreign issues of the States and communes, and their associated public undertakings, have amounted since the beginning of 1925 to the equivalent of about 1,600,000,000 reichsmarks, approximately the same as the foreign loans of German business and industry. Until recently, at least, additional loans, appear to have been under negotiation between the States and communes and foreign bankers, up to a total of perhaps a further 1,000,000,000.

These foreign borrowings have made heavy drafts on the foreign credit of Germany and those of the States particularly have tended to raise difficult questions under the treaty of Versailles and the related provisions of the Experts' Plan, as I have already pointed out in my letter of September 20, 1926, to the finance minister of the Reich, with respect to the Prussian external loan of 1926, and my further letter of November 12, 1926, as chairman of the trustees of the German external loan, with respect to both the Prussian and the Hamburg loans.

The foregoing figures for the domestic and foreign loans of the States and communes, amounting altogether to about 2,600 millions, leave out of account entirely their short-term or floating debt. It is impossible from the available figures to make a close estimate of the volume of this debt, but from such casual evidence as has developed it seems already to be very large. In part it represents loans directly obtained from foreign bankers, in part loans obtained from German bankers, but from foreign funds borrowed by them and in part ordinary domestic banking transactions.

The question underlying State and communal borrowing is not whether individual loans should be placed in the domestic market or in the foreign market, or at short or long term, but whether they should be placed at all. To divert the borrowing of the States and communes from one market to the other or to refuse it in one form and permit it in another does not go to the root of the difficulty.

OVEREXPANSION IN STATES

Overborrowing at home or abroad proceeds from the same source, namely, rising public expenditures, and it is by reducing expenditures to the minimum that relief is to be found. On the other hand, balanced budgets and economical administration will give the best assurance that when credit is needed for essential public purposes it will for forthcoming.

It is recognized, of course, that the Reich does not control the States and communes in these matters. But, when the States and communes go into foreign markets to finance their budgetry expenditures and internal improvements, they raise fundamental questions of foreign policy which have the most direct interest for the Reich. And under the Constitution itself the Reich has a unique opportunity and even responsibility for leadership, not merely because of its large transfers of revenue to the States and communes but also because of its powers to prescribe the fundamental principles and main outlines of their laws in many matters of taxation and public finance.

The force of these considerations has been recognized to some extent in the efforts that have been made for the past two years and more to supervise the foreign borrowings of the States and communes through an advisory organization established for this special purpose. These efforts, for whatever reason, have not been successful, and the results appear in the swollen figures for State and communal borrowings that have already been given.

A new and truly effective supervision, based primarily on the principle of controlling public expenditures, is urgently needed at this time, both in the interests of German credit and to safeguard Germany's economic recovery against the dangers of overstimulation and subsequent reaction as a result of overspending and overborrowing by the public authorities.

WELCOMES REICH'S REFORM PLAN

The German Government's announcement of October 7, 1927, is greatly to be welcomed, not only because it indicates that a revised procedure for supervising the foreign borrowings of the States and communes is under consideration, but also because it points out the sound basis for financial reform by stating that "in view of the entire present situation in Germany any expenditure that is not urgent or economic, whether made out of foreign loans or from other sources, must be avoided."

It is still not clear what practical measures will be taken to apply this fundamental test to the spending policies of the public authorities, but it is of the utmost importance that the Reich should exert a firm leadership in this direction and that its leadership should have the sincere and comprehending support of the States.

III. CREDIT AND CURRENCY POLICY

The present calendar year has also been one of expansion in the circulation of the currency and in the use of short-term credit, particlarly that of the Reichsbank. Any discussion of credit and currency must necessarily center upon the policy of the Reichsbank, which is charged under the bank law with the duty of regulating the circulation of money and with providing for the utilization of available capital.

But however explicit the law may be, the financial operations of the Reich, the States and the communes have themselves assumed the proportions of a separate credit policy, frequently exercised in opposition to the credit policy of the Reichsbank. In effect, there have been two credit policies, both operating at the same time and one often neutralizing the other.

RIVAL CREDIT POLICIES

The net result of these different policies, though opposed to each other in origin and purpose, has been in the direction of expansion, as is likely to be the case when the public authorities are on the side of expansion and spending.

The Reichsbank, for its part, reduced its discount rate on January 11, 1927, from 6 to 5 per cent, shortly before the offering of the 5 per cent internal loan of the Reich. The purpose, it was stated at the time, was to recognize the easier money conditions then prevailing in the German market, and at the same time to diminish the inflow of foreign funds.

The results of this policy were discussed at length in my report of June 10, 1927. For a short period, it will be recalled, the policy achieved its purpose. But by the middle of March foreign funds began again to flow into Germany in large volume, not as long-term loans but in the form of short-term credits, frequently for purely speculative purposes and liable to be withdrawn on short notice. These funds, in turn, provided an additional basis for expansion, and a source of danger for the future.

At the same time, the Reichsbank's discount rate became the lowest representative money rate in Germany, and in the first five months of the year—that is to say, up to May 31, 1927—its gold and devisen declined by about 1,000,000,000 reichsmarks, and its holdings of domestic bill, rose by about the same amount. In their broader consequences, the forces of expansion thus released gave a further impetus to an already highly speculative stock market and a further stimulation to an already rising activity of business and a rapidly expanding volume of imports.

REICHSBANK'S CONTROL LOST

During this period certain measures were attempted, notably in the direction of reducing the volume of stock market credit, but the Reichsbank left its discount rate at 5 per cent, until June 10, 1927. It then raised its rate to 6 per cent, but by this time it had lost control of the market, and the increase soon proved to be insufficient. The new rate brought no reduction in the volume of Reichsbank credit, and succeeded only during a short period at midsummer in retarding its month-to-month increase.

The expansion which reasserted itself in September brought the volume of Reichsbank credit and the total German circulation to the highest points since stabilization. The 7 per cent rate fixed on October 4, 1927, recognized this situation and was itself the consequence of events which dated back to the spring.

The financial authorities of the Reich, the states, and the communes, by working at cross-purposes with the Reichsbank, have made the whole situation more difficult to manage and have contributed to the expansion.

The part played by rising budgetary expenditures and borrowing by public authorities, involving heavy drafts on credit, both foreign and domestic, has already been discussed. The Reich internal loan of last February, futhermore, was of peculiar importance, not only because it put an end for the time being to the domestic market for new issues, but also because its terms and market price furnished an additional obstacle to a timely revision of the Reichsbank's discount rate.

The various steps which have been taken to manage the loan in the market since its issues have been expensive and, on the whole, ineffective.

MANAGEMENT OF BANKS

Another disturbing influence which must be mentioned is the management of the public funds and the public banks, which has been discussed at length in each one of my published reports. It is unnecessary now to go into detail, but it is clear enough on the facts that the administration of the public funds and the public banks has tended very strongly to diminish the authority of the Reichsbank and to deprive it of resources which it needed in the general interest of the stability of the German currency and exchange.

It has tended, no less directly, to deprive the regular German banking system of its normal resources and to divert great quantities of liquid funds into channels which ran counter to sound credit policy.

The credit policy of the bank of issue and the public finances can not for long be operated successfully on divergent lines; and there would seem to be every reason, in the general interest, for formulating and putting into effect a definite and comprehensive plan that will assure a properly coordinated policy. The need for the adoption of such a policy, based upon principles of ordered economic growth, and avoiding undue use of credit, is particularly clear under present conditions, in order that the prevailing expansion may not be carried to the point of danger.

IV. CONCLUSION

I have attempted to bring together in the foregoing pages the accumulating evidences of overspending and overborrowing on the part of the German public authorities, and some of the indications of artificial stimulation and overexpansion that are already manifesting themselves.

These tendencies, if allowed to continue unchecked, are almost certain, on the one hand, to lead to severe economic reaction and depression, and are likely, on the other, to encourage the impression that Germany is not acting with due regard to her reparation obligations.

GERMAN RECOVERY NOTED

Internally, it is evident that an economic crisis would have the most discouraging consequences for the German people, and that it would mean a serious setback to the reconstruction of German economic life. It is now nearly four years since the first stabilization of the currency and over three years since the adoption of the experts' plan. During this period Germany has made remarkable progress. She has reestablished her credit at home and abroad, her industries have been reorganized and her productive capacity largely restored, her supplies of raw materials and to some extent her working capital have been replenished, and the general standard of living has greatly improved.

This has been achieved primarily through the industry and energy of the German people, but the people of other countries have also cooperated by making their savings available in liberal measure for the rebuilding of the German economy. It would be deplorable if what has been accomplished should now be imperiled by shortsighted and unsound internal policies.

From the standpoint of the experts' plan it is only natural, as I have said, for the creditors of Germany to feel that reasonable prudence in the management of the public finances is a necessary element of good will, and it would not be surprising if outside observers should draw the conclusion that the financial policies followed in the past year have not been in the interest of Germany's reparation obligations under the plan.

The payment of the stipulated annuities to the agent general for reparation payments at the Reichsbank constitutes, it is true, "the definitive act of the German Government in meeting its financial obligations under the plan;" and the payment of these sums is amply secured by the assigned revenues and other specific securities. But the responsibilities of the German Government do not end with the internal payments.

RESPONSIBILITIES OF TRANSFER

The experts' plan, though it put the transfer of reparation payments in the hands of the transfer committee, recognized clearly that the problem of transfer would depend in large measure upon conditions outside the control of the committee. It placed a very definite responsibility upon the German Government by providing that "the German Government and the bank shall undertake to facilitate in every reasonable way within their power the work of the committee in making transfers of funds including such steps as will aid in the control of foreign exchange."

The experts also emphasized in the strongest possible language the dependence of the stability of the German exchange upon Germany's balance of payments, and, in the long run, upon the course of German imports and exports. To the extent that German exports are hindered by obstacles interposed from without, other countries must bear the responsibility; but upon the German Government itself must rest the responsibility for actions of its own which tend artificially, by overstimulating imports and hindering exports, to restrict the possibilities of transfer.

All these considerations I am endeavoring to point out in good season, in the hope that their importance will commend them to the attention of the German Government, and that in the interest of the German economy itself, as well as of the discharge of Germany's international obligations, the German Government will take prompt and effective measures to meet the situation. Fortunately, as stated at the outset, the situation has not yet become critical, and the German

Government still has it within its power, if it will act in time, to check the dangers which now threaten and to bring the German economy back again to a sound condition.

S. PARKER GILBERT,
Agent General for Reparation Payments.

[Extract from hearings of January 15, 1932]

The CHAIRMAN. I have here a letter from Mr. J. R. Swan, of the Guaranty Co. of New York, dated January 14, 1932, which I ask be placed in the record at the conclusion of Mr. Swan's testimony:

GUARANTY CO. OF NEW YORK,
New York, January 14, 1932.

SENATOR REED SMOOT,
Chairman Finance Committee, United States Senate,
Washington, D. C.

GENTLEMEN: With further reference to the testimony given by me before your committee on January 7, 1932, we find upon more complete examination of our files that we have an exchange of letters with the Belgian Government whereby in 1919 we were appointed fiscal agent jointly with Messrs. J. P. Morgan & Co.

This agreement merely provides that we will use our best endeavor to negotiate loans and credits in the United States for the Belgian Government from time to time, without commitment on our part and is subject to termination either by the Belgian Government or ourselves on 30 days' notice.

As we have not performed any service for the Belgian Government under this agreement since 1926, the exact character of our arrangement with them was not clearly in my mind at the time of my testimony.

Very truly yours,

J. R. SWAN, *President.*

LIST OF PRESENT DIRECTORS OF GUARANTY CO. OF NEW YORK

J. Howard Ardrey, vice president, Guaranty Trust Co., of New York.
Willis H. Booth, vice president, Guaranty Trust Co. of New York.
Merrel P. Callaway, vice president, Guaranty Trust Co. of New York.
Robert F. Loree, vice president, Guaranty Trust Co. of New York.
James L. O'Neill, vice president, Guaranty Trust Co. of New York.
William C. Potter, president, Guaranty Trust Co. of New York.
Charles H. Sabin, chairman, Guaranty Trust Co. of New York, and chairman, Guaranty Co. of New York.
Francis H. Sisson, vice president, Guaranty Trust Co. of New York.
Eugene W. Stetson, vice president, Guaranty Trust Co. of New York.
Alfred Shriver, vice president, Guaranty Co. of New York.
Ralph A. Stephenson, vice president, Guaranty Co. of New York.
Joseph R. Swan, vice president, Guaranty Trust Co. of New York, and president, Guaranty Co. of New York.
Burnett Walker, vice president, Guaranty Trust Co. of New York, and vice president, Guaranty Co. of New York.

Condensed statement of the Guaranty Trust Co. of New York, December 31, 1931

RESOURCES

Cash on hand, in Federal reserve bank, and due from banks and bankers	$257, 806, 418. 75
U. S. Government bonds and certificates	274, 349, 207. 44
Public securities	34, 596, 044. 44
Stock of the Federal reserve bank	7, 800, 000. 00
Other securities	22, 686, 032. 18
Loans and bills purchased	778, 505, 668. 63
Real estate bonds and mortgages	1, 445, 273. 43
Items in transit with foreign branches	8, 358, 702. 88
Credits granted on acceptances	86, 715, 794. 72
Bank buildings	14, 554, 843. 29
Accrued interest and accounts receivable	7, 222, 066. 19
	1, 494, 040, 051. 95

LIABILITIES

Capital	$90, 000, 000. 00	
Surplus fund	170, 000, 000. 00	
Undivided profits	24, 959, 038. 49	
		$284, 959, 038. 49
Accrued interest, miscellaneous accounts payable, reserve for taxes, etc		8, 112, 102. 82
Acceptances		86, 715, 794. 72
Liability as endorser on acceptances and foreign bills		44, 231, 200. 07
Deposits	$1, 025, 049, 550. 56	
Outstanding checks	44, 972, 365. 29	
		1, 070, 021, 915. 85
		1, 494, 040, 051. 95

Tabulation of Foreign Issues Publicly Offered During the Period 1920–1931, Inclusive

Issues managed by Guaranty Co. of New York (1920–1931)

Issue	Date offered	Amount of issue	Coupon rate	Maturity	Yearly sinking fund payments	Sinking fund payments to date	Cost price	Offering price
CANADA			Per cent				Per cent	Per cent
Province of Alberta	Jan. 13, 1927	$2,525,000.00	4½	1942, 1957			94.89	1942—96.82; 1957—95.25
Do	Sept. 20, 1921	2,100,000.00	6	1931		$2,100,000.00	92.19	95
Province of British Columbia	Jan. 23, 1924	2,000,000.00	5	1949			94.80	96.75
Do	Feb. 2, 1925	4,000,000.00	4½	1928		4,000,000.00	99.28	100
Province of Manitoba	Mar. 28, 1923	1,000,000.00	5	1924		1,000,000.00	99.337	99.80
Province of Nova Scotia	July 28, 1922	2,000,000.00	5	1924		2,000,000.00	98.78	99.80
Harbour Commissioners of Montreal	July 23, 1930	500,000.00	5	1969			103.30	104.13
Do	Nov. 12, 1929	18,500,000.00	5	1969			98	100
Montreal Metropolitan Commission	May 5, 1931	2,680,000.00	4½	1965			98.91	100
Do	Oct. 20, 1922	3,000,000.00	5	1942			93.94	96.33
City of Ottawa	Sept. 30, 1920	2,285,000.00	6	1921–1950	[1] $51,000.00	764,000.00	97.29	8–6¾
City of Winnipeg	July 8, 1926	2,025,000.00	4½	1946			94.121	96.17
Do	June 4, 1926	2,500,000.00	4½	1946			94.4471	96.17
Belgo-Canadian Paper Co	June 7, 1923	4,000,000.00	6	1943			91½	97
Canadian General Electric Co. (Ltd.)	Mar. 20, 1922	5,000,000.00	6	1942		5,000,000.00	96½	101
Canadian Pacific Railway Co	Mar. 5, 1920	12,000,000.00	6	1932	(4)	11,500,000.00	93.57	94⅞–99⅝
COLOMBIA								
Department of Antioquia	July 15, 1927	4,000,000.00	7	1957	[2] 321,600.00	284,006.00	88¾	93
Do	Nov. 25, 1927	4,000,000.00	7	1957	[2] 322,800.00	330,000.00	90	94¼
Do	June 15, 1928	4,350,000.00	7	1957	[2] 352,320.00	229,000.00	92¼	96½
DENMARK								
Kingdom of Denmark	July 29, 1925	30,000,000.00	5½	1955	1,200,000.00	1,213,000.00	97.27	99½
Do	Apr. 5, 1928	55,000,000.00	4½	1962	[2] 3,215,500.00	2,194,000.00	93.037	95
Danish export credit committee	Jan. 17, 1927	1,100,000.00	4½	1929–1934	(4)	600,000.00	96.37	[10] 98.41
Do	Oct. 20, 1927	3,000,000.00	4½	1928–1934	(4)	1,640,000.00	95.949	[10] 98.053
Danish producers loan fund committee	Oct. 18, 1928	2,500,000.00	5	1931–1940	(4)	250,000.00	98	[10] 98⅛
Copenhagen Telephone Co	Apr. 22, 1925	2,000,000.00	6	1950		2,000,000.00	96¾	99¾
Do	Feb. 14, 1929	7,000,000.00	5	1954	280,000.00	581,000.00	92	94¾
DUTCH EAST INDIES								
Government of Dutch East Indies	Jan. 4, 1922	40,000,000.00	6	1947	(5)	2,751,000.00	90.77	94½
Do	Mar. 15, 1922	40,000,000.00	6	1962	(6)		91	94¾
Do	Apr. 21, 1922	20,000,000.00	6	1962	(6)	7,489,000.00	92¾	96½
Do	Feb. 15, 1923	25,000,000.00	5½	1953	(7)	2,889,000.00	84¼	88
Do	Nov. 8, 1923	25,000,000.00	5½	1953	(7)	4,700,000.00	86¼	90

GERMANY								
State of Bremen	Jan. 16, 1925	5,000,000.00	(3)	1925	(5)	5,000,000.00	93.856	94.979
Do	Sept. 22, 1925	10,000,000.00	7	1935	[9] 750,000.00		89	94¾
Do	Nov. 19, 1925	5,000,000.00	7	1935		2,538,000.00	90	95¾
Hansa Steamship Line	Oct. 18, 1929	5,000,000.00	6	1939			88	93
HUNGARY								
Hungarian Land Mortgage Institute	June 2, 1926	3,000,000.00	7½	1961	[2] 253,924.00	171,000.00	[illegible]	95
Do	Apr. 17, 1928	3,000,000.00	7½	1961	[2] 257,664.00	129,000.00	95½	100
National Hungarian Industrial Mortgage Institute	Nov. 5, 1928	5,000,000.00	7	1948	[1] 143,000.00	524,000.00	89	94¾
ITALY								
Montecatini	Jan. 28, 1927	10,000,000.00	7	1937	[2] 1,100,530.00	2,076,000.00	90⅝	96½
JAPAN								
Toho Electric Power Co	Mar. 9, 1925	15,000,000.00	7	1955	550,000.00	2,075,000.00	84	90½
Do	July 14, 1926	10,000,000.00	6	1929		10,000,000.00	95	98½
Do	June 18, 1929	11,450,000.00	6	1932			92½	96¼
Tokyo Electric Light Co	Aug. 4, 1925	24,000,000.00	6	1928		24,000,000.00	96.2	98⅞
Do	June 7, 1928	70,000,000.00	6	1953	1,200,000.00	3,710,000.00	85	90½
NORWAY								
Kingdom of Norway	Mar. 7, 1928	30,000,000.00	5	1963	(6)		95.17	97½
URUGUAY								
City of Montevideo	Dec. 8, 1926	5,171,000.00	6	1959	[2] 361,970.00	319,000.00	89.95	93¼
Total		540,686,000.00				104,056,000.00		

[1] On increasing scale.
[2] Less annual payments for interest on outstanding bonds.
[3] Discount notes.
[4] Serial maturities.
[5] Sinking fund begins Nov. 1, 1932.
[6] Sinking fund begins 1933.
[7] Sinking fund begins 1934.
[8] Retired after 1 year.
[9] Per year for all outstanding 7's (if bonds below par).
[10] Average

Tabulation of Foreign Issues Publicly Offered During the Period 1920–1931, Inclusive

Issues managed by Guaranty Co. of New York (1920–1931)

Issue	The Syndicate												Total expenses	Net total profit
	Original terms			Intermediary group			Banking group			Selling group				
	Number of dealers	Profit spread	Amount of profit	Number of dealers	Profit spread	Amount of profit	Number of dealers	Profit spread	Amount of profit	Number of dealers	Profit spread	Amount of profit		
CANADA														
Province of Alberta	2	0.386	$13,181.15							2	¾	$18,937.50	$2,376.14	$29,742.51
Do	4	1.81	37,909.25							4	1	21,000.00	6,955.00	51,954.25
Province of British Columbia	3	.70	8,509.25							3	1¼	25,000.00	3,759.93	29,749.32
Do	5	.5325	13,577.85							5	.1875	7,500.00	5,978.52	15,099.33
Province of Manitoba	3	.4005	1,681.39							3	.0625	625.00	0	2,306.39
Province of Nova Scotia	3	.645	12,718.93							3	.375	7,500.00	2,003.28	18,215.65
Harbour Commissioners of Montreal	5	.23	811.90							5	.60	3,000.00		3,811.90
Do	5	1¼	210,768.80							5	¾	242,509.00	46,359.86	406,917.94
Montreal Metropolitan Commission	2	.386	10,344.80							2	.75	20,100.00		30,444.60
Do	2	.89	25,314.17							2	1.50	45,000.00	4,693.28	65,620.89
City of Ottawa	4		62,566.32							4	¼-½	10,155.00	5,788.41	66,932.91
City of Winnipeg	3	.80	7,805.96							3	1¼	25,312.50	1,506.51	31,611.95
Do	3	.473	14,072.50							3	1¼	31,250.00	5,870.58	39,451.92
Belgo-Canadian Paper Co.	2	2	80,000.00							109	3½	140,000.00	23,101.12	196,898.88
Canadian General Electric Co. (Ltd.)	5	1	50,000.00							35	3½	175,000.00	13,605.40	211,394.60
Canadian Pacific Railway Co	10	¾	90,000.00							69	2½	300,000.00	11,832.20	378,167.80
COLOMBIA														
Department of Antioquia	3	1.23	49,333.33							18	3	120,000.00	17,919.63	151,413.70
Do	3	1¼	50,000.00							31	3	120,000.00	27,583.64	142,416.36
Do	3	1⅛	54,375.00							39	3	130,500.00	18,024.02	166,850.98
DENMARK														
Kingdom of Denmark	4	.48	139,000.00				118	½	$132,500.00	491	1¼	331,250.00	61,326.23	541,423.77
Do	16	.213	105,435.00				228	½	247,500.00	778	1¼	609,375.00	[11] 10,290.43	972,600.43
Danish export credit committee	4	2.04	22,492.12										7,531.20	14,960.92
Do	4	[10] 1.104	33,091.99							3	1	22,550.00	10,491.06	45,150.93

02928—32—pt 2——30

Danish producers loan fund committee	5	([16])	[11] 21,875.00							5	([16])	[11] 22,750.00	4,213.24	[11] 48,838.24
Copenhagen Telephone Co.	3	1	22,500.00							18	2	37,500.00	6,409.27	53,590.73
Do.	3	¾	52,500.00							84	2	140,000.00	15,621.83	176,878.17
DUTCH EAST INDIES														
Government of Dutch East Indies	16	.73	292,000.00							771	3	1,200,000.00	86,832.80	1,405,167.20
Do.	15	¾	300,000.00							631	3	1,200,000.00	105,310.41	1,394,689.59
Do.	16	2½	500,000.00							714	1¼	250,000.00	83,614.92	666,385.08
Do.	11	¾	187,500.00							615	3	750,000.00	89,026.32	848,473.68
Do.	11	¾	172,500.00							553	3	690,000.00	[12] 15,299.52	877,799.52
GERMANY														
State of Bremen	3	1.123	31,881.92										20,932.12	10,949.80
Do.	5	1½	137,500.00				28	1	75,000.00	338	3¼	243,750.00	34,331.48	421,918.52
Do.	5	2¼	89,375.00							26	3½	96,250.00	24,528.80	161,096.20
Hansa Steamship Line	1	2	100,000.00				32	1	50,000.00	76	2	100,000.00	77,772.56	172,227.44
HUNGARY														
Hungarian Land Mortgage Institute	3	3½	105,000.00							7	3½	105,000.00	52,431.53	157,568.47
Do.	3	1¾	52,500.00							7	2¾	82,500.00	8,340.51	126,659.49
National Hungarian Industrial Mortgage Institute	1	3	150,000.00							19	2¾	137,500.00	67,720.85	219,779.15
ITALY														
Montecatini	5	2⅝	262,500.00				40	¾	75,000.00	187	2½	250,000.00	145,460.83	442,039.17
JAPAN														
Toho Electric Power Co.	2	1½	225,000.00				25	1	150,000.00	160	4	600,000.00	124,374.10	850,625.90
Do.	3	1½	150,000.00				31	½	50,000.00	177	1½	150,000.00	44,121.42	305,878.58
Do.	3	1¼	143,125.00				91	¾	85,875.00	213	1¾	200,375.00	53,925.65	375,449.35
Tokyo Electric Light Co.	2	.925	222,000.00				25	½	120,000.00	311	1¼	300,000.00	121,829.90	520,170.10
Do.	4	2	1,407,213.54	40	¾	$518,750.00	223	¾	506,250.00	765	2	1,350,000.00	675,524.26	3,106,689.28
NORWAY														
Kingdom of Norway	5	.58	174,000.00				143	½	150,000.00	492	1¼	375,000.00	63,200.80	635,799.20
URUGUAY														
City of Montevideo	2	.80	41,368.00				22	¾	38,782.50	41	1¾	90,492.50	35,079.83	135,563.17
Total			5,889,578.17			518,750.00			1,680,907.50			10,732,181.50	2,191,719.49	16,629,697.68

[16] Average. [11] Loss. [12] Profit.

Tabulation of Foreign Issues Publicly Offered During the Period 1920–1931, Inclusive

Issues managed by Guaranty Co. of New York (1920–1931)

Issue	Guaranty Co. of New York											
	Original terms		Intermediate group		Banking group		Selling group		Gross profit	Discounts	Profit	Number of retail sales
	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit				
CANADA												
Province of Alberta	$1,262,500.00	$5,402.51					$1,077,000.00	$9,712.09	$15,114.60	$6,698.75	$8,415.85	34
Do	1,000,000.00	14,740.00					1,065,000.00	10,650.00	25,390.00	7,900.00	17,490.00	42
Province of British Columbia	900,000.00	2,137.20					1,149,000.00	18,225.00	20,362.20	14,912.50	5,449.70	66
Do	1,150,000.00	2,185.67					1,908,000.00	10,480.00	12,665.67	6,278.75	6,386.92	112
Province of Manitoba	333,000.00	560.47					366,000.00	228.75	789.22	217.30	571.92	12
Province of Nova Scotia	950,000.00	5,089.94					1,000,000.00	3,750.00	8,839.94	2,322.50	6,517.44	33
Harbour Commissioners of Montreal	100,000.00	162.38					100,000.00	1,007.96	1,170.34	250.00	920.34	4
Do	3,700,000.00	40,783.54					940,000.00	12,125.00	52,908.54	4,787.50	48,121.04	118
Montreal Metropolitan Commission	1,340,000.00	5,172.40					837,000.00	6,277.50	11,449.90	71,692.50	[11] 60,242.60	16
Do	1,500,000.00	10,310.44					459,000.00	5,041.73	15,352.17	2,047.49	13,304.68	43
City of Ottawa	650,116.15	16,143.68					1,246,900.00	5,692.75	21,836.43	5,152.50	16,683.93	182
City of Winnipeg	911,250.00	2,834.75					898,000.00	[11] 2,191.21	643.54		643.54	39
Do	1,125,000.00	3,690.86					270,000.00	3,375.00	7,065.86	1,326.26	5,739.60	35
Belgo-Canadian Paper Co	3,200,000.00	58,571.52					961,000.00	10,661.83	69,233.35	1,662.24	67,571.11	394
Canadian General Electric Co. (Ltd.)	3,500,000.00	35,000.00					3,250,000.00	92,735.33	127,735.33	10,275.00	117,460.33	450
Canadian Pacific Railway Co	3,000,000.00	33,310.82					1,650,000.00	32,419.00	65,729.82		65,729.82	
COLOMBIA												
Department of Antioquia	1,800,000.00	13,509.54					2,725,000.00	74,950.00	88,459.54	3,537.50	84,922.04	480
Do	1,800,000.00	14,587.36					2,025,000.00	55,687.50	70,274.86	1,545.00	68,729.86	307
Do	1,957,500.00	14,049.44					2,350,000.00	69,102.50	83,241.94	2,750.00	80,491.94	417
DENMARK												
Kingdom of Denmark	11,875,000.00	50,280.38			$6,710,000.00	$25,162.50	2,145,500.00	30,051.75	105,494.63	3,423.50	102,071.13	325
Do	19,875,000.00	21,724.30			7,127,500.00	47,861.52	5,500,000.00	66,787.50	136,373.32	96,065.49	40,307.83	549

Danish export credit committee	462,000.00	3,354.06							3,354.06		3,354.06	47
Do	1,116,000.00	8,556.34					1,420,000.00	14,200.00	22,756.34	3,166.56	19,589.78	128
Danish producers loan fund committee	465,000.00	[11] 9,502.43					1,845,000.00	15,335.00	5,832.57	7,917.38	[11] 2,084.81	76
Copenhagen Telephone Co	1,000,000.00	8,330.36					1,181,000.00	22,730.00	31,060.36	977.50	30,082.86	210
Do	3,500,000.00	19,909.82					1,110,000.00	17,112.96	37,022.78	1,217.50	35,775.28	197
DUTCH EAST INDIES												
Government of Dutch East Indies	7,100,000.00	43,655.29					2,789,000.00	56,892.08	100,547.37	1,977.47	98,569.90	588
Do	7,350,000.00	50,780.77					2,201,000.00	66,179.03	116,959.80	4,693.75	112,266.05	424
Do	3,675,000.00	81,993.76					1,100,000.00	13,310.00	95,303.76	674.99	94,628.77	238
Do	5,781,250.00	43,359.36					1,518,000.00	47,859.20	91,218.56	2,863.75	88,354.81	349
Do	5,318,750.00	39,890.[illegible]					1,880,000.00	66,817.29	106,707.93	6,465.55	100,242.38	259
GERMANY												
State of Bremen	4,000,000.00	10,949.80							10,949.80		10,949.80	
Do	4,800,000.00	59,265.00			2,550,000.00	16,430.16	1,350,000.00	42,282.50	117,977.66	2,400.00	115,577.66	312
Do	2,400,000.00	36,264.27					1,146,000.00	31,872.68	68,136.95	2,041.25	66,095.70	77
Hensa Steamship Line	5,000,000.00	33,977.44			3,220,000.00	24,150.00	2,789,000.00	55,680.00	113,807.44	59,577.95	54,229.49	374
HUNGARY												
Hungarian Land Mortgage Institute	1,[illegible]0,000.00	28,223.19					1,550,000.00	53,900.00	82,123.19	1,552.50	80,570.69	308 367
Do	1,60[illegible]000.00	27,668.61					2,192,000.00	53,957.86	81,626.47	1,885.00	79,741.47	430
National Hungarian Industrial Mortgage Institute	5,000,[illegible]0.00	100,000.00					3,365,000.00	91,410.00	191,410.00	512,026.25	[11] 320,616.25	663
ITALY												
Montecatini	4,000,0[illegible]	56,815.66			3,140,000.00	15,700.00	3,158,000.00	78,950.00	151,465.66	2,715.16	148,750.50	646
JAPAN												
Toho Electric Power Co	12,500,000.00	107,392.41			5,600,000.00	56,000.00	3,035,000.00	119,275.64	283,268.05	5,377.50	277,890.55	1,018
Do	6,667,000.00	76,132.22			3,283,000.00	18,735.63	3,127,000.00	46,190.00	141,057.85	5,762.50	135,295.35	509
Do	7,633,000.00	76,547.07			3,255,000.00	16,275.00	3,525,000.00	56,668.75	149,490.82	4,780.00	144,710.82	445
Tokyo Electric Light Co	19,200,000.00	98,222.08			6,900,000.00	25,875.00	3,850,000.00	47,150.00	171,247.08	9,733.76	161,513.32	636
Do	49,000,000.00	643,120.00	$11,548,170.00	$72,176.06	10,665,000.00	66,656.25	10,500,000.00	209,700.00	991,652.31	18,371.25	973,281.06	1,861
NORWAY												
Kingdom of Norway	10,500,000.00	50,911.95			6,551,000.00	17,769.62	6,050,000.00	74,812.50	143,494.07	11,322.50	132,171.57	740
URUGUAY												
City of Montevideo	4,171,000.00	12,829.71			1,897,000.00	9,485.00	2,136,000.00	36,592.50	58,907.24	1,755.00	57,152.24	330
Total	235,768,366.15	2,059,494.61	11,548,170.00	72,176.06	60,898,500.00	340,100.68	94,739,400.00	1,835,737.97	4,307,509.32	912,129.85	3,395,379.47	14,890

Record of Guaranty Co. of New York in syndicates managed by others (1920–1931)

Issue	Syndicates managed by others										
	Date offered	Amount of issue	Coupon rate	Due	Cost price	Offering price	Manager	Original terms spread	Interest group spread	Banking group spread	Selling group spread
ARGENTINA			*Per cent*		*Per cent*	*Per cent*					
National Government of Argentine.	Sept. 6, 1923	$55,000,000.00	6	1924	99	99½	Kuhn Loeb & Co.				½
Government of Argentine nation.	June 2, 1925	45,000,000.00	6	1959	93½	96	J. P. Morgan & Co.				2½
Do.	Sept. 22, 1925	29,700,000.00	6	1959	94½	96½	do.				2
Do.	Apr. 22, 1926	20,000,000.00	6	1960	96	98	do.				2
Do.	Sept. 30, 1926	16,900,000.00	6	1960	96¼	98¼	do.				2
Do.	Jan. 14, 1927	27,000,000.00	6	1961	96¼	98¼	do.				2
Do.	Apr. 28, 1927	21,200,000.00	6	1961	97	99	do.				2
Do.	Apr. 10, 1930	50,000,000.00	5	1930	99½	100	Chatham Phenix Corporation.			5/16	3/16
Do.	Sept. 25, 1930	50,000,000.00	5	1931	100.24	100.36	Brown Bros. & Co.				⅛
Providence of Buenos Aires.	Dec. 10, 1926	24,121,000.00	7	1957	89¾	94¾	First National Corporation Boston.			2	3
Do.	Apr. 29, 1927	10,613,500.00	7	1958	92	95	do.			½	2½
Do.	Feb. 24, 1928	41,101,000.00	6	1961	93¼	96½	do.			½	2¾
City of Buenos Aires.	Jan. 30, 1924	8,490,000.00	6½	1955	93	96½	Dillon Read & Co.				3½
Do.	Jan. 11, 1928	3,396,000.00	6	1960	97	98½	Blyth, Witter & Co.				1½
Do.	July 26, 1927	3,396,000.00	6	1960	96	97½	do.				1½
City of Cordoba.	Feb. 16, 1927	4,369,500.00	7	1957	96¼	98¾	White, Weld & Co.			½	2
AUSTRALIA											
Commonwealth of Australia.	July 20, 1925	75,000,000.00	5	1955	97½	99½	J. P. Morgan & Co.			½	1½
Do.	Aug. 24, 1927	40,000,000.00	5	1957	96	98	do.			½	1½
Do.	May 8, 1928	50,000,000.00	4½	1956	90½	92½	do.			½	1½
State of New South Wales.	Feb. 2, 1927	25,000,000.00	5	1957	93¾	96¼	Equitable Trust Co.			½	2
Do.	Apr. 11, 1927	25,000,000.00	5	1958	94	96¼	do.				2¼
State of Queensland.	Oct. 8, 1921	12,000,000.00	7	1941	96¼	99	National City Co.	1			1¾
Do.	Feb. 10, 1922	10,000,000.00	6	1947	93¾	96½	do.	1			1¾
AUSTRIA											
Austrian Government.	June 11, 1923	25,000,000.00	7	1943	85¾	90	J. P. Morgan & Co.	1¼			3
Austrian Government international loan of 1930.	July 15, 1930	25,000,000.00	7	1957	91	95	do.	1	1		2

BELGIUM											
Kingdom of Belgium	Jan. 16, 1920	25,000,000.00	6	1921 1925	96 92¾	99 95¾	J. P. Morgan & Co.	½			2½
Do	June 2, 1920	50,000,000.00	7½	1945	91¼	97¼	do	1	1		4
Do	Jan. 24, 1921	30,000,000.00	8	1941	94	100	do	1	1		4
Do	Oct. 13, 1921	4,270,000.00	6	1925	92	95	do	1			2
Do	Sept. 2, 1924	30,000,000.00	6½	1949	90	94	do	1		½	2½
Do	Dec. 18, 1924	50,000,000.00	6	1955	83	87½	do	1		½	3
Do	June 11, 1925	50,000,000.00	7	1955	94	98	do	1		½	2½
Do (stabilization loan)	Oct. 26, 1926	50,000,000.00	7	1956	90	94	do	1		½	2½
Solvay & Cie	Oct. 4, 1920	10,000,000.00	8	1927	94	100	Harris Forbes & Co.	1½		1½	3
Société Anonyme D'Ougree Marihaye.	Feb. 27, 1927	[1] 6,030,000.00	6½	1957	94.203	97	Hope & Co. Amsterdam				2.797
BRAZIL											
United States of Brazil	Oct. 13, 1927	41,500,000.00	6½	1957	90	92½	Dillon, Read & Co.			½	2
State of Sao Paulo	Mar. 30, 1925	15,000,000.00	8	1950	95	99½	Speyer & Co.	1½			3
Do	Mar. 22, 1926	7,500,000.00	7	1956	93¾	96½	do				2¾
Do	July 19, 1928	15,000,000.00	6	1968	91¾	94½	do			½	2¾
CANADA											
Dominion of Canada	Apr. 25, 1922	100,000,000.00	5	1952	98	100	Chase Securities Corporation.	½	1		½
Canadian National Railways	May 17, 1920	15,000,000.00	7	1935	96	99	William A. Read & Co.				3
Canadian (Canadian Northern Rwy. Co.).	Nov. 26, 1920	25,000,000.00	7	1940	97	100	Dillon, Read & Co.	1			2
Do	July 7, 1921	25,000,000.00	6½	1946	93½	96½	William A. Read & Co.	1			2
Canadian National Railways (Grand Trunk Railways).	Oct. 15, 1921	25,000,000.00	6	1936	93	95¼	Dillon, Read & Co	½			1¾
Canadian National Railways	July 28, 1924	20,000,000.00	4	1927	98.25	98.875	do	¼			⅜
Canadian National Railways (Canadian Northern Rwy. Co.).	do	9,375,000.00	4½	1925/39	97.35	4-4.75	do	½			¾
Do	Sept. 5, 1924	26,000,000.00	4½	1954	94	96	do	½			1½
Do	Feb. 2, 1925	18,000,000.00	5	1930	99⅛	99⅞	do	¼			½
		17,000,000.00	5	1935	96¼	97¾	do	⅜			1
Canadian National Railways	Apr. 29, 1927	15,000,000.00	4½	1928/42	98	4.50-4.70	do	.201			⅝
Do	June 18, 1929	60,000,000.00	5	1969	97.75	99¾	do	¾			1¼
Do	Jan. 28, 1930	18,000,000.00	5	1970	98.086	99½	do	.724			¾
Do	Jan. 21, 1931	70,000,000.00	4½	1956	96.4077	98.25	do	.84			1
Canadian National Steamship Co.	Feb. 21, 1930	9,400,000.00	5	1955	99.177	100	do	.33			½
Canadian Northern Rwy	Mar. 23, 1920	12,000,000.00	5½	1923 1925	93.64 91.50	96.64 94.50	do				3
Do	Mar. 7, 1922	11,000,000.00	5	1925	99.03	99.625	do	.095			½
Grand Trunk Railways	Oct. 6, 1920	25,000,000.00	7	1940	95½	100	do	1			3½
Do	Jan. 14, 1921	12,000,000.00	6½	1936	92.65	95.40	do	¾			2[illegible]
National Transcontinental Railway Branch Lines Co.)	Jan. 19, 1928	3,396,000.00	4½	1955	96	98½	do			1	1½

[1] Loan actually made in guilders.

Record of Guaranty Co. of New York in syndicates managed by others (1920–1931)—Continued

Issue	Syndicates managed by others										
	Date offered	Amount of issue	Coupon rate	Due	Cost price	Offering price	Manager	Original terms spread	Interest group spread	Banking group spread	Selling group spread
CANADA—continued											
			Per cent		*Per cent*	*Per cent*					
Province of Alberta	Apr. 5, 1922	$3,000,000.00	5½	1952	100.25	103	Dillon, Read & Co	1.50			1¼
Province of Ontario	May 6, 1929	35,000,000.00	5	1959	99.15	100	National City Co	.225			.625
Do	Jan. 13, 1930	30,000,000.00	4½	1932–1971	98.669	99½–100½	do	.63			⅛-¾
City of Montreal	Feb. 8, 1923	16,000,000.00	5	1954–1942	95	97–97½		¾-½			1-1¼
Do	Jan. 9, 1924	9,700,000.00	5	1943 1963	94.143	[2] 96.41	Harris Forbes	.395			1⅞
Do	Jan. 12, 1926	7,000,000.00	4½	1946	94.142	95.25	do	.485			⅝
City of Toronto	Sept. 30, 1921	10,000,000.00	6	1925–1951	96.179	[2] 6.50	National City Co	1			1-1½
Do	Apr. 5, 1927	8,800,000.00	4½	1928–1957	98.849	99¼–100	do	.20			⅛-½
Do	Feb. 18, 1930	5,590,000.00	4½–5	1930–1959	97.04	5	do	[2] ⅝			⅛-¾
Do	May 14, 1930	13,396,000.00	5	1931–1950	100.189	[2] 101.32	do	.42			⅛-¾
Toronto Harbor Commissioners	Feb. 20, 1930	2,000,000.00	5	1953	98.95	99½	do	.55			
Aluminum (Ltd.)	June 6, 1928	20,000,000.00	5	1948	97	100	Union Trust of Pittsburgh	1		½	1½
Do	May 27, 1930	13,000,000.00	[4] 6		96	99.25	do	1			2.25
Canada Cement Co. (Ltd.)	Oct. 25, 1927	20,000,000.00	5½	1947	94	99	Wood, Gundy & Co	1		1½	2½
Canadian Pacific Ry. Co	Dec. 20, 1921	27,000,000.00	[5] 4		74	78	National City Co	1			3
Do	Oct. 30, 1923	5,000,000.00	[5] 4		77	79½	do	1			1½
Do	Aug. 4, 1924	10,000,000.00	[5] 4		79	81	do	½		½	1
Do	Sept. 17, 1926	20,000,000.00	4½	1946	494	96½	do	½		½	1½
Do	Nov. 15, 1928	5,000,000.00	[5] 4		85½	88	do	½		¾	1¼
Do	June 27, 1929	30,000,000.00	5	1944	97½	99½	do	½		½	1
Do	Dec. 17, 1929	30,000,000.00	5	1954	97½	100	do	1			1½
Do	July 10, 1930	25,000,000.00	4½	1960	95½	98	do	½		¾	1¼
Canada Steamship Lines (Ltd.)	Sept. 15, 1926	18,000,000.00	6	1941	93	97	Kissel Kinnicutt & Co			1	3
Duke Price Power Co. (Ltd.)	Apr. 29, 1926	37,000,000.00	6	1966	94½	100	Union Trust of Pittsburgh	2		1	2½
Gatineau Power Co	July 22, 1926	25,000,000.00	5	1956	91½	94	Chase Securities Corp				2½
Montreal Light, Heat & Power Co.	Oct. 4, 1926	30,000,000.00	5	1951	96	99½	Wood, Gundy & Co			1	2½
Do	Mar. 4, 1930	5,000,000.00	5	1970	97¾	99	do				1¼
Ontario Power Service Corpration.	Aug. 5, 1930	20,000,000.00	5½	1950	90	94.22	do	.72	½	1	2
CHILE											
Republic of Chile	Feb. 16, 1921	24,000,000.00	8	1941	94	99	J. P. Morgan & Co	1			4
Do	Jan. 24, 1928	45,912,000.00	6	1961	90½	93½	National City Co			1	2
Do	Sept. 4, 1928	16,000,000.00	6	1961	90	94	do	1		1	2
Do	Mar. 11, 1929	10,000,000.00	6	1962	89½	93½	do	1		1	2
Do	Apr. 23, 1930	25,000,000.00	6	1963	87½	91½	do	1		1	2

Mortgage Bank of Chile	June 28, 1925	20,000,000.00	6½	1957	93	97⅝	Kuhn, Loeb & Co.	1½		1⅛	1¾
Do	July 30, 1926	20,000,000.00	6¾	1961	95¼	99¼	do	1¾			2¼
Do	Dec. 23, 1926	10,000,000.00	6	1931	96	98¾	do	1¾			1
Do	May 1, 1928	20,000,000.00	6	1961	92	95¾	do	1¾			2
Do	June 27, 1929	20,000,000.00	6	1962	87¾	92	do	2			2¼
COLOMBIA											
Agricultural Mortgage Bank	Oct. 13, 1927	5,000,000.00	6	1947	89½	92	W. A. Harriman & Co.			½	2
Do	Apr. 23, 1928	5,000,000.00	6	1948	91¼	93½	do			½	1¾
Municipality of Medellin	June 28, 1928	9,000,000.00	6½	1954	90¼	93¼	Hallgarten & Co.			½	2½
CUBA											
Republic of Cuba	Jan. 15, 1923	50,000,000.00	5½	1953	96.77	99¼	J. P. Morgan & Co.	.48			2
Do	July 1, 1927	9,000,000.00	5½	1928–1937	100	101.122	do	.372			¾
Habana Electric Railway, Light & Power Co.	Aug. 21, 1925	4,124,160.00	(7)		235	240	W. A. Harriman & Co.	5			
CZECHOSLOVAKIA											
Czechoslovak Republic	May 21, 1924	9,250,000.00	8	195	92	96½	Kidder, Peabody & Co.			1½	
DENMARK											
Kingdom of Denmark	Oct. 22, 1920	25,000,000.00	8	1945	96	100	National City Co.				4
Do	Dec. 19, 1921	30,000,000.00	6	1942	91½	94½	do				3
City of Copenhagen	Apr. 25, 1928	12,000,000.00	4½	1953	93¼	94½	Kuhn, Loeb & Co.				1¼
Danish consolidated municipal loan.	Nov. 4, 1925	7,000,000.00	5½	1955	97	98½	Brown Bros. & Co.				1½
Jutland Telephone Co.	Oct. 23, 1925	[8] 1,000,000.00	5½	1955–1965			Hambros Bank (Ltd.)	1			
Privatbanken i Kjobenhavn	Oct. 4, 1928	[9] 4,020,000.00	6½	1943			Stockholm Enskilda Bank			2½	
DUTCH EAST INDIES											
Dutch East Indies	Oct. 30, 1933	[8] 29,100,000.00	5	1933–1962							
Do	Jan. —, 1923	[8] 24,250,000.00	6	1963	92½	98	Hambros Bank (Ltd.)	1½			4
Batavian Petroleum Co.	Jan. 20, 1927	25,000,000.00	4½	1942	95	96¼	Dillon, Read & Co.			¼	1
ENGLAND											
Anglo-American Oil Co. (Ltd.)	Mar. 26, 1920	15,000,000.00	7½	1925	96	100	J. P. Morgan & Co.	1			3
Cunard Steamship Co. (Ltd.)	Nov. 9, 1925	7,500,000.00	5	1927	99½	100	Brown Bros. & Co.				½
Do	Nov. 7, 1927	2,500,000.00	4½	1929	99¾	100	do				¼
Debenhams Securities (Ltd.)	Mar. 8, 1928	[8] 4,307,500.00	(7)		50.50	51.50	Goldman, Sachs & Co.	1			
Pinchin-Johnson & Co. (Ltd.)	May 28, 1929	[8] 2,833,000.00	(7)		37.92	42.50	Hallgarten & Co.	4.58			

[2] Average.
[3] Loss.
[4] Preferred.
[5] Debenture stock.
[6] Not retailed.
[7] Shares.
[8] Loan actually made in sterling.
[9] Loan actually made in kroner.

Record of Guaranty Co. of New York in syndicates managed by others (1920–1931)—Continued

Issue	Syndicates managed by others										
	Date offered	Amount of issue	Coupon rate	Due	Cost price	Offering price	Manager	Original terms spread	Interest group spread	Banking group spread	Selling group spread
FINLAND											
			Per cent		*Per cent*	*Per cent*					
Republic of Finland	Mar. 19, 1925	$10,000,000.00	7	1950	89	94	National City Co.	1		1	3
Do	Sept. 14, 1926	15,000,000.00	6½	1956	[10] 90	94	do	1		1	2½
Do	Feb. 15, 1928	15,000,000.00	5½	1958	89	92½	do	½		1	2
Finland Residential Mortgage Bank.	Sept. 28, 1928	10,000,000.00	6	1961	[10] 92⅛	94½	do	¼		½	2
Industrial Mortgage Bank of Finland.	July 9, 1924	12,000,000.00	7	1944	89	95	Lee, Higginson & Co.	1		2	3
FRANCE											
Government of French Republic.	Sept. 9, 1920	100,000,000.00	8	1945	95	100	J. P. Morgan & Co.			1	4
Do	Mar. 25, 1921	100,000,000.00	7½	1941	90½	95	do			½	4
Do	Nov. 24, 1924	100,000,000.00	7	1949	90	94	do			1	3
Do	May 7, 1928	[11] 2,932,500.00	5	2003	35.084	35.672					
Department of Seine	Jan. 23, 1922	25,000,000.00	7	1942	86¾	90½	Kuhn, Loeb & Co.	½			3¼
Est Railroad Co. of France	Feb. 2, 1925	20,000,000.00	7	1954	84	87½	Dillon, Read & Co.			½	3
Framerican Industrial Development Corporation.	Mar. 13, 1922	10,000,000.00	7½	1942	95	99	J. P. Morgan & Co.	1			3
French National Mail Steamship Lines.	Oct. 3, 1924	10,000,000.00	7	1949	86½	91	Dillon, Read & Co.			½	4
Nord Railway Co.	Oct. 7, 1924	15,000,000.00	6½	1950	85	88½	J. P. Morgan & Co.	1			2½
Paris-Lyons-Mediterranean Railroad Co.	Sept. 30, 1924	20,000,000.00	7	1958	88⅞	93¼	Goldman, Sachs & Co.	⅞		½	3
Citroen Societé Anonyme Andre.	May 23, 1927	[11] 11,700,000.00	(7)		19.58	(12)	Lazard Freres & Cie.				
Societé des Acieries & Forges, Firminy.	Jan. 21, 1927	[11] 609,600.00	(7)		10.19	(12)	Hirschler & Cie	1.90			
GERMANY											
German external loan	Oct. 24, 1929	110,000,000.00	7	1929	87	92	J. P. Morgan & Co.	¾		1¼	3
German Government international loan.	May 12, 1930	98,250,000.00	5½	1965	86	90	do	1		½	2½
State of Hamburg	Oct. 6, 1926	10,000,000.00	6	1946	89¾	91¾	Kuhn, Loeb & Co.				2
Free State of Prussia	Sept. 13, 1926	20,000,000.00	6½	1951	92¾	95	Harris, Forbes & Co.				2¼
Do	Oct. 13, 1927	30,000,000.00	6	1952	94½	96½	do				2

City of Berlin	May 29, 1928	15,000,000.00	6	1958	93¼	95	Brown Bros. & Co.			½	1¼
City of Nuremberg	Sept. 12, 1927	5,000,000.00	6	1952	91	94	Equitable Trust Co. of N. Y.			½	2½
Central Bank for Agriculture	Sept. 16, 1925	25,000,000.00	7	1950	89	93	National City Co.			1	3
Do	July 11, 1927	30,000,000.00	6	1960	92¾	95	do			½	1¾
Do	Oct. 14, 1927	50,000,000.00	6	1960	93¼	95½	do			½	1¾
Do	May 2, 1928	30,000,000.00	6	1938	93¼	95½	do			¾	1½
Consolidated agricultural loan to provincial and communal banks	June 6, 1928	25,000,000.00	6½	1958	95	97½	Lee, Higginson & Co.			½	2
Consolidated municipal loan of savings banks and clearing associations	Feb. 23, 1926	15,000,000.00	7	1947	90¼	94¾	Harris, Forbes & Co.	1½			3
Do	Aug. 19, 1926	8,000,000.00	7	1947	93⅜	98	do	2⅛			2½
Do	May 24, 1928	17,500,000.00	6	1947	91½	94½	do	½		½	2
General Electric Co. of Germany	Jan. 28, 1925	10,000,000.00	7	1945	90¾	93¾	National City Co.				3
Do	May 22, 1928	10,000,000.00	6	1948	92¾	94½	do				1¾
Berlin City Electric Co. (Inc.)	Dec. 11, 1926	20,000,000.00	6½	1951	95½	98	Dillon, Read & Co.			½	2
Do	Feb. 15, 1929	15,000,000.00	6½	1959	90½	93½	do			½	2½
Berlin Electric Elevated & Underground Railway Co.	Nov. 12, 1926	15,000,000.00	6½	1956	92	94½	Speyer & Co.				2½
Deutsche Bank	Sept. 14, 1927	25,000,000.00	6	1932	97½	99½	Dillon Read & Co.			½	1½
"Gesfurel"	June 14, 1928	5,000,000.00	6	1953	99	100	Harris, Forbes & Co.				1
Hamburg American Line	Dec. 10, 1925	6,500,000.00	6½	1928–1940	96–98½	99–100	Speyer & Co.				1½–3
Hamburg Elevated, Underground & Street Railways	June 6, 1928	8,000,000.00	5½	1938	90	92½	Brown Bros. & Co.			½	2
North German Lloyd, Bremen	Nov. 10, 1927	20,000,000.00	6	1947	90½	94	Kuhn, Loeb & Co.	1		¾	1¾
Do	Oct. 27, 1928	[13] 12,075,000.00	([7])		61.932	69	do	4.568			2½
Hugo Stinnes Industries (Inc.)	Nov. 3, 1926	12,500,000.00	7	1946	95½	99½	Halsey, Stuart & Co.			1	3
Consolidated Hydro Electric Works or Upper Wurttemberg	Feb. 3, 1926	4,000,000.00	7	1946	88½	93	W. A. Harriman & Co.			1	3½
Westphalia United Electric Power Corporation	Jan. 23, 1928	20,000,000.00	6	1953	90¼	92¾	Speyer & Co.				2½
GREECE											
Greek Government	Dec. 16, 1924	11,000,000.00	7	1964	83	88	Speyer & Co.				5
Do	Jan. 31, 1928	17,000,000.00	6	1968	88½	91	do				2½
HUNGARY											
City of Budapest Municipal Savings Bank Co. (Ltd.).	July 12, 1929	82,425,000.00	7½	1974	95	96½	Hambros Bank (Ltd.)	1½			
Hungarian Central Mutual Credit Institute.	June 2, 1927	3,000,000.00	7	1937	95½	98½	Marshall Field, Glore, Ward & Co.			½	2½
IRELAND											
Irish Free State	Dec. 5, 1927	15,000,000.00	5	1960	94	97	National City Co.	1		½	1½

[7] Shares
[10] Flat.
[11] Loan actually made in francs.

[12] Profit.
[13] Market.
[13] Loan actually made in marks.

Record of Guaranty Co. of New York in syndicates managed by others (1920–1931)—Continued

Issue	Syndicates managed by others										
	Date offered	Amount of issue	Coupon rate	Due	Cost price	Offering price	Manager	Original terms spread	Interest group spread	Banking group spread	Selling group spread
ITALY											
			Per cent		*Per cent*	*Per cent*					
Kingdom of Italy	Nov. 20, 1925	$100,000,000.00	7	1951	91	94½	J. P. Morgan & Co.			½	3
City of Milan	Apr. 12, 1927	30,000,000.00	6½	1952	88½	92	Dillon, Read & Co.	1		½	2
City of Rome	Mar. 29, 1927	30,000,000.00	6½	1952	88	91	J. P. Morgan & Co.			1	2
Banca Commerciale Italiana	Sept. 20, 1928	9,062,500.00	(7)		69.75	72.50	Field, Glore & Co.			.50	2.25
"Fiat"	July 7, 1926	10,000,000.00	7	1946	89	93	J. P. Morgan & Co.			1	3
Italian Credit Consortium for Public Works.	Mar. 22, 1927	12,000,000.00	7	1937 1947	94 93	96½ 95½	do.				2½
Pirelli Co. of Italy	Apr. 28, 1927	4,000,000.00	7	1952	96	98	do.				2
JAPAN											
Imperial Japanese Government	Feb. 15, 1924	150,000,000.00	6½	1954	88½	92	do.			1	3
Do	May 12, 1930	50,000,000.00	5½	1965	87	90	do.			1½	1½
City of Tokio	Mar. 21, 1927	20,640,000.00	5½	1961	87	89½	do.			½	2
City of Yokohama	Nov. 23, 1926	19,740,000.00	6	1961	90	93	do.			½	2½
Industrial Bank of Japan	Aug. 12, 1924	22,000,000.00	6	1927	97½	99¼	National City Co.			½	1¼
Great Consolidated Electric Power Co.	July 18, 1924	15,000,000.00	7	1944	86	91½	Dillon, Read & Co.			1	4½
Great Consolidated Electric Power Co.	July 9, 1925	13,500,000.00	6½	1950	82	86	do.			1	3
Nippon Electric Power Co.	Feb. 9, 1928	9,000,000.00	6½	1953	88¾	94	Harris, Forbes & Co.	3¼			2
The Oriental Development Co.	Mar. 26, 1923	19,900,000.00	6	1953	88½	92	National City Co.			1	2½
Do	Oct. 30, 1928	19,900,000.00	5½	1958	87	90	do.			¾	2½
Taiwan Electric Power Co.	June 26, 1931	22,800,000.00	5½	1971	91	93½	J. P. Morgan & Co.			½	2¾
Tokyo Electric Light Co.	June 7, 1928	[8] 21,870,000.00	6	1953	84¾	90	Lazard Bros. & Co.	2¼			2
Ujigawa Electric Power Co.	Apr. 2, 1925	14,000,000.00	7	1945	84¾	91	Lee Higginson & Co.	1¼	1	1	3
LUXEMBOURG											
"Arbed" (United Steel Works)	Mar. 31, 1926	10,000,000.00	7	1951	86⅛	92½	Kuhn, Loeb & Co.	2⅛		1½	2¾
MEXICO											
Mexican Petroleum Co.	Apr. 18, 1921	10,000,000.00	8	1936	93½	98½	Blair & Co.	1			
NETHERLANDS											
Kingdom of Netherlands	Apr. 29, 1924	40,000,000.00	6	1954	95½	98½	Kuhn, Loeb & Co.			¾	3
Royal Dutch Co.	Mar. 21, 1930	40,000,000.00	4	1945	86¾	89½	Dillon, Read & Co.			¾	2

NORWAY											
Kingdom of Norway	Sept. 28, 1920	20,000,000.00	8	1940	94¼	100	National City Co.	¾		1	4
Do	Oct. 16, 1922	18,000,000.00	6	1952	97	100	do	½		½	2
Do	Aug. 15, 1923	20,000,000.00	6	1943	93	9[illegible]½	do	½		1	2
Do	Aug. 5, 1924	25,000,000.00	6	1944	94	97½	do	1		¾	1¾
Do	June 1, 1925	30,000,000.00	5½	1965	95	96¾	Blair & Co				1¾
City of Bergen	Nov. 12, 1920	4,000,000.00	8	1945	93½	98	Lee Higginson & Co	1½			3
City of Christiania	Oct. 15, 1920	5,000,000.00	8	1945	95	99	Kuhn, Loeb & Co				4
Do	Oct. 1, 1924	2,000,000.00	6	1954	96	98	do				2
PANAMA											
Republic of Panama	May 25, 1923	4,500,000.00	5½	1953	93½	97½	W. A. Harriman & Co	1			3
PERU											
Republic of Peru	July 9, 1922	2,500,000.00	8	1932	95	100	Blyth, Witter & Co	¾		1¼	
Do	Nov. 6, 1925	7,500,000.00	7½	1940	90	97¾	do	2	1½	¾	
Do	June 3, 1926	2,000,000.00	8	1944	96	98	do	2			
Do	Aug. 20, 1926	16,000,000.00	7½	1956	93	100	do	3	½	½	
Do	Dec. 16, 1927	15,000,000.00	(14)				J. & W. Seligman & Co	¼			
Do	Dec. 21, 1927	50,000,000.00	6	1960	86	91½	do	1¼	¾		
Do	Oct. 24, 1928	25,000,000.00 / [8] 9,720,000.00	6	1961	86	91	do	¾	¾		
POLAND											
Republic of Poland stabilization loan.	Oct. 19, 1927	47,000,000.00	7	1947	86	92	Bankers Trust Co	2		1	3
SWEDEN											
Swedish Government	Oct. 27, 1924	30,000,000.00	5½	1954	96.62	99½	National City Co	.505		⅜	2
Kreuger & Toll Co	Sept. 20, 1928	14,000,000.00	(7)		27.0144	28.14	Lee Higginson & Co	[15] .2856		.14	.70
Do	Mar. 7, 1929	26,500,000.00	5	1959	94½	98	do	1		½	2
Do	Oct. 23, 1929	28,000,000.00	(7)		[13] 28	(13)	do	[15] 1.05			
Do	Oct. 23, 1929	30,000,000.00	(7)		[15] 22.54	23	do	[15] .46			
SWITZERLAND											
Government of Switzerland	July 7, 1920	25,000,000.00	8	1940	94	100	do	½		1½	4½
City of Berne	Dec. 1, 1920	6,000,000.00	8	1945	96½	99	Speyer & Co				2
URUGUAY											
Republic of Uruguay	Apr. 21, 1926	30,000,000.00	6	1960	93½	96½	Hallgarten & Co				3
Do	May 9, 1930	17,581,000.00	6	1964	95½	98	do			½	2
VENEZUELA											
Colon Oil Co	June 28, 1928	10,000,000.00	6	1938	97	100	Lee Higginson & Co				3
Total		4,981,546,260.00									

[7] Shares. [8] Loan actually made in sterling. [13] Loan actually made in marks. [14] Banking credit. [15] Per share.

Record of Guaranty Co. of New York in syndicates managed by others (1920–1931)—Continued

Issue	Interest of Guaranty Co. of New York											
	Original terms		Intermediate group		Banking group		Selling group		Gross profit	Discounts	Profit	Number of retail sales
	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit				
ARGENTINA												
National Government of Argentine.							$369,000.00	$1,845.00	$1,845.00	$340.00	$1,505.00	
Government of Argentine nation.							1,250,000.00	30,932.50	30,932.50	2,270.00	28,662.50	268
Do.							800,000.00	9,140.60	9,140.60	280.00	8,860.60	45
Do.							450,000.00	8,537.90	8,537.90	915.00	7,622.90	55
Do.							500,000.00	9,010.00	9,010.00	900.00	8,110.00	103
Do.							1,000,000.00	19,290.00	19,290.00	1,588.75	17,701.25	160
Do.							600,000.00	11,878.00	11,878.00	1,005.00	10,873.00	93
Do.					$3,000,000.00	$6,210.75	5,500,000.00	10,293.75	16,534.50		16,534.50	25
Do.							4,500,000.00	62,500.00	62,500.00		62,500.00	
Province of Buenos Aires					2,000,000.00	43,750.00	2,500,000.00	62,235.11	105,985.11	5,877.50	100,107.61	312
Do.					1,000,000.00	3,750.00	1,000,000.00	22,500.00	26,250.00	9,605.00	16,645.00	4
Do.					3,000,000.00	15,000.00	3,000,000.00	75,000.00	90,000.00	3,700.00	86,300.00	548
City of Buenos Aires							500,000.00	15,711.35	15,711.35	403.75	15,307.60	110
Do.							50,000.00	750.00	750.00		750.00	
Do.							50,000.00	750.00	750.00		750.00	
City of Cordoba					150,000.00	375.00	150,000.00	3,000.00	3,375.00	137.50	3,237.50	46
AUSTRALIA												
Commonwealth of Australia					3,500,000.00	17,500.00	2,235,000.00	33,377.82	50,877.82	5,895.00	44,982.82	245
Do.					2,063,000.00	10,000.00	1,500,000.00	19,440.00	29,440.00	3,355.25	26,084.75	163
Do.					3,000,000.00	13,125.00	2,000,000.00	29,700.00	42,825.00	23,100.75	19,734.25	152
State of New South Wales					175,000.00	656.25	350,000.00	6,562.50	7,218.75	910.00	6,308.75	82
Do.							400,000.00	7,100.00	7,100.00	485.00	6,615.00	60
State of Queensland	$1,000,000.00	$7,886.35					500,000.00	8,750.00	16,636.35	225.00	16,411.35	137
Do.	750,000.00	6,501.23					250,000.00	4,375.00	10,876.23	445.00	10,431.23	61
AUSTRIA												
Austrian Government	500,000.00	4,016.00					750,000.00	22,440.00	26,456.00	2,799.00	23,657.00	404
Austrian Government international loan of 1930	1,125,000.00	9,000.00	$1,000,000.00	$7,900.00			850,000.00	14,875.00	31,775.00	8,355.00	23,420.00	116

BELGIUM												
Kingdom of Belgium	12,500,000.00	40,681.25					421,000.00	27,101.59	67,786.84		67,782.84	
Do	25,000,000.00	242,056.07	7,750,000.00	77,500.00			1,035,000.00	53,620.46	373,175.53		373,176.53	
Do	15,000,000.00	150,000.00	4,650,000.00	46,500.00			415,000.00	28,853.17	225,353.17		225,353.17	
Do	2,135,000.00	16,429.87					1,270,000.00	22,137.50	38,567.37	7,518.17	31,049.20	67
Do	15,000,000.00	172,500.00			100,000.00	350.00	2,580,000.00	49,129.56	221,979.56	5,587.50	216,392.06	443
Do	25,000,000.00	250,893.33			7,500,000.00	37,500.00	3,615,000.00	97,049.75	385,443.08	10,484.74	374,958.34	682
Do	25,000,000.00	250,000.00			9,600,000.00	48,000.00	3,605,000.00	86,899.00	384,899.00	6,633.75	378,265.25	545
Do (stabilization loan)	25,000,000.00	248,801.37			9,800,000.00	49,000.00	3,560,000.00	86,731.40	384,532.77	4,745.00	379,787.77	765
Solvay & Cie	2,000,000.00	30,000.00			1,000,000.00	12,275.93	1,000,000.00	19,330.00	61,605.93		61,605.93	
Société Anonyme D'Ougree Marihaye							120,000.00	1,269.83	1,269.83		1,269.83	
BRAZIL												
United States of Brazil					150,000.00	562.50	180,000.00	3,112.50	3,675.00		3,675.00	3
State of Sao Paulo	250,000.00	6,280.74					500,000.00	14,760.00	21,040.74	421.25	20,619.49	176
Do							30,000.00	825.00	825.00	70.00	755.00	5
Do					400,000.00	2,000.00	400,000.00	7,800.00	9,800.00	88.75	9,711.25	66
CANADA												
Dominion of Canada	6,500,000.00	32,500.00	4,000,000.00	35,940.00			2,007,000.00	12,217.00	80,663.00	5,742.50	74,920.50	
Canadian National Railways							125,000.00	4,401.87	4,401.87		4,401.87	
Canadian National Railways (Canadian Northern Rwy. Co.)	2,000,000.00	20,000.00					1,500,000.00	28,162.50	48,162.50		48,162.50	
Do	2,000,000.00	20,000.00					525,000.00	9,465.01	29,465.01		29,465.01	194
Canadian National Railways (Grand Trunk Railways)	2,000,000.00	10,000.00					600,000.00	8,461.14	18,461.14	531.50	17,929.64	117
Canadian National Railways	3,275,000.00	7,489.51					2,500,000.00	8,789.47	16,278.98	4,552.49	11,726.49	41
Canadian National Railways (Canadian Northern Rwy. Co.)	1,535,156.25	7,338.83					741,000.00	5,488.00	12,826.83	1,647.33	11,179.50	22
Do	3,040,000.00	14,440.00					750,000.00	10,827.98	25,267.98	7,315.00	17,952.98	12
Do	3,420,000.00	10,224.13					1,403,000.00	17,272.50	27,496.63	3,658.75	23,837.88	15
	1,805,000.00						800,000.00					
Canadian National Railways	2,456,250.00	2,984.60					1,233,000.00	7,706.25	10,690.85	4,801.91	5,888.94	122
Do	6,930,622.50	41,036.43					878,000.00	10,951.25	51,987.68	1,417.50	50,570.18	126
Do	2,250,000.00	9,789.81					2,250,000.00	17,517.50	27,307.31	10,840.00	16,467.31	160
Do	8,750,000.00	57,692.67					1,000,000.00	10,000.00	67,692.67	2,387.50	65,305.17	67
Canadian National Steamship Co.	1,175,000.00	6,810.71					1,175,000.00	5,875.00	12,685.71	2,830.60	9,855.11	89
Canadian Northern Rwy							200,000.00	4,295.48	4,295.48	639.16	3,656.32	
Do	897,500.00	852.63					500,000.00	2,500.00	3,352.63	1,510.13	1,842.50	
Grand Trunk Railways	2,500,000.00	25,000.00					500,000.00	12,693.51	37,693.51		37,693.51	
Do	1,000,000.00	6,962.38					250,000.00	4,228.34	11,190.72		11,190.72	
National Transcontinental (Railway Branch Lines Co.)					556,000.00	4,961.09	556,000.00	8,340.00	13,301.09	1,952.50	11,348.59	52

Record of Guaranty Co. of New York in syndicates managed by others (1920–1931)—Continued

Issue	Interest of Guaranty Co. of New York											
	Original terms		Intermediate group		Banking group		Selling group		Gross profit	Discounts	Profit	Number of retail sales
	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit				
CANADA—continued												
Province of Alberta	$300,000.00	$3,779.01					$1,265,000.00	$15,812.50	$19,591.51	$15,812.50	$3,779.01	35
Province of Ontario	5,000,000.00	31,619.55					2,420,000.00	15,515.00	47,134.55	10,137.59	36,996.96	92
Do	5,000,000.00	27,578.94					3,622,000.00	19,377.23	46,956.17	7,317.50	39,638.67	99
City of Montreal	2,200,000.00	18,736.77					1,669,000.00	2,646.13	21,382.90		21,382.90	123
Do	1,214,000.00	4,729.29					1,150,000.00	21,562.50	26,291.79	11,202.50	15,089.29	28
Do	1,400,000.00	5,001.99					814,000.00	6,082.20	11,084.19	3,170.00	7,914.19	27
City of Toronto	3,133,000.00	32,737.61					2,500,000.00	3,846.54	36,584.15		36,584.15	44
Do	2,933,333.00	[3] 73.93					2,497,000.00	1,072.35	998.42	1,177.50	[3] 179.08	52
Do	798,571.43	4,262.62					838,000.00	6,675.22	10,937.84	2,503.40	8,434.44	58
Do	1,913,000.00	7,739.00					1,895,000.00	9,323.61	17,062.61	4,605.25	12,456.36	82
Toronto Harbor Commissioners	285,000.00	1,571.00							1,571.00		1,571.00	1
Aluminum (Ltd.)	2,833,000.00	28,330.00			$2,071,000.00	$8,387.55	1,165,000.00	17,400.00	54,117.55	18,826.50	35,291.05	95
Do	1,850,000.00	18,037.50					805,000.00	21,149.05	39,186.55		39,186.55	115
Canada Cement Co. (Ltd.)	2,000,000.00	20,000.00			888,000.00	11,010.39	500,000.00	8,932.50	39,942.89	525.00	39,417.89	77
Canadian Pacific Ry. Co	4,250,000.00	37,078.29					5,405,000.00	87,228.78	124,307.07	9,976.01	114,331.06	206
Do	850,000.00	6,521.30					600,000.00	8,250.00	14,771.30	2,734.87	12,036.43	48
Do	1,700,000.00	8,500.00			1,562,000.00	5,250.52	750,000.00	7,500.00	21,250.52	1,814.37	19,436.15	31
Do	7,200,000.00	31,500.00			4,430,000.00	16,336.22	2,300,000.00	34,500.00	82,336.22	6,319.30	76,016.92	82
Do	1,800,000.00	9,000.00			300,000.00	1,950.00	725,000.00	8,266.12	19,216.12	2,644.00	16,572.12	41
Do	9,840,000.00	49,200.00			5,070,000.00	23,192.62	2,375,000.00	24,102.75	96,495.37	4,547.50	91,947.87	180
Do	3,500,000.00	400,469.67					4,845,000.00	72,682.50	113,152.17	10,244.20	102,907.97	344
Do	7,100,000.00	35,500.00			3,740,000.00	27,053.94	2,966,000.00	32,896.50	96,350.44	8,917.50	87,432.94	192
Canada Steamship Lines (Ltd.)					100,000.00	1,000.00	100,000.00	2,829.50	3,829.50	2,000.00	1,829.50	(6)
Duke Price Power Co. (Ltd.)	4,000,000.00	80,000.00			3,700,000.00	35,753.99	2,700,000.00	67,500.00	183,253.99	3,720.00	179,533.99	459
Gatineau Power Co							50,000.00	1,057.50	1,057.50	92.50	965.00	17
Montreal Light, Heat & Power Co					500,000.00	5,000.00	400,000.00	9,012.40	14,012.40	565.00	13,447.40	67
Do							150,000.00	1,875.00	1,875.00	217.50	1,657.50	14
Ontario Power Service Corporation	4,750,000.00	35,774.14	$3,280,000.00	$8,285.05	830,000.00	6,225.00	1,275,000.00	28,190.00	78,474.19	1,486.25	76,987.94	307
CHILE												
Republic of Chile	4,644,000.00	47,870.34					698,000.00	23,507.59	71,377.93		71,377.93	
Do					1,000,000.00	7,931.97	850,000.00	15,937.50	23,869.47	527.50	23,341.97	291

Do.	1,600,000.00	14,000.00			884,550.00	5,796.35	1,165,000.00	19,745.00	39,541.35	1,303.25	38,238.10	211
Do.	1,000,000.00	8,750.00			250,000.00	1,653.61	400,000.00	6,940.00	17,343.61	338.75	17,004.86	110
Do.	2,500,000.00	22,625.00			1,500,000.00	12,904.93	1,500,000.00	28,500.00	64,029.93	11,896.25	52,133.68	134
Mortgage Bank of Chile	9,000,000.00	98,644.06			3,625,000.00	28,996.56	1,600,000.00	27,527.50	155,168.12	3,994.87	151,173.25	272
Do.	8,248,500.00	113,839.14					3,000,000.00	66,937.50	180,776.64	3,983.75	176,792.89	710
Do.	4,500,000.00	70,820.15					1,028,000.00	10,220.00	81,040.15	1,819.50	79,220.65	164
Do.	6,000,000.00	93,110.55					3,000,000.00	59,860.00	152,970.55	3,632.50	149,338.05	477
Do.	6,000,000.00	11,258.59					1,250,000.00	28,035.00	39,293.59	9,898.65	29,394.94	240
COLOMBIA												
Agricultural Mortgage Bank					100,000.00	375.00	115,000.00	2,300.00	2,675.00	217.50	2,457.50	28
Do.					100,000.00	375.00	100,000.00	1,625.00	2,000.00	97.50	1,902.50	32
Municipality of Medellin					500,000.00	2,500.00	500,000.00	11,887.50	14,387.50	612.00	13,775.50	120
CUBA												
Republic of Cuba	6,000,000.00	28,800.00					1,517,800.00	5,113.50	33,913.50	1,837.00	32,076.50	138
Do.	1,080,009.00	1,764.00					350,000.00	2,625.00	4,389.00	556.09	3,832.91	52
Habana Electric Railway, Light & Power Co.	1,855,872.00	38,354.69							38,354.69		38,354.69	(6)
CZECHOSLOVAKIA												
Czechoslovak Republic					250,000.00	2,550.50			2,550.50		2,550.50	(6)
DENMARK												
Kingdom of Denmark							1,000,000.00	38,772.84	38,772.84		38,772.84	
Do.							1,000,000.00	24,335.54	24,335.54	592.49	23,743.05	145
City of Copenhagen							100,000.00	1,250.00	1,250.00	5,625.00	[3] 4,375.00	(6)
Danish consolidated municipal loan							25,000.00	375.00	375.00	50.00	325.00	8
Jutland Telephone Co.	200,000.00	2,221.59							2,221.59		2,221.59	
Privatbanken i Kjobenhavn					134,000.00	1,334.00			1,334.00		1,334.00	(6)
DUTCH EAST INDIES												
Dutch East Indies	5,832,000.00	44,850.00							44,850.00		44,850.00	(6)
Do.	4,860,000.00	38,025.00							38,025.00		38,025.00	(6)
Batavian Petroleum Co.					750,000.00	1,406.25	750,000.00	7,400.00	8,806.25	25,627.00	[3] 16,820.75	7
ENGLAND												
Anglo-American Oil Co. (Ltd.)	3,000,000.00	30,000.00					750,000.00	13,758.00	43,758.00		43,758.00	
Cunard Steamship Co. (Ltd.)							350,000.00	1,750.00	1,750.00	800.00	950.00	32
Do.							100,000.00	250.00	250.00		250.00	1
Debenhams Securities (Ltd.)	150,000.00	1,500.00							1,500.00		1,500.00	(6)
Pinchin-Johnson & Co. (Ltd.)	991,652.00	[3] 83,059.68							[3] 83,059.68		[3] 83,059.68	(6)

See footnotes at end of table.

Record of Guaranty Co. of New York in syndicates managed by others (1920–1931)—Continued

Issue	Interest of Guaranty Co. of New York											
	Original terms		Intermediate group		Banking group		Selling group		Gross profit	Discounts	Profit	Number of retail sales
	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit				
FINLAND												
Republic of Finland	$1,322,900.00	$18,851.32			$1,474,875.00	$9,195.09	$1,125,000.00	$33,690.00	$61,736.41	$14,546.25	$47,190.16	168
Do	1,587,480.00	13,096.71			1,800,000.00	13,487.41	1,410,000.00	34,150.00	60,734.12	2,052.50	58,681.62	293
Do	1,653,625.00	13,780.18			1,372,500.00	10,487.68	1,293,000.00	24,243.75	48,511.61	1,642.50	46,869.11	228
Finland Residential Mortgage Bank	1,150,923.00	2,877.31			1,144,687.00	4,292.58	1,500,000.00	24,940.75	32,110.64	771.25	31,339.39	403
Industrial Mortgage Bank of Finland	3,175,000.00	28,710.45			2,536,500.00	25,365.00	2,007,000.00	67,526.44	121,601.89	19,975.00	101,626.89	239
FRANCE												
Government of French Republic					8,000,000.00	80,000.00	3,500,000.00	104,071.05	184,071.05		184,071.05	
Do					7,000,000.00	35,000.00	3,500,000.00	112,279.38	147,279.38		147,279.38	754
Do					6,000,000.00	60,000.00	4,000,000.00	95,592.90	155,592.90	5,124.63	150,468.27	1,628
Do								[3] 1,857.95	[3] 1,857.95	845.82	[3] 2,703.77	(6)
Department of Seine	1,000,000.00	5,000.00					400,000.00	13,622.47	18,622.47	462.50	18,159.97	150
Est Railroad Co. of France					500,000.00	2,500.00	150,000.00	3,712.71	6,212.71	132.50	[12] 6,345.21	42
Framerican Industrial Development Corporation	1,000,000.00	10,000.00					500,000.00	16,975.00	26,975.00	1,665.00	25,310.00	422
French National Mail Steamship Lines					200,000.00	801.72	200,000.00	7,045.42	7,847.14	512.50	7,334.64	37
Nord Railway Co	4,687,500.00	38,671.88					1,000,000.00	20,737.60	59,409.48	2,872.36	56,537.12	112
Paris-Lyons-Mediterranean Railroad Co	3,000,000.00	19,667.65			1,500,000.00	6,094.38	1,465,000.00	34,045.00	59,807.03	7,745.32	52,061.71	593
Citroen Societé Anonyme Andre	293,700.00	133,124.52							133,124.52		133,124.52	(6)
Societé des Acieries & Forges, Firminy	25,400.00	4,740.81							4,740.81		4,740.81	(6)
German external loan	5,500,000.00	27,500.00			5,000,000.00	62,500.00	3,975,000.00	110,543.40	200,543.40	9,746.00	[12] 210,289.40	1,398
German Government international loan	4,421,250.00	35,370.00			5,000,000.00	25,000.00	4,000,000.00	84,450.00	144,820.00	6,759.99	138,060.01	631
State of Hamburg							150,000.00	3,000.00	3,000.00	172.50	2,827.50	71
Free State of Prussia							100,000.00	2,250.00	2,250.00	117.50	2,132.50	52
Do							375,000.00	6,911.25	6,911.25	4,729.75	2,181.50	67
City of Berlin					100,000.00	375.00	125,000.00	1,562.50	1,937.50		1,937.50	2
City of Nuremberg					100,000.00	500.00	100,000.00	2,250.00	2,750.00		2,750.00	

Central Bank for Agriculture					250,000.00	1,666.80	175,000.00	5,031.25	6,698.05	775.00	5,923.05	119
Do					500,000.00	1,447.45	500,000.00	7,863.75	9,311.20	1,432.50	7,878.70	83
Do					1,000,000.00	4,818.58	800,000.00	12,970.00	17,788.58	5,590.12	12,198.46	101
Do					500,000.00	2,999.91	400,000.00	5,518.88	8,518.79	1,232.50	2,286.29	91
Consolidated loan to provincial and communal banks					500,000.00	1,875.00	500,000.00	10,000.00	11,875.00	46,596.25	[3] 34,721.25	(6)
Consolidated municipal loan of savings banks and clearing associations	2,000,000.00	27,008.65					1,300,000.00	36,718.75	63,727.40	3,217.50	60,509.90	220
Do	1,066,000.00	12,085.35					700,000.00	16,445.00	28,530.35	1,070.00	27,460.35	138
Do	2,333,333.00	5,317.21			1,471,000.00	3,677.50	1,500,000.00	27,393.75	36,388.46	3,879.50	32,508.96	285
General Electric Co. of Germany							9,000.00	258.75	258.75		258.75	5
Do							50,000.00	652.50	652.50	62.50	590.00	10
Berlin City Electric Co. (Inc.)					250,000.00	1,250.00			1,250.00		1,250.00	
Do					100,000.00	375.00	100,000.00	2,227.58	2,602.58	250.00	2,352.58	2
Berlin Electric Elevated & Underground Railway Co.							500,000.00	12,375.00	12,375.00	387.50	11,987.50	96
Deutsche Bank					500,000.00	2,008.05	500,000.00	6,800.00	8,808.05	885.62	7,922.43	98
"Gesfurel"							250,000.00	1,952.50	1,952.50	995.54	956.96	28
Hamburg American Line							200,000.00	6,150.00	6,150.00	345.00	5,805.00	43
Hamburg Elevated, Underground Street Railways					150,000.00	562.50	150,000.00	3,000.00	3,562.50	3,582.50	[3] 20.00	13
North German Lloyd, Bremen	5,000,000.00	48,337.50			1,650,000.00	5,404.40	1,500,000.00	26,110.00	79,951.90	8,290.00	71,661.90	213
Do	1,932,000.00	56,067.08							56,067.08		56,067.08	(6)
Hugo Stinnes Industries (Inc.)					500,000.00	5,000.00			5,000.00		5,000.00	(6)
Consolidated Hydro Electric Works of Upper Wurttemberg					300,000.00	3,000.00	300,000.00	10,062.50	13,062.50	1,378.75	11,683.75	85
Westphalia United Electric Power Corporation							100,000.00	2,250.00	2,250.00	8,750.00	[3] 6,500.00	1
GREECE												
Greek Government							50,000.00	1,359.57	1,359.57	50.00	1,309.57	11
Do							100,000.00	2,124.50	2,124.50	1,350.00	774.50	3
HUNGARY												
City of Budapest Municipal Savings Bank Co. (Ltd.)	486,000.00	5,465.60							5,465.60		6,465.60	
Hungarian Central Mutual Credit Institute					200,000.00	906.51	202,000.00	4,545.00	5,451.51		5,451.51	2
IRELAND												
Irish Free State	6,650,000.00	66,500.00			5,200,000.00	11,360.78	3,700,000.00	50,957.50	128,818.28	4,622.00	124,196.28	735

See footnotes at end of table.

Record of Guaranty Co. of New York in syndicates managed by others (1920–1931)—Continued

Issue	Interest of Guaranty Co. of New York: Original terms		Intermediate group		Banking group		Selling group		Gross profit	Discounts	Profit	Number of retail sales
	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit				
ITALY												
Kingdom of Italy					$5,000,000.00	$25,000.00	$3,150,000.00	$113,728.75	$138,728.75	$27,933.37	$110,795.38	1,047
City of Milan	$7,666,667.00	$51,465.13			6,600,000.00	26,812.50	2,500,000.00	51,153.33	129,430.98	6,213.50	123,217.48	498
City of Rome					2,000,000.00	20,000.00	1,500,000.00	27,000.00	47,000.00	1,931.25	45,068.75	415
Banca Commerciale Italiana					85,000.00	600.00	88,087.00	2,733.75	3,333.75	253.75	3,080.00	8
"Fiat"					1,000,000.00	10,000.00	800,000.00	20,261.50	30,261.50	1,873.75	28,387.75	169
Italian Credit Consortium for Public Works							500,000.00	11,365.00	11,365.00	703.00	10,662.00	170
Pirelli Co. of Italy							200,000.00	2,928.00	2,928.00	32.50	2,895.50	25
JAPAN												
Imperial Japanese Government					9,000,000.00	87,962.40	6,000,000.00	130,785.00	218,747.40	2,994.80	215,752.60	845
Do					3,500,000.00	17,500.00	2,500,000.00	58,475.00	75,975.00	3,792.50	72,183.50	257
City of Tokio					1,000,000.00	5,000.00	700,000.00	12,978.00	17,978.00	872.50	17,105.50	156
City of Yokohama					1,000,000.00	5,000.00	700,000.00	16,436.00	21,436.00	507.50	20,928.50	130
Industrial Bank of Japan					750,000.00	3,110.52	750,000.00	8,750.00	11,860.52	1,675.00	10,185.52	77
Great Consolidated Electric Power Co.					4,000,000.00	40,000.00	500,000.00	21,135.87	61,135.87	516.00	60,619.87	151
Do					3,500,000.00	35,000.00	500,000.00	11,359.35	46,359.35	366.25	45,993.10	106
Nippon Electric Power Co	1,350,000.00	25,905.29					1,000,000.00	18,750.00	44,655.29	1,062.50	43,592.79	235
The Oriental Development Co					1,000,000.00	8,097.50	815,500.00	19,887.50	27,985.00	4,282.50	23,702.50	161
Do					1,000,000.00	5,025.83	800,000.00	15,110.00	20,135.83	847.50	19,288.33	168
Taiwan Electric Power Co					1,000,000.00	4,605.00	850,000.00	15,625.00	20,230.00	1,350.00	18,880.00	129
Tokyo Electric Light Co	4,371,000.00	83,423.64							83,423.64		83,423.64	(6)
Ujiwaga Electric Power Co	2,500,000.00	31,100.00	$2,000,000.00	$20,000.00	2,000,000.00	20,000.00	1,000,000.00	28,700.00	99,800.85	11,628.75	88,172.10	59
LUXEMBOURG												
"Arbed" (United Steel Works)	5,000,000.00	80,704.24			1,790,250.00	16,995.40	1,363,500.00	36,035.63	133,735.27	6,340.00	127,395.27	299
MEXICO												
Mexican Petroleum Co	250,000.00	2,500.00							2,500.00		2,500.00	(6)

NETHERLANDS												
Kingdom of Netherlands							1,500,000.00	58,495.15	58,495.15	6,273.75	52,221.40	307
Royal Dutch Co.					1,250,000.00	7,830.99	1,000,000.00	18,005.00	25,835.99	1,347.50	24,488.49	191
NORWAY												
Kingdom of Norway	4,500,000.00	33,750.00			3,206,000.00	32,060.00	1,361,000.00	34,612.07	100,422.07		100,422.07	
Do.	3,740,295.00	18,701.48			2,790,000.00	10,036.41	500,000.00	12,550.00	41,287.89	3,067.25	38,220.64	109
Do.	4,288,000.00	18,760.00			2,177,000.00	17,585.35	1,000,000.00	18,780.00	55,125.35	1,247.50	53,877.85	273
Do.	4,824,000.00	48,240.00			3,270,000.00	18,070.30	1,500,000.00	26,250.00	92,560.30	6,650.00	85,910.30	227
Do.							350,000.00	5,302.50	5,302.50	929.00	4,373.50	77
City of Bergen	500,000.00	7,500.00					400,000.00	1,307.50	8,807.50		8,807.50	
City of Christiania							400,000.00	12,771.45	12,771.45		12,771.45	
Do.							100,000.00	1,900.00	1,900.00	245.00	1,655.00	9
PANAMA												
Republic of Panama	2,250,000.00	22,500.00					450,000.00	22,847.96	45,347.96		45,347.96	299
PERU												
Republic of Peru	2,500,000.00	9,691.62			833,333.00	10,411.50			20,103.12		20,103.12	(6)
Do.	1,500,000.00	24,924.72	1,150,000.00	9,688.17	751,000.00	3,755.00			38,367.89		38,367.89	(6)
Do.	666,666.67	12,598.16							12,598.16		12,598.16	(6)
Do.	2,400,000.00	66,000.00	1,774,000.00	6,652.50	1,580,000.00	7,900.00			80,552.50		80,552.50	(6)
Do.	750,000.00	1,875.00							1,875.00		1,875.00	(6)
Do.	2,500,000.00	18,428.36	2,500,000.00	18,750.00					37,178.36		37,178.36	(6)
Do.	1,750,000.00	8,175.38	1,750,000.00	13,125.00					21,300.38		21,300.38	(6)
POLAND												
Republic of Poland stabilization loan	9,400,000.00	166,832.41			1,995,000.00	14,498.68	5,500,000.00	131,690.00	313,031.09	10,371.88	302,659.21	1,187
SWEDEN												
Swedish Government	3,960,000.00	19,998.00			3,630,000.00	13,612.50	2,150,000.00	35,747.92	69,358.42	8,647.50	60,710.92	329
Kreuger & Toll Co.	3,500,000.00	31,303.12			3,001,600.00	15,008.00	1,990,800.00	121,227.60	167,538.72		167,538.72	636
Do.	6,625,000.00	57,968.75			5,625,000.00	28,125.00	3,750,000.00	70,498.30	156,592.05	7,715.50	148,876.55	814
Do.	6,003,200.00	286,502.91							286,502.91	11,597.17	274,905.74	860
Do.	6,432,000.00	130,188.46							130,188.46		130,188.46	(6)
SWITZERLAND												
Government of Switzerland	8,000,000.00	30,000.00			6,083,000.00	91,245.00	1,760,000.00	52,448.73	173,693.73	5,463.05	168,230.68	
City of Berne							53,000.00	1,307.50	1,307.50		1,307.50	
URUGUAY												
Republic of Uruguay							10,000.00	287.50	287.50		287.50	2
Do.					250,000.00	937.50	250,000.00	5,000.00	5,937.50	3,258.75	2,678.75	28
VENEZUELA												
Colon Oil Co.							250,000.00	6,875.00	6,875.00	442.50	6,432.50	49
Total	490,621,396.85	4,690,453.83	29,854,000.00	244,346.72	215,182,245.00	1,456,667.64	231,883,687.00	4,427,355.75	10,818,823.94	659,228.79	10,159,595.15	33,270

See footnotes at end of table.

Issues managed by Guaranty Co. of New York (1920–1931)

Issue	Date offered	Amount of issue	Coupon rate	Maturity	Yearly sinking fund payments	Sinking fund payments to date	Cost price	Offering price
CANADA			*Per cent*				*Per cent*	*Per cent*
Province of Alberta	Jan. 13, 1927	$2,525,000.00	4½	1942, 1957			94.89	[1] 42–96.82 [1] 57–95.25
Do	Sept. 20, 1921	2,100,000.00	6	1931		$2,100,000.00	92.19	95
Province of British Columbia	Jan. 23, 1924	2,000,000.00	5	1949			94.80	96.75
Do	Feb. 2, 1925	4,000,000.00	4½	1928		4,000,000.00	99.28	100
Province of Manitoba	Mar. 28, 1923	1,000,000.00	5	1924		1,000,000.00	99.337	99.80
Province of Nova Scotia	July 28, 1922	2,000,000.00	5	1924		2,000,000.00	98.78	99.80
Harbour Commissioners of Montreal	July 23, 1930	500,000.00	5	1969			103.30	104.13
Do	Nov. 12, 1929	18,500,000.00	5	1969			98	100
Montreal metropolitan commission	May 5, 1931	2,600,000.00	4½	1965			98.91	100
Do	Oct. 20, 1922	3,000,000.00	5	1942			93.94	96.33
City of Ottawa	Sept. 30, 1920	2,285,000.00	6	1921–1950	[1] $51,000.00	764,000.00	97.29	8–6¼
City of Winnipeg	July 8, 1926	2,025,000.00	4½	1946			94.121	96.17
Do	June 4, 1926	2,500,000.00	4½	1946			94.4471	96.17
Belgo-Canadian Paper Co	June 7, 1923	4,000,000.00	6	1943			91½	97
Canadian General Electric Co. (Ltd.)	Mar. 20, 1922	5,000,000.00	6	1942		5,000,000.00	96½	101
Canadian Pacific Ry. Co	Mar. 5, 1920	12,000,000.00	6	1932	(5)	11,500,000.00	93.57	94⅞–99⅝
COLOMBIA								
Department of Antioquia	July 15, 1927	4,000,000.00	7	1957	[3] 321,600.00	284,000.00	88¾	93
Do	Nov. 25, 1927	4,000,000.00	7	1957	[3] 322,800.00	330,000.00	90	94¼
Do	June 15, 1928	4,350,000.00	7	1957	[3] 352,320.00	229,000.00	92¼	96½
DENMARK								
Kingdom of Denmark	July 29, 1925	30,000,000.00	5½	1955	1,200,000.00	1,213,000.00	97.27	99½
Do	Apr. 5, 1928	55,000,000.00	4½	1962	[3] 3,215,500.00	2,194,000.00	93.037	95
Danish export credit committee	Jan. 17, 1927	1,100,000.00	4½	1929–1934	(2)	600,000.00	96.37	[4] 98.41
Do	Oct. 20, 1927	3,000,000.00	4½	1928–1934	(4)	1,640,000.00	95.949	[4] 98.053
Danish producers' loan-fund committee	Oct. 18, 1928	2,500,000.00	5	1931–1940	(3)	250,000.00	98	[4] 97⅞
Copenhagen Telephone Co	Apr. 22, 1925	2,000,000.00	6	1950		2,000,000.00	96¾	99¾
Do	Feb. 14, 1929	7,000,000.00	5	1954	280,000.00	581,000.00	92	94¾
DUTCH EAST INDIES								
Government of Dutch East Indies	Jan. 4, 1922	40,000,000.00	6	1947	(7)	2,751,000.00	90.77	94½
Do	Mar. 15, 1922	40,000,000.00	6	1962	(8)		91	94¾
Do	Apr. 21, 1922	20,000,000.00	6	1962	(8)	7,489,000.00	92¾	96½
Do	Feb. 15, 1923	25,000,000.00	5½	1953	(9)	2,889,000.00	84¼	88
Do	Nov. 8, 1923	25,000,000.00	5½	1953	(9)	4,700,000.00	86¼	90

GERMANY								
State of Bremen	Jan. 16, 1925	5,000,000.00	[10]	1925	[11]	5,000,000.00	93.856	94.979
Do.	Sept. 22, 1925	10,000,000.00	7	1935	[12]	2,538,000.00	89	94¾
Do.	Nov. 19, 1925	5,000,000.00	7	1935			90	95¾
Hansa Steamship Line	Oct. 18, 1929	5,000,000.00	6	1939			88	93
HUNGARY								
Hungarian Land Mortgage Institute	June 2, 1926	3,000,000.00	7½	1961	[3] 253,924.00	171,000.00	88	95
Do.	Apr. 17, 1928	3,000,000.00	7½	1961	[3] 257,664.00	129,000.00	95½	100
National Hungarian Industrial Mortgage Institute	Nov. 5, 1928	5,000,000.00	7	1948	[1] 143,000.00	524,000.00	89	94¾
ITALY								
Montecatini	Jan. 28, 1927	10,000,000.00	7	1937	[3] 1,100,530.00	2,076,000.00	90⅝	96½
JAPAN								
Toho Electric Power Co.	Mar. 9, 1925	15,000,000.00	7	1955	550,000.00	2,075,000.00	84	90½
Do.	July 14, 1926	10,000,000.00	6	1929		10,000,000.00	95	98½
Do.	June 18, 1929	11,450,000.00	6	1932			92½	96¼
Tokyo Electric Light Co.	Aug. 4, 1925	24,000,000.00	6	1928		24,000,000.00	96.2	98⅞
Do.	June 7, 1928	70,000,000.00	6	1953	1,200,000.00	3,710,000.00	85	90½
NORWAY								
Kingdom of Norway	Mar. 7, 1928	30,000,000.00	5	1963	[9]		95.17	97½
URUGUAY								
City of Montevideo	Dec. 8, 1926	5,171,000.00	6	1959	[3] 361,970.00	319,000.00	89.95	93¼
Total		540,686,000.00				104,056,000.00		

[1] On increasing scale.
[2] Serials maturities.
[3] Less annual payments for interest on outstanding bonds.
[4] Average.
[5] Profit.
[6] Loss.
[7] Sinking fund begins Nov. 1, 1932.
[8] Sinking fund begins 1933.
[9] Sinking fund begins 1934.
[10] Discounts noted.
[11] Retired after 1 year.
[12] $150,000 per year for all outstanding 7's (if bonds below par).

Issues managed by Guaranty Co. of New York (1920–1931)—Continued

Issue	The syndicate													
	Original terms			Intermediate group			Banking group			Selling group			Total expenses	Net total profit
	Number of dealers	Profit spread	Amount of profit	Number of dealers	Profit spread	Amount of profit	Number of dealers	Profit spread	Amount of profit	Number of dealers	Profit spread	Amount of profit		
CANADA														
Province of Alberta	2	0.386	$13,181.15	--------	--------	--------	--------	--------	--------	2	¾	$18,937.50	$2,376.14	$29,742.51
Do	4	1.81	37,909.25	--------	--------	--------	--------	--------	--------	4	1	21,000.00	6,955.00	51,954.25
Province of British Columbia	3	.70	8,509.25	--------	--------	--------	--------	--------	--------	3	1¼	25,000.00	3,759.93	29,749.32
Do	5	.5325	13,577.85	--------	--------	--------	--------	--------	--------	5	.1875	7,500.00	5,978.52	15,099.33
Province of Manitoba	3	.4005	1,681.39	--------	--------	--------	--------	--------	--------	3	.0625	625.00	--------	2,306.39
Province of Nova Scotia	3	.645	12,718.93	--------	--------	--------	--------	--------	--------	3	.375	7,500.00	2,003.28	18,215.65
Harbour Commissioners of Montreal	5	.23	811.90	--------	--------	--------	--------	--------	--------	5	.60	3,000.00	--------	3,811.90
Do	5	1¼	210,768.80	--------	--------	--------	--------	--------	--------	5	¾	242,509.00	46,359.86	406,917.94
Montreal metropolitan commission	2	.386	10,344.80	--------	--------	--------	--------	--------	--------	2	.75	20,100.00	--------	30,444.80
Do	2	.89	25,314.17	--------	--------	--------	--------	--------	--------	2	1.50	45,000.00	4,693.28	65,620.89
City of Ottawa	4	--------	62,566.32	--------	--------	--------	--------	--------	--------	4	¼–½	10,155.00	5,788.41	66,932.91
City of Winnipeg	3	.80	7,805.96	--------	--------	--------	--------	--------	--------	3	1¼	25,312.50	1,506.51	31,611.95
Do	3	.473	14,072.50	--------	--------	--------	--------	--------	--------	3	1¼	31,250.00	5,870.58	39,451.92
Belgo-Canadian Paper Co	2	2	80,000.00	--------	--------	--------	--------	--------	--------	109	3½	140,000.00	23,101.12	196,898.88
Canadian General Electric Co. (Ltd.)	5	1	50,000.00	--------	--------	--------	--------	--------	--------	35	3½	175,000.00	13,605.40	211,394.60
Canadian Pacific Ry. Co	10	¾	90,000.00	--------	--------	--------	--------	--------	--------	69	2½	300,000.00	11,832.20	378,167.80
COLOMBIA														
Department of Antioquia	3	1.23	49,333.33	--------	--------	--------	--------	--------	--------	18	3	120,000.00	17,919.63	151,413.70
Do	3	1¼	50,000.00	--------	--------	--------	--------	--------	--------	31	3	120,000.00	27,583.64	142,416.36
Do	3	1¼	54,375.00	--------	--------	--------	--------	--------	--------	39	3	130,500.00	18,024.02	166,850.98
DENMARK														
Kingdom of Denmark	4	.48	139,000.00	--------	--------	--------	118	½	$132,500.00	491	1¼	331,250.00	61,326.23	541,423.77
Do	16	.213	105,435.00	--------	--------	--------	228	½	247,500.00	778	1¼	609,375.00	[5] 10,290.43	972,600.43
Danish export credit committee	4	2.04	22,492.12	--------	--------	--------	--------	--------	--------	--------	--------	--------	7,531.20	14,960.92
Do	4	[4] 1.104	33,091.99	--------	--------	--------	--------	--------	--------	3	1	22,550.00	10,491.06	45,150.93
Danish producers' loan-fund committee	5	([6])	[6] 21,875.00	--------	--------	--------	--------	--------	--------	5	([6])	[6] 22,750.00	4,213.24	[6] 48,838.24

Copenhagen Telephone Co.	3	1	22,500.00							18	2	37,500.00	6,409.27	53,590.73
Do.	3	¾	52,500.00							84	2	140,000.00	15,621.83	176,878.17
DUTCH EAST INDIES														
Government of Dutch East Indies	16	.73	292,000.00							771	3	1,200,000.00	88,832.80	1,405,167.20
Do.	15	¾	300,000.00							631	3	1,200,000.00	105,310.41	1,394,689.59
Do.	16	2½	500,000.00							714	1¼	250,000.00	83,614.92	666,385.08
Do.	11	¾	187,500.00							615	3	750,000.00	89,026.32	848,473.68
Do.	11	¾	172,500.00							553	3	690,000.00	[1] 15,299.52	877,799.52
GERMANY														
State of Bremen	3	1.123	31,881.92										20,932.12	10,949.80
Do.	5	1½	137,500.00				28	1	75,000.00	338	3¼	243,750.00	34,331.48	421,918.52
Do.	5	2¼	89,375.00							28	3½	96,250.00	24,528.80	161,096.20
Hansa Steamship Line	1	2	100,000.00				32	1	50,000.00	76	2	100,000.00	77,772.56	172,227.44
HUNGARY														
Hungarian Land Mortgage Institute	3	3½	105,000.00							7	3½	105,000.00	52,431.53	157,568.47
Do.	3	1¾	52,500.00							7	2¾	82,500.00	8,340.51	126,659.49
National Hungarian Industrial Mortgage Institute	1	3	150,000.00							19	2¾	137,500.00	67,720.85	219,779.15
ITALY														
Montecatini	5	2⅝	262,500.00				40	¾	75,000.00	187	2½	250,000.00	145,460.83	442,039.17
JAPAN														
Toho Electric Power Co.	2	1½	225,000.00				25	1	150,000.00	160	4	600,000.00	124,374.10	850,625.90
Do.	3	1½	150,000.00				31	½	50,000.00	177	1½	150,000.00	44,121.42	305,878.58
Do.	3	1¼	143,125.00				91	¾	85,875.00	213	1¾	200,375.00	53,925.65	375,449.35
Tokyo Electric Light Co.	2	.925	222,000.00				25	½	120,000.00	311	1¼	300,000.00	121,829.90	520,170.10
Do.	4	2	1,407,213.54	40	¾	$518,750.00	223	¾	506,250.00	765	2	1,350,000.00	675,524.26	3,106,689.28
NORWAY														
Kingdom of Norway	5	.58	174,000.00				143	½	150,000.00	492	1¼	375,000.00	63,200.80	635,799.20
URUGUAY														
City of Montevideo	2	.80	41,368.00				22	¾	38,782.50	41	1¾	90,492.50	35,079.83	135,563.17
Total			5,889,578.17			518,750.00			1,680,907.50			10,732,181.50	2,191,719.49	16,629,697.68

See footnotes at end of table.

Issues managed by Guaranty Co. of New York (1920–1931)—Continued

Issue	Guaranty Co. of New York											
	Original terms		Intermediate group		Banking group		Selling group		Gross profit	Discounts	Profit	Number of retail sales
	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit				
CANADA												
Province of Alberta	$1,262,500.00	$5,402.51					$1,077,000.00	$9,712.09	$15,114.60	$6,698.75	$8,415.85	34
Do	1,000,000.00	14,740.00					1,065,000.00	10,650.00	25,390.00	7,900.00	17,490.00	42
Province of British Columbia	900,000.00	2,137.20					1,149,000.00	18,225.00	20,362.00	14,912.50	5,449.70	66
Do	1,150,000.00	2,185.67					1,908,000.00	10,480.00	12,665.67	6,278.75	6,386.92	112
Province of Manitoba	333,000.00	560.47					366,000.00	228.75	789.22	217.30	571.92	12
Province of Nova Scotia	950,000.00	5,089.94					1,000,000.00	3,750.00	8,839.94	2,322.50	6,517.44	33
Harbour Commissioner of Montreal	100,000.00	162.38					100,000.00	1,007.96	1,170.34	250.00	920.34	4
Do	3,700,000.00	40,783.54					940,000.00	12,125.00	52,908.54	4,787.50	48,212.04	118
Montreal metropolitan commission	1,340,000.00	5,172.40					837,000.00	6,277.50	11,449.90	71,692.50	[6]60,242.60	16
Do	1,500,000.00	10,310.44					459,000.00	5,041.73	15,352.17	2,047.49	13,304.68	43
City of Ottawa	650,116.15	16,143.68					1,246,900.00	5,692.75	21,836.43	5,152.50	16,683.93	182
City of Winnipeg	911,250.00	2,834.75					898,000.00	[6]2,191.21	643.54		643.54	39
Do	1,125,000.00	3,690.86					270,000.00	3,375.00	7,065.86	1,326.26	5,739.60	35
Belgo-Canadian Paper Co	3,200,000.00	58,571.52					961,000.00	10,661.83	69,233.35	1,662.24	67,571.11[7]	394
Canadian General Electric Co. (Ltd.)	3,500,000.00	35,000.00					3,250,000.00	92,735.33	127,735.33	10,275.00	117,460.33	450
Canadian Pacific Ry. Co	3,000,000.00	33,310.82					1,650,000.00	32,419.00	65,729.82		65,729.82	
COLOMBIA												
Department of Antioquia	1,800,000.00	13,509.54					2,725,000.00	74,950.00	88,459.54	3,537.50	84,922.04	480
Do	1,800,000.00	14,587.36					2,025,000.00	55,687.50	70,274.86	1,545.00	68,729.86	307
Do	1,957,500.00	14,049.44					2,350,000.00	69,192.50	83,241.94	2,750.00	80,491.94	417
DENMARK												
Kingdom of Denmark	11,875,000.00	50,280.38			$6,710,000.00	$25,162.50	2,145,500.00	30,051.75	105,494.63	3,423.50	102,071.13	325
Do	19,875,000.00	21,724.30			7,127,500.00	47,861.52	5,500,000.00	66,787.50	136,373.32	96,065.49	40,307.83	549
Danish export credit committee	462,000.00	3,354.06							3,354.06		3,354.06	47
Do	1,116,000.00	8,556.34					1,420,000.00	14,200.000	22,756.34	3,166.56	19,589.78	128
Danish producers' loan-fund committee	465,000.00	[6]9,502.34					1,815,000.00	15,335.00	5,832.67	7,917.38	[6]2,084.81	76

Copenhagen Telephone Co.	1,000,000.00	8,330.36					1,181,000.00	22,730.00	31,060.36	977.50	30,082.86	210
Do.	3,500,000.00	19,909.82					1,110,000.00	17,112.96	37,022.78	1,247.50	35,775.28	197
DUTCH EAST INDIES												
Government of Dutch East Indies	7,100,000.00	43,655.29					2,789,000.00	56,892.08	100,547.37	1,977.47	98,569.90	588
Do.	7,350,000.00	50,780.77					2,201,000.00	66,179.03	116,959.80	4,693.75	112,266.05	424
Do.	3,675,000.00	81,993.76					1,100,000.00	13,310.00	95,303.76	674.99	94,628.77	238
Do.	5,781,250.00	43,359.36					1,518,000.00	47,859.20	91,218.56	2,863.75	88,354.81	349
Do.	5,318,750.00	39,890.64					1,880,000.00	66,817.29	106,707.93	6,465.55	100,242.38	259
GERMANY												
State of Bremen	4,000,000.00	10,949.80							10,949.80		10,949.80	77
Do.	4,800,000.00	59,265.00			2,550,000.00	16,430.16	1,350,000.00	42,282.50	117,977.66	2,400.00	115,577.66	312
Do.	2,400,000.00	36,264.27					1,146,000.00	31,872.68	68,136.95	2,041.25	66,095.70	308
Hansa Steamship Line	5,000,000.00	33,977.44			3,220,000.00	24,150.00	2,789,000.00	55,680.00	113,807.44	59,577.95	54,229.49	374
HUNGARY												
Hungarian Land Mortgage Institute	1,600,000.00	28,223.19					1,550,000.00	53,900.00	82,123.19	1,552.50	80,570.69	367
Do.	1,600,000.00	27,668.61					2,192,000.00	53,957.86	81,626.47	1,885.00	79,741.47	430
National Hungarian Industrial Mortgage Institute	5,000,000.00	100,000.00					3,365,000.00	91,410.00	191,410.00	512,026.25	[6] 320,616.25	663
ITALY												
Montecatini	4,000,000.00	56,815.66			3,140,000.00	15,700.00	3,158,000.00	78,950.00	151,465.66	2,715.16	148,750.50	646
JAPAN												
Toho Electric Power Co.	12,500,000.00	107,992.41			5,600,000.00	56,000.00	3,035,000.00	119,275.64	283,268.05	5,377.50	277,890.55	1,018
Do.	6,667,000.00	76,132.22			3,283,000.00	18,735.63	3,127,000.00	46,190.00	141,057.85	5,762.50	135,295.35	509
Do.	7,633,000.00	76,547.07			3,255,000.00	16,275.00	3,525,000.00	56,668.75	149,[illegible]0.82	4,780.00	144,710.82	445
Tokyo Electric Light Co.	19,200,000.00	98,222.08			6,900,000.00	25,875.00	3,850,000.00	47,150.00	171,[illegible]47.08	9,733.76	161,513.32	636
Do.	49,000,000.00	643,120.00	$11,548,170.00	$72,176.06	10,665,000.00	66,656.25	10,500,000.00	209,700.00	[illegible]91,652.31	18,371.25	973,281.06	1,861
NORWAY												
Kingdom of Norway	10,500,000.00	50,911.95			6,551,000.00	17,769.62	6,050,000.00	74,812.50	143,494.07	11,322.50	132,171.57	740
URUGUAY												
City of Montevideo	4,171,000.00	12,829.74			1,897,000.00	9,485.00	2,136,000.00	36,592.50	58,907.24	1,755.00	57,152.24	330
Total	235,768,366.15	2,059,494.61	11,548,170.00	72,176.06	60,898,500.00	340,100.68	94,739,400.00	1,835,737.97	4,307,509.32	912,129.85	3,395,379.47	14,890

See footnotes at end of table.

Record of Guaranty Co. of New York in syndicates managed by others, 1920–1931

Issue	Syndicates managed by others										
	Date offered	Amount of issue	Coupon rate	Due	Cost price	Offering price	Manager	Original terms spread	Interest group spread	Banking group spread	Selling group spread
ARGENTINA											
			Per cent		*Per cent*	*Per cent*					
National Government of Argentine.	Sept. 6, 1923	$55,000,000.00	6	1924	99	99½	Kuhn Loeb & Co				½
Government of Argentine Nation.	June 2, 1925	45,000,000.00	6	1959	93½	96	J. P. Morgan & Co				2½
Do	Sept. 22, 1925	29,700,000.00	6	1959	94½	96½	do				2
Do	Apr. 22, 1926	20,000,000.00	6	1960	96	98	do				2
Do	Sept. 30, 1926	16,900,000.00	6	1960	96¼	98¼	do				2
Do	Jan. 14, 1927	27,000,000.00	6	1961	96¼	98¼	do				2
Do	Apr. 28, 1927	21,200,000.00	6	1961	97	99	do				2
Do	Apr. 10, 1930	50,000,000.00	5	1930	99½	100	Chatham Phoenix Corporation.			5/16	3/16
Do	Sept. 25, 1930	50,000,000.00	5	1931	100.24	100.36	Brown Bros. & Co				⅛
Province of Buenos Aires	Dec. 10, 1926	24,121,000.00	7	1957	89¾	94¾	First National Corporation, Boston.			2	3
Do	Apr. 29, 1927	10,613,500.00	7	1958	92	95	do			½	2½
Do	Feb. 24, 1928	41,101,000.00	6	1961	93¼	96½	do			½	2¾
City of Buenos Aires	Jan. 30, 1924	8,490,000.00	6½	1955	93	96½	Dillon, Read & Co				3½
Do	Jan. 11, 1928	3,396,000.00	6	1960	97	98½	Blyth, Witter & Co				1½
Do	July 26, 1927	3,396,000.00	6	1960	96	97½	do				1½
City of Cordoba	Feb. 16, 1927	4,669,500.00	7	1957	96¼	98¾	White, Weld & Co			½	2
AUSTRALIA											
Commonwealth of Australia	July 20, 1925	75,000,000.00	5	1955	97½	99½	J. P. Morgan & Co			½	1½
Do	Aug. 24, 1927	40,000,000.00	5	1957	96	98	do			½	1½
Do	May 8, 1928	50,000,000.00	4½	1956	90½	92½	do			½	1½
State of New South Wales	Feb. 2, 1927	25,000,000.00	5	1957	93¾	96¼	Equitable Trust Co			½	2
Do	Apr. 11, 1927	25,000,000.00	5	1958	94	96¼	do				2¼
State of Queensland	Oct. 8, 1921	12,000,000.00	7	1941	96¼	99	National City Co	1			1¾
Do	Feb. 10, 1922	10,000,000.00	6	1947	93¾	96½	do	1			1¾
AUSTRIA											
Austrian Government	June 11, 1923	25,000,000.00	7	1943	85¾	90	J. P. Morgan & Co	1¼			3
Austrian Government International Loan of 1930.	July 15, 1930	25,000,000.00	7	1957	91	95	do	1	1		2

BELGIUM											
Kingdom of Belgium	Jan. 16, 1920	25,000,000.00	6	1921	96	99	do	½			2½
				1925	92¾	95¾					
Do	June 2, 1920	50,000,000.00	7½	1945	91¼	97¼	do	1	1		4
Do	Jan. 24, 1921	30,000,000.00	8	1941	94	100	do	1	1		4
Do	Oct. 13, 1921	4,270,000.00	6	1925	92	95	do	1			2
Do	Sept. 2, 1924	30,000,000.00	6½	1949	90	94	do	1		½	2½
Do	Dec. 18, 1924	50,000,000.00	6	1955	83	87½	do	1		½	3
Do	June 11, 1925	50,000,000.00	7	1955	94	98	do	1		½	2½
Do. (stabilization loan)	Oct. 26, 1926	50,000,000.00	7	1956	30	94	do	1		½	2½
Solvay & Cie	Oct. 4, 1920	10,000,000.00	8	1927	94	100	Harris, Forbes & Co	1½		1½	3
Societe Anonyme D'Ougree Maribaye.	Feb. 27, 1927	[1] 6,030,000.00	6½	1957	94.203	97	Hope & Co., Amsterdam				2.797
BRAZIL											
United States of Brazil	Oct. 13, 1927	41,500,000.00	6½	1957	90	92½	Dillion, Read & Co			½	2
State of Sao Paulo	Mar. 30, 1925	15,000,000.00	8	1950	95	99½	Speyer & Co	1½			3
Do	Mar. 22, 1926	7,500,000.00	7	1956	93¾	96½	do				2¾
Do	July 19, 1928	15,000,000.00	6	1968	91¾	94½	do			½	2¼
CANADA											
Dominion of Canada	Apr. 25, 1922	100,000,000.00	5	1952	98	100	Chase Securities Corporation	½	1		½
Canadian National Rys	May 17, 1920	15,000,000.00	7	1935	96	99	William A. Read & Co				3
Canadian National Rys. (Canadian Northern Ry. Co.).	Nov. 26, 1920	25,000,000.00	7	1940	97	100	Dillon, Read & Co	1			2
Do	July 7, 1921	25,000,000.00	6½	1946	93½	96½	William A. Read & Co	1			2
Canadian National Rys. (Grand Trunk Rys.).	Sept. 15, 1921	25,000,000.00	6	1936	93	95¼	Dillon, Read & Co	½			1¾
Canadian National Rys	July 28, 1924	20,000,000.00	4	1927	98.25	98.875	do	¼			⅜
Canadian National Rys. (Canadian Northern Ry. Co.).	do	9,375,000.00	4½	1925-1939	97.35	[2] 4-4.75	do	½			¾
Canada National Rys	Sept. 5, 1924	26,000,000.00	4½	1954	94	96	do	½			1½
Canadian National Rys. (Canadian Northern Ry. Co.)	Feb. 2, 1925	18,000,000.00	5	1930	99⅛	99⅞	do	¼			½
		17,000,000.00	5	1935	96¼	97⅝		⅜			1
Canadian National Rys	Apr. 29, 1927	15,000,000.00	4½	1928-1942	98	4.50-4.70	do	.201			⅝
Do	June 18, 1929	69,000,000.00	5	1969	97.75	99⅜	do	⅜			1¼
Do	Jan. 28, 1930	18,000,000.00	5	1970	98.086	99½	do	.724			¾
Do	Jan. 21, 1931	70,000,000.00	4½	1956	96.4077	98.25	do	.84			1
Canadian National Steamship Co.	Feb. 21, 1930	9,400,000.00	5	1955	99.177	100	do	.33			½
Canadian Northern Ry	Mar. 23, 1920	12,000,000.00	5½	1923	93.64	96.64	do				3
				1925	91.50	94.50					
Do	Mar. 7, 1922	11,000,000.00	5	1925	99.03	99.625	do	.095			½
Grand Trunk Rys	Oct. 6, 1920	25,000,000.00	7	1940	95½	100	do	1			3½
Do	Jan. 14, 1921	12,000,000.00	6½	1936	92.65	95.40	do	¾			2
National Transcontinental Ry. Branch Lines Co.	Jan. 19, 1928	3,396,000.00	4½	1955	96	98½	Co			1	1½

See footnotes at end of table.

Record of Guaranty Co. of New York in syndicates managed by others, 1920–1931—Continued

Issue	Syndicates managed by others										
	Date offered	Amount of issue	Coupon rate	Due	Cost price	Offering price	Manager	Original terms spread	Interest group spread	Banking group spread	Selling group spread
CANADA—continued			*Per cent*		*Per cent*	*Per cent*					
Province of Alberta	Apr. 5, 1922	$3,000,000.00	5½	1952	100.25	103	Dillon, Read & Co	1.50			1¼
Province of Ontario	May 6, 1929	35,000,000.00	5	1959	99.15	100	National City Co	.225			.625
Do	Jan. 13, 1930	30,000,000.00	4½	1932–1971	98.669	99½–100½	do	.63			⅛–¾
City of Montreal	Feb. 8, 1923	16,000,000.00	5	1954–1912	95	97–97½		¾–½			1–1¼
Do	Jan. 9, 1924	9,700,000.00	5	1943–1963	94.143	[3] 96.41	Harris, Forbes	.395			1⅞
Do	Jan. 12, 1926	7,000,000.00	4½	1946	94.142	95.25	do	.485			⅞
City of Toronto	Sept. 30, 1921	10,000,000.00	6	1925–1951	96.179	[3] 6.50	National City Co	1			1–1½
Do	Apr. 5, 1927	8,800,000.00	4½	1928–1957	98.849	99¼–100	do	.20			⅛–½
Do	Feb. 18, 1930	5,590,000.00	4½–5	1930–1959	97.04	[3] 5	do	⅝			⅛–¾
Do	May 14, 1930	13,396,000.00	5	1931–1950	100.189	[3] 101.32	do	.42			⅛–¾
Toronto harbor commissioners	Feb. 20, 1930	2,000,000.00	5	1953	98.95	99½	do	.55			
Aluminum (Ltd.)	June 6, 1926	20,000,000.00	5	1948	97	100	Union Trust of Pittsburgh	1		½	1½
Do	May 27, 1930	13,000,000.00	[4] 6		96	99.25	do	1			2.25
Canada Cement Co., (Ltd.)	Oct. 25, 1927	20,000,000.00	5½	1947	94	99	Wood, Gundy & Co	1		1½	2½
Canadian Pacific Ry Co	Dec. 20, 1921	27,000,000.00	[5] 4		74	78	National City Co	1			3
Do	Oct. 30, 1923	5,000,000.00	[5] 4		77	79½	do	1			1½
Do	Aug. 4, 1924	10,000,000.00	[5] 4		79	81	do	½		½	1
Do	Sept. 17, 1926	20,000,000.00	4½	1946	94	96½	do	½		½	1½
Do	Nov. 15, 1928	5,000,000.00	[5] 4		85½	88	do	½		¾	1¼
Do	June 27, 1929	30,000,000.00	5	1944	97½	99½	do	½		½	1
Do	Dec. 17, 1929	30,000,000.00	5	1954	97½	100	do	1			1½
Do	July 10, 1930	25,000,000.00	4½	1960	95½	98	do	½		¾	1¼
Canada Steamship Lines (Ltd.)	Sept. 15, 1926	18,000,000.00	6	1941	93	97	Kissel Kinnicutt & Co			1	3
Duke Price Power Co., (Ltd.)	Apr. 29, 1926	37,000,000.00	6	1966	94½	100	Union Trust of Pittsburgh	2		1	2½
Gatineau Power Co	July 22, 1926	25,000,000.00	5	1956	91½	94	Chase Securities Corporation.				2½
Montreal Light, Heat, & Power Co.	Oct. 1, 1926	30,000,000.00	5	1951	96	99½	Wood, Gundy & Co			1	2½
Do	Mar. 4, 1930	5,000,000.00	5	1970	97¾	99	do				1¼
Ontario Power Service Corporation.	Aug. 5, 1930	20,000,000.00	5½	1950	90	94.22	do	.72	½	1	2
CHILE											
Republic of Chile	Feb. 16, 1921	24,000,000	8	1941	94	99	J. P. Morgan & Co	1			4
Do	Jan. 24, 1928	45,912,000	6	1961	90½	93½	National City Co			1	2
Do	Sept. 4, 1928	16,000,000	6	1961	90	94	do	1		1	2
Do	Mar. 11, 1929	10,000,000	6	1962	89½	93½	do	1		1	2
Do	Apr. 23, 1930	25,000,000	6	1963	87½	91½	do	1		1	2

Mortgage Bank of Chile	June 26, 1925	20,000,000	6½	1957	93	97⅓	Kuhn, Loeb & Co.	1½		1⅛	1¾
Do.	July 30, 1926	20,000,000	6¾	1961	95¼	99¼	do.	1¾			2¼
Do.	Dec. 23, 1926	10,000,000	6	1931	96	98¾	do.	1¾			1
Do.	May 1, 1928	20,000,000	6	1961	92	94¾	do.	1¾			2
Do.	June 27, 1929	20,000,000	6	1962	87¾	92	do.	2			2¼
COLOMBIA											
Agricultural Mortgage Bank	Oct. 13, 1927	5,000,000	6	1947	89½	92	W. A. Harriman & Co.			½	2
Do.	Apr. 23, 1928	5,000,000	6	1948	91¼	93½	do.			½	1¾
Municipality of Medellin	June 28, 1928	9,000,000.00	6½	1954	90¼	93¼	Hallgarten & Co.			⅓	2½
CUBA											
Republic of Cuba	Jan. 15, 1923	50,000,000.00	5½	1953	96.77	99½	J. P. Morgan & Co.	.48			2
Do.	July 1, 1927	9,000,000.00	5½	1928–1937	100	101.122	do.	.372			¾
Havana Electric Ry. Light & Power Co.	Aug. 21, 1925	4,124,160.00	(8)		235	240	W. A. Harriman & Co.	5			
CZECHOSLOVAKIA											
Czechoslovak Republic	May 21, 1924	9,250,000.00	8	1952	92	96½	Nidder, Peabody & Co.			1½	
DENMARK											
Kingdom of Denmark	Oct. 22, 1920	25,000,000.00	8	1945	96	100	National City Co.				4
Do.	Dec. 19, 1921	30,000,000.00	6	1942	91½	94½	do.				3
City of Copenhagen	Apr. 25, 1928	12,000,000.00	4½	1953	93¼	94½	Kuhn, Loeb & Co.				1¼
Danish Consolidated municipal loan.	Nov. 4, 1925	7,000,000.00	5½	1955	97	98½	Brown Bros. & Co.				1½
Jutland Telephone Co.	Oct. 23, 1925	[9] 1,000,000.00	5½	1955–1965			Hambros Bank (Ltd.)	1			
Privatbanken i Kjobenhavn	Oct. 4, 1928	[10] 4,020,000.00	6½	1943			Stockholm Enskilda Bank			2½	
DUTCH EAST INDIES											
Dutch East Indies	Oct. 30, 1933	[9] 29,100,000.00	5	1933–1962							
Do.	Jan. ?, 1923	[9] 24,250,000.00	6	1963	92½	98	Hambros Bank (Ltd.)	1½			4
Batavian Petroleum Co.	Jan. 20, 1927	[9] 25,000,000.00	4½	1942	95	96¼	Dillon, Read & Co.			¼	1
ENGLAND											
Anglo-American Oil Co. (Ltd.)	Mar. 26, 1920	15,000,000.00	7½	1925	96	100	J. P. Morgan & Co.	1			3
Cunard Steamship Co. (Ltd.)	Nov. 9, 1925	7,500,000.00	5	1927	99½	100	Brown Bros. & Co.				½
Do.	Nov. 7, 1927	2,500,000.00	4½	1929	99¾	100	do.				¼
Debenhams Securities (Ltd.)	Mar. 8, 1928	[9] 4,307,500.00	(8)		50.50	51.50	Goldman, Sachs & Co.	1			
Pinchin-Johnson & Co. (Ltd.)	May 28, 1929	[9] 2,833,000.00	(8)		37.92	42.50	Hallgarten & Co.	4.58			

See footnotes at end of table.

Record of Guaranty Co. of New York in syndicates managed by others, 1920-1931—Continued

Issue	Syndicates managed by others										
	Date offered	Amount of issue	Coupon rate	Due	Cost price	Offering price	Manager	Original terms spread	Interest group spread	Banking group spread	Selling group spread
FINLAND			Per cent		Per cent	Per cent					
Republic of Finland	Mar. 19, 1925	$10,000,000.00	7	1950	89	94	National City Co.	1		1	3
Do.	Sept. 14, 1926	15,000,000.00	6½	1956	* 90	94	do.	1		1	2½
Do.	Feb. 15, 1928	15,000,000.00	5½	1958	89	92½	do.	½		1	2
Finland Residential Mortgage Bank.	Sept. 28, 1928	10,000,000.00	6	1961	* 92⅛	94½	do.	¼		½	2
Industrial Mortgage Bank of Finland.	July 9, 1924	12,000,000.00	7	1944	89	95	Lee, Higginson & Co.	1		2	3
FRANCE											
Government of French Republic	Sept. 9, 1920	100,000,000.00	8	1945	95	100	J. P. Morgan & Co.			1	4
Do.	Mar. 25, 1921	100,000,000.00	7½	1941	90½	95	do.			½	4
Do.	Nov. 24, 1924	100,000,000.00	7	1949	90	94	do.			1	3
Do.	May 7, 1928	[11] 2,932,500.00	5	2003	35.084	35.67					
Department of Seine	Jan. 23, 1922	25,000,000.00	7	1942	86¼	90½	Kuhn, Loeb & Co.	½			3¼
Est R. R. Co. of France	Feb. 2, 1925	20,000,000.00	7	1954	84	87½	Dillon, Read & Co.			½	3
Framerican Industrial Development Corporation.	Mar. 13, 1922	10,000,000.00	7½	1942	95	99	J. P. Morgan & Co.	1			3
French National Mail Steamship Lines.	Oct. 3, 1924	10,000,000.00	7	1949	86½	91	Dillon, Read & Co.			½	4
Nord Ry. Co.	Oct. 7, 1924	15,000,000.00	6½	1950	85	88⅝	J. P. Morgan & Co.	1			2½
Paris-Lyons-Mediterranean R. R. Co.	Sept. 30, 1924	20,000,000.00	7	1958	88⅞	93¼	Goldman, Sachs & Co.	⅜		½	3
Citroen Société Anonyme Andre.	May 23, 1927	[11] 11,700,00.00	(9)		19.58	(13)	Lazard Frères & Cie.				
Société des Acieries & Forges, Firminy.	Jan. 21, 1927	[11] 609,600.00	(9)		10.19	(13)	Hirschler & Cie	1.90			
GERMANY											
German external loan	Oct. 24, 1929	110,000,000.00	7	1949	87	92	J. P. Morgan & Co.	¾		1¼	3
German Government international loan.	May 12, 1930	98,250,000.00	5½	1965	86	90	do.	1		⅛	2½
State of Hamburg	Oct. 6, 1926	10,000,000.00	6	1946	89¾	91¾	Kuhn, Loeb & Co.				2
Free State of Prussia	Sept. 13, 1926	20,000,000.00	6½	1951	92¾	95	Harris, Forbes & Co.				2½
Do.	Oct. 13, 1927	30,000,000.00	6	1952	94½	96½	do.				2
City of Berlin	May 29, 1928	15,000,000.00	6	1958	93¼	95	Brown Bros. & Co.			½	1¼
City of Nuremberg	Sept. 12, 1927	5,000,000.00	6	1952	91	94	Equitable Trust Co. of N. Y.			⅜	2⅜
Central Bank for Agriculture	Sept. 16, 1925	25,000,000.00	7	1950	89	93	National City Co.			1	3
Do.	July 11, 1927	30,000,000.00	6	1960	92¾	95	do.			½	1¾
Do.	Oct. 14, 1927	50,000,000.00	6	1960	93¼	95½	do.			½	1¾
Do.	May 2, 1928	30,000,000.00	6	1938	93½	95½	do.			¾	1½

Consolidated agricultural loan to Provincial & communal banks.	June 6, 1928	25,000,000.00	6½	1958	95	97½	Lee, Higginson & Co.			½	2
Consolidated munic. loan of Saving Banks and Clearing Associations.	Feb. 23, 1926	15,000,000.00	7	1947	90¼	94¾	Harris, Forbes & Co.	1½			3
Do.	Aug. 19, 1926	8,000,000.00	7	1947	93⅝	98	do.	2⅛			2½
Do.	May 24, 1928	17,500,000.00	6	1947	91½	94½	do.	½		½	2¾
General Electric Co. of Germany	Jan. 26 1925	10,000,000.00	7	1945	90¾	93¾	National City Co.				3
Do.	May 22, 1928	10,000,000.00	6	1948	92¾	94½	do.				1¾
Berlin City Electric Co., (Inc.).	Dec. 11, 1926	20,000,000.00	6½	1951	95½	98	Dillon, Read & Co			½	2
Do.	Feb. 15, 1929	15,000,000.00	6½	1959	90½	93½	do.			½	2½
Berlin Electric Elevator & Underground Railway Co.	Nov. 12, 1926	15,000,000.00	6½	1956	92	94½	Speyer & Co.				2½
Deutsche Bank	Sept. 14, 1927	25,000,000.00	6	1932	97½	98½	Dillon, Read & Co.			½	1½
"Gesfurel"	June 14, 1928	5,000,000.00	6	1953	99	100	Harris, Forbes & Co.				1
Hamburg American Line	Dec. 10, 1925	6,500,000.00	6½	1928–40	96–98½	99–100	Speyer & Co.				1½–3
Hamburg Elevated Underground & Street Railways.	June 6, 1928	8,000,000.00	5½	1938	90	92½	Brown Bros. & Co.			½	2
North German Lloyd—Bremen.	Nov. 10, 1927	20,000,000.00	6	1947	90½	94	Kuhn, Loeb & Co.	1		¾	1¾
Do.	Oct. 27, 1928	[12] 12,075,000.00	(9)		61.932	69	do.	4.568			2½
Hugo Stinnes Industries, (Inc.).	Nov. 3, 1926	12,500,000.00	7	1946	95½	99½	Halsey, Stuart & Co.			1	3
Continental Hydroelectric Works of Upper Wurttemberg.	Feb. 3, 1926	4,000,000.00	7	1956	88½	93	W. A. Harriman & Co.			1	3½
Westphalia United Electric Power Corporation.	Jan. 23, 1928	20,000,000.00	6	1953	90¼	92¾	Speyer & Co.				2½
GREECE											
Greek Government	Dec. 16, 1924	11,000,000.00	7	1964	83	88	Speyer & Co				5
Do	Jan. 31, 1928	17,000,000.00	6	1968	88½	91	do				2½
HUNGARY											
City of Budapest Municipal Savings Bank Co. (Ltd.).	July 12, 1929	[*] 2,425,000.00	[*] 7½	1974	95	98½	Hambros Bank (Ltd.)	1½			
Hungarian Central Mutual Credit Institute.	June 2, 1927	3,000,000.00	7	1937	95½	98½	Marshall Field, Glore, Ward & Co.			½	2½
IRELAND											
Irish Free State	Dec. 5, 1927	15,000,000.00	5	1960	94	97	National City Co.	1		½	1½
ITALY											
Kingdom of Italy	Nov. 20, 1925	100,000,000.00	7	1951	91	94½	J. P. Morgan & Co.			½	3
City of Milan	Apr. 12, 1927	30,000,000.00	6½	1952	88½	92	Dillon Read & Co.	1		½	2
City of Rome	Mar. 29, 1927	30,000,000.00	6½	1952	88	91	J. P. Morgan & Co.			1	2
Banca Commerciale Italiana	Sept. 20, 1928	9,062,500.00	(9)		69.75	72.50	Field, Glore & Co.			.50	2.25
"Fiat"	July 7, 1926	10,000,000.00	7	1946	89	93	J. P. Morgan & Co.			1	3
Italian Credit Consortium for Public Works	Mar. 22, 1927	12,000,000.00	7	1937 1947	94 93	96½ 95½	do.				2½
Pirelli Co. of Italy	Apr. 28, 1927	4,000,000.00	7	1952	96	98	do.				2

See footnotes at end of table.

Record of Guaranty Co. of New York in syndicates managed by others (1920–1931)—Continued

Issue	Syndicates managed by others										
	Date offered	Amount of issue	Coupon rate	Due	Cost price	Offering price	Manager	Original terms spread	Interest group spread	Banking group spread	Selling group spread
JAPAN											
			Per cent		*Per cent*	*Per cent*					
Imperial Japanese Government	Feb. 15, 1924	$150,000,000.00	6½	1954	88½	92	J. P. Morgan & Co			1	3
Do	May 12, 1930	50,000,000.00	5½	1965	87	90	do			1½	1½
City of Tokio	Mar. 21, 1927	20,640,000.00	5½	1961	87	89½	do			½	2
City of Yokohama	Nov. 23, 1926	19,740,000.00	6	1961	90	93	do			½	2½
Industrial Bank of Japan	Aug. 12, 1924	22,000,000.00	6	1927	97½	99¼	National City Co			½	1¼
Great Consolidated Electric Power Co.	July 18, 1924	15,000,000.00	7	1944	86	91½	Dillon Read & Co			1	4½
Do	July 9, 1925	13,500,000.00	6½	1950	82	86	do			1	3
Nippon Electric Power Co	Feb. 9, 1928	9,000,000.00	6½	1953	88¾	94	Harris, Forbes & Co	3¼			2
The Oriental Development Co	Mar. 26, 1923	19,900,000.00	6	1953	88½	92	National City Co			1	2½
Do	Oct. 30, 1928	19,900,000.00	5½	1958	87	90	do			¾	2¼
Taiwan Electric Power Co	June 26, 1931	22,800,000.00	5½	1971	91	93½	J. P. Morgan & Co			½	2
Tokyo Electric Light Co	June 7, 1928	[9] 21,870,000.00	6	1953	84¾	90	Lazard Bros. & Co	2¼			
Ujigawa Electric Power Co	Apr. 2, 1925	14,000,000.00	7	1945	84¾	91	Lee Higginson & Co	1¼	1	1	3
LUXEMBOURG											
"Arbed" (United Steel Works)	Mar. 31, 1926	10,000,000.00	7	1951	86⅛	92½	Kuhn Loeb & Co	2⅛		1½	2⅜
MEXICO											
Mexican Petroleum Co	Apr. 18, 1921	10,000,000.00	8	1936	93½	98½	Blair & Co	1			
NETHERLANDS											
Kingdom of Netherlands	Apr. 29, 1924	40,000,000.00	6	1951	95½	98½	Kuhn, Loeb & Co				3
Royal Dutch Co	Mar. 21, 1930	40,000,000.00	4	1945	86¾	89½	Dillon, Read & Co			¾	2
NORWAY											
Kingdom of Norway	Sept. 28, 1920	20,000,000.00	8	1940	94½	100	National City Co	¾		1	4
Do	Oct. 16, 1922	18,000,000.00	6	1952	97	100	do	½		½	2
Do	Aug. 15, 1923	20,000,000.00	6	1943	93	96½	do	½		1	2
Do	Aug. 5, 1924	25,000,000.00	6	1944	94	97½	do	1		¾	1¾
Do	June 1, 1925	30,000,000.00	5½	1965	95	96¾	Blair & Co				1¾
City of Bergen	Nov. 12, 1920	4,000,000.00	[illegible]	1945	93½	98	Lee, Higginson & Co	1½			3
City of Christiania	Oct. 15, 1920	5,000,000.00	[illegible]	1945	95	99	Kuhn, Loeb & Co				4
Do	Oct. 1, 1924	2,000,000.00	[illegible]	1954	96	98	do				2

92028—32—PT 2——41

PANAMA											
Republic of Panama	May 25, 1923	4,500,000.00	5½	1953	93½	97½	W. A. Harriman & Co	1			3
PERU											
Republic of Peru	July 9, 1922	2,500,000.00	8	1932	95	100	Blyth, Witter & Co	¾		1¼	
Do	Nov. 6, 1925	7,500,000.00	7½	1940	90	97¾	do	2	1½	¾	
Do	June 3, 1926	2,000,000.00	8	1944	96	98	do	2			
Do	Aug. 20, 1926	16,000,000.00	7½	1956	93	100	do	3	⅛	½	
Do	Dec. 16, 1927	15,000,000.00	(14)				J. & W. Seligman & Co	¼			
Do	Dec. 21, 1927	50,000,000.00	6	1960	86	91½	do	1¼	¾		
Do	Oct. 24, 1928	25,000,000.00 [9] 9,720,000.00	6	1961	86	91	do	⅜	¾		
POLAND											
Republic of Poland, stabilization loan.	Oct. 18, 1927	47,000,000.00	7	1947	86	92	Bankers Trust Co	2		1	3
SWEDEN											
Swedish Government	Oct. 27, 1924	30,000,000.00	5½	1954	96.62	99½	National City Co	.505		⅜	2
Kreuger & Toll Co	Sept. 20, 1928	14,000,000.00	(5)		27.0144	28.14	Lee Higginson & Co	[15] .2856		.14	.70
Do	Mar. 7, 1929	26,500,000.00	5	1959	94½	98	do	1		½	2
Do	Oct. 23, 1929	28,000,000.00	(8)		[13] 28	(13)	do	[15] 1.05			
Do	do	30,000,000.00	(8)		[13] 22.54	23	do	[15] .46			
SWITZERLAND											
Government of Switzerland	July 7, 1920	25,000,000.00	8	1940	94	100	do	½		1½	4
City of Berne	Dec. 1, 1920	6,000,000.00	8	1945	96½	99	Speyer & Co				2½
URUGUAY											
Republic of Uruguay	Apr. 21, 1926	30,000,000.00	6	1960	93½	96½	Hallgarten & Co				3
Do	May 9, 1930	17,581,000.00	6	1964	95½	98	do			½	2
VENEZUELA											
Colon Oil Co	June 28, 1928	10,000,000.00	6	1938	97	100	Lee Higginson & Co				3
Total		4,981,546,260.00									

* Flat.
[1] Loan actually made in guilders.
[2] Basis.
[3] Average.
[4] Preferred.
[5] Debenture stock.
[6] Loss.
[7] Not retailed.
[8] Shares.
[9] Loan actually made in sterling.
[10] Loan actually made in krones.
[11] Loan actually made in francs.
[12] Loan actually made in marks.
[13] Market.
[14] Banking credit.
[15] Per share.

Record of Guaranty Co. of New York in syndicates managed by others (1920–1931)—Continued

Issue	Interest of Guaranty Co. of New York											
	Original terms		Intermediate group		Banking group		Selling group		Gross profit	Discounts	Profit	Number of retail sales
	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit				
ARGENTINA												
National Government of Argentine.							$369,000.00	$1,815.00	$1,845.00	$340.00	$1,505.00	
Government of Argentine Nation.							1,250,000.00	30,932.50	30,932.50	2,270.00	28,662.50	268
Do							800,000.00	9,140.60	9,140.60	280.00	88,860.60	45
Do							450,000.00	8,537.90	8,537.90	915.00	7,622.90	55
Do							500,000.00	9,010.00	9,010.00	900.00	8,110.00	103
Do							1,000,000.00	19,290.10	19,290.00	1,588.75	17,701.25	160
Do							600,000.00	11,878.00	11,878.00	1,005.00	10,873.00	93
Do					$3,000,000.00	$6,240.75	5,500,000.00	10,293.75	16,534.50		16,534.50	25
Do							4,500,000.00	62,500.00	62,500.00		62,500.00	
Province of Buenos Aires					2,500,000.00	43,750.00	2,500,000.00	62,235.11	105,985.11	5,877.50	100,107.61	312
Do					1,000,000.00	3,750.00	1,000,000.00	22,500.00	26,250.00	9,605.00	16,645.00	4
Do					3,000,000.00	15,000.00	3,000,000.00	75,000.00	90,000.00	3,700.00	86,300.00	548
City of Buenos Aires							500,000.00	15,711.35	15,711.35	403.75	15,307.60	110
Do							50,000.00	750.00	750.00		750.00	
Do							50,000.00	750.00	750.00		750.00	
City of Cordoba					150,000.00	375.00	150,000.00	3,000.00	3,375.00	137.50	3,237.50	46
AUSTRALIA												
Commonwealth of Australia					3,500,000.00	17,500.00	2,235,000.00	33,377.82	50,877.82	5,895.00	44,982.82	245
Do					2,000,000.00	10,000.00	1,500,000.00	19,440.00	29,440.00	3,355.25	26,084.75	163
Do					3,000,000.00	13,125.00	2,000,000.00	29,700.00	42,825.00	23,100.75	19,724.25	152
State of New South Wales					175,000.00	656.25	350,000.00	6,562.50	7,218.75	910.00	6,308.75	82
Do							400,000.00	7,100.00	7,100.00	485.00	6,615.00	60
State of Queensland	1,000,000.00	7,886.35					500,000.00	8,750.00	16,636.35	225.00	16,411.35	137
Do	750,000.00	6,501.23					250,000.00	4,375.00	10,876.23	445.00	10,431.23	61
AUSTRIA												
Austrian Government	500,000.00	4,016.00					750,000.00	22,440.00	26,456.00	2,799.00	23,657.00	404
Austrian Government International Loan of 1930	1,125,000.00	9,000.00	1,000,000.00	7,900.00			850,000.00	14,875.00	31,775.00	8,355.00	23,420.00	116

BELGIUM												
Kingdom of Belgium	12,500,000.00	40,681.25					421,000.00	27,101.59	67,782.84		67,782.84	
Do	25,000,000.00	242,056.07	7,750,000.00	77,500.00			1,035,000.00	53,620.46	373,176.53		373,176.53	
Do	15,000,000.00	150,000.00	4,650,000.00	46,500.00			415,000.00	28,853.17	225,353.17		225,353.17	
Do	2,135,000.00	16,429.87					1,270,000.00	22,137.50	38,567.37	7,518.17	31,049.20	67
Do	15,000,000.00	172,500.00			100,000.00	350.00	2,580,000.00	49,129.56	221,979.56	5,587.50	216,392.06	413
Do	25,000,000.00	250,893.33			7,500,000.00	37,500.00	3,615,000.00	97,049.75	385,443.08	10,484.74	374,958.34	682
Do	25,000,000.00	250,000.00			9,600,000.00	48,000.00	3,605,000.00	86,899.00	384,899.00	6,633.75	378,265.25	545
Do (stabilization loan)	25,000,000.00	248,801.37			9,800,000.00	49,000.00	3,560,000.00	86,731.40	384,532.77	4,745.00	379,787.77	765
Solvay & Cie	2,000,000.00	30,000.00			1,000,000.00	12,275.93	1,000,000.00	19,330.00	61,605.93		61,605.93	
Societe Anonyme D'Ougree Marihaye							120,000.00	1,269.83	1,269.83		1,269.83	
BRAZIL												
United States of Brazil					150,000.00	562.50	180,000.00	3,112.50	3,675.00		3,675.00	3
State of Sao Paulo	250,000.00	6,280.74					500,000.00	14,760.00	21,040.77	421.25	20,619.49	176
Do							30,000.00	825.00	825.00	70.00	49,755.00	5
Do					400,000.00	2,000.00	400,000.00	7,800.00	9,800.00	88.75	9,711.25	66
CANADA												
Dominion of Canada	6,500,000.00	32,500.00	4,000,000.00	35,946.00			2,667,000.00	12,217.00	80,663.00	5,742.50	74,920.50	
Canadian National Rys							125,000.00	4,401.87	4,401.87		4,401.87	
Canadian National Rys. (Canadian Northern Ry. Co.	2,000,000.00	20,000.00					1,500,000.00	28,162.50	48,162.50		48,162.50	
Do	2,000,000.00	20,000.00					525,000.00	9,465.01	29,465.01		29,465.01	194
Canadian National Rys. (Grand Trunk Rys.)	2,000,000.00	10,000.00					600,000.00	8,461.14	18,461.14	531.50	17,929.64	117
Canadian National Rys	3,275,000.00	7,489.51					2,500,000.00	7,789.47	16,278.98	4,552.49	11,726.49	41
Canadian National Rys. (Canadian Northern Ry. Co.	1,535,156.25	7,338.83					741,000.00	5,488.00	12,826.83	1,647.33	11,179.50	22
Canadian National Rys	3,040,000.00	14,440.00					750,000.00	10,827.98	25,267.98	7,315.00	17,952.98	12
Canadian National Rys. (Canadian Northern Ry. Co.	3,420,000.00 1,805,000.00	10,224.13					1,403,000.00 800,000.00	17,272.50	27,496.63	3,658.75	23,837.88	15
Canadian National Rys	2,456,250.00	2,984.60					1,233,000.00	7,706.25	10,690.85	4,801.91	5,888.94	122
Do	6,930,622.50	41,036.43					878,000.00	10,951.25	51,987.68	1,417.50	50,570.18	126
Do	2,250,000.00	9,789.81					2,250,000.00	17,517.50	27,307.31	10,840.00	16,467.31	160
Do	8,750,000.00	57,692.67					1,000,000.00	10,000.00	67,692.67	2,387.50	65,305.17	67
Canadian National Steamship Co	1,175,000.00	6,810.71					1,175,000.00	5,875.00	12,685.71	2,830.60	9,855.11	89
Canadian Northern Ry							200,000.00	4,295.48	4,295.48	639.16	3,656.32	
Do	897,500.00	852.63					500,000.00	2,500.00	3,352.63	1,510.13	1,842.50	
Grand Trunk Rys	2,500,000.00	25,000.00					500,000.00	12,693.51	37,693.51		37,693.51	
Do	1,000,000.00	6,962.38					250,000.00	4,228.34	11,190.72		11,190.72	
National Transcontinental Ry. Branch Lines Co					556,000.00	4,961.09	556,000.00	8,340.00	13,301.09	1,952.50	11,348.59	52
Province of Alberta	300,000.00	3,779.01					1,265,000.00	15,812.50	19,591.51	15,812.50	3,779.01	35

See footnotes at end of table.

Record of Guaranty Co. of New York in syndicates managed by others, 1920–1931—Continued

Issue	Interest of Guaranty Co. of New York											
	Original terms		Intermediate group		Banking group		Selling group		Gross profit	Discounts	Profit	Number of retail sales
	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit				
CANADA—continued												
Province of Ontario	$5,000,000.00	$31,619.55					$2,420,000.00	$15,515.00	$47,134.55	$10,137.59	$36,996.96	92
Do	5,000,000.00	27,578.94					3,622,000.00	19,377.23	46,956.17	7,317.50	39,638.67	99
City of Montreal	2,200,000.00	18,736.77					1,009,000.00	2,646.13	21,382.90		21,382.90	123
Do	1,214,000.00	4,729.29					1,150,000.00	21,562.50	26,291.79	11,202.50	15,089.29	26
Do	1,400,000.00	5,001.99					814,000.00	6,082.20	11,084.19	3,170.00	7,914.19	27
City of Toronto	3,133,000.00	32,737.61					2,500,000.00	3,846.54	36,584.15		36,584.15	44
Do	2,933,333.00	* 73.93					2,497,000.00	1,072.35	998.42	1,177.50	* 179.08	52
Do	798,571.43	4,262.62					838,000.00	6,675.22	10,937.84	2,503.40	8,434.44	58
Do	1,913,000.00	7,739.00					1,895,000.00	9,323.61	17,062.61	4,606.25	12,456.36	82
Toronto harbor commissioners	285,000.00	1,571.00							1,571.00		1,571.00	1
Aluminium (Ltd.)	2,833,000.00	28,330.00			$2,071,000.00	$8,387.55	1,165,000.00	17,400.00	54,117.55	18,826.50	35,291.05	95
Do	1,850,000.00	18,037.50					805,000.00	21,149.05	39,186.55		39,186.55	115
Canada Cement Co. (Ltd.)	2,000,000.00	20,000.00			888,000.00	11,010.39	500,000.00	8,932.50	39,942.89	525.00	39,417.89	77
Canadian Pacific Ry. Co.	4,250,000.00	37,078.29					5,405,000.00	87,228.78	124,307.07	9,976.01	114,331.06	206
Do	850,000.00	6,521.30					600,000.00	8,250.00	14,771.30	2,734.87	12,036.43	48
Do	1,700,000.00	8,500.00			1,562,000.00	5,250.52	750,000.00	7,500.00	21,250.52	1,814.37	19,436.15	31
Do	7,200,000.00	31,500.00			4,430,000.00	16,336.22	2,300,000.00	34,500.00	82,336.22	6,319.30	76,016.92	82
Do	1,800,000.00	9,000.00			300,000.00	1,950.00	725,000.00	8,266.12	19,216.12	2,644.00	16,572.12	41
Do	9,840,000.00	49,200.00			5,070,000.00	23,192.62	2,375,000.00	24,102.75	96,495.37	4,547.50	91,947.87	180
Do	3,500,000.00	40,469.67					4,845,000.00	72,682.50	113,152.17	10,244.20	102,907.97	344
Do	7,100,000.00	35,500.00			3,740,000.00	27,953.94	2,966,000.00	32,896.50	96,350.44	8,917.50	87,432.94	192
Canada Steamship Lines (Ltd.)					100,000.00	1,000.00	100,000.00	2,829.50	3,829.50	2,000.00	1,829.50	(?)
Duke Price Power Co., (Ltd.)	4,000,000.00	80,000.00			3,700,000.00	35,753.99	2,700,000.00	67,500.00	183,253.99	3,720.00	179,533.99	459
Gatineau Power Co.							50,000.00	1,057.50	1,057.50	92.50	965.00	17
Montreal Light, Heat & Power Co.					500,000.00	5,000.00	400,000.00	9,012.40	14,012.40	565.00	13,447.40	67
Do							150,000.00	1,875.00	1,875.00	217.50	1,657.50	14
Ontario Power Service Corporation	4,750,000.00	35,774.14	$3,280,000	$8,285.05	830,000.00	6,225.00	1,275,000.00	28,190.00	78,474.19	1,486.25	76,987.94	307
CHILE												
Republic of Chile	4,644,000.00	47,870.34					698,000.00	23,507.59	71,377.93		71,377.93	
Do					1,000,000.00	7,931.97	850,000.00	15,937.50	23,869.47	527.50	23,341.97	291

Do	1,600,000.00	14,000.00			884,500.00	5,796.35	1,165,000.00	19,745.00	39,541.35	1,303.25	38,238.10	211
Do	1,000,000.00	8,750.00			250,000.00	1,653.61	400,000.00	6,940.00	17,343.61	338.75	17,004.86	110
Do	2,500,000.00	22,625.00			1,500,000.00	12,904.93	1,500,000.00	28,500.00	64,029.93	11,896.25	52,133.68	134
Mortgage Bank of Chile	9,000,000.00	98,644.06			3,625,000.00	28,996.56	1,600,000.00	27,527.50	155,168.12	3,994.87	151,173.25	272
Do	8,248,500.00	113,839.14					3,000,000.00	66,937.50	180,776.64	3,983.75	176,792.89	710
Do	4,500,000.00	70,820.15					1,028,000.00	10,220.00	81,040.15	1,819.50	79,220.65	164
Do	6,060,000.00	93,110.55					3,000,000.00	59,860.00	152,970.55	3,632.50	149,338.05	477
Do	6,000,000.00	11,258.59					1,250,000.00	28,035.00	39,293.59	9,898.65	29,394.94	240
COLOMBIA												
Agricultural Mortgage Bank					100,000.00	375.00	115,000.00	2,300.00	2,675.00	217.50	2,457.50	28
Do					100,000.00	375.00	100,000.00	1,625.00	2,000.00	97.50	1,902.50	32
Municipality of Medellin					500,000.00	2,500.00	500,000.00	11,887.50	14,387.50	612.00	13,775.50	120
CUBA												
Republic of Cuba	6,000,000.00	28,800.00					1,517,800.00	5,113.50	33,913.50	1,837.00	32,076.50	138
Do	1,080,000.00	1,764.00					350,000.00	2,625.00	4,389.00	556.09	3,832.91	52
Havana Electric Ry. Light & Power Co	1,855,872.00	38,354.69							38,354.69		38,354.69	(7)
CZECHOSLOVAKIA												
Czechoslovak Republic					250,000.00	2,550.50			2,550.50		2,550.50	(7)
DENMARK												
Kingdom of Denmark							1,000,000.00	38,772.84	38,772.84		38,772.84	
Do							1,000,000.00	24,335.54	24,335.54	592.49	23,743.05	145
City of Copenhagen							100,000.00	1,250.00	1,250.00	5,625.00	[6] 4,375.00	(7)
Danish Consolidated municipal loan							25,000.00	375.00	375.00	50.00	325.00	8
Jutland Telephone Co	200,000.00	2,221.59							2,221.59		2,221.59	(7)
Privatbanken i Kjobenhavn					134,000.00	1,334.00			1,334.00		1,334.00	(7)
DUTCH EAST INDIES												
Dutch East Indies	5,832,000.00	44,850.00							44,850.00		44,850.00	(7)
Do	4,860,000.00	38,025.00							38,025.00		38,025.00	(7)
Batavian Petroleum Co					750,000.00	1,406.25	750,000.00	7,400.00	8,806.25	25,627.00	[6] 16,820.75	7
ENGLAND												
Anglo-American Oil Co. (Ltd.)	3,000,000.00	30,000.00					750,000.00	13,758.00	43,758.00		43,758.00	
Cunard Steamship Co. (Ltd.)							350,000.00	1,750.00	1,750.00	800.00	950.00	32
Do							100,000.00	250.00	250.00		250.00	1
Debenhams Securities (Ltd.)	150,000.00	1,500.00							1,500.00		1,500.00	(7)
Pinchin-Johnson & Co. (Ltd.)	991,652.00	[6] 83,059.68							[6] 83,059.68		[6] 83,059.68	(7)

See footnotes at end of table.

Record of Guaranty Co. of New York in syndicates managed by others (1920–1931)—Continued

Issue	Interest of Guaranty Co. of New York											
	Original terms		Intermediate group		Banking group		Selling group		Gross profit	Discounts	Profit	Number of retail sales
	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit				
FINLAND												
Republic of Finland	$1,322,900.00	$18,851.32			$1,474,875.00	$9,195.09	$1,125,000.00	$33,690.00	$61,736.41	$14,546.25	$49,190.16	168
Do	1,587,180.00	13,096.71			1,800,000.00	13,487.41	1,410,000.00	34,150.00	60,734.12	2,052.50	58,681.62	392
Do	1,653,625.00	13,780.18			1,372,500.00	10,487.68	1,293,000.00	24,243.75	48,511.61	1,642.50	46,869.11	228
Finland Residential Mortgage Bank	1,150,923.00	2,877.31			1,144,687.00	4,292.58	1,500,000.00	24,940.75	32,110.64	771.25	31,339.39	403
Industrial Mortgage Bank of Finland	3,175,000.00	28,710.45			2,536,500.00	25,365.00	2,007,000.00	67,526.44	121,601.89	19,975.00	101,626.89	239
FRANCE												
Government of French Republic					8,000,000.00	80,000.00	3,500,000.00	104,071.05	184,071.05		814,071.05	
Do					7,000,000.00	35,000.00	3,500,000.00	112,279.38	147,279.38		147,279.38	754
Do					6,000,000.00	60,000.00	4,000,000.00	95,592.90	155,592.90	5,124.63	150,468.27	1,628
Do								[6] 1,857.95	[6] 1,857.95	845.82	[6] 2,703.77	[7]
Department of Seine	1,000,000.00	5,000,000					400,000.00	13,622.47	18,622.47	462.50	18,159.97	150
Est R. R. Co. of France					500,000.00	2,500.00	150,000.00	3,712.71	6,212.71	132.50	[6] 6,345.21	42
Framerican Industrial Development Corporation	1,000,000.00	10,000.00					500,000.00	16,975.00	26,975.00	1,665.00	25,310.00	422
French National Mail Steamship Lines					200,000.00	801.72	200,000.00	7,045.42	7,847.14	512.50	7,334.64	37
Nord Ry. Co	4,687,500.00	38,671.88					1,000,000.00	20,737.60	59,409.48	2,872.36	56,537.12	112
Paris-Lyons-Mediterranean R. R. Co	3,000,000.00	19,667.65			1,500,000.00	6,094.38	1,465,000.00	31,045.00	59,807.03	7,745.32	52,061.71	593
Citroen Société Anonyme Andre	293,700.00	133,124.52							133,124.52		133,124.52	[7]
Société des Acieries & Forges, Firminy	25,400.00	4,740.81							4,740.81		4,740.81	[7]
GERMANY												
German external loan	5,500,000.00	27,500.00			5,000,000.00	62,500.00	3,975,000.00	110,543.40	200,543.40	9,746.00	210,289.40	1,398
German government international loan	4,121,250.00	35,370.00			5,000,000.00	25,000.00	4,000,000.00	84,450.00	144,820.00	6,759.99	138,060.01	631
State of Hamburg							150,000.00	3,000.00	3,000.00	172.50	2,827.50	71
Free State of Prussia							100,000.00	2,250.00	2,250.00	117.50	2,132.50	52
Do							375,000.00	6,911.25	6,911.25	4,729.75	2,181.50	67

City of Berlin					100,000.00	375.00	125,000.00	1,562.50	1,937.50		1,937.50	2
City of Nuremberg					100,000.00	500.00	100,000.00	2,250.00	2,750.00		2,750.00	
Central Bank for Agriculture					250,000.00	1,666.80	175,000.00	5,031.25	6,698.05	775.00	5,923.05	119
Do					500,000.00	1,447.45	500,000.00	7,863.75	9,311.20	1,432.50	7,878.70	83
Do					1,000,000.00	4,818.58	800,000.00	12,970.00	17,788.58	5,590.12	12,198.46	101
Do					500,000.00	2,999.91	400,000.00	5,518.88	8,518.79	1,232.50	7,286.29	91
Consolidated agricultural loan to provincial and communal banks					500,000.00	1,875.00	500,000.00	10,000.00	11,875.00	46,596.25	[6]—34,721.25	(7)
Consolidated municipal loan of saving banks and clearing associations	2,000,000.00	27,098.65					1,300,000.00	36,718.75	63,727.40	3,217.50	60,509.90	220
Do	1,056,000.00	12,085.34					700,000.00	16,445.00	28,530.35	1,070.00	27,460.35	138
Do	2,333,333.00	5,317.21			1,417,000.00	3,677.50	1,500,000.00	27,393.75	36,388.46	3,879.50	32,508.96	285
General Electric Co. of Germany							9,000.00	258.75	258.75		258.75	5
Do							50,000.00	652.50	652.50	62.50	590.00	10
Berlin City Electric Co. (Inc.)					250,000.00	1,250.00			1,250.00		1,250.00	
Do					100,000.00	375.00	100,000.00	2,227.58	2,602.58	250.00	2,352.58	2
Berlin Electric Elevated & Underground Railway Co.							500,000.00	12,375.00	12,375.00	387.50	11,987.50	96
Deutsche Bank					500,000.00	2,008.05	590,000.00	6,800.00	8,808.05	885.62	7,922.43	98
"Gesfurel"							250,000.00	1,952.50	1,952.50	995.54	956.96	28
Hamburg-American Line							250,000.00	6,150.00	6,150.00	345.00	5,805.00	43
Hamburg Elevated Underground & Street Railways					150,000.00	562.50	150,000.00	3,000.00	3,562.50	3,582.50	[6]—20.00	13
North German Lloyd—Bremen	5,000,000.00	48,437.50			1,650,000.00	5,404.40	1,500,000.00	26,110.00	79,951.90	8,290.00	71,661.90	213
Do	1,932,000.00	56,067.08							56,067.08		56,067.08	(7)
Hugo Stinnes Industries (Inc.)					500,000.00	5,000.00			5,000.00		5,000.00	(7)
Continental Hydroelectric Works of Upper Wurttemberg					300,000.00	3,000.00	300,000.00	10,062.50	13,062.50	1,378.75	11,683.75	85
Westphalia United Electric Power Corporation							100,000.00	2,250.00	2,250.00	8,750.00	[8]6,500.00	1
GREECE												
Greek Government							50,000.00	1,359.57	1,359.57	50.00	1,309.57	11
Do							100,000.00	2,124.50	2,124.50	1,350.00	774.50	3
HUNGARY												
City of Budapest Municipal Savings Bank Co. (Ltd.)	486,000.00	5,465.60							5,465.60		5,465.60	(7)
Hungarian Central Mutual Credit Institute					200,000.00	906.51	202,000.00	4,545.00	5,451.51		5,451.51	2
IRELAND												
Irish Free State	6,650,000.00	66,500.00			5,200,000.00	11,360.78	3,700,000.00	50,957.50	128,818.28	4,622.00	124,196.28	735

See footnotes at end of table.

Record of Guaranty Co. of New York in syndicates managed by others (1920–1931)—Continued

Issue	Interest of Guaranty Co. of New York											
	Original terms		Intermediate group		Banking group		Selling group		Gross profit	Discounts	Profit	Number of retail sales
	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit	Participation	Amount of profit				
ITALY												
Kingdom of Italy	$7,666,667.00	$51,465.13			$5,000,000.00	$25,000.00	$3,150,000.00	$113,728.75	$138,728.75	$27,933.37	$110,795.38	1,047
City of Milan					6,600,000.00	26,812.50	2,500,000.00	51,153.33	129,430.96	6,213.50	123,217.46	498
City of Rome					2,000,000.00	20,000.00	1,500,000.00	27,000.00	47,000.00	1,931.25	45,068.75	415
Banca Commerciale Italiana					85,000.00	600.00	88,087.00	2,733.75	3,333.75	253.75	3,080.00	8
"Fiat"					1,000,000.00	10,000.00	800,000.00	20,261.50	30,261.50	1,873.75	28,387.75	159
Italian Credit Consortium for Public Works							500,000.00	11,365.00	11,365.00	703.00	10,662.00	170
Pirelli Co. of Italy							200,000.00	2,928.00	2,928.00	32.50	2,895.50	25
JAPAN												
Imperial Japanese Government					9,000,000.00	87,962.40	6,000,000.00	130,785.00	218,747.40	2,994.80	215,752.60	845
Do					3,500,000.00	17,500.00	2,500,000.00	58,475.00	75,975.00	3,792.50	72,182.50	257
City of Tokyo					1,000,000.00	5,000.00	700,000.00	12,978.00	17,978.00	872.50	17,105.50	156
City of Yokohama					1,000,000.00	5,000.00	700,000.00	16,436.00	21,436.00	507.50	20,928.50	130
Industrial Bank of Japan					750,000.00	3,110.52	750,000.00	8,750.00	11,860.52	1,675.00	10,185.52	77
Great Consolidated Electric Power Co					4,000,000.00	40,000.00	500,000.00	21,185.87	61,135.87	516.00	60,619.87	151
Do					3,500,000.00	35,000.00	500,000.00	11,359.35	46,359.35	366.25	45,993.10	108
Nippon Electric Power Co	1,305,000.00	25,905.29					1,000,000.00	18,750.00	44,655.29	1,062.50	43,592.79	235
The Oriental Development Co					1,000,000.00	8,097.50	815,500.00	19,887.50	27,985.[illegible]0	4,282.50	23,702.50	161
Do					1,000,000.00	5,025.83	800,000.00	15,110.00	20,135.[illegible]3	847.50	19,288.33	168
Taiwan Electric Power Co					1,000,000.00	4,605.00	850,000.00	15,625.00	20,230.00	1,350.00	18,880.00	129
Tokyo Electric Light Co	4,374,000.00	83,423.64							83,423.64		83,423.64	(7)
Ujigawa Electric Power Co	2,500,000.00	31,100.85	$2,000,000.00	$20,000.00	2,000,000.00	20,000.00	1,000,000.00	28,700.00	99,800.85	11,628.75	88,172.10	59
LUXEMBOURG												
"Arbed" (United Steel Works)	5,000,000.00	80,704.21			1,790,250.00	16,995.40	1,383,500.00	36,035.63	133,735.27	6,340.00	127,395.27	299
MEXICO												
Mexican Petroleum Co	250,000.00	2,500.00							2,500.00		2,500.00	(7)
NETHERLANDS												
Kingdom of Netherlands							1,500,000.00	58,495.15	58,495.15	6,273.75	52,221.40	307
Royal Dutch Co					1,250,000.00	7,830.99	1,000,000.00	18,005.00	28,835.99	1,347.50	24,488.49	191

NORWAY													
Kingdom of Norway	4,500,000.00	33,750.00			3,206,000.00	32,060.00	1,361,000.00	34,612.07	100,422.07		100,422.07	
Do.	3,740,295.00	18,701.48			2,790,000.00	10,036.41	500,000.00	12,550.00	41,287.89	3,067.25	38,220.64	109
Do.	4,288,000.00	18,760.00			2,177,000.00	17,585.35	1,000,000.00	18,780.00	55,125.35	1,247.50	53,877.85	273
Do.	4,824,000.00	48,240.00			3,270,000.00	18,070.30	1,500,000.00	26,250.00	92,560.30	6,650.00	85,910.30	227
Do.							350,000.00	5,302.50	5,302.50	929.00	4,373.50	77
City of Bergen	500,000.00	7,500.00					400,000.00	1,307.50	8,807.50		8,807.50	
City of Christiania							400,000.00	12,771.45	12,771.45		12,771.45	
Do.							100,000.00	1,900.00	1,900.00	245.00	1,655.00	9
PANAMA												
Republic of Panama	2,250,000.00	22,500.00					430,000.00	22,847.96	43,347.96		45,347.96	299
PERU												
Republic of Peru	2,500,000.00	9,691.62			833,333.00	10,411.50			20,103.12		20,103.12	(7)
Do.	1,500,000.00	24,921.72	1,150,000	9,688.17	751,000.00	3,755.00			38,367.89		38,367.89	(7)
Do.	666,666.67	12,598.16							12,598.16		12,598.16	(7)
Do.	2,400,000.00	66,000.00	1,774,000	6,652.50	1,580,000.00	7,900.00			80,552.50		80,552.50	(7)
Do	750,000.00	1,875.00							1,875.00		1,875.00	(7)
Do.	2,500,000.00	18,428.36	2,500,000	18,750.00					37,178.36		37,178.36	(7)
Do.	1,750,000.00	8,175.38	1,750,000	13,125.00					21,300.38		21,300.38	(7)
POLAND												
Republic of Poland, stabilization loan.	9,400,000.00	166,842.41			1,995,000.00	14,498.68	5,500,000.00	131,690.00	313,031.09	10,371.88	302,659.21	1,187
SWEDEN												
Swedish Government	3,960,000.00	19,998.00			3,630,000.00	13,612.50	2,150,000.00	35,747.92	69,358.42	8,647.50	60,710.92	329
Kreuger & Toll Co.	3,500,000.00	31,303.12			3,001,600.00	15,008.00	1,990,800.00	121,227.60	167,538.72		167,538.72	636
Do.	6,625,000.00	57,968.75			5,625,000.00	28,125.00	3,750,000.00	70,498.30	156,592.05	7,715.50	148,876.55	814
Do.	6,003,200.00	286,502.91							286,502.91	11,597.17	274,905.74	860
Do.	6,432,000.00	130,188.46							130,188.46		130,188.46	(7)
SWITZERLAND												
Government of Switzerland	8,000,000.00	30,000.00			6,083,000.00	91,245.00	1,760,000.00	52,448.73	173,693.73	5,463.05	168,230.68	
City of Berne							53,000.00	1,307.50	1,307.50		1,307.50	
URUGUAY												
Republic of Uruguay							10,000.00	287.50	287.50		287.50	2
Do.					250,000.00	937.50	250,000.00	5,000.00	5,937.50	3,258.75	2,678.75	28
VENEZUELA												
Colon Oil Co.							250,000.00	6,875.00	6,875.00	442.50	6,432.50	49
Total	490,621,396.85	4,690,453.83	29,854,000.00	244,346.72	215,182,245.00	1,456,667.64	231,883,687.00	4,427,355.75	10,818,823.94	659,228.79	10,159,595.15	33,270

[7] Not retailed.
[8] Loan actually made in pounds sterling.
[9] Flat.
[11] Loan actually made in francs.
[10] Loan actually made in marks.
[12] Market.
[13] Per share.

CORRESPONDENCE OF GUARANTY CO. OF NEW YORK WITH THE SECRETARY OF STATE WITH REFERENCE TO THE LATTER'S NOTIFICATION OF PUBLICLY OFFERED FOREIGN ISSUES (EXCLUSIVE OF CANADIAN) ORIGINATED AND HEADED BY GUARANTY CO. OF NEW YORK DURING THE PERIOD 1925 TO 1931, INCLUSIVE, ARRANGED ALPHABETICALLY BY COUNTRIES OF ORIGIN

COLOMBIA

INTERNATIONAL ACCEPTANCE BANK (INC.),
New York City, August 6, 1926.

Hon. LELAND HARRISON,
State Department, Washington, D. C.

MY DEAR SECRETARY HARRISON: This will confirm our conversation on the telephone this afternoon, in which I told you that we are negotiating in conjunction with the Guaranty Trust Co. of New York for a loan to the Department of Antioquia, Colombia.

The purpose of this financing is the construction of a highway from Medellin to the Gulf of Darion, a distance of about 400 kilometers and the construction of a port on the gulf. The total cost of this project is estimated to be about $8,000,000. It is proposed by the department to issue bonds in series, as the security which we require is made available. This security will consist of a first lien on the liquor revenues of the department equal to twice the annual interest and sinking-fund requirements of bonds at any time outstanding, and in addition a first lien on the proceeds of a gasoline or similar tax which the department proposes to establish in connection with the use of the new highway. It is believed that sufficient security along the above lines will be made available in the near future to warrant an initial issue of series A bonds in the amount of approximately $3,000,000. The bonds will bear 7 per cent interest and will mature in 25 years and will carry provisions for a cumulative sinking fund sufficient to retire each issue by maturity.

It is believed that the initial issue of $3,000,000 together with the proceeds of an internal loan recently made by the department will be sufficient to finance the construction of the first 180 kilometers of the proposed road, which will carry it from Medellin to Dabaiba. This project appears to us to be economically sound and much needed in the community.

We shall appreciate very much your advising us at your earliest convenience whether the State Department sees any objection to this proposed financing. The business has not yet been closed, but should you desire at this time any further particulars, we shall be very glad to give them to you.

Respectfully yours,

——— ———, *Vice President.*

DEPARTMENT OF STATE,
Washington, August 12, 1926.

INTERNATIONAL ACCEPTANCE BANK (INC.),
New York, N. Y.

SIRS: I beg to acknowledge the receipt of your letter of August 6, 1926, regarding your interest in a proposed loan of $8,000,000 to the Department of Antioquia, Colombia, for the purposes and under the terms indicated therein.

In reply to your request for an expression of this department's views, I beg to state that in the light of the information before it, the Department of State offers no objection to the flotation of this issue in the American market.

You of course appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions; also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am, sirs, your obedient servant,

LELAND HARRISON, *Assistant Secretary*
(For the Secretary of State).

INTERNATIONAL ACCEPTANCE BANK (INC.),
New York City, March 30, 1927.

The honorable the SECRETARY OF STATE,
Washington, D. C.

SIR: The Department of Antioquia, Republic of Colombia, has authorized an issue of $8,000,000 United States currency, for the purpose of completing the construction of approximately 400 kilometers of highway from the city of Medellin to the Gulf of Uraba.

We are about to contract, on behalf of ourselves and the Guaranty Trust Co., for the purchase of $4,000,000 United States currency of the above-authorized bonds to be sold in this market and to obtain an option on the balance. These bonds bear a 7 per cent coupon and are to be retired at par or by purchase in the market if the bonds are selling below par, by a 1 per cent sinking fund over a period of 30½ years. The bonds are noncallable until April 1, 1937, and are callable from April 1, 1937, to October 1, 1946, at 102 and thereafter at par.

These bonds are secured by a pledge of 75 per cent of the revenue derived from the liquor tax. The construction of the road is to be carried on by R. W. Hebard & Co. (Inc.), of New York, and the work on the highway has already commenced.

In accordance with the notice as issued by the Department of State March 3, 1922, we wish to ask the Secretary of State for an expression of the department's views with regard to the above loan.

Respectfully,

——— ———, *President.*

INTERNATIONAL ACCEPTANCE BANK (INC.),
New York City, March 30, 1927.

Dr. ARTHUR N. YOUNG,
Economic Advisor, Department of State,
Washington, D. C.

DEAR DOCTOR YOUNG: I am writing to confirm our telephone conversation jo to-day.

As I agreed I have despatched a letter addressed to the Secretary of State in regard to the Department of Antioquia, Republic of Colombia, $4,000,000 loan.

I would call your attention to the fact that in my telephone conversation I said that this loan was a part of a loan of $14,000,000 which had been authorized by the Government. After I had talked with you I found that the amount authorized by the Government was $8,000,000, although the Government is taking the necessary steps to increase this authorization from $8,000,000 to $14,000,000.

I should appreciate it greatly if you could give us as early a reply as possible.

Thank you for your kindness.

Sincerely,

——— ———, *President.*

DEPARTMENT OF STATE,
Washington, March 31, 1927.

INTERNATIONAL ACCEPTANCE BANK (Inc.),
New York, N. Y.

SIRS: I beg to acknowledge the receipt of your letter of March 30, 1927, regarding your interest in a loan of $8,000,000 to the Department of Antioquia, Republic of Colombia.

In reply to your request for an expression of this department's views, I beg to state that in the light of the information before it, the Department of State offers no objection to this financing.

You of course appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am, sirs, your obedient servant,

LELAND HARRISON,
Assistant Secretary
(For the Secretary of State).

INTERNATIONAL ACCEPTANCE BANK (INC.),
New York City, April 1, 1927.

The SECRETARY OF STATE,
Washington, D. C.

SIR: We wish to acknowledge receipt of your letter of March 31 referring to our letter of March 30, 1927, in which we advised you of our interest in a loan of $8,000,000 to the Department of Antioquia, Republic of Colombia.

We note that in the light of the information before the department, that the Department of State offers no objection to this financing. We appreciate, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions, nor assume any responsibility in connection with such transactions. Also that no reference to the attitude of the Government should be made in many prospectus or otherwise.

We wish to thank you for your prompt reply to our letter of March 30.

Very truly yours,

——— ———, *President.*

INTERNATIONAL ACCEPTANCE BANK (INC.),
New York City, October 22, 1927.

The honorable the SECRETARY OF STATE,
Washington, D. C.

SIR: We refer to our letter of March 30, 1927, and to your reply of March 31, 1927, with regard to financing by the Department of Antioquia, Republic of Colombia.

In July we offered publicly $4,000,000 par amount of bonds referred to in our letter. The total amount finally authorized by the department was $12,350,000 and we are now advised that the department wishes to issue a second series of bonds in the par amount of $4,000,000. The proceeds of the issue are to be used for the general purposes of the department, and in large part, we understand, for the continuation of work on a motor roadway running due north from Medellin. As we mentioned in our previous letter, the contract for this construction was awarded to R. W. Hebard & Co. (Inc.), New York, and work commenced in September, 1926.

We shall be interested to hear if the Department of State has any objection to this proposed financing, and remain,

Respectfully,

——— ———, *Vice President.*

DEPARTMENT OF STATE,
Washington, October 31, 1927.

INTERNATIONAL ACCEPTANCE BANK, (Inc.)
New York, N. Y.

SIRS: I beg to acknowledge the receipt of your letter of October 28, 1927, regarding your interest in a loan of $4,000,000 to the Department of Antioquia, Republic of Colombia.

In reply to your request for an expression of this department's views, I beg to state that, in the light of the information before it, the Department of State offers no objection to this financing.

You of course appreciate that, as pointed out in the Department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am, sirs, Your obedient servant,

FRANCIS WHITE,
Assistant Secretary
(For the Secretary of State).

INTERNATIONAL ACCEPTANCE BANK (INC.),
NEW YORK CITY, *June 5, 1928.*

The SECRETARY OF STATE,
Washington, D. C.

SIR: We have been requested by the Department of Antioquia, Republic of Colombia, to issue the third series of their 7 per cent external secured sinking fund gold bonds, of which $12,350,000 principal amount have been authorized and $8,000,000 principal amount issued by us to date.

The third series bonds are in all respects similar to the bonds of the first and second series, with which you are already familiar. The department has pledged as security for the bonds of all series additional taxes, namely, the registry tax and 75 per cent of the slaughter and foreign liquors taxes.

The proceeds of the issue will be used for general highway construction and for the construction of the highway to the sea, a modern motor road, starting from Medellin and destined to reach the Gulf of Uraba on the Caribbean Sea. For the first portion of this highway, the contract has been awarded to R. W. Hebard & Co. (Inc.), New York.

We shall appreciate it if you will let us know whether the Department of State has any objection to this financing.

Respectfully,

——— ———, *Vice President.*

DEPARTMENT OF STATE,
Washington, June 7, 1928.

INTERNATIONAL ACCEPTANCE BANK (INC.),
New York, N. Y.

SIRS: I beg to acknowledge the receipt of your letter of June 5, 1928, stating that you "have been requested by the Department of Antioquia, Republic of Colombia, to issue the third series of their 7 per cent external secured sinking fund gold bonds, of which $12,350,000 principal amount have been authorized and $8,000,000 principal amount issued by us to date."

In reply to your request for an expression of this department's views, I beg to state that, in the light of the information before it, the Department of State offers no objection to this financing.

You of course appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am, sirs, your obedient servant.

FRANCIS WHITE,
Assistant Secretary
(For the Secretary of State).

DENMARK

JULY 15, 1925.

The honorable the SECRETARY OF STATE,
State Department, Washington, D. C.

SIR: We wish to advise the State Department that we have been invited to submit proposals for an issue of $30,000,000 30-year 5½ per cent or 5 per cent external loan gold bonds of the Kingdom of Denmark. According to cable information, other American banking houses have been requested to submit bids of the same kind.

We are advised that part of the proceeds of tne loan are to be used to retire on October 15, 1925, the outstanding balance of the $25,000,000 Kingdom of Denmark 5-year 8 per cent sinking fund external gold bonds dated October 15, 1920.

We should appreciate receiving the Department's views with reference to the proposed financing.

Yours very truly,

——— ———, *Vice President.*

DEPARTMENT OF STATE,
Washington, July 17, 1925.

GUARANTY CO. OF NEW YORK,
New York, N. Y.

SIRS: In reply to your letter of July 15, 1925, regarding your interest in the purchase of a proposed issue of $30,000,000 30-year 5½ per cent or 5 per cent external loan gold bonds of the Kingdom of Denmark, I beg to inform you that in the light of the information before it, the department offers no objection to the flotation of this issue in the American market for the purposes indicated in your letter under acknowledgment.

You, of course, appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am, sirs, your obedient servant.

JOSEPH C. GREW,
Under Secretary
(For the Secretary of State).

MARCH 30, 1928.

SECRETARY OF STATE,
State Department, Washington, D. C.

SIR: We are planning to submit bids for $50,000,000 31½-year 5 per cent bonds or $55,000,000 34-year 4½ per cent bonds of the Kingdom of Denmark which are to be nonredeemable for 10 years and are to be retired through a cumulative sinking fund commencing April 15, 1929. While we have not yet been informed of the exact purpose of the issue, we understand that the proceeds will be used to consolidate floating indebtedness of the Government and for the repayment of short term advances in connection with the reorganization of the Landmands Bank.

We should appreciate very much receiving, at the department's earliest convenience, its views with reference to this proposed financing.

Yours very truly,

K. W.,
Manager Foreign Division.

DEPARTMENT OF STATE,
Washington, March 31, 1928.

GUARANTY CO. OF NEW YORK,
New York, N. Y.

SIRS: I beg to acknowledge the receipt of your letter of March 30, 1928, stating that you are negotiating for a loan of $50,000,000 or $55,000,000 to the Kingdom of Denmark.

In reply to your request for an expression of this department's views, I beg to state that, in the light of the information before it, the Department of State offers no objection to this financing.

You of course appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am, sirs, your obedient servant,

NELSON TRUSLER JOHNSON,
Assistant Secretary
(For the Secretary of State).

SEPTEMBER 7, 1926.

DR. ARTHUR N. YOUNG,
Economic Adviser, Department of State,
Washington, D. C.

DEAR ARTHUR: We expect within the course of the next week to extend a credit to the Danish Government to be used for export credits. The total authorized amount of the credit is the equivalent amount of 20,000,000 kroner, in dollars.

We expect to grant the credit in dollars, and the credit will run for a period from one to five years. It is planned to issue the credit in blocks of $500,000, at a rate of interest of 4½ per cent, and at the time of issuance of each block the maturities and price will be determined. From the nature of the operation, we rather expect that most if not all of the notes will be placed with banks. The Danish Government will reserve the right to issue blocks in other countries if the market price is more favorable than our own.

I naturally assume that the State Department has no objection to an operation of this type, but should appreciate your letting me know just as soon as possible your views.

Very sincerely yours,

RALEIGH S. RIFE.

DEPARTMENT OF STATE,
Washington, September 8, 1926.

GUARANTY CO. OF NEW YORK,
New York, N. Y.

SIRS: I beg to acknowledge the receipt of your letter of September 7, 1926, addressed to the economic adviser of this department, regarding your interest in a credit to the Danish Government to be used for export credits in the authorized amount of dollars euqivalent to 20,000,000 kroner. It is noted that from the nature of the operation you expect that most, if not all, of the notes representing the credit will be placed with banks.

The department appreciates your courtesy in consulting it about this contemplated credit, which will probably not involve a public flotation in the American market. In the light of the information before it, the department has no objection to this financing.

I am, Sirs, your obedient servant.

(Signed) JOSEPH C. GREW,
Under Secretary
(For the Secretary of State).

MAY 10, 1928.

The SECRETARY OF STATE,
State Department, Washington, D. C.
(Attention Dr. Arthur N. Young, Economic Adviser.)

SIR: We wish to confirm, as reported to the State Department by Mr. Vandevanter of our Washington office, that we are negotiating for an issue of gold dollar bonds, limited to a total principal amount equivalent to 26,000,000 kroner, at the rate or rate of exchange existing at the time of issuance thereof, to be known as the Danish producers' loan fund guaranteed 5 per cent gold bonds, of which it is expected that $2,500,000 principal amount will be sold in the near future. Such bonds are to be guaranteed by the Danish Government and are to mature annually on a date or dates one to twelve years from the date of such bonds. We understand that the proceeds of the loan will be used to advance funds to productive enterprises.

We understand from Mr. Vandevanter that the State Department has no objection to this financing subject to the receipt of formal confirmation of the foregoing for the State Department's files, which we are accordingly submitting herewith, and we should be pleased to receive confirmation by the State Department of our understanding.

Yours very truly,

——— ———,
Manager Foreign Division.

DEPARTMENT OF STATE,
Washington, May 12, 1928.

GUARANTY CO. OF NEW YORK,
New York, N. Y.

SIRS: I beg to acknowledge the receipt of your letter of May 10, 1928, regarding your interest in an issue of $2,500,000 5 per cent 10-year bonds of the Danish producers' loan fund.

I beg to confirm your understanding that, in the light of the information before it, the Department of State offers no objection to this financing.

You of course appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am, sirs, your obedient servant.

W. R. CASTLE,
Assistant Secretary
(For the Secretary of State).

APRIL 2, 1925.

The honorable the SECRETARY OF STATE,
State Department, Washington, D. C.

SIR: We write to confirm the verbal message delivered by our Washington office to the State Department to the effect that we are negotiating for an issue of $3,000,000 25-year external 6 per cent bonds of the Copenhagen Telephone Co., Copenhagen, Denmark. It is expected that the proceeds of this loan will be used for extension of plant and equipment and other corporate purposes.

We understand that the department has verbally stated there is no objection to the proposed financing, and we should appreciate receiving a written confirmation of this.

Yours very truly,

——— ———, *Vice President.*

DEPARTMENT OF STATE,
Washington, April 9, 1925.

GUARANTY CO. OF NEW YORK,
New York, N. Y.

SIRS: In reply to your letter of April 2, 1925, regarding your interest in the purchase of a proposed issue of $3,000,000 25-year external 6 per cent bonds of the Copenhagen Telephone Co., Copenhagen, Denmark, I beg to confirm the statement communicated to you by telephone to the effect that in the light of the information before it, the department offers no objection to the flotation of this issue in the American market for the purposes indicated in your letter under acknowledgment.

You, of course, appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or other advertising matter.

I am, sirs, your obedient servant,

(Signed) LELAND HARRISON,
Assistant Secretary
(For the Secretary of State).

JANUARY 26, 1929.

SECRETARY OF STATE,
Washington, D. C.

SIR: We are discussing with the Copenhagen Telephone Co., Copenhagen, Denmark, an issue of $6,700,000 25-year sinking fund 5 per cent bonds, the proceeds of which are to provide in part for the redemption of the company's outstanding bonds in this market and in part to provide funds for capital expenditures and other corporate purposes. We would appreciate your advising us as to whether the State Department sees any objection to the issuance of the above loan.

Very truly yours,

ELGIN E. GROSECLOSE.

DEPARTMENT OF STATE
Washington, January 31, 1929.

GUARANTY CO. OF NEW YORK,
New York, N. Y.

SIR: I beg to acknowledge the receipt of your letter of January 26, 1929, confirming the information communicated to the department by your Washington office that you are discussing with the Copenhagen Telephone Co. of the

Kingdom of Denmark the issuance in the United States of $6,700,000, 25-year, 5 per cent bonds.

In reply to your request for an expression of this department's views, I beg to state that, in the light of the information before it, the Department of State offers no objection to this financing.

You of course appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am, sirs, your obedient servant,

(Signed) WILBUR J. CARR,
Assistant Secretary
(For the Secretary of State).

GERMANY

NOVEMBER 24, 1924.

Dr. ARTHUR N. YOUNG,
Economic Adviser, State Department,
Washington, D. C.

DEAR ARTHUR: In accordance with your request, I am writing this letter as a record for your files summarizing the information which I gave you over the phone regarding the State of Bremen financing.

This financing consists of $5,000,000 one-year 7 per cent discount notes, of which $1,000,000 will be taken by banks in Berlin, and $4,000,000 will be placed by us probably both in New York and London. There probably will be no public offering, and the loan will probably be placed among various banks as a banking proposition. The proceeds of the loan are to be used for development of the port works of the State of Bremen. The loan is unsecured, but there is a promise that the State will not pledge any of its assets or revenues as security for a loan until funds have been deposited with the paying agent for the payment of these discount notes.

The State of Bremen contemplates at the end of the one year the flotation of a long-term loan, to pay off the discount notes and for public works. We are informed that this loan will be secured by the port dues, but on account of the fact that they do not have all of their plans formulated, they have found it necessary to do this temporary financing before the long-term financing is in shape.

We wanted to inform the department through you of this operation, and I shall be glad to have you pass on to me any views which may occur to you. You will, of course, have in mind that this matter is still in the confidential stage.

Yours very truly,

RALEIGH S. RIFE.

DEPARTMENT OF STATE,
Washington, November 26, 1924.

Mr. RALEIGH S. RIFE,
Guaranty Co. of New York, New York, N. Y.

SIR: I beg to acknowledge the receipt of your letter of November 24, 1924, to the economic adviser of this department confirming information previously furnished by telephone regarding a proposed financing for the State of Bremen.

In reply I beg to say that in the absence of information concerning the attitude of the German Government in the matter, and without knowing whether the proposed financing has the approval of the authorities set up to administer the Dawes plan, this department regrets that it is not in a position to express any view with reference to this financing.

I am, sir, your obedient servant,

LELAND HARRISON,
Assistant Secretary
(For the Secretary of State).

Private wire to Pitts, Washington office.

NOVEMBER 28, 1924.

Please deliver following to Mr. Leland Harrison, Assistant Secretary of State: "Replying to your letter of November 26 reference EA 862.51 B 75-7 the minister of finance of the German Reich has written an official letter to the State of Bremen to the effect that the ministry of finance has no objection to the issuance of the $5,000,000 one-year loan. We are given official permission to publish this letter. With regard to approval by the authorities set up to administer the Dawes plan, by which we assume the department means the transfer committee, we have received opinion of German counsel and verbal statements of Mr. Owen Young while he was abroad the substance of which is that revenues and assets of the State of Bremen are not specifically pledged under Dawes plan and that as the transfer committee has to do only with payments which come in under the Dawes plan the transfer committee could not be expected to give its approval or disapproval on such loans which are entirely out of its province. We feel it no breach of confidence to say to our State Department that our representatives in Paris, Berlin, and London have at various times discussed this whole matter quite fully with Mr. Young and we have had the benefit of his views which we have always considered to be favorable to this business. Before leaving Germany Mr. Young expressed opinion to our representatives that he saw no legal objection to this loan so far as the Dawes plan is concerned. Same opinion was also expressed by Mr. Gilbert's office. Mr. Young is out of town until Tuesday next, otherwise we should have discussed the matter with him."

H. STANLEY, *President.*

DEPARTMENT OF STATE,
Washington, December 1, 1924.

GUARANTY CO. OF NEW YORK,
140 Broadway, New York, N. Y.

SIRS: I beg to acknowledge the receipt of your telegram of November 28, 1924, delivered to the department through your Washington office, with further reference to your interest in pending negotiations for a loan to the State of Bremen, Germany.

In connection with this financing the department has already invited your attention to the provisions of article 248 of the treaty of Versailles under which the cost of reparations and other costs arising under that treaty or agreements supplementary thereto are constituted a first charge upon all the assets and revenues of the German Empire and its constituent States, subject to such exceptions as the reparation commission may approve. The department has also referred you to the provisions of a decree passed by the German Government on November 1, 1924, providing that authority must be obtained from the federal minister of finance for the flotation of foreign loans. The possible bearing of the Dawes plan upon the future service of German loans floated in foreign markets has also been brought to your attention.

Subject to these considerations and in the light of the information as hand, I take pleasure in informing you that this department offers no objection to the financing in question.

I am, sirs, your obedient servant,

LELAND HARRISON,
Assistant Secretary
(For the Secretary of State).

DECEMBER 3, 1924.

The SECRETARY OF STATE,
Department of State, Washington, D. C.

SIR: We beg to acknowledge receipt of your letter of December 1, 1924, referring to our negotiations for a loan to the State of Bremen, Germany.

We thank you for the attention which you have given this matter.

Yours very truly,

B. W.
By R. B. M.,
Vice President.

August 20, 1925.

Dr. Arthur N. Young,
Economic Adviser, Department of State, Washington, D. C.

Dear Atrhur: Mr. Vandevanter of our Washington office has suggested that we write you direct about the Bremen matter.

You recall this is the proposition that I was down to see your people about when we issued the 1-year notes. This loan is to be used to pay off the $5,000,000 one-year notes that we issued and the balance for public works, which we understand are revenue producing.

We are discussing a 10-year 7 per cent loan with market fund of 5 per cent per annum for purchase of bonds in the market at or below par. The bonds are unsecured but we have the negative pledge clause which provides that in case a loan is issued subsequent to this loan with a pledge of any of the assets or revenues of the State, that this loan will be secured ratably therewith. We have been advised that there is no property or revenues of the State pledged as security for any existing loan.

If there is any other information you would like to have, please let me know. We are anxious to get clearance for this matter within the next few days.

With best wishes yours very truly,

R. S. R.

Department of State,
Washington, September 2, 1925.

Mr. Raleigh S. Rife,
Guaranty Co. of New York, New York, N. Y.

Sir: I beg to acknowledge the receipt of your letter of August 20 to the economic adviser of this department in regard to the proposed loan of $10,000,000 to the German State of Bremen. It is understood that this loan is to be used to pay off $5,000,000 of 1-year notes and the remainder for public works, principally harbor improvements.

In this connection I beg to invite attention to the second paragraph of the department's letter of December 1, 1924, to the Guaranty Co., relating to the then proposed loan to Bremen.

It is presumed that in considering the disposal of these securities to your America clients you have made sufficient investigation into the purposes to which the money proceeds will be devoted to assure yourselves that the loan will increase the productivity of Germany in an amount at least sufficient to furnish, directly or indirectly, the exchange necessary for the service of the loan and to facilitate payments under the Dawes plan. It is also presumed that, in connection with the proposed loan, you have considered the provisions of the Dawes plan relating to the control of the transfer of German payments made pursuant to that plan. The Department of State does not wish to express any view at this time as to the interpretation and application of these provisions or as to their effects if any upon the service and repayment of loans such as that in question, and the department of course reserves full liberty to take such action if any in the matter in the future as may be appropriate. The department feels, however, that it should call these matters to your attention.

Subject to the foregoing, I beg to advise you that this department in the light of the information at hand, offers no objection to the flotation of this issue in the American market.

You of course, appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am, sirs, your obedient servant,

Joseph C. Grew,
Acting Secretary of State.

Department of State,
Washington, October 24, 1925.

Guaranty Co. of New York,
140 Broadway, New York, N. Y:

Sirs: I beg to refer to the telephone message communicated to this department by Mr. Van Devanter of your Washington office regarding your interest in exercising an option held by you for the purchase and issue of an additional

$5,000,000 of bonds of the Free State of Bremen, Germany, of the same tenor and for the same purposes as the issue of $10,000,000 recently floated by you.

Since the flotation of the German external loan provided for by the Dawes plan, offerings of German loans in the American market have aggregated, according to the information before this department, more than $150,000,000, and it appears that a considerable volume of additional German financing is now in contemplation. In addition to the public offerings referred to above, the department is informed that a large amount of private bank and commercial credits has been extended to German interests during the past year.

In these circumstances, the department believes that American bankers should examine with particular care all German financing that is brought to their attention, with a view to ascertaining whether the loan proceeds are to be used for productive and self-supporting objects that will improve, directly or indirectly, the economic condition of Germany and tend to aid that country in meeting its financial obligations at home and abroad. In this connection I feel that I should inform you that the department is advised that the German Federal authorities themselves are not disposed to view with favor the indiscriminate placing of German loans in the American market, particularly when the borrowers are German municipalities and the purposes are not productive.

Moreover it can not be said at this time that serious complications in connection with interest and amortization payments by German borrowers may not arise from possible future action by the agent general and the transfer committee. While the Department of State does not wish to be understood as passing upon the interpretation or application of the provisions of the Dawes plan, or upon their effect, if any, upon loans such as the one now under consideration by you, it desires to point out that there is no clear indication of what the attitude of the agent general and the transfer committee would be toward such loans in the event of a scarcity of available foreign exchange embarrassing their operations in effecting the transfers necessary to the execution of the Dawes plan. It seems to the department, therefore, that before issuing such loans you should inform yourselves whether the transfer committee will place any priorities or obstacles in the way of transferring funds for the payment of principal and interest and that you should make clear to your clients the full situation.

A further point which the department feels should be considered by you in connection with the proposed loan is the provision of article 248 of the treaty of Versailles under which "a first charge upon all the assets and revenues of the German Empire and its constituent States" is created in favor of reparation and other treaty payments, subject "to such exceptions as the reparation commission may approve."

These risks, which obviously concern the investing public, should in the opinion of the department be cleared up by you before any action is taken. If they can not be definitely eliminated, the department believes that you should consider whether you do not owe a duty to your prospective clients fully to advise them of the situation.

While the foregoing considerations involve questions of business risk, and while the department does not in any case pass upon the merits of foreign loans as business propositions, it is unwilling, in view of the uncertainties of the situation, to allow the matter to pass without calling the foregoing considerations to your attention. In reply to your inquiry, however, I beg to state that there appear to be no questions of government policy involved which would justify the department in offering objection to the loan in question.

I am, sirs, your obedient servant,

LELAND HARRISON,
Assistant Secretary
(For the Secretary of State).

NOVEMBER 11, 1925.

SECRETARY OF STATE,
Washington, D. C.

SIR: We beg to thank you for your letter of October 24 regarding our exercising an option for the purchase and issue of an additional $5,000,000 bonds of the Free State of Bremen, Germany, on the same tenor and date and for the same purposes as the issue of $10,000,000 recently sold by us.

We appreciate your calling to our attention the points mentioned in your letter which had already received our careful consideration in connection not only with the previous issue of $10,000,000 bonds but our purchase of December, 1924, of $5,000,000 1-year treasury notes of the State of Bremen. We have also had the benefit of conversation about these matters with Mr. Owen Young, Mr. Gilbert, Mr. Schacht, and others.

We tnink it is generally realized by the American public that while the entire assets and revenues of the German Reich and its constituent states were made subject to a first charge for reparation payments under article 248 of the Versailles Treaty, that the enforcement of this charge is suspended during the operation of the Dawes plan and that the revenues of the State of Bremen are not included in the pledges made by Germany under the Dawes plan. It is our further understanding that while it is the duty of the transfer committee to transfer (so long as such transfer does not jeopardize German currency or exchange) monies deposited in Germany for the account of the agent general under the Dawes plan the transfer committee has no jurisdiction and does not purport to take jurisdiction over other transfers of money. We realize that the agent general will be a competitor of anyone who purchases exchange in the market but that to endeavor to take any other jurisdiction or to interfere with the payment or service of legitimate debts would mean the failure of the Dawes plan.

We agree with your sentiment that it is desirable that loans for German municipalities and states should be for productive purposes and in the case of Bremen this is not only the fact but the use of harbor work to be done with the proceeds of this loan should facilitate export trade and furnish additional foreign exchange of which Bremen now receives a substantial amount annually from port dues. The Berlin Finance Committee formed by the German Government to look into the purposes for which German municipalities and states desire loans and to prevent the issuance of those which are not incurred for productive purposes has approved the issuance of the entire $15,000,000 Bremen loan.

As before stated, we thank you for pointing out these matters, all of which we have considered, and in respect of which we have received the advice of German and American counsel; and since you have no objection to our offering the loan in question we propose to go forward with it.

Very truly yours,

——— ———, *President*.

NOVEMBER 30, 1925.

The honorable the SECRETARY OF STATE,
Washington, D. C.

SIR: We beg to refer to the telephone message communicated to the department by Mr. Van Devanter of our Washington office regarding our exercising the option held by us for the purchase and issue of an amount of $5,000,000 of bonds of the Free State of Bremen, Germany, of the same tenor and for the same purpose as the issue of $10,000,000 floated in September. We also beg to refer to the department's letter of October 24 and our letter of November 11 with regard to the same matter. We are advised by Mr. Van Devanter that the department wishes to have from us written confirmation of the above-mentioned telephone message. We regret that we were under the impression that our letter of November 11 to the department constituted a sufficient written confirmation of Mr. Van Devanter's telephone conversation.

We beg to advise that on October 23 we telegraphed Mr. Van Devanter to advise the department that we expected to exercise our option for the purchase of an additional amount of $5,000,000 State of Bremen 10-year 7 per cent external loan gold bonds, of which we had issued $10,000,000 on September 21, 1925, out of a total authorized amount of $15,000,000; and that the use of the proceeds and the other terms and conditions concerning this $5,000,000 are to be the same as in connection with the $10,000,000 issue, and that this is merely completing the total authorized, which was approved by the Berlin Finance Committee.

We hope that the foregoing written confirmation of Mr. Van Devanter's verbal discussion with the department will fulfill the department's requirements, but if there is any additional information that the department may wish, we shall be glad to submit it upon request.

We refer to the last paragraph of our letter of November 11. As the department is doubtless aware, we have already proceeded with the purchase and issuance of the aforementioned $5,000,000 of State of Bremen Bonds.

Yours very truly,

J. R. S., *Vice President*.

SEPTEMBER 23, 1929.

The SECRETARY OF STATE,
Department of State, Washington, D. C.

SIR: We are negotiating for an issue of $5,000,000 6 per cent 15-year sinking fund gold bonds, with stock purchase warrants, of Deutsche Dampfschiffahrts-Gesellschaft, "Hansa," Bremen. We understand that the proceeds of the loan are to be used for new construction and to repay indebtedness incurred in the development of properties and for other corporate purposes.

We should appreciate very much receiving, at the department's earliest convenience, its views with reference to this proposed financing.

Very truly yours,

A. S., *Vice President.*

DEPARTMENT OF STATE,
Washington, September 25, 1929.

GUARANTY CO. OF NEW YORK,
31 Nassau Street, New York, N. Y.

SIRS: Receipt is acknowledged of your letter of September 23, 1929, stating that you are negotiating for an issue of $5,000,000 6 per cent 15-year sinking fund gold bonds, with stock purchase warrants, of Deutsche Dampfschiffahrts-Gesellschaft, "Hansa," Bremen.

In reply you are informed that the department is not interested in this financing.

Very truly yours,

NELSON TRUSLOW JOHNSON,
Assistant Secretary
(For the Secretary of State).

HUNGARY

APRIL 29, 1926.

The SECRETARY OF STATE,
State Department, Washington, D. C.

SIR: We are negotiating for an issue of $3,000,000 7½ per cent sinking fund land mortgage gold bonds of the Hungarian Land Mortgage Institute (Magyar Földhitel Intézet) of Budapest, Hungary. We are advised that the dollar bonds which it is proposed to issue will have, in accordance with Hungarian law, the following security: An equal amount of first land mortgages, made and repayable in dollars; a special reserve fund amounting to 5 per cent of the bonds outstanding, to be invested in dollar securities, approved by the trustee; and the joint and several, unlimited liability of the members of the institute, consisting of the holders of founders' shares and also of all mortgagors (in amounts of 2,000 kroner or over) under all first land mortgages for the time being.

We should appreciate very much receiving, at the department's earliest convenience, its views with reference to this proposed financing.

Yours very truly,

B. W., *Vice President.*

DEPARTMENT OF STATE,
Washington, May 7, 1926.

GUARANTY CO. OF NEW YORK,
140 Broadway, New York, N. Y.

SIRS: I beg to acknowledge the receipt of your letter of April 29, 1926, regarding your interest in a loan of $3,000,000 to the Hungarian Land Mortgage Institute, and to state that in the light of the information before it, the Department of State offers no objection to this financing.

You of course appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this government should be made in any prospectus or otherwise.

I am, sirs, your obedient servant,

LELAND HARRISON,
Assistant Secretary
(For the Secretary of State).

FEBRUARY 9, 1928.

The SECRETARY OF STATE,
State Department, Washington, D. C.
(Attention Dr. Arthur N. Young, economic adviser.)

SIR: We are negotiating for an additional issue of $4,500,000 7½ per cent sinking fund land mortgage gold bonds of the Hungarian Land Mortgage Institute (Magyar Foldhitel Intezet) of Budapest, Hungary. We are advised that the dollar bonds which it is proposed to issue will have, in accordance with Hungarian law, the following security: An equal amount of first land mortgages, made and repayable in dollars; a special reserve fund amounting to 5 per cent of the bonds outstanding, to be invested in dollar securities, approved by the trustee; and the joint and several unlimited liability of the members of the institute, consisting of the holders of founders' shares and also of all mortgagors (in amounts of 2,000 kroner or over) under all first land mortgages for the time being.

We should appreciate very much receiving, at the department's earliest convenience, its views with reference to this proposed financing.

Yours very truly,

——— ———,
Manager, Foreign Division.

DEPARTMENT OF STATE,
Washington, February 29, 1928.

GUARANTY CO. OF NEW YORK,
140 Broadway, New York, N. Y.

SIRS: I beg to acknowledge the receipt from your Washington office of a duplicate copy of your letter of February 9, 1928, regarding your interest in a loan of $4,500,000 to the Hungarian Land Mortgage Institute of Budapest, Hungary.

In reply to your request for an expression of this department's views, I beg to state that, in the light of the information before it, the Department of State offers no objection to the flotation of this issue in the American market.

You of course appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am, sirs, your obedient servant,

W. N. CASTLE,
Assistant Secretary
(For the Secretary of State).

MARCH 2, 1928.

The SECRETARY OF STATE,
State Department, Washington, D. C.
(Attention Dr. Arthur N. Young, economic advisor.)

SIR: Referring to our letter of February 9, 1928, and your reply of February 29 in connection with an additional issue of $4,500,000 7½ per cent sinking fund land mortgage gold bonds of the Hungarian Land Mortgage Institute (Magyar Foldhitel Intezet) of Budapest, Hungary, we advise having received notice from abroad that the amount of the issue may possibly be increased to an aggregate of $8,000,000.

Yours very truly,

——— ———,
Manager Foreign Division.

DEPARTMENT OF STATE,
Washington, March 7, 1928.

GUARANTY CO. OF NEW YORK,
140 Broadway, New York, N. Y.

SIRS: I beg to acknowledge the receipt of your letter of March 2, 1928, in which, referring to your letter of February 9, you state that the principal amount of the loan to the Hungarian Land Mortgage Institute may possibly be increased from $4, 500,000 to $8,000,000.

In reply I beg to state that the attitude of this department remains as set forth in its letter to you of February 29, 1928.

I am, sirs, your obedient servant,

NELSON TRUSLO JOHNSON,
Assistant Secretary
(For the Secretary of State).

OCTOBER 6, 1928.

SECRETARY OF STATE,
State Department, Washington, D. C.
(Attention of Mr. Arthur N. Young, economic adviser.)

SIR: We are negotiating for an issue of $5,000,000 National Hungarian Mortgage Institute, R. T. (Orszagos Magyar Jelzalog Intezet, R. T.) first mortgage sinking fund 7 per cent gold bonds, series A dollar bonds, to mature in 20 years. The National Hungarian Mortgage Institute, R. T. was established by the Royal Hungarian Government, which owns 80 per cent of its capital stock, in August, 1928, for the purpose of issuing bonds and making loans to industrial enterprises and to public utility works operated by public bodies, such bonds to be secured by first mortgages as well as by a reserve fund amounting to 20 per cent of the outstanding bonds, to be invested in dollar securities. The institute is under the permanent supervision of a commissioner appointed by the Royal Hungarian Government.

We should appreciate very much receiving, at the department's earliest convenience, its views with reference to this proposed financing.

Yours very truly,

A. SHRIVER, *Vice President.*

DEPARTMENT OF STATE,
Washington, October 11, 1928.

GUARANTY CO. OF NEW YORK,
140 Broadway, New York, N. Y.

SIRS: I beg to acknowledge the receipt of your letter of October 6, 1928, stating that you are negotiating for an issue of $5,000,000 National Hungarian Mortgage Institute, R. T. (Orszagos Magyar Jelzalog Intezet, R. T.) first mortgage sinking fund 7 per cent gold bonds.

In reply to your request for an expression of this department's views, I beg to state that, in the light of the information before it, the Department of State offers no objection to this financing.

You of course appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am, sirs, your obedient servant,

W. R. CASTLE,
Assistant Secretary
(For the Secretary of State).

ITALY

NOVEMBER 30, 1926.

MR. LELAND HARRISON,
Assistant Secretary of State,
Department of State, Washington, D. C.

DEAR SIR: We have been negotiating with "Montecatini" Societa Generale per l'Industria Mineraria ed Agricola, an Italian corporation manufacturing chemical fertilizers and allied products in Italy, for the purpose of an issue of $10,000,000 of its 10-year external sinking fund 7 per cent gold bonds.

The company advises us that the greater part of the proceeds of the loan are to be used for additions and improvements to properties of the company and its subsidiaries which should result in substantially increased earnings, and that the balance will be used for additional working capital and general corporate purposes.

We are giving you this for your information and we should appreciate receiving the department's views with reference to this proposed financing.

Yours very truly,

J. R. S.,
Vice President.

DEPARTMENT OF STATE,
Washington, December 4, 1926.

GUARANTY CO. OF NEW YORK,
New York, N. Y.

SIRS: I beg to acknowledge the receipt of your letter of November 30, 1926, regarding your interest in a loan of $10,000,000 to "Montecatini" Societa Generale per l'Industria Mineraria ed Agricola, an Italian corporation, for the purposes and under the terms indicated therein.

In reply to your request for an expression of this department's veiws, I beg to state that in the light of the information before it, the Department of State offers no objection to this financing.

You of course appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am, sirs, your obedient servant,

LELAND HARRISON,
Assistant Secretary
(For the Secretary of State).

JAPAN

NOVEMBER 26, 1924.

Mr. LELAND HARRISON,
Assistant Secretary of State, Department of State,
Washington, D. C.

DEAR MR. HARRISON: In accordance with your request, I am writing this letter as a record for your files, summarizing the information which I gave you in my interview yesterday regarding the Toho Electric Power Co. (Ltd.) financing.

Our friends Lazard Bros. in London have asked us whether we would be interested in an issue of $15,000,000 first mortgage sinking fund 7 per cent gold bonds (exact title not yet determined), to be secured by a first mortgage on all the properties of the company in the Kainsai district in and around Nagoya, Japan. In a sense this is a joint operation between New York and London because they are expecting to float some £300,000 under the trade facilities act, guaranteed by the British Government and at a much lower rate of interest than we could market the bonds here.

We understand that the proceeds of this loan are to be used in part for funding other short-term loans. We know that the company at various times has purchased considerable equipment from American manufacturers, and that this is its first dollar public financing.

We wanted to inform the department through you of this operation, and I shall be glad to have you pass on to me any views which may occur to you. You will, of course, have in mind that this matter is still in the confidential stage.

Yours very truly,

RALEIGH S. RIFE.

[Telegram]

GUARANTY TRUST CO. OF NEW YORK,
December 5, 1924.

Delivery No. 138D.
CHARLES E. HUGHES,
Secretary of State, Washington, D. C. (December 4, 1924):

Reference Mr. Rife's letter of November 26. Department of State in the light of the information before it offers no objection to the proposed transaction. It expresses the hope, however, that such part of proceeds of the loan as may not be expended in Japan may be expended in the United States.

JUNE 28, 1926.

The honorable SECRETARY OF STATE,
Department of State, Washington, D. C.
(Attention of Mr. Joseph C. Grew, Under Secretary of State.)

SIR: We expect to submit a proposal to Toho Denryoku Kabushiku Kaisha (Toho Electric Power Co. (Ltd.)), a public-utility corporation, of Tokyo, Japan, for the purchase of an issue of $10,000,000 of its 3-year 6 per cent gold notes, to be dated July 1, 1926. The proceeds of this issue, together with proceeds of a payment on capital stock heretofore subscribed for, are to be used to pay the corporation's existing bank indebtedness, certain of its funded debt maturing or to be retired by sinking funds during 1926 and 1927, and for general corporate purposes.

The writer to-day discussed the foregoing business on the telephone with Mr. Joseph C. Grew, Under Secretary of State, who interposed no objection to the proposed financing. This letter is written in confirmation of the aforementioned verbal discussion, and we should appreciate receiving from the department a written confirmation that this understanding is correct.

Very truly yours,

J. R. SWAN, *Vice President.*

DEPARTMENT OF STATE,
Washington, July 2, 1926.

GUARANTY CO., OF NEW YORK, *New York, N. Y.*

SIRS: I beg to acknowledge the receipt of your letter of June 28, 1926, regarding your interest in a loan of $100,000,000 to the Toho Electric Power Co. (Ltd.), of Tokyo, Japan, for the purposes and under the terms indicated therein.

I beg to state that, in the light of the information before it, the Department of State offers no objection to the flotation of this issue in the American market.

You, of course, appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions; also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am, sirs, your obedient servant,

LELAND HARRISON,
Assistant Secretary
(For the Secretary of State).

JUNE 7, 1929.

The honorable the SECRETARY OF STATE,
Washington, D. C.

SIRS: We are discussing with the Toho Electric Power Co. (Ltd.), Tokyo, Japan, an issue of $11,450,000 3-year 6 per cent gold notes, to be dated July 1, 1929. The proceeds of these notes together with cash now on hand are to provide for the refunding of $10,000,000 Toho Electric Power Co. 3-year 6 per cent gold notes maturing July 15, 1929, and to provide for the payment of all existing bank loans and funded debt to be retired by sinking funds during the remainder of 1929.

We would appreciate your advising us as to whether the State Department sees any objection to the issuance of the above loan.

Very truly yours,

——— ———, *Vice President.*

DEPARTMENT OF STATE,
Washington, June 13, 1929.

GUARANTY CO. OF NEW YORK,
New York, N. Y.

SIRS: I beg to acknowledge the receipt of your letter of June 7, 1929, stating that you are discussing with the Toho Electric Power Co. (Ltd.), Tokyo, Japan, an issue of $11,450,000 3-year 6 per cent gold notes, to be dated July 1, 1929.

In reply to your request for an expression of this department's views, I beg to state that, in the light of the information before it, the Department of State offers no objection to this financing.

You of course appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am, sirs, your obedient servant,

NELSON TRUSLER JOHNSON,
Assistant Secretary
(For the Secretary of State).

JULY 15, 1925.

The honorable SECRETARY OF STATE,
State Department, Washington, D. C.

SIR: In confirmation of my telephone conversation with Mr. Joseph C. Grew, Under Secretary of State, to-day, we wish to advise the State Department that we have been negotiating and have submitted a proposal for an issue of $20,000,000 3-year 6 per cent gold notes of the Tokyo Electric Light Co. (Ltd.) (Tokyo Dento Kabushiki Kaisha), of Tokyo, Japan. We are advised that the proceeds of the notes are to be used to pay off the company's existing bank indebtedness and to provide funds for construction purposes. No doubt the department will be interested to know that of the generating equipment in the company's electric stations more than 50 per cent is of American manufacture.

We inclose a proof copy of the proposed prospectus covering the above issue.

We should appreciate confirmation that the department has no objection to the proposed financing.

Yours very truly,

J. R. SWAN, *Vice President.*

DEPARTMENT OF STATE,
Washington, July 18, 1925.

GUARANTY CO. OF NEW YORK,
New York, N. Y.

SIRS: In reply to your letter of July 15, 1925, regarding your interest in the proposed issue of $20,000,000 3-year 6 per cent gold notes of the Tokyo Electric Light Co. (Ltd.) (Tokyo Dento Kabushiki Kaisha), of Tokyo, Japan, I beg to inform you that in the light of the information before it, the department offers no objection to the flotation of this issue in the American market for the purposes indicated in your letter under acknowledgment.

You of course appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am, sirs, your obedient servant,

JOSEPH C. GREW, *Under Secretary*
(For the Secretary of State).

APRIL 25, 1928.

Mr. WILLIAM R. CASTLE, Jr.,
Assistant Secretary of State. State Department,
Washington, D. C.

DEAR MR. CASTLE: I am inclosing a formal communication addressed to the Secretary of State regarding the forthcoming Tokyo Electric Light Co. issue. Immediately after seeing you the other day questions were raised as to a different allocation of this issue between the three markets. As I thought it would be desirable to have it in more or less complete shape I have postponed sending this letter to you until those figures were more nearly settled.

I would like to take this opportunity of thanking you for the very pleasant time which Bill Hamilton and I had with you at breakfast and to thank you for the very satisfactory atmoshpere which you gave us. May I also use this letter as a reminder of the suggestion that we should very much like to have an opportunity of discussing this matter, of course in general terms, with his excellency, the Japanese ambassador to the United States. If you would be so good as to inform him that we should like to entertain him at luncheon when he is next in New York, at which time we can discuss this matter, it would be very much appreciated by us.

With best regards and again thanking you for your kindness.

I am faithfully yours,

B. W.,
Vice President.

APRIL 25, 1928.

SECRETARY OF STATE,
Department of State, Washington, D. C.

SIR: We are negotiating with the Tokyo Electric Light Co. (Ltd) a Japanese electric light and power company, for the purchase of approximately $70,000,000 principal amount of its first mortgage gold 6 per cent or 6½ per cent bonds dollar series due 1953. In addition to the dollar series bonds the company expects to sell approximately £4,500,000 sterling series bonds due 1953 to Lazard Brothers & Co. (Ltd.), and the Whitehall Trust (Ltd.), both of London, England, and approximately ¥65,000,000 yen series bonds due 1953 to Mitsui Bank (Ltd.) and Yasuda Bank (Ltd.), both of Tokyo, Japan.

All three series, equivalent at parities of exchange to a total of approximately $124,301,750, are to be issued under one indenture by which all three series of the bonds are to be secured, equally and ratably, by a direct first mortgage lien on all of the company's fixed electric properties.

The proceeds of the proposed loan are to be used for the retirement of $24,000,000 gold 6 per cent notes due August 1, 1928, £3,600,000 sterling 6 per cent debentures due 1948, ¥25,000,000 secured yen debentures, and all outstanding bank loans, and for other corporate purposes.

This comprehensive financing, which follows the merger on April 1, 1928 of the company with the Tokyo Electric Power Co. (Ltd.), will largely consolidate the funded debt of the company, and will convert outstanding bank loans into long-term bonds, thereby greatly strengthening the current position of the enlarged company.

We are giving you this for your information and we shall appreciate receiving the department's views with reference to this proposed financing.

Yours very truly,

B. W.
Vice President.

DEPARTMENT OF STATE,
Washington, April 27, 1928.

GUARANTY CO. OF NEW YORK,
140 Broadway, New York, N. Y.

SIRS: I beg to acknowledge the receipt of your letter of April 25, 1928, regarding your negotiations with the Tokyo Electric Light Co. (Ltd.), for the purchase of approximately $70,000,000 principal amount of its first mortgage gold 6 per cent or 6½ per cent bonds.

In reply to your request for an expression of this department's views, I beg to state that in the light of the information before it, the Department of State offers no objection to the flotation of this issue in the American market.

You of course appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am, sirs, your obedient servant,

NELSON TRUSLER JOHNSON,
Assistant Secretary
(For the Secretary of State.)

NORWAY

FEBRUARY 24, 1928.

The SECRETARY OF STATE,
State Department, Washington, D. C.
(Attention Dr. Arthur N. Young, economic adviser.)

SIR: We are planning to submit a bid for a $30,000,000 Kingdom of Norway, 30 or 35 year 5 per cent bond issue which is to be retired through a cumulative sinking fund beginning five years after the issue date. We understand that the proceeds of this loan will be used to consolidate floating indebtedness of the Government.

We should appreciate very much receiving, at the department's earliest convenience, its views with reference to this proposed financing.

Yours very truly,

K. W.,
Manager, Foreign Division.

DEPARTMENT OF STATE,
Washington, February 29, 1928.

GUARANTY CO. OF NEW YORK,
140 Broadway, New York, N. Y.

SIRS: I beg to acknowledge the receipt of your letter of February 24, 1928, stating that you are considering the submission of a bid for a $30,000,000 loan to the Kingdom of Norway.

In reply to your request for an expression of this department's views, I beg to state that, in the light of the information before it, the Department of State offers no objection to this financing.

You of course appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass on the merits of foreign loans as business propositions nor assume any responsibility in connection with such transactions, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

I am, sirs, your obedient servant,

W. R. CASTLE,
Assistant Secretary
(For the Secretary of State).

URUGUAY

NOVEMBER 13, 1926.

Dr. ARTHUR N. YOUNG,
Economic Adviser, State Department,
Washington, D. C.

DEAR ARTHUR: This is to confirm my telephone conversation with you that we are planning an issue of $5,000,000 6 per cent bonds with 1 per cent cumulative sinking fund, due 1959, of the city of Montevideo, Uruguay. This is part of an authorized issue of $9,000,000.

The loan is to be expended for street improvements, which consists of widening certain streets in the center of the town leading to the seacoast, and the construction of a boulevard along the southern coast line of the city from the breakwater to the existing boulevard along the shore to the east of the city. It is estimated that there will be some 45 acres of land reclaimed, the shore line will be straightened, and boulevard and beach improvements will be made. The city is levying special additional real estate taxes on property adjoining the improvements, which it is estimated will liquidate the loan.

From every standpoint of our investigation, we are convinced that this is a constructive piece of work.

I am writing you this information so that you may be informed of our plans, and I would appreciate any views you may have concerning the same.

Sincerely yours,

RALEIGH S. RIFE.

DEPARTMENT OF STATE,
Washington, November 16, 1926.

GUARANTY CO. OF NEW YORK,
140 Broadway, New York, N. Y.

SIR: I beg to acknowledge receipt of Mr. Rife's letter of November 13, 1926, regarding your interest in the flotation of an issue of $5,000,000 6 per cent bonds with 1 per cent cumulative sinking fund, due 1959, of the city of Montevideo, Uruguay, this issue being part of an authorized issue of $9,000,000.

In reply to your request for an expression of this department's views, I beg to state that in the light of the information before it, the Department of State offers no objection to the flotation of this issue in the American market.

You of course appreciate that, as pointed out in the department's announcement of March 3, 1922, the Department of State does not pass upon the merits of foreign loans as business propositions nor assume any responsibility in connection with such transacticns, also that no reference to the attitude of this Government should be made in any prospectus or otherwise.

In connection with the carrying out of the proposed improvements, the department hopes that American firms may be afforded the freest opportunity to compete for the proposed work on equal terms, and assumes that the proposed contracts and the procedure in connection therewith will not in any way interfere with such free opportunity.

I am, sirs, your obedient servant,

LELAND HARRISON,
Assistant Secretary
(For the Secretary of State).

SELLING GROUP LETTERS, BANKING GROUP LETTERS, PURCHASE GROUP LETTERS, AND PURCHASE CONTRACT

$10,000,000 STATE OF BREMEN (GERMANY) 10-YEAR 7 PER CENT EXTERNAL LOAN GOLD BONDS

One million five hundred thousand dollars of the present offering have been withdrawn for simultaneous issue in Holland by Messrs. R. Mees & Zoonen, Rotterdam, Nederlandsche Handel- Maatschappij, Mendelssohn & Co., and Pierson & Co., Amsterdam, and $1,000,000 bonds have been withdrawn for Switzerland by Credit Suisse and associates.

To be dated September 1, 1925. To mature September 1, 1935.

SELLING GROUP

NEW YORK, N. Y., *September 21, 1925.*

GENTLEMEN: We have purchased, when, as and if issued and received by us and subject to approval of counsel, $10,000,000 State of Bremen (Germany) 10-year 7 per cent external loan gold bonds, to mature September 1, 1935. For further details concerning this issue we refer you to the inclosed advanced circular.

We are forming (on a basis which allows us and our associates a profit) a selling group, in which we may participate and of which we shall be managers, to offer these bonds to the public. We hereby invite you to become a member of this selling group.

Offering price.—The selling group will offer these bonds on Tuesday, September 22, 1925, at the list price of 94¾ per cent and accrued interest. From this list price, out of the selling commission mentioned below, a concession of ¼ per cent may be reallowed to dealers and financial institutions including insurance companies. Except as aforesaid, the list price must be maintained and no other commissions or concessions may be allowed by you to others (including members of this selling group).

Selling group members are permitted to offer these bonds in the United States and Canada only.

Selling commission.—A selling commission of 3¼ per cent will be allowed selling group members on confirmed amounts of bonds, such selling commission to be subject to the repurchase penalty outlined below.

Sales subject confirmation.—As selling group managers we plan to fill applications for bonds in the order received, but the right is reserved to reject any applications or to treat them as subscriptions and allot a smaller amount than applied for. The subscription books may be closed at any time without notice.

Reporting orders.—When orders have been reported by telephone or telegraph such orders should also be reported by letter to Guaranty Co. of New York, 140 Broadway, New York, N. Y., in which it should be definitely stated that the letter confirms such previous message.

Liability.—Other than your agreement to make payment for bonds confirmed to you and your liability to take up repurchased bonds as mentioned below, you will have no commitment in this selling group.

Delivery date.—It is expected that trust or interim receipts will be ready for delivery on or about October 6, 1925, at the office of Guaranty Co. of New York, 140 Broadway, New York, N. Y. Selling group members agree to take up and make payment when called upon for bonds confirmed to them, at 94¾ per cent and accrued interest less ¼ per cent, such payment to be made in New York funds or in State of Bremen 1-year external gold discount treasury notes due December 1, 1925, which will be accepted in payment at a price equivalent to a 4 per cent interest yield basis computed from the date of payment for the above 7 per cent bonds to December 1, 1925. As of October 6, this figures $993.926 flat for each $1,000 note. Payment of a higher price for these notes will be considered a violation of the selling group terms. The balance of the 3¼ per cent selling commission will be paid at the termination of the account except as provided below.

Date of termination.—The selling group will terminate at the close of business, November 21, 1925, unless sooner terminated by us as selling group managers, but may be extended at our option for a period or periods not exceeding in the aggregate 60 days.

Repurchased bonds.—Any bonds purchased or contracted for by us as managers at or below the list price prior to the termination of the selling group must be taken up upon our request at cost and accrued interest by the selling group member to whom, as shown by the numbers, such bonds were originally delivered. We may in our discretion retain for selling group account the entire selling commission on all bonds so repurchased which we shall not have elected to require the selling group member to take up. It is understood that the delivery of such bonds at the list price less ¼ per cent does not relieve the selling group member from his liability to return such ¼ per cent to the selling group.

Advertising and circulars.—As selling group managers we expect to advertise on Tuesday, September 22, 1925. Selling group members will be permitted to advertise at their own expense on the day following the appearance of our advertisement. Circulars and circular letters are not to be mailed until after the close of business Tuesday, September 22, 1925. Telegrams may be sent out at any time on or after Tuesday, September 22, 1925. Circulars will be supplied in blank in reasonable quantities upon request.

As managers we reserve the right, in our discretion, to change the offering price, selling commission and concession at any time without notice and further reserve the right to withdraw at any time and without previous notice the privilege of any member of the group to place orders with us, for failure of such member to maintain the list price, or for any other cause deemed sufficient by us. We shall have full discretionary powers and shall have authority to make any arrangements or perform any act which we may deem expedient for the promotion and direction of the interests of the account. As managers we shall not be liable in any way or for any matter connected herewith except for lack of good faith.

Pursuant to subdivision 3 of section 359-e of the New York General Business Law, the undersigned, as selling group managers, will cause to be published a State notice respecting these bonds in the form required by subdivision 2 of said section 359-e.

Kindly wire Guaranty Co. of New York your acceptance or declination of the invitation to become a member of this selling group and in confirmation of your acceptance sign and promptly transmit to the undersigned the inclosed duplicate.

Yours very truly,

GUARANTY CO. OF NEW YORK,
DILLON, READ & CO.,
Selling Group Managers.
By GUARANTY CO. OF NEW YORK,
For the Selling Group Managers.

SEPTEMBER, , 1925.

TO THE SELLING GROUP MANAGERS,
Care of Guaranty Co. of New York, 140 Broadway, New York City.

GENTLEMEN: The undersigned hereby accepts the invitation to become a member of the above selling group upon the terms and conditions set forth.

Address to which all notices may be mailed----------------------------

---

$10,000,000 STATE OF BREMEN (GERMANY) 10-YEAR 7 PER CENT EXTERNAL LOAN GOLD BONDS

One million five hundred thousand dollars of the present offering have been withdrawn for simultaneous issue in Holland by Messrs. R. Mees & Zoonen Rotterdam, Nederlandsche Handel-Maatschappij, Mendelssohn & Co., and Pierson & Co., Amsterdam, and $1,000,000 bonds have been withdrawn for Switzerland by Credit Suisse and associates.

To be dated September 1, 1925. To mature September 1, 1935.

BANKING GROUP

NEW YORK, N. Y., *September 21, 1925.*

GENTLEMEN: We have purchased, when, as, and if issued and received by us and subject to approval of counsel, $10,000,000 State of Bremen (Germany) 10-year 7 per cent external loan gold bonds, to mature September 1, 1935, more particularly described in the inclosed advance circular.

We are forming a banking group, of which we shall be managers and in which we may participate, to purchase these bonds from ourselves at 90½ per cent and accrued interest which price allows us a profit.

In this banking group we have reserved for you an interest of $———. This interest is for your own account and may not be reoffered, subdivided, or transferred.

We propose to offer these bonds to the public at 94¾ per cent and accrued interest through a selling group which is to receive a commission of 3¼ per cent on confirmed sales.

Upon acceptance of the above participation you will become liable for the principal amount of your participation and will share pro rata in the profits or losses of the banking group.

All expenses in connection with the purchase and sale of these bonds will be charged to this banking group. We reserve the right to trade in the bonds of this issue and any profits or losses accruing through such trading will be credited to or charged against this banking group.

Participants agree to take up and make payment for bonds when called upon by us as managers upon five days' notice.

As managers of the banking group we shall have full discretionary powers and may hold without accountability for interest any and all banking group moneys in general account. We act solely as agent for this banking group and shall incur no liability except for lack of good faith.

This banking group will terminate at the close of business November 21, 1925, unless sooner terminated by us as banking group managers, but may be extended at our option for a period or periods not exceeding in the aggregate 60 days.

We shall advise you separately in regard to the selling group terms. In this connection, attention is called to the fact that selling group members will be permitted to offer these bonds in the United States and Canada only.

Kindly confirm your acceptance of the above interest in accordance with the terms of this letter.

Yours very truly,

GUARANTY CO. OF NEW YORK,
DILLON, READ & CO.,
Banking Group Managers
By GUARANTY CO. OF NEW YORK,
For the Banking Group Managers.

SEPTEMBER 22, 1925.

Messrs. DILLON, READ & CO.,
Nassau and Cedar Streets, New York City.

GENTLEMEN: Referring to $10,000,000 State of Bremen 10-year 7 per cent bonds which we have contracted to purchase for yourselves and ourselves, this is to confirm that our interests in the purchase are, respectively, 60 per cent for ourselves and 40 per cent for yourselves, after taking care of our German associates to the extent of a 20 per cent interest in the bonds on original terms.

Will you please confirm that this is in accordance with your understanding and oblige.

Yours very truly,

——— ———, *Vice President.*

CONTRACT OF THE STATE OF BREMEN (FREE HANSEATIC CITY OF BREMEN) WITH GUARANTY TRUST CO. OF NEW YORK—TEN-YEAR 7 PER CENT EXTERNAL LOAN GOLD BONDS DATED SEPTEMBER 1, 1925

Contract, dated September 21, 1925, between State of Bremen (Free Hanseatic City of Bremen) (hereinafter termed "Obligor"), acting by Finanzdeputation, thereunto duly empowered, and Guaranty Trust Co. of New York (hereinafter termed "Trust Co."), of New York, United States of America. The Obligor, in accordance with the authorization granted by a law of the State of Bremen, passed by the Burgerschaft of that State on July 6, 1923, by which the Finanzdeputation, acting on behalf of the State of Bremen, has due authority to issue $15,000,000 principal amount of its gold dollar bonds as hereinafter described, hereby contracts to issue and sell to the Trust Co. gold dollar bonds of such authorized issue in the amount and subject to the conditions as follows:

ARTICLE 1

The gold dollar bonds are to be designated "State of Bremen (Free Hanseatic City of Bremen) 10-year 7 per cent external loan gold bonds" (hereinafter termed "bonds"), and are to be dated September 1, 1925, and to mature September 1, 1935. The bonds will bear interest at the rate of 7 per cent per annum from September 1, 1925. Such interest is to be payable semiannually on March 1 and September 1 in each year, and coupons for the collection of such interest shall be attached to the bonds, the first coupon being payable on March 1, 1926. Principal and interest and all other amounts in dollars mentioned herein are to be payable in gold coin of the United States of America of the standard of weight and fineness existing on September 1, 1925, at the main office of Guaranty Trust Co. of New York, which is hereby appointed as paying agent of the loan, in New York City, without deduction for or on account of any taxes, assessments or stamp or other duties of any character now or hereafter levied or imposed by the State of Bremen or by the German Reich or by any political subdivision or taxing authority of or within the State of Bremen or the German Reich. The bonds are to be coupon bonds payable to bearer, and are to issued in denominations of $1,000 and $500 in such proportions as indicated by the Trust Co. The bonds shall not be redeemable prior to maturity.

ARTICLE 2

The obligor will pay to the paying agent, as a market purchase fund, at its main office in the Borough of Manhattan, city of New York, on or before the 1st day of March and September of each year commencing March 1, 1926, a sum equal to 2½ per cent of the total principal amount of bonds presently issued pursuant to this contract, and in the event of the issuance of additional bonds under this contract, the obligor will increase such market purchase fund payments by such sums, which payable in equal semiannual instalments, shall aggregate 2½ per cent of the principal amount of such additional bonds. The market purchase fund moneys shall be applied by the paying agent to the purchase of bonds if obtainable at not exceeding par and accrued interest, plus the usual broker's commission, at such times and in such manner as the paying agent may determine. Moneys remaining unexpended and in the hands of the paying agent on August 26 in each year shall be credited to the obligor for the market purchase fund installment payment then due and any moneys in excess of requirements shall be returned to the obligor forthwith after each September 1. On September 1 1935, any moneys then held by the paying agent in the market purchase fund shall be applied to the payment of the maturing bonds.

ARTICLE 3

The obligor, at its option, upon notifying the paying agent at least 15 days prior to March 1 and September 1 of each year, in lieu of making the market-purchase fund payments entirely in dollars as provided for in article 2, may on or before February 23, and on or before August 26 in each year deposit with or create a credit with the J. F. Schroeder Bank K. a. A. in Bremen, Germany, and/or with Messrs. M. M. Warburg & Co., Hamburg, Germany, in favor of the paying agent of an amount of German marks which at the rate of exchange then current shall be equal in dollars to one-half of the market purchase fund payments due on the next succeeding March 1 and September 1. The obligor covenants thereafter to maintain such deposit or credit in an amount sufficient to meet one-half the dollar requirements of the market-purchase fund, the other half being remitted as provided in article 2. The obligor hereby autnorizes the paying agent when and as it requires funds to purchase bonds for the market-purchase fund, at not exceeding par and accrued interest, to draw on said deposit or credit by sight drafts or cable transfers, and to sell such sight drafts or cable transfers at the then current rate of exchange to an amount sufficient to provide for the payment in dollars of the bonds purchased or to be purchased, plus the usual broker's commission and plus one day's interest at the coupon rate on the principal amount of bonds purchased.

The balance of any deposit or credit established as hereinbefore provided, and not expended for the market-purchase fund, shall revert to the obligor as provided in article 2.

The paying agent assumes no obligations in respect to the price or prices at which it may sell sight drafts or cable transfers, other than to endeavor to obtain the best price then current. It may itself purchase any such sight drafts or cable transfers at the then current rate.

In case at any time the paying agent shall be unable for any reason to sell sight drafts or cable transfers in an amount sufficient to provide the dollar requirements of the market-purchase fund, or if in the opinion of the paying agent circumstances render it advisable that dollars be remitted by the obligor for the full amount of the market-purchase fund requirements, the obligor will forthwith remit to the paying agent sufficient dollars to meet the purchase-fund requirements.

All bonds purchased for the market-purchase fund shall be canceled, and no bonds of this loan shall be issued in lieu thereof.

ARTICLE 4

The obligor hereby approves the specifications and terms of the bonds and all other statements contained in the prospectus dated September 1, 1925, for the public offering thereof, a copy whereof is marked Schedule C and made a part hereof, and agrees that the bonds shall conform with the foregoing provisions and those contained in Schedule C and in the bonds, Schedules A and B hereto attached, subject to such changes as may be approved by counsel for the Trust Co.

ARTICLE 5

The total amount of bonds issuable under this contract will be limited to $15,000,000.

The obligor agrees to sell and deliver to the Trust Co., and the Trust Co. agrees to purchase and pay for $10,000,000 principal amount of bonds at the price of 89 per cent of the principal amount plus accrued interest from September 1, 1925, to the date of payment by the Trust Co. of the purchase price; provided, however, that the Trust Co. shall have the right, by cable notice to the Finanzdeputation of the State of Bremen, not later than the date of delivery of the temporary or provisional bond as provided in Article VII, to resell to the obligor and the obligor will purchase from the Trust Co., at the said price of 89 per cent of the principal amount plus accrued interest all or any part of $2,500,000 principal amount of bonds.

ARTICLE 6

The Trust Co. agrees that on or before September 25, 1925, it will make a public offering of $10,000,000 principal amount of bonds, of which amount $2,500,000 will be subject to the right of the Trust Co. to resell to the obligor as provided in Article V.

ARTICLE 7

On such date, not later than October 15, 1925, as the Trust Co. shall request, the obligor will deliver to the Trust Co. at its main office in the city of New York, or at the office of Guaranty Trust Co. of New York in Brussels, Belgium, one or more temporary or provisional bonds substantially in the form attached hereto, marked "Schedule B," duly executed, dated September 1, 1925, bearing interest from September 1, 1925, for an aggregate principal amount of $10,000,000, less such amount as the Trust Co. shall have resold to the obligor, and thereupon the Trust Co. will make payment therefor by crediting the account of the obligor with the Guaranty Trust Co. of New York, N. Y. The Trust Co. may extend the time for delivery and payment for a period or periods not exceeding 20 days from October 15, 1925. The obligor hereby authorizes Guaranty Trust Co. of New York as paying agent of its $5,000,000 principal amount of 1-year external gold discount treasury notes, due December 1, 1925, to set aside in a special account out of the amount so credited to it the sum of $5,000,000 to be held in trust and applied to the payment of said 1-year notes at their maturity on December 1, 1925. On such account the Trust Co. will allow the obligor interest to December 1, 1925, at the rate of 3½ per cent per annum.

The Trust Co. shall allow on all remaining moneys held by it, representing the purchase price, or any part thereof, of the bonds, interest at its then current rate for domestic demand deposits.

The obligor will deliver to the Trust Co. in New York City on or before May 1, 1926, definitive bonds engraved in America in confirmity with the requirements of the New York Stock Exchange for listing, substantially in the form hereto attached marked Schedule A.

Pending delivery of the definitive bonds, the Trust Co. may deliver to subscribers for such bonds its receipt or other writing evidencing the right of the holder to receive an amount of such bonds specified in such receipt or writing.

ARTICLE 8

The obligation of the Trust Co. to take and pay for the said bonds shall be subject to the approval by counsel for the Trust Co. of the form and validity of the bonds and of this contract and of the terms thereof, respectively, and of all proceedings and authorizations in connection with the issue of the bonds.

ARTICLE 9

The obligor represents that no restrictions are imposed upon it by the German Reich or otherwise, which would hinder or prevent it from remitting dollars to provide for the payment of interest, market-purchase fund, and principal of the bonds and other amounts payable under this contract.

ARTICLE 10

The obligor represents that none of its assets or revenues are now pledged as security for any loan. The obligor covenants that so long as any of the bonds of this loan are outstanding, neither it nor any entity or body under its control or in any way related to it, will pledge any of its assets or revenues as security for any loan or obligation, public or private, without securing the bonds of this loan equally and ratably therewith.

ARTICLE 11

The obligor agrees to pay the cost of engraving, printing, and delivering the bonds (both temporary and definitive) and the receipts issued by the Trust Co., and of the exchange of the same for definitive bonds, and the cost of listing on the New York Stock Exchange. The obligor will also pay the fees of German counsel employed by the Trust Co. The obligor will also pay to the paying agent for its services in the payment of interest on the bonds one-fourth of 1 per cent of the amount of interest paid; for its services in purchasing bonds through the market purchase fund or for paying bonds at maturity one-fifth of 1 per cent of the principal amount paid or purchased; for its services in authenticating the interim receipts and the temporary and definitive bonds 50 cents for each signature; and will reimburse the paying agent for all its other expenses incurred as paying agent of the loan and all its disbursements in connection with any advertisement calling for tenders of bonds.

Funds necessary for the payment of bonds at maturity, all coupons and all market purchase fund instalments pursuant to Articles II and III will be delivered by the obligor at least five days before the dates when the same shall be due. Accounts referring to the payment of interest or to the payment of bonds purchased, and the correspondence concerning the same will be carried on between the obligor and the Trust Co. in English.

ARTICLE 12

The obligor agrees, within a period of one year from the date of this contract, when as and if requested by the Trust Co., to issue, sell, and deliver to the Trust Co. all or any part of the total principal amount of $15,000,000 of bonds authorized to be issued under this contract, in excess of the amount purchased and delivered under Article V hereof and not resold pursuant to said Article V, as the Trust Co. may request, at the price of 89 per cent.

The obligor further agrees that, in the event that the said option is not exercised as in this contract provided for the purchase of such part of the said $15,000,000 principal amount of bonds as are not purchased pursuant to Article V of this contract, it will not issue or permit to be issued any additional bonds under this contract.

The obligor agrees that it will not sell or offer any of its external bonds or other external obligations, expressly excluding Treasury bills having a maturity not exceeding three months, to any one other than the Trust Co. within a period of six months after any such purchase by the Trust Co. or in any event earlier than one year from the date of this contract.

ARTICLE 13

In case of the loss, destruction, or mutilation of any bonds or coupons, duplicates will be issued upon proof of such loss or destruction or upon surrender of the mutilated bond or coupon as the case may be, and upon the giving of indemnity to the obligor and the paying agent, and upon payment by the applicant for such duplicate of the cost of the preparation and issue thereof, providing that such proof and indemnity are satisfactory to the obligor and the paying agent.

ARTICLE 14

The obligor has caused this contract to be executed in its name and on its behalf by its finanzdeputation constituted by 4 members of the senate and 14 members of the burgerschaft respectively appointed by the senate and burgerschaft, and hereby authorizes the temporary bond or bonds to be similarly executed and the definitive bonds to be similarly executed, or to be executed with such facsimile or manual signatures of the proper officers of its finanzdeputation or other officials, as shall be in conformity with the requirements of the New York Stock Exchange for listing. The coupons of the definitive bonds shall be executed by imprinting thereon the facsimile signatures of the proper officials of its finanzdeputation. The bonds shall also bear a certificate of authentication of Guaranty Trust Co. of New York as paying agent of the loan. No bond shall be valid or negotiable unless so executed and authenticated.

ARTICLE 15

If the trust company shall be in doubt in any instance as to its rights or obligations as paying agent or otherwise, or the rights of bondholders under this contract, it may, at the expense of the obligor, advise with legal counsel selected by it, and anything done or specified in good faith by the trust company as paying agent, or otherwise, in accordance with the opinion of such counsel, shall be conclusive in its favor as against any claim or demand by the obligor in the premises.

ARTICLE 16

Upon any and all moneys held by it in the market purchase fund or for the payment of interest, the paying agent shall allow to the obligor interest at its then current rate for domestic demand deposits; but no interest shall be allowed on funds held for payment of bonds or for payment of interest, after the same shall be due and payable.

ARTICLE 17

The obligor agrees to furnish at its expense, prior to the delivery of its temporary bond or bonds, copies of such laws, ordinances, documents, and such assurances and proofs of validity as the counsel of the trust company reasonably may require, and such information concerning the State of Bremen, its loans, revenues, etc., as reasonably may be deemed useful in aid of the offering of the bonds in the United States of America, and as may be required in connection with the listing of said bonds on the New York Stock Exchange, and authorizes and instructs its representatives to sign in its name the proper prospectus in connection with the offering of the bonds and the requisite application for the listing of the bonds on the New York Stock Exchange.

ARTICLE 18

The trust company is entering into this contract in contemplation of syndicating the bonds and offering them for public subscription. If, at any time before the prospectus has been issued, in the opinion of the trust company, the New York market conditions for securities shall be materially affected by any financial, commercial, or political crisis, so as to render the offering of the bonds to the public impracticable, the trust company shall have the right to terminate this contract by giving written or cabled notice to the obligor addressed to the finanzdeputation of the State of Bremen, Bremen, Germany. All notices and correspondence hereunder shall be similarly addressed to the obligor.

ARTICLE 19

The obligor will indemnify and save harmless the Trust Co. against and from any loss, cost, or expense which it may sustain by reason of any delay or default in the performance by the obligor of any agreement of the obligor herein or in the bonds set forth.

The English text of this contract and of the bonds shall govern in the interpretation of their terms.

STATE OF BREMEN,
(Free Hanseatic City of Bremen.)
By FINANZDEPUTATION,
By M. DONANDT, *President.*
By H. WENHOLD, *Treasurer.*
GUARANTY TRUST CO. OF NEW YORK,
By L. DE WAELE.

SCHEDULE A

(Form of definitive bond)

No. ------ $------

State of Bremen (Free Hanseatic City of Bremen) 10-year 7 per cent external loan gold bond due September 1, 1935.

For value received, the State of Bremen (Free Hanseatic City of Bremen) promises to pay to bearer the principal sum of ------ dollars ($------) on September 1, 1935, and to pay interest thereon from September 1, 1925, at the rate of 7 per cent per annum, semiannually on March 1 and September 1 in each year until the maturity of this bond, such interest to be paid only upon the presentation and surrender of the attached interest coupons as they severally mature. Both principal and interest of this bond are payable at the principal office of Guaranty Trust Co. of New York, the paying agent of the loan, in the Borough of Manhattan, city and State of New York, United States of America, in gold coin of the United States of America of or equal to the standard of weight and fineness existing on September 1, 1925, without deduction for or on account of any taxes, assessments, or stamp, or other duties of any character now or hereafter levied or imposed by the State of Bremen or by the German Reich or by any political subdivision or taxing authority of or within the State of Bremen or the German Reich.

This is one of an issue of bonds limited to the aggregate principal amount of $15,000,000 at any one time outstanding, constituting an external loan of the State of Bremen and issued pursuant to and in conformity with law. The State of Bremen has pledged its full faith and credit for the due and punctual performance of the obligations expressed in this bond.

The bonds of this loan are issuable in denominations of $1,000 and $500.

In and by the contract dated September 21, 1925, made by the State of Bremen, as obligor, with the Guaranty Trust Co. of New York, in accordance with which contract this bond is issued, the State of Bremen covenants with said Trust Co. for the benefit of the holders of the bonds of this loan, to make payment of certain sums as a market purchase fund applicable to the purchase of bonds of this issue, as will appear more fully by reference to the extracts from said contract inscribed on the reverse hereof.

The State of Bremen agrees that so long as any of the bonds of this loan are outstanding, neither it nor any entity or body under its control or in any way related to it, will pledge any of its assets or revenues as security for any loan or obligation, public or private, without securing the bonds of this loan equally and ratably therewith.

This bond shall not be valid until authenticated by the execution of the certificate endorsed hereon by the paying agent of the loan.

In witness whereof, the State of Bremen has caused this bond to be executed on its behalf by its Finanzdeputation by its president and treasurer, as of September 1, 1925.

For the State of Bremen (Free Hanseatic City of Bremen).

FINANZDEPUTATION,
By ——— ———.
By ——— ———.

Certificate of authentication: This is one of the bonds of the external loan of the State of Bremen within referred to. Guaranty Trust Company of New York as paying agent of the loan.

By ——— ———.

(Form of coupon for $1,000 bond)

No. ——— $35

On the first day of ______, 19__, the State of Bremen (Free Hanseatic City of Bremen) promises to pay to bearer in the Borough of Manhattan, city of New York, State of New York, United States of America, at the principal office of Guaranty Trust Co. of New York, $35 in gold coin of the United States of America of the standard of weight and fineness existing on September 1, 1925, without deduction for any taxes, present or future, imposed by the State of Bremen or the German Reich or by any taxing authority thereof or therein, being six months' interest then due on the State of Bremen (Free Hanseatic City of Bremen) 10-year 7 per cent external loan gold bond dated September 1, 1925, No. ______.

The State of Bremen (Free Hanseatic City of Bremen).

FINANZDEPUTATION,
By ——— ———.
By ——— ———.

(On the reverse side of each bond is to be printed a transcript of Articles II and III of the contract dated September 21, 1925, between the State of Bremen (Free Hanseatic City of Bremen), as obligor, and Guaranty Trust Co. of New York.)

SCHEDULE B

FORM OF TEMPORARY BOND

(Temporary Bond—Exchangeable for Definitive Bonds when ready for delivery)

No. ______ $______

State of Bremen (Free Hanseatic City of Bremen) 10-year 7 per cent external loan gold bond due September 1, 1935.

For value received, the State of Bremen (Free Hanseatic City of Bremen) promises to pay to bearer the principal sum of ______ Dollars ($ ______) on September 1, 1935, and to pay interest thereon from September 1, 1925, at the rate of 7 per cent per annum, semiannually on March 1 and September 1 in each year until the maturity of this bond, upon the presentation of this bond for the notation hereon by the paying agent of the payment of such interest. Both principal and interest of this bond are payable at the principal office of Guaranty Trust Co. of New York, the paying agent of the loan, in the borough of Manhattan, city and State of New York, United States of America, in gold coin of the United States of America of or equal to the standard of weight and fineness existing on September 1, 1925, without deduction for or on account of any taxes, assessments, or stamp or other duties of any character now or hereafter levied or imposed by the State of Bremen or by the German Reich or by any political subdivision or taxing authority of or within the State of Bremen or the German Reich.

This is a temporary bond of an issue of bonds limited to the aggregate principal amount of $15,000,000 at any one time outstanding, constituting an external loan of the State of Bremen and issued pursuant to and in conformity with law, and is exchangeable for a like aggregate principal amount of definitive bonds, with all unmatured coupons attached, when such definitive bonds are ready for delivery. The State of Bremen has pledged its full faith and credit to the due and punctual performance of the obligations expressed in this bond.

The definitive bonds of this loan are issuable in denominations of $1,000 and $500.

In and by the contract dated September 21, 1925, made by the State of Bremen, as obligor, with the Guaranty Trust Co. of New York, in accordance with which contract this bond is issued, the State of Bremen covenants with said trust company, for the benefit of the holders of the bonds of this loan, to make payment of certain sums as a market purchase fund applicable to the purchase of bonds of this issue, as will appear more fully by reference to the said contract.

The State of Bremen agrees that so long as any of the bonds of this loan are outstanding, neither it nor any entity or body under its control or in any way related to it, will pledge any of its assets or revenues as security for any loan or obligation, public or private, without securing the bonds of this loan equally and ratably therewith.

This bond shall not be valid until authenticated by the execution by the paying agent of the loan of the certificate endorsed hereon.

In witness whereof, the State of Bremen has caused this bond to be executed on its behalf by its Finanzdeputation, by its President and Treasurer, as of September 1, 1925.

For the State of Bremen (Free Hanseatic City of Bremen) Finanzdeputation

By ------ ------

By ------ ------

Certificate of authentication: This is a temporary Bond of the issue of the State of Bremen within referred to. Guaranty Trust Co. of New York as paying agent of the loan.

By ------ ------

$55,000,000 KINGDOM OF DENMARK, 34-YEAR 4½ PER CENT EXTERNAL LOAN GOLD BONDS

Not redeemable for 10 years except for sinking fund. To be dated April 15 1928. To mature April 15, 1962.

NEW YORK, N. Y., *April 4, 1928.*

GENTLEMEN: We and our associates have purchased, when, as, and if issued and received by us and subject to approval of counsel, $55,000,000 Kingdom of Denmark 34-year 4½ per cent external loan gold bonds, to mature April 15, 1962. For further details concerning this issue we refer you to the inclosed advance circular.

We are forming (on a basis which allows us and our associates a profit) a selling group, in which we may participate and of which we shall be managers, to offer these bonds to the public. We hereby invite you to become a member of this selling group.

Offering price.—The selling group will offer these bonds on Thursday, April 5, 1928, at the list price of 95 per cent and accrued interest to yield 4.80 per cent. From this list price, out of the selling commission mentioned below, a concession of ½ per cent may be reallowed to banks, dealers, and insurance companies only. Except as aforesaid, the list price must be maintained and no other commissions or concessions may be allowed by you to others, whether or not members of this selling group.

Selling group members will not be permitted to offer these bonds in European or Canadian markets.

Selling commission.—A selling commission of 1¼ per cent will be allowed selling group members on confirmed amounts of bonds, such selling commission to be subject to the repurchase penalty outlined below.

Sales subject confirmation.—As selling group managers we plan to fill applications for bonds in the order received, but the right is reserved to reject any applications or to treat them as subscriptions and allot a smaller amount than applied for. The subscription books may be closed at any time without notice.

Reporting orders.—When orders have been reported by telephone or telegraph such orders should also be reported by letter to Guaranty Co. of New York, 140 Broadway, New York, N. Y., in which it should be definitely stated that the letter confirms such previous message.

Liability.—Other than your agreement to make payment for bonds confirmed to you and your liability to take up repurchased bonds as mentioned below, you will have no commitment in this selling group.

Delivery date.—It is expected that interim or trust receipts will be ready for delivery on or about April 19, 1928, at the office of Guaranty Co. of New York, 140 Broadway, New York, N. Y. Selling group members agree to take up and make payment when called upon for bonds confirmed to them, at 95 per cent and accrued interest, such payment to be made in New York funds. The 1¼ per cent selling commission will be paid as soon as practicable after the termination of the account except as provided below. We reserve the right to withhold delivery of 10 per cent of the amount of bonds confirmed to selling group members during the life of the selling group.

Date of termination.—The selling group will terminate at the close of business June 9, 1928, unless sooner terminated by us as selling group managers, but may be extended at our option for a period or periods not exceeding in the aggregate 60 days.

Repurchased bonds.—In respect to any bonds repurchased in the market by the managers during the life of the selling group at or below the original list price of 95 per cent and accrued interest, the managers reserve the right to withhold the selling commission from the member to whom such bonds were originally delivered or to require such member to repurchase such bonds at the cost thereof to the managers even though bonds delivered to such member against such repurchase may not be the identical bonds purchased by the managers. The managers reserve the right to apply either of the above-mentioned penalties in respect to any bonds repurchased by them during the life of the account, but of which delivery is made within seven days after termination of the account.

Advertising and circulars.—As selling group managers we expect to advertise on Thursday, April 5, 1928. Selling group members will be permitted to advertise at their own expense on the day following the appearance of our advertisement. Circulars and circular letters are not to be mailed until after the close of business, April 5, 1928. Telegrams may be sent out at any time on or after April 5, 1928. Circulars will be supplied in blank in reasonable quantities upon request.

As managers we reserve the right, in our discretion, to change the offering price, selling commission, and concession at any time without notice and further reserve the right to withdraw at any time and without previous notice the privilege of any member of the group to place orders with us, for failure of such member to maintain the list price, or for any other cause deemed sufficient by us. We shall have full discretionary powers and shall have authority to make any arrangements or perform any act which we may deem expedient for the promotion and direction of the interests of the account. As managers we shall not be liable in any way or for any matter connected herewith except for lack of good faith.

Kindly wire Guaranty Co. of New York your acceptance or declination of the invitation to become a member of this selling group, and in confirmation of your acceptance sign and promptly transmit to the undersigned the inclosed duplicate.

Yours very truly,

GUARANTY CO. OF NEW YORK,
DILLON, READ & CO.,
THE UNION TRUST CO. OF PITTSBURGH,
INTERNATIONAL ACCEPTANCE BANK (INC.),
Selling Group Managers.
By GUARANTY CO. OF NEW YORK,
For the Selling Group Managers.
By HAROLD F. GREENE, *Vice President.*

APRIL —, 19

TO GUARANTY CO. OF NEW YORK,
For the Selling Group Managers, 140 Broadway, New York City.

GENTLEMEN: The undersigned hereby accepts the invitation to become a member of the above selling group upon the terms and conditions set forth.

—— ——.

$55,000,000 KINGDOM OF DENMARK, 34-YEAR 4½ PER CENT EXTERNAL LOAN GOLD BONDS

Not redeemable for 10 years except for sinking fund. To be dated April 15, 1928. To mature April 15, 1962.

NEW YORK, N. Y., *April 4, 1928.*

GENTLEMEN: We and our associates have purchased, when, as and if issued and received by us and subject to approval of counsel, $55,000,000 Kingdom of Denmark 34-year 4½ per cent external loan gold bonds, to mature April 15, 1962, more particularly described in the inclosed advance circular.

We are forming a banking group, of which we shall be managers and in which we may participate, to purchase these bonds from ourselves and associates at 93¼ per cent and accrued interest, which price allows us and our associates a profit.

In this banking group we have reserved for you an interest of $ .... This interest is for your own account and may not be reoffered, subdivided or transferred.

We propose to offer these bonds to the public at 95 per cent and accrued interest to yield 4.80 per cent, through a selling group of which we shall be managers and in which we may participate. This selling group is to receive a commission of 1¼ per cent on confirmed sales.

Upon acceptance of the above participation you will become liable for the principal amount of your participation and will share pro rate in the profits or losses of the banking group.

Expenses incurred in connection with the purchase and sale of this issue may be charged against this banking group. We reserve the right to trade in these bonds for the account of the banking group and any profits or losses accruing through such trading will be credited to or charged against this banking group.

Participants agree to take up and made payment for bonds when called upon by us as managers upon five days' notice.

As managers of the banking group we shall have full discretionary powers and may hold without accountability for interest any and all banking group moneys in general account. We act solely as agent for this banking group and shall incur no liability except for lack of good faith.

This banking group terminates at the close of business June 9, 1928, unless sooner terminated, but may be extended by us as managers for a period or periods not exceeding in the aggregate 60 days. We shall advise you separately in regard to the selling group terms, but call your attention to the fact that selling group members will not be permitted to offer these bonds in Europen or Canadian markets.

Kindly confirm your acceptance of the above interest in accordance with the terms of this letter.

Yours very truly,

GUARANTY CO. OF NEW YORK,,
DILLON, READ & CO.,
THE UNION TRUST CO. OF PITTSBURGH,
INTERNATIONAL ACCEPTANCE BANK INC.,
Banking Group Managers.
By GUARANTY CO. OF NEW YORK,
For the Banking Group Managers.
By HAROLD F. GREENE, *Vice President.*

APRIL 5, 1928.

DILLON, READ & CO.,
Nassau and Cedar Streets, New York City.

GENTLEMEN: We and our associates have purchased $55,000,000 Kingdom of Denmark 34-year 4½ per cent external loan gold bonds, to be dated April 15, 1928 and to mature April 15, 1962, at 93.037 per cent and accrued interest.

We are pleased to confirm that we have offered you, and you have accepted; an interest on original terms in this purchase of $15,000,000 principal amount, This is 40 per cent of the balance remaining after allotting the respective interest. of our associates which are: The Union Trust Co. of Pittsburgh, 10 per cents International Acceptance Bank, 10 per cent; Wood Grundy & Co., 5 per cent; The Dominion Securities Corporation, 5 per cent; total 30 per cent. Privatbanken i Kjobenhavn, $1,000,000.

Of these bonds $6,250,000 have been sold to others at cost and the balance has been taken over from us and our associates at 93¼ per cent and accrued interest by a banking group, particulars of which are being furnished you separately.

Will you please confirm that the foregoing is in accordance with your understanding.

Yours very truly,

———— ————,
Vice President.

APRIL 5, 1928.

INTERNATIONAL ACCEPTANCE BANK, (INC.),
52 Cedar Street, New York City.

GENTLEMEN: We and our associates have purchased $55,000,000 Kingdom of Denmark. 34-year 4½ per cent external loan gold bonds, to be dated April 15, 1928 and to mature April 15, 1962, at 93.037 per cent and accrued interest.

We are pleased to confirm that we have offered you, and you have accepted, an interest in this purchase of 10 per cent on original terms. Of these bonds $6,-250,000 have been sold to others at cost and the balance has been taken over from us and our associates at 93¼ per cent and accrued interest by a banking group, particulars of which are being furnished you separately.

Will you please confirm that the foregoing is in accordance with your understanding.

Yours very truly,

———— ————,
Vice President.

CONTRACT OF THE KINGDOM OF DENMARK WITH GUARANTY TRUST CO. OF NEW YORK—$55,000,000 34-YEAR 4½ PER CENT EXTERNAL LOAN GOLD BONDS. DATED APRIL 4, 1928

Contract, dated April 4, 1928, between Kingdom of Denmark (hereinafter termed "obligor"), acting by the Minister of Finance, Mr. Niels Neergaard, and the Director of Public Debt, Mr. P. O. A. Andersen, its duly authorized agents thereunto duly empowered, and Guaranty Trust Co. of New York (hereinafter termed "trust company"), of New York, United States of America.

The obligor, in accordance with the authorization granted by the law of the Kingdom of Denmark dated April 4, 1928, does hereby pledge its full faith and credit for the due and punctual fulfillment of its obligations expressed in this contract and in the bonds hereinafter described, and will create an issue of gold dollar bonds for a total principal amount of $55,000,000.

ARTICLE 1

The gold dollar bonds are to be designated "Kingdom of Denmark 34-year 4½ per cent external loan gold bonds" (hereinafter termed "bonds"), and are to be dated April 15, 1928, and to mature April 15, 1962. The bonds are to bear interest at the rate of 4½ per cent per annum from April 15, 1928. Such interest is to be payable semiannually on April 15 and October 15, in each year, and coupons for the collection of such interest shall be attached to the bonds, the first coupon being payable on October 15, 1928. Principal and interest and all other amounts in dollars mentioned herein are to be payable in gold coin of the United States of America of or equal to the standard of weight and fineness existing on April 15, 1928, at the main office of Guaranty Trust Co. of New York, which is hereby appointed paying agent of the loan, in New York City, without deduction for or on account of any taxes, assessments, or duties of any character now or hereafter levied or imposed by the Danish National Government or by or within any political subdivision or taxing authority thereof or within the territories of the Kingdom of Denmark. The bonds are to be coupon bonds payable to bearer and are to be issued in the denomination of $1,000.

ARTICLE 2

The obligor will set aside the sum of $3,215,500 per annum in equal semiannual installments commencing April 15, 1929, to and including October 15, 1961, to be applied so far as necessary to the payment of interest on the bonds on the next succeeding interest date, any balance of any such installment to constitute a sinking fund. These sinking-fund moneys shall be applied by the obligor to the purchase of bonds if obtainable at not exceeding par and accrued interest at such times and in such manner as the obligor may determine. Any moneys which remain in the sinking fund on January 1 and July 1 of each year, beginning July 1, 1929, up to and including July 1, 1961, shall be applied to the redemption of bonds by lot on the next succeeding interest date at par and interest in the manner provided in article 3 hereof. The interest on any bonds purchased or redeemed shall be reimbursed to the sinking fund by the obligor from the funds set aside for the payment of interest. No commissions paid in respect to the purchase of bonds shall be paid from interest or sinking fund moneys.

On April 15, 1962, any bonds then outstanding shall be paid upon presentation at Guaranty Trust Co. of New York, paying agent, and the obligor will pay to the said paying agent at least five days prior to April 15, 1962, a sum equal to the principal amount of bonds outstanding and payable on said April 15, 1962.

Unless bonds shall be purchased or redeemed through or at the office of the paying agent, the obligor will at reasonable intervals keep the paying agent informed as to the moneys in the sinking fund and the principal amount of bonds purchased or redeemed. Any and all bonds purchased or redeemed under the provisions of this article shall immediately be canceled.

ARTICLE 3

The obligor may also at its option redeem all or any part of the bonds on April 15, 1938, or on any interest date thereafter, at par and accrued interest.

In case of the redemption of bonds either for the sinking fund or at the option of the obligor, notice of such redemption shall be published by the obligor at least twice a week for three successive weeks in two daily newspapers of general circulation printed in the English language and published in the Borough of Manhattan, city of New York, the first publication to be made at least three months preceding the redemption date. In the event of the redemption of bonds for the sinking fund or the redemption of less than the entire issue at the option of the obligor, such notice of redemption shall specify the numbers of the bonds to be redeemed, which numbers shall be drawn by lot by the obligor.

Upon the publication of such notice, the bonds specified shall become due and payable on such redemption date at their principal amount and accrued interest at such place in New York City as shall be designated by the obligor in such notice, and upon presentation and surrender of said bonds, together with all coupons maturing on and after said date, such redemption price shall be paid by the obligor. Such notice having been so given, unless the obligor shall fail to make payment of the redemption price on the date so fixed for redemption, such bonds shall cease to bear interest after such redemption date and all coupons for such subsequent interest shall be void.

ARTICLE 4

The obligor hereby approves the specifications of the terms of the bonds recited in the prospectus dated April 4, 1928, for the public offering thereof and also all other statements therein made, a copy whereof is marked "Schedule C" and made a part hereof, and agrees that the bonds shall conform with the foregoing provisions and those contained in Schedule C and in the bonds, Schedules A and B hereto attached, subject to such changes as may be approved by counsel.

ARTICLE 5

The obligor agrees to sell and deliver to the trust company, and the trust company agrees to purchase said $55,000,000 of bonds at the price of ——— of the principal amount thereof plus accrued interest from April 15, 1928, to the date of payment by the trust company of the purchase price.

On such date not later than May 1, 1928, as the trust company shall request, the obligor will deliver to the trust company in the city of New York or at the principal office of Guaranty Trust Co. of New York in London, England, one or more temporary bonds substantially in the form attached hereto marked "Schedule B," duly executed, dated April 15, 1928, bearing interest from April 15, 1928, for an aggregate principal amount of $55,000,000, and thereupon the trust company will make payment therefor by crediting the account of the obligor with the Guaranty Trust Co. of New York, New York City.

The obligor will deliver to the trust company in New York City on or before September 15, 1928, definitive bonds engraved in conformity with the requirements of the New York Stock Exchange for listing substantially in the form hereto attached marked "Schedule A."

Pending the delivery of the definitive bonds the trust company may deliver to subscribers for such bonds its receipt or other writing evidencing the right of the holder to receive an amount of such bonds specified in such receipt or writing.

ARTICLE 6

The obligation of the trust company to take and pay for the bonds shall be subject to the approval by counsel for the trust company of the form and validity of the bonds and of this contract and of the terms thereof, respectively, and of all proceedings and authorizations in connection with the issue of the bonds.

ARTICLE 7

The Kingdom of Denmark agrees that if, in the future, it shall sell, offer for public subscription, or otherwise in any manner dispose of any issue of bonds, or contract any loan, secured by lien or charge on any of its revenues or assets, the bonds of this loan shall be secured equally and ratably therewith.

ARTICLE 8

The obligor agrees to pay the cost of engraving, printing, and delivering the bonds (both temporary and definitive) and the receipts issued by the trust company. The obligor will also pay to the paying agent for its services in the payment of interest of the bonds ——— of 1 per cent of the amount of interest paid; for all other services as paying agent and for its services in paying the principal amount of the bonds called for redemption or redeemed or purchased through the sinking fund or paid at maturity ——— of 1 per cent of the principal amount paid or redeemed; and will reimburse the paying agent for all its other expenses incurred as paying agent of the loan and all its disbursements in connection with the advertisement of bonds called for redemption.

Funds necessary for the payment of all interest installments will be delivered by the obligor at least five days before the date when the same shall be due. Accounts referring to the payment of interest or to the payment of bonds will be maintained and the correspondence concerning the same will be carried on between the obligor and the trust company in the English language.

ARTICLE 9

In case of the loss, destruction, or mutilation of any bonds or coupons a duplicate will be issued upon proof of such loss or destruction or upon surrender of the mutilated bond or coupon, as the case may be, and upon the giving of indemnity to the obligor and its paying agent, and upon payment by the applicant for such duplicate of the cost of the preparation and issue thereof, providing that the issuance of such duplicate bonds will be in accordance with the laws of the obligor, and that such proof and indemnity are satisfactory to the obligor and the paying agent.

ARTICLE 10

The obligor has caused this contract to be executed in its name and on its behalf by its minister of finance and its director of public debt, and hereby authorizes the temporary bond or bonds to be similarly executed and the definitive bonds to be similarly executed, or to be executed with the facsimile signature of its minister of finance and the signature of its director of public debt, and the facsimile seal of the Danish Government to be engraved thereon. The coupons of the definitive bonds shall be sufficiently executed by its imprinting thereon of the facsimile signature of the minister of finance of the obligor. The bonds shall also bear the certificate of authentication of Guaranty Trust Co. of New York as paying agent of the loan. No bond shall be valid or negotiable unless so executed and authenticated.

ARTICLE 11

If the trust company shall be in doubt in any instance as to its rights or obligations as paying agent or otherwise, or the rights of bondholders under this contract, it may, at the expense of the obligor, advise with legal counsel selected by it and anything done or specified in good faith by the trust company as paying agent or otherwise, in accordance with the opinion of such counsel, shall be conclusive in its favor as against any claim or demand by the obligor in the premises.

ARTICLE 12

Upon any and all moneys held for the payment of principal or interest of the bonds the paying agent shall allow to the obligor interest at its then current rate for domestic demand deposits; but no interest shall be allowed on funds held for redemption of bonds or for payment of interest, beginning five days prior to the date on which the same shall be due and payable or thereafter.

ARTICLE 13

The obligor agrees to furnish at its expense, prior to the delivery of its temporary bond or bonds, copies of such laws, ordinances, documents, and such assurances and proofs of validity as the counsel of the trust company reasonably may require, and such information concerning the Kingdom of Denmark, its loans, revenues, etc., as reasonably may be deemed useful in aid of the issue of the bonds in the United States of America and as may be required in connection with the listing of said bonds on the New York Stock Exchange, and authorizes and instructs its representatives to sign in its name proper prospectus in connection with the issue of the bonds and the requisite application for the listing of the bonds on the New York Stock Exchange, and the obligor agrees to pay any expenses in connection with such listing.

ARTICLE 14

The trust company is entering into this contract in contemplation of syndicating the bonds and offering them for public subscription. If at any time before the prospectus has been issued, in the opinion of the trust company, the New York market conditions for secutities shall be materially affected by any financial, commercial, or political crisis, so as to render the offering of the bonds to the public impracticable, the trust company shall have the power to terminate this contract by giving written or cable notice to the obligor, addressed to the minister of finance of the kingdom of Denmark, city of Copenhagen, Denmark. All notices and correspondence hereunder shall be similarly addressed to the obligor.

ARTICLE 15

The obligor will indemnify and save harmless the trust company against and from any loss, cost, or expense which it may sustain by reason of any delay or default in the performance by the obligor of any agreement, of the obligor herein or in the bonds set forth.

The English text of this contract and of the bonds shall govern in the interpretation of their terms.

KINGDOM OF DENMARK,
By N. NEERGAARD, *Minister of Finance.*
By P. O. A. ANDERSEN, *Director of Public Debt.*
GUARANTY TRUST COMPANY OF NEW YORK,
By DANIEL B. GRANT, *Attorney in fact.*

Schedule A: Form of definitive bond.
Schedule B: Form of temporary bond.
Schedule C: Text of prospectus.

SCHEDULE A

FORM OF DEFINITIVE BOND—KINGDOM OF DENMARK—34-YEAR 4½ PER CENT EXTERNAL LOAN GOLD BOND—PAYABLE APRIL 15, 1962

The Kingdom of Denmark, for value received, promises to pay to bearer the principal sum of ——— dollars ($———) on April 15, 1962, and to pay interest thereon from April 15, 1928, at the rate of 4½ per cent per annum, semiannually on April 15 and October 15 in each year until such principal sum shall have been paid, such interest to be paid only upon the presentation and surrender of the attached interest coupons as they severally mature. Both principal and interest of this bond are payable at the principal office of Guaranty Trust Co. of New York, paying agent of the loan, in the borough of Manhattan, the city of New York, United States of America, in gold coin of the United States of America of or equal to the standard of weight and fineness existing on April 15, 1928, without deduction for or on account of any taxes, assessments or duties of any character, now or hereafter levied or imposed by the Danish National Government or by or within any political subdivision or taxing authority thereof or within the territories of the Kingdom of Denmark.

This is one of an issue of bonds of the aggregate principal amount of $55,000,000, constituting an external loan of the Kingdom of Denmark, created under authority of the act of the Rigsdag, confirmed by His Majesty, the King of Denmark, on April 4, 1928. The bonds of this loan are issuable in the denomination of $1,000.

In and by the contract dated April 4, 1928, made by the Kingdom of Denmark, as obligor, with the said Guaranty Trust Co. of New York, in accordance with which contract this bond is issued, the Kingdom of Denmark covenants with the trust company for the benefit of the holders of the bonds of this loan, to make payment of certain sums as a sinking fund applicable to the purchase or redemption by call of bonds of this issue, as will appear more fully by reference to the extracts from said contract inscribed on the reverse hereof.

This bond is subject to redemption by operation of said sinking fund on the 15th day of October, 1929, or upon any interest-payment date of any year thereafter prior to April 15, 1962, and the entire issue of these bonds or any part thereof is subject to redemption at the option of the Kingdom of Denmark on April 15, 1938, or on any interest date thereafter, upon publication of notice as provided the aforesaid contract, by payment of the principal amount, the interest hereon maturing on such redemption date being also payable in accordance with the coupon for such interest.

The Kingdom of Denmark agrees that if, in the future, it shall sell, offer for public subscription, or otherwise in any manner dispose of any issue of bonds, or contract any loan secured by lien or charge on any of its revenues or assets, the bonds of this loan shall be secured equally and ratably therewith.

The Kingdom of Denmark hereby certifies and declares that all the acts, conditions, and things required to be done and performed and to have happened precedent to and in the issue of this bond have been done and performed and have happened, in due and strict compliance with the constitution and laws of the Kingdom of Denmark.

In accordance with the law of Denmark this bond will be void if not presented for payment within 20 years after the date on which the principal thereof becomes payable.

This bond shall not be valid until authenticated by the execution by the paying agent of the loan of the certificate indorsed hereon.

In witness whereof, the Kingdom of Denmark has caused this bond to be executed on its behalf with the facsimile signature of its minister of finance and the signature of the director of public debt, and the facsimile seal of the Danish Government to be engraved thereon, and the attached interest coupons to be executed with the facsimile signature of its said minister of finance, as of April 15, 1928.

For the Kingdom of Denmark,
By ——— ———,
Minister of Finance.
By ——— ———,
Director of Public Debt.

Certificate of authentication: This is one of the issue of bonds of the Kingdom of Denmark within referred to. Guaranty Trust Co. of New York, as paying agent of the loan, by ——— ———.

FORM OF COUPON

No. ——— $———

Unless the bond herein mentioned shall have been called for previous redemption, the Kingdom of Denmark will pay to bearer on the 15th day of ———, 19—, at the principal office of Guaranty Trust Co. of New York, in the borough of Manhattan, the city of New York, United States of America, ——— dollars ($———) in gold coin of the United States of America of or equal to the standard of weight and fineness existing on April 15, 1928, without deduction for or on account of any taxes, assessments, or duties of any character, now or hereafter levied or imposed by the Danish National Government or by or within any political subdivision or taxing authority thereof or within the territories of the Kingdom of Denmark, being six months' interest then due on its 34-year 4½ per cent external loan gold bond, maturing April 15, 1962, No.

This coupon invalid 20 years after due date.

Kingdom of Denmark,
By ——— ———,
Minister of Finance.

(On the reverse side of each bond is to be printed a transcript of articles 2 and 3 of the contract dated April 4, 1928, between the Kingdom of Denmark, as obligor, and Guaranty Trust Co. of New York.)

Schedule B

FORM OF TEMPORARY BOND—TEMPORARY BOND EXCHANGEABLE FOR DEFINITIVE BONDS WHEN PREPARED—KINGDOM OF DENMARK—34-YEAR 4½ PER CENT EXTERNAL LOAN GOLD BOND—PAYABLE APRIL 15, 1962

The Kingdom of Denmark, for value received, promises to pay to bearer the principal sum of ——— dollars ($———) on April 15, 1962, and to pay interest thereon from April 15, 1928, at the rate of 4½ per cent per annum, semiannually on April 15 and October 15, in each year until such principal sum shall have been paid, a notation being made on this bond of such interest payment. Both principal and interest of this bond are payable at the principal office of Guaranty Trust Co. of New York, the paying agent of the loan, in the Borough of Manhattan, the city of New York, United States of America, in gold coin of the United States of America of or equal to the standard of weight and fineness existing on April 15, 1928, without deduction for or on account of any taxes, assessments, or duties of any character, now or hereafter levied or imposed by the Danish National Government or by or within any political subdivision or taxing authority thereof or within the territories of the Kingdom of Denmark.

This is a tempory bond of an issue of bonds of the aggregate principal amount of $55,000,000 constituting an external loan of the Kingdom of Denmark, created under authority of the act of the Rigsdag, confirmed by His Majesty, the King of Denmark, on April 4, 1928, and is exchangeable for a like aggregate principal amount of definitive bonds, with all unmatured coupons attached, when such definitive bonds are ready for delivery. The definitive bonds of this loan are issuable in the denomination of $1,000.

In and by the contract dated April 4, 1928, made by the Kingdom of Denmark, as obligor, with the said Guaranty Trust Co. of New York, in accordance with which contract this bond is issued, the Kingdom of Denmark covenants with the trust company for the benefit of the holders of bonds of this loan, to make payment of certain sums as a sinking fund applicable to the purchase or redemption by call of bonds of this issue, as will appear more fully by reference to the said contract.

Amounts of $1,000 of this bond are subject to redemption by operation of the said sinking fund on the 15th day of October, 1929, or upon any interest payment date of any year thereafter prior to April 15, 1962, and the entire issue of these bonds or any part thereof is subject to redemption at the option of the Kingdom of Denmark on April 15, 1938, or on any interest date therafter, upon publication of notice as provided in the aforesaid contract by payment of the principal amount, the interest hereon maturing on such redemption date being also payable.

The Kingdom of Denmark agrees that if, in the future, it shall sell, offer for public subscription, or otherwise in any manner dispose of any issue of bonds, or contract any loan, secured by lien or charge on any of its revenues or assets, the bonds of this loan shall be secured equally and ratably therewith.

The Kingdom of Denmark hereby certifies and declares that all acts, conditions, and things required to be done and performed and to have happened precedent to and in the issue of this bond, have been done and performed and have happened, in due and strict compliance with the constitution and laws of the Kingdom of Denmark.

In accordance with the law of Denmark this bond will be void if not presented for payment within 20 years after the date on which the principal thereof becomes payable.

This bond shall not be valid until authenticated by the execution by the paying agent of the loan of the certificate indorsed hereon.

In witness whereof, the Kingdom of Denmark has caused this bond to be executed on its behalf with the signature of its Minister of Finance and its Director of Public Debt as of April 15, 1928.

For the KINGDOM OF DENMARK,
By ——— ———,
Minister of Finance.
By ——— ———,
Director of Public Debt.

Certificate of authentication: This is a temporary bond of the Kingdom of Denmark of the issue within referred to. Guaranty Trust Co. of New York, as paying agent of the loan, by ——— ———.

$5,171,000 CITY OF MONTIVIDEO (REPUBLIC OF URUGUAY) "EMPRESTITO RAMBLA SUR" (SOUTHERN BOULEVARD LOAN) EXTERNAL SINKING FUND 6 PER CENT GOLD BONDS, SERIES A

To be dated November 1, 1926. To mature November 1, 1959.

WHOLESALE GROUP

NEW YORK, N. Y., *December 7, 1926.*

GENTLEMEN: We and our associates have purchased when, as and if issued and received by us and subject to issue as planned, $5,171,000 city of Montevideo (Republic of Uruguay) "Emprestito Rambla Sur" (southern boulevard loan) external sinking fund 6 per cent gold bonds, Series A, to mature November 1, 1959, more fully described in the inclosed circular.

Referring to verbal arrangements already made, we confirm sale to you of $——— principal amount of these bonds at 93¼ per cent and accrued interest less a selling commission of 1¾ per cent, which will be subject to the penalty stated below in case the bonds concerned are repurchased. This price allows us and our associates a profit.

These bonds may be offered to the public by you on Wednesday, December 8, 1926 at the list price of 93¼ per cent and accrued interest to yield about 6.50

per cent. From this list price out of your 1¾ per cent commission a concession of ¼ per cent may be reallowed by you to dealers, banks and other financial institutions including insurance companies. Except as aforesaid, the list price must be maintained and no other commissions or concessions may be allowed by you to others whether or not members of this wholesale group.

Wholesale group members will not be permitted to offer these bonds in European markets.

Trust receipts of Guranty Trust Co. of New York will be ready for delivery at the office of Guaranty Co. of New York, 140 Broadway, New York, N. Y., on December 15, 1926, against payment in New York funds at 93¼ per cent and accrued interest. This figures $939.8333 for each $1,000 bond confirmed to you. The 1¾ per cent selling commission due you will be paid as soon as practicable after the termination of the account.

The above sale is made with the understanding that the list price will be maintained until the termination of the wholesale group. We reserve the right to retain the 1¾ per cent selling commission on any bonds repurchased or contracted for by us at or below the list price prior to the termination of the group.

This wholesale group will expire at the close of business February 11, 1927, unless sooner terminated by us as manager, but may be extended for a period or periods not exceeding in the aggregate 60 days.

We ask you to confirm your understanding of this transaction by letter.

Yours very truly,

GUARANTY CO. OF NEW YORK,
Wholesale Group Manager.
By ——— ———,
Vice President.

$5,171,000 CITY OF MONTEVIDEO (REPUBLIC OF URUGUAY) "EMPRESTITO RAMBLA SUR" (SOUTHERN BOULEVARD LOAN) EXTERNAL SINKING FUND 6 PER CENT GOLD BONDS, SERIES A

To be dated November 1, 1926. To mature November 1, 1959.

BANKING GROUP

NEW YORK, N. Y., *December 7, 1926.*

GENTLEMEN: We and our associates have purchased, when, as and if issued and received by us and subject to issue as planned, $5,171,000 city of Montevideo (Republic of Uruguay) "Emprestito Rambla Sur" (southern boulevard loan) external sinking fund 6 per cent gold bonds, series A, to mature November 1, 1959, more particularly described in the inclosed circular.

We are forming a banking group, of which we shall be manager and in which we may participate, to purchase these bonds from ourselves and associates at 90¾ per cent and accrued interest, which price allows us and our associates a profit.

In this banking group we have reserved for you an interest of $———. This interest is for your own account and may not be reoffered, subdivided, or transferred.

We propose to offer these bonds to the public at 93¼ per cent and accrued interest through a wholesale group of which we shall be manager and in which we may participate. This wholesale group is to receive a commission of 1¾ per cent on confirmed sales.

Upon acceptance of the above participation you will become liable for the principal amount of your participation and will share pro rata in the profits or losses of the banking group.

Expenses incurred in connection with the purchase and sale of this issue may be charged against this banking group but the amount so charged will not exceed ¼ per cent.

Participants agree to take up and make payment for bonds when called upon by us as managers upon five days' notice.

As manager of the banking group we shall have full discretionary powers and may hold without accountability for interest any and all banking group moneys in general account. We act solely as agent for this banking group and shall incur no liability except for lack of good faith.

This banking group terminates at the close of business February 11, 1927, unless sooner terminated, but may be extended by us as manager for a period or periods not exceeding in the aggregate 60 days. We shall advise you separately in regard to the wholesale group terms, but call your attention to the fact that wholesale group members will not be permitted to offer these bonds in European markets.

Kindly confirm your acceptance of the above interest in accordance with the terms of this letter.

Yours very truly,

GUARANTY CO. OF NEW YORK,
Banking Group Manager,
By ——— ———,
Vice President.

DECEMBER 29, 1926.

STRUPP & CO.,
New York City.

DEAR SIRS: In accordance with our recent conversations, we wish to confirm that we have offered you, and you have accepted, an interest of $1,000,000 principal amount on original terms in our purchase of $5,171,000 principal amount city of Montevideo (Republic of Uruguay) external sinking fund 6 per cent gold bonds, series A, dated November 1, 1926, and due November 1, 1959.

Will you kindly confirm that the above is in accordance with your understanding and that you have accepted this interest in the above purchase.

Very truly yours,

H. S., *President.*

CONTRACT OF THE MUNICIPALITY OF MONTEVIDEO WITH GUARANTY TRUST CO. OF NEW YORK—"EMPRESTITO RAMBLA SUR" (SOUTHERN BOULEVARD LOAN) EXTERNAL SINKING FUND 6 PER CENT GOLD BONDS, SERIES A, DUE NOVEMBER 1, 1959

Contract dated December 6, 1926, between the Departmental Government of Montevideo (of the Republic of Uruguay), hereinafter termed "the municipality," and hereinafter termed "the Municipality of Montevideo," acting by Juan P. Fabini and Miguel A. Clavelli, in their respective capacities of President and Secretary of the Administrative Council of the Department of Montevideo and duly authorized and Guaranty Trust Co. of New York, hereinafter termed "the bankers," of New York City, United States of America, acting by Albert Breton, vice president of said Guaranty Trust Co. of New York, thereunto duly empowered in accordance with power of attorney deposited with the legation of Uruguay in Washington, as per advice from said legation to the Banco de la Republica Oriental del Uruguay.

The municipality in accordance with the authorization granted by decrees 721, 759, and 856 of the representative assembly of Montevideo dated respectively October 19, 1925, May 14, 1926, and November 3, 1926, and promulgated October 21, 1925, May 19, and November 5, 1926, does pledge its full faith and credit for the due and punctual fulfillment of its obligations expressed in this contract, and in the bonds hereinafter described, and in accordance with the resolutions of said administrative council dated August 23 and November 12, 1926, will presently create an issue of gold bonds for a total principal amount of $5,171,000 United States gold dollars, and to define the terms of such loan and the bonds, the municipality and the bankers covenant for the benefit of the holders severally and respectively of the bonds as follows:

ARTICLE I

The bonds are to be designated "City of Montevideo 'Emprestito Rambla Sur' (Southern Boulevard Loan) external sinking fund 6 per cent gold bonds, series A" (hereinafter termed "series A bonds") and are to be the first series of a total issue of $9,307,800, par equivalent of 9,000,000 Uruguay gold pesos, principal amount as authorized in decrees 721 and 856. The series A bonds are to be dated November 1, 1926, and are to mature November 1, 1959. The series A bonds are to bear interest at the rate of 6 per cent per annum from November 1, 1926. Such interest is to be payable semiannually on May 1, and November 1, in each year, and coupons for the collection of such interest shall be attached to the series A bonds, the first coupon being payable on May 1, 1927. Principal and interest and all other amounts in dollars mentioned herein are to be payable in gold coin of the United States of America of or equal to the standard of weight and fineness existing on November 1, 1926, at the principal office in New York City of Guaranty Trust Co. of New York, which is hereby appointed the sole paying agent of the series A bonds, without deduction for or on account of any taxes, assessments, or duties of any character now or hereafter levied or imposed by the municipality of Montevideo or by the Republic of Uruguay or by any taxing authority thereof or therein. Such principal and interest shall also be so paid in time of war as well as in time of peace whether the holder of the series A bonds or any interest coupon pertaining thereto is a resident, citizen, or subject of a friendly, neutral, or hostile State without requiring any declaration as to citizenship, nationality, or residence of such holder or as to the length of time he has been in possession of such bonds or interest coupon as the case may be, or as to the date on, or price at, which he first acquired the same. The series A bonds are to be coupon bonds payable to bearer and are to be issued in the denomination of $1,000. The text of the series A bonds is to be in the English and Spanish languages.

ARTICLE II

The municipality agrees to sell and deliver to the bankers and the bankers agree to purchase said $5,171,000 principal amount of series A bonds at the price of 89.95 per cent of the principal amount thereof plus accrued interest from November 1, 1926, to the date of payment by the bankers of the purchase price.

On December 16, 1926, the municipality will deliver to the Banco de la Republica Oriental del Uruguay, in Montevideo, for the account of the bankers, a temporary series A bonds substantially in the form attached hereto marked Schedule B, duly executed, dated November 1, 1926, bearing interest from November 1, 1926, for a principal amount of $5,171,000, and upon cable advice from the Banco de la Republica Oriental del Uruguay that such temporary series A bond has been so deposited, the bankers shall make payment therefor by crediting the account of the municipality with the Guaranty Trust Co. of New York, New York City, with the purchase price.

The municipality will deliver to the bankers in New York City on or before April 1, 1927, definitive series A bonds engraved in conformity with the requirements of the New York Stock Exchange for listing, substantially in the form attached marked Schedule A.

Pending the delivery of the definitive series A bonds the bankers may deliver to subscribers for such bonds "trust receipts," or other writing evidencing the right of the holder to receive an amount of such bonds as specified in such receipt or writing.

ARTICLE III

SECTION 1. The municipality covenants to pay the principal and interest of the series A bonds in accordance with the terms of the bonds and coupons and further covenants that sinking fund payments shall be made as hereinafter provided.

SEC. 2. The municipality has pledged and appropriated a special guaranty for the pro rata benefit of the bonds and coupons of said series A and of all bonds of whatever series at any time outstanding pursuant to the provisions of decrees Nos. 721 and 759, and for all payments to be made by the municipality hereunder or under any agreement providing for the issuance of any further series of bonds under said decrees, the following taxes and receipts:

(*a*) The additional taxes described in said decree No. 721, and imposed as provided by said decree, as well as the special taxes called "Impuesto a la Edification Inapropiada" as provided in decree No. 759 of the representative assembly of Montevideo.

(*b*) The funds originating from the sale and resale of lands and buildings to be demolished as set forth in said decree No. 721.

The municipality has made and does hereby make all such bonds and coupons and payments a first and exclusive charge and lien upon the above taxes and receipts (hereinafter sometimes called the "pledged revenue") so long as any of the bonds aforesaid are outstanding.

SEC. 3. The municipality hereby represents that in accordance with the practice prevailing heretobefore the National Government collects the taxes pledged by decree 721. Funds derived from such taxes and from the tax on unimproved property as per decree 759, as well as from the sale of real estate and buildings to be demolished, shall be directly deposited with the Banco de la Republica Oriental del Uruguay (hereinafter sometimes called the banco) in the special account "Emprestito Rambla Sur" to be appropriated and applied to the service of interest and both ordinary and extraordinary amortization of the bonds of all series outstanding, to be disposed of exclusively in accordance with the provisions of this contract and of the above-mentioned decrees.

Of such funds the municipality covenants that there shall be transmitted, so as to be in the hands of the paying agent of series A bonds, 30 days prior to each interest payment date, the amount necessary for the service of the interest and sinking fund, and, in case of the issue of future series the amount necessary for the service of the interest and sinking fund of all series outstanding shall be so transmitted to the paying agents of all series outstanding. The balance shall remain with the banco as security for the series A bonds and the bonds of any future series outstanding and will be used in extraordinary amortization as hereinafter provided. Besides purchases through the paying agent as hereinafter provided the municipality may buy outstanding series A bonds through the intermediary of the banco—such bonds to be acquired by the banco with funds on deposit in the account "Emprestito Rambla Sur" without exceeding the principal amount of such bonds and accrued interest, providing that at no time shall the cash in said account be reduced below an amount to equal six months' interest on the outstanding bonds of series A and of any other series issued. The banco shall hold such bonds for sinking fund payments. The municipality covenants that the interest payment dates of any future series of bonds issued under said decrees Nos. 721 and 856 shall be the 1st day of May and the 1st day of November in each year. The municipality further covenants that in case of the issue of any such future series of bonds it will not make any agreement in the respect to the disposition to be made of the pledged revenues inconsistent with the terms of this contract.

SEC. 4. The municipality covenants that during the life of the bonds of any series issued or to be issued it will maintain the present taxes under decrees 721 and 759.

If the revenues hereinbefore pledged should be insufficient in any six months' period to provide for the payment of interest and sinking fund as hereinafter provided for the services of all series of bonds that may be issued pursusant to the provisions of decrees Nos. 721 and 856, plus the commission and expenses of the paying agent for such six months' period, the municipality will forthwith deliver to the banco from other sources, the sums necessary to make good the deficiency.

SEC. 5. The municipality covenants that it will not, prior to the maturity of the series A bonds, permit any default to occur in respect to bonds of any subsequent series that may be issued under the provisions of decrees Nos. 721 and 856, whereby they might become due or payable before maturity, and that it will not retire any bonds of any such subsequent series except through a cumulative sinking fund which shall not be greater than 1 per cent per annum of the original principal amount of such subsequent series or unless it retires bonds of such subsequent series pro rata with the series A bonds.

ARTICLE IV

SECTION 1. The municipality covenants that so long as any of the series A bonds are outstanding there shall be transmitted by the banco so as to be in the hands of the Guaranty Trust Co. of New York as paying agent of series A bonds, 30 days prior to each interest payment date:

First, in cash, the amount necessary for payment of interest on series A bonds outstanding, plus the fee and expenses of the paying agent.

Second, in cash and/or series A bonds, as the municipality may direct for the regular amortization of series A bonds, an amount equal to the difference between $180,985 and the amount necessary for payment of interest of the series A bonds outstanding.

Such bonds shall be accepted by the paying agent at a value equivalent to the principal amount thereof. In case the amount of cash and/or bonds above stated is not received by the paying agent 30 days prior to each interest payment date the municipality will immediately transmit any deficit in cash to the paying agent. After November 1, 1930 such semiannual transmittal shall be increased so as to effect extraordinary amortizations from any cash or series A bonds remaining on deposit with the Banco after providing for interest and regular amortization of series A bonds and any subsequent series, in such amount as the municipality may elect, it being agreed that such increases in such semiannual transmittals after November 1, 1930, shall be of sufficient amount so that the balance remaining on deposit with the Banco after each such payment shall not exceed an amount sufficient for the service of one year of interest and 1 per cent cumulative sinking fund of series A bonds and bonds of any future series outstanding.

SEC. 2. When and as said semiannual transmittals shall have been received by the paying agent, the paying agent after deduction of its own fees and expenses, shall cancel any bonds received and return the same to the municipality, shall set aside the amount in cash required for the next interest payment on the outstanding series A bonds and shall apply the balance as and for a sinking fund to purchase series A bonds at the lowest price readily obtainable in the market not exceeding 100 per cent and accrued interest in any manner customary in the locality where such purchase shall be made, and whether at public or private sale or by inviting (by advertisement at the cost and expense of the municipality) tenders of such series A bonds for sale to the sinking fund within said limit as to price, all as in their discretion the paying agent shall deem most advantageous to the municipality.

SEC. 3. In case on the 15th day of March and on the 15th day of September in any year beginning September 15, 1917, any moneys shall remain in the sinking fund as aforesaid, then such moneys if the amount thereof be not less than $10,000 shall be applied by the paying agent to the redemption on the 1st day of May or on the 1st day of November, as the case may be, next ensuing by drawings of series A bonds as follows:

If less than all the series A bonds outstanding are to be redeemed, the paying agent shall cause to be determined by lot in such manner as it shall deem proper the serial numbers of such principal amount of the series A bonds as the moneys in the sinking fund shall be sufficient to redeem at the rate of 100 per cent of the principal amount thereof. Thereupon the paying agent shall cause to be published at the cost and expense of the municipality twice prior to the redemption date, the first publication to be not less than 30 days prior to the redemption date, in one newspaper of general circulation printed in the English language and published in the Borough of Manhattan, city of New York, State of New York, United States of America, a notice setting forth that the series A bonds bearing serial numbers specified will be redeemed and paid at the principal office of the Guaranty Trust Co. of New York, in New York City, upon the next ensuing semi-annual interest payment date, at the said rate of 100 per cent of the principal sum upon presentation and surrender of such series A bonds and of coupons maturing after such redemption date. If all the series A bonds outstanding are to be redeemed the notice shall state that fact and shall not specify the serial numbers to be redeemed. The coupons maturing on such redemption date shall remain payable by the municipality in accordance with the terms thereof and the municipality covenants to make payment accordingly.

SEC. 4. Upon publication of notice of redemption as above provided the series A bonds designated in such notice shall be payable at the said redemption price on the redemption date in such notice set forth. To the extent of any sinking fund moneys at any time thereafter in the possession of the paying agent upon surrender to them of any series A bond designated in any such notice bearing coupons as aforesaid, the paying agent shall receive the same and shall pay therefor out of said sinking fund the said redemption price. After the redemption date so designated no interest shall accrue upon any series A bond called for redemption nor shall any coupon maturing subsequently to said date be of any force or effect except and unless the municipality shall fail to make payment on the date so fixed.

SEC. 5. Bonds purchased, redeemed, or paid at maturity shall be canceled by the paying agent and delivered to the municipality. No bond of the loan shall be issued in replacement of any bond so purchased, redeemed, or paid at maturity.

ARTICLE V

Upon any and all moneys held for the payment of principal or interest of the series A bonds the paying agent shall allow to the municipality interest at 2 per cent below official Federal Reserve Bank of New York rate for discounting 90 days' sight prime bankers' acceptances, such interest, however, not to be below 2 per cent; but no interest shall be allowed on funds held for redemption of series A bonds or for payment of interest, after the same shall be due and payable.

ARTICLE VI

If default shall be made in payment of principal or interest of the series A bonds or in the payment of sinking fund or in compliance with any of the provisions of this contract or in the payment of principal and interest of any future series of bonds issued under said decree Nos. 721 and 856, or in the compliance with any of the conditions of any contract under which such future series may be issued, then in every case during the continuance of such default, the paying agent may and upon the written request of 25 per cent of the holders of the series A bonds then outstanding, shall declare all such bonds outstanding to be due and payable by written or cabled notice to the municipality, and upon such declaration the same shall become immediately payable. The paying agent shall not be required to take notice of any default unless requested to do so in writing by the holders of at least 5 per cent of the series A bonds then outstanding.

ARTICLE VII

The municipality agrees to pay to the paying agent for its services in the payment of interest of the series A bonds one-eighth of 1 per cent of the amount of interest paid, and for its services in the payment of the principal amount of the series A bonds called for redemption or purchased through the sinking fund or paid at maturity one-fourth of 1 per cent of the principal amount of the series A bonds paid, redeemed, or purchased and one-fortieth of 1 per cent of the principal amount of series A bonds transmitted by the banco and accepted by the paying agent for the sinking fund.

The municipality shall pay to the banco the commissions as intermediary for the transfer of funds of this loan and for the service of interest and both ordinary and extraordinary amortization of the bonds and for the custody of same.

The municipality also agrees to pay to the paying agent, all justified expenses including its disbursements in connection with any advertisement of series A bonds called or purchased for the sinking fund, and also the current brokerage commissions on series A bonds purchased by the paying agent through a broker.

ARTICLE VIII

The municipality agrees to furnish at its expense, prior to the delivery of its temporary series A bond, copies of such decrees, laws, ordinances, documents, and such assurances and proofs of validity as counsel for the bankers reasonably may require, and to furnish promptly at the request of the bankers such information concerning the city of Montevideo, its loans, revenues, etc., as reasonably may be deemed useful in aid of the issue of the series A bonds in the United States of America, and as may be required in connection with the listing of said bonds on the New York Stock Exchange, and authorizes and instructs its representative to sign in its name a proper prospectus in connection with the issue of the series A bonds and the requisite application for the listing of such bonds on the New York Stock Exchange.

The municipality agrees to comply with all the requirements of the New York Stock Exchange for listing.

ARTICLE IX

The municipality agrees to execute and deliver the definitive series A bonds in New York City without expense to the bankers and to pay the cost of listing the series A bonds on the New York Stock Exchange; the cost of engraving, printing and delivering such bonds and the trust receipts; the cost of countersigning both the series A bonds and the trust receipts; the cost of exchanging definitive series A bonds for trust receipts, and the cost of printing the contract; provided however, that the aforementioned expenses do not exceed the sum of $10,600. Should this sum not be sufficient the difference shall be borne by the bankers.

The municipality agrees to deliver its temporary series A bond as described in Article II to the bankers free of any expense whatsoever to the bankers.

ARTICLE X

In case of the loss, destruction or mutilation of any series A bond or coupon a duplicate may be issued upon proof of such loss or destruction or upon surrender of the mutilated bond or coupon, as the case may be, and upon the giving of indemnity to the municipality and its paying agent, and upon payment by the applicant for such duplicate of the cost of the preparation and issue thereof, providing that the issuance of such duplicate bond will be in accordance with the laws of Uruguay, and that such proof and indemnity are satisfactory to the municipality and the paying agent.

ARTICLE XI

The municipality and the paying agent may deem and treat the bearer of any series A bond and the bearer of any coupon for interest on any such bond as the absolute owner of such bond or coupon, as the case may be, for the purpose of receiving payment thereof and for all other purposes, and neither the municipality nor the paying agent shall be affected by any notice to the contrary. The bankers or the paying agent may become owners of series A bonds with the same rights as any other bondholder.

ARTICLE XII

The municipality hereby approves the specifications of the terms of the bonds recited in the prospectus dated December 6, 1926, for the public offering thereof, and also all other statements therein made, a copy whereof is marked schedule C and made a part hereof, and agrees that the series A bonds shall conform with the foregoing provisions and those contained in schedule C and in the bonds, schedules A and B hereto attached.

ARTICLE XIII

The municipality will indemnify and save harmless the bankers against and from any loss, cost or expenses which they may sustain by reason of any delay or default in the performance by the municipality of any agreement of the municipality contrary to the terms of this contract.

ARTICLE XIV

The paying agent shall keep proper account of all moneys received or paid by the paying agent and shall send semiannually, or whenever requested by the municipality, a statement thereof with copies of disbursing vouchers if any.

ARTICLE XV

All notifications from the Guaranty Trust Co. of New York or from the paying agent to the municipality shall be addressed in writing or by cable to the president of the Administrative Council of the Department of Montevideo. All notifications to Guaranty Trust Co. of New York from the municipality shall be addressed to the Guaranty Trust Co. of New York, 140 Broadway, New York.

ARTICLE XVI

The definitive series A bonds shall be signed in the city of New York by the Minister of Uruguay to the United States who is hereby duly authorized as agent of the municipality for that purpose. The coupons to be attached to the series A bonds shall bear the facsimile signature of said minister.

In accordance with the terms of Uruguayan laws, the coupons attached to the definitive bonds will be void if not presented for payment within four years after their respective due dates.

The temporary series A bonds shall be executed in the city of Montevideo by the president of the Administrative Council of the Department of Montevideo and its secretary, legally authorized.

No series A bond shall be valid or negotiable, for any purpose unless it shall have been countersigned by a certificate indorsed thereon by the paying agent, or its successor duly appointed by the municipality for such purpose, to the effect that it is one of the bonds described in the contract.

This contract will be written in Spanish. The texts of the temporary bond and the definitive bonds in English are hereby accepted and incorporated in this contract. The English copy of the contract shall also be duly recorded before notary public.

Dated in Montevideo, Republic of Uruguay, December 6, 1926.

JUAN P. FABINI,
President Administrative Council of the Department of Montevideo.

MIGUEL A. CLAVELLI, *Secretary.*

GUARANTY TRUST CO. OF NEW YORK,
By ALBERT BRETON,
Vice President and Attorney-in-Fact.

SCHEDULE A

FORM OF DEFINITIVE SERIES A BOND, REPUBLIC OF URUGUAY, CITY OF MONTEVIDEO, EMPRESTITO RAMBLA SUR (SOUTHERN BOULEVARD LOAN) EXTERNAL SINKING FUND 6 PER CENT GOLD BOND, SERIES A, DUE NOVEMBER 1, 1959 ($1,000)

The municipality of Montevideo, Uruguay (hereinafter termed "the municipality") for value received, promises to pay to bearer on the first day of November, 1959, the principal sum of $1,000, at the principal office of Guaranty Trust Co. of New York, in the Borough of Manhattan, city of New York, State of New York, United States of America, and to pay interest thereon semiannually at the rate of 6 per cent per annum on the 1st day of May and the 1st day of November in each year, according to the tenor and effect of the coupons hereto attached upon presentation and surrender thereof, as severally they mature. Such principal sum and interest instalments, when due respectively, will be paid in gold coin of the United States of America, of, or equal to the standard of weight and fineness existing on November 1, 1926, without deduction for or on account of any taxes, assessments, or duties, or any character now or hereafter levied or imposed by the municipality of Montevideo or by the Republic of Uruguay or by any taxing authority thereof or therein. Such principal and interest shall also be so paid in time of war as well as in time of peace whether the holder of this bond or of any interest coupon pertaining thereto is a resident, citizen, or subject of a friendly, neutral, or hostile State, without requiring any declaration as to citizenship, nationality, or residence of such holder, or as to the length of time he has been in possession of this bond or of such interest coupon, as the case may be, or as to the date on or price at which he first acquired the same.

This bond is one of an authorized issue of bonds for an aggregate principal amount of $9,307,800, par equivalent of $9,000,000 Uruguayan gold pesos, issued and to be issued by the municipality under authority of decrees Nos. 721 and 856 enacted by the representative assembly of Montevideo and under and in pursuance of a contract dated December 6, 1926, between the municipality and Guaranty Trust Co. of New York, and secured by certain taxes and receipts of the municipality as specified in said decrees as well as in decree 759 of same assembly and in said contract to which decrees and contract reference is hereby made for a statement of the nature and extent of the security, the rights of the holders of the bonds and coupons, issued or to be issued pursuant thereto and the terms and conditions upon which said bonds are issued and secured.

This bond is one of the first or initial series issued pursuant to said decrees and said contract for an aggregate principal amount of $5,171,000 known as city of Montevideo 'Emprestito Rambla Sur' (Southern Boulevard loan) external sinking fund 6 per cent gold bonds, series A, hereinafter called the bonds. The municipality declares this bond to be its direct liability and obligation and for the due and punctual payment of this bond with interest in accordance with its terms and of the coupons attached hereto, the full faith and credit of the municipality are hereby irrevocably pledged.

Said contract provides for a sinking fund applicable to purchase or redemption of bonds as will more fully appear by reference to the extracts from such contract inscribed on the reverse hereof.

This bond is subject to redemption by operation of the said sinking fund on any semiannual interest date as above expressed upon publication of notice in a daily newspaper printed in the English language and of general circulation in the Borough of Manhattan, city of New York, as provided in the aforesaid contract and by payment of 100 per cent of the principal amount of this bond, the interest thereon maturing on such redemption dates being also payable in accordance with the coupons for such interest.

In the event that default as defined in said contract shall happen, the principal amount of the bonds may be declared due and payable in the manner and subject to conditions provided in said contract.

In accordance with the terms of Uruguayan laws, the coupons attached to this bond will be void if not presented for payment within four years after their respective due dates. This bond shall not be valid or negotiable for any purpose until it shall have been countersigned by the signature of Guaranty Trust Co. of New York as paying agent, or its successor duly appointed by the municipality for such purpose, to the certificate hereon endorsed.

The English text shall govern exclusively in the interpretation of the terms of this bond.

In witness whereof the municipality of Montevideo has caused this bond to be executed by the Minister of Uruguay to the United States of America, duly authorized for that purpose and interest coupons bearing the engraved facsimile signature of ——— to be hereunto affixed.

MUNICIPALITY OF MONTEVIDEO.

NOVEMBER 1, 1926.

PAYING AGENT'S CERTIFICATE

This bond is one of the bonds described in the contract herein referred to.

GUARANTY TRUST CO. OF NEW YORK,
Paying Agent.

NOTE.—Article 4 of contract to be inscribed on the reverse side of this bond.

FORM OF COUPON

No. ———

On the 1st day of ———, 19—, unless the bond hereinafter mentioned shall have been called for previous redemption and payment thereof duly provided for, the municipality of Montevideo will pay to bearer at the principal office of Guaranty Trust Co. of New York, in the Borough of Manhattan, city and State of New York, United States of America, the sum of $30 in gold coin of the United States of America of or equal to the standard of weight and fineness existing November 1, 1926, without deduction for or on account of any taxes, assessments or duties of any character now or hereafter levied or imposed by the municipality of Montevideo or by the Republic of Uruguay or by any taxing authority thereof or therein, being six months interest then due on "City of Montevideo" "Emprestito Rambla Sur" (Southern Boulevard loan) external sinking fund 6 per cent gold bond, series "A" due November 1, 1959, No. ———.

In accordance with the Uruguayan law this coupon will be void if not presented within four years after its due date.

MUNICIPALITY OF MONTEVIDEO.

SCHEDULE B

FORM OF TEMPORARY SERIES A BOND, EXCHANGEABLE FOR ENGRAVED BONDS WHEN READY FOR DELIVERY, REPUBLIC OF URUGUAY, CITY OF MONTEVIDEO, EMPRESTITO RAMBLA SUR (SOUTHERN BOULEVARD LOAN) EXTERNAL SINKING FUND 6 PER CENT GOLD BOND, SERIES A, DUE NOVEMBER 1, 1959

No. 1. $5,171,000 U. S. G.

The municipality of Montevideo, Uruguay (hereinafter termed the "municipality") for value received, promises to pay to bearer on the 1st day of November, 1959, the principal sum of $5,171,000 at the principal office of Guaranty Trust Co. of New York, in the borough of Manhattan, city of New York, State fy New York, United States of America, and to pay interest thereon semiannualof at the rate of 6 per cent per annum on the 1st day of May and the 1st day ol November in each year upon presentation of this bond for notation thereon of such interest payments. Such principal sum and interest installments when due respectively will be paid in gold coin of the United States of America of or equal to the standard of weight and fineness existing on November 1, 1926, without deduction for or on account of any taxes, assessments, or duties of any character now or hereafter levied or imposed by the municipality of Montevideo or by the Republic of Uruguay or by the taxing authority thereof or therein. Such principal and interest shall also be so paid in time of war as well as in time of peace whether the holder of this bond is a resident, citizen, or subject of a friendly, neutral, or hostile state without requiring any declaration as to citizenship, nationality, or residence of such holder, or as to the length of time he has been in possession of this bond or as to the date or price at which he first acquired same.

This is a temporary bond and is one of an authorized issue of bonds for an aggregate principal amount of $9,307,800, par equivalent of 9,000,000 Uruguayan gold pesos, issued and to be issued by the municipality under authority of decrees Nos. 721 and 856, enacted by the representative assembly of Montevideo and under and in pursuance of a contract dated December 6, 1926, between the municipality and Guaranty Trust Co. of New York and secured by certain taxes and receipts of the municipality as specified in said decree as well as in decree 759 of said assembly and in said contract to which decrees and contract reference is hereby made for a statement of the nature and extent of the security, the rights of the holders of the bonds and coupons issued or to be issued pursuant thereto and the terms and conditions upon which said bonds are issued and secured.

This bond is a temporary bond of the first or initial series issued pursuant to said decrees and said contract for an aggregate principal amount of $5,171,000 known as city of Montevideo Emprestito Rambla Sur (Southern Boulevard loan) external sinking fund 6 per cent gold bonds, series A, hereinafter called the bonds.

This bond is exchangeable for a like aggregate principal amount of engraved definitive bonds of series A with all unmatured coupons attached when such definitive bonds are prepared and ready for delivery.

The municipality declares this bond to be its direct liability and obligation and for the due and punctual payment of this bond with interest in accordance with its terms the full faith and credit of the municipality are hereby irrevocably pledged.

Said contract provides for a sinking fund applicable to purchase or redemption of bonds as will more fully appear by reference to the extracts from such contract inscribed on the reverse hereof.

This bond is subject to partial redemption in amounts of $1,000 and multiples thereof by operation of the said sinking fund on any semiannual interest date as above expressed upon publication of notice as provided in the aforesaid contract by payment of the portion of the principal amount of this bond specified in said notice.

The interest hereon maturing on such redemption dates being also payable in accordance with the terms hereof.

In the event that default as defined in said contract shall happen the principal amount of this bond may be declared due and payable in the manner and subject to the conditions provided in said contract.

This bond shall not be valid or negotiable for any purpose until it shall have been countersigned by the signature of Guaranty Trust Co. of New York as paying agent or its successor duly appointed by the municipality for such purpose, to the certificate hereon indorsed. The English text shall govern exclusively in the interpretation of the terms of this bond.

In witness whereof the municipality of Montevideo has caused this bond to be executed by ——— ———, duly authorized for that purpose.

NOVEMBER 1, 1926.

MUNICIPALITY OF MONTEVIDEO.

PAYING AGENT'S CERTIFICATE

This bond is one of the bonds described in the contract herein referred to.

GUARANTY TRUST CO. OF NEW YORK,
Paying Agent.

NOTE—Article 4 of contract is to be inscribed on the reverse side of this bond.

$30,000,000 KINGDOM OF NORWAY 35-YEAR 5 PER CENT SINKING FUND EXTERNAL LOAN GOLD BONDS

To be dated March 14, 1928. To mature March 15, 1963.

SELLING GROUP

NEW YORK, N. Y., *March 6, 1928.*

GENTLEMEN: We and our associates have purchased, when, as, and if issued and received by us and subject to approval of counsel, $30,000,000 Kingdom of Norway 35-year 5 per cent sinking fund external loan gold bonds, to mature March 15, 1963. For further details concerning this issue we refer you to the inclosed advance circular.

We are forming (on a basis which allows us and our associates a profit) a selling group, in which we may participate and of which we shall be managers, to offer these bonds to the public. We hereby invite you to become a member of this selling group.

Offering price.—The selling group will offer these bonds at the list price of 97½ per cent and accrued interest to yield about 5.15 per cent. From this list price, out of the selling commission mentioned below, a concession of one-fourth per cent may be reallowed to banks, dealers, and insurance companies only.

Except as aforesaid, the list price must be maintained and no other commissions or concessions may be allowed by you to others, whether or not members of this selling group.

Public offering.—Public advertisement of this offering will be made on Wednesday, March 7, 1928, but in accordance with the procedure recently recommended by the Investment Bankers Association, it is understood that selling group members are released to offer these bonds upon confirmation of their selling group interests.

Selling group members will not be permitted to offer these bonds in European or Canadian markets.

Selling commission.—A selling commission of 1¼ per cent will be allowed selling group members on confirmed amounts of bonds, such selling commission to be subject to the repurchase penalty outlined below.

Sales subject confirmation.—As selling group managers we plan to fill applications for bonds in the order received, but the right is reserved to reject any applications or to treat them as subscriptions and allot a smaller amount than applied for. The subscription books may be closed at any time without notice.

Reporting orders.—When orders have been reported by telephone or telegraph such orders should also be reported by letter to Guaranty Co. of New York, 140 Broadway, New York, N. Y., in which it should be definitely stated that the letter confirms such previous message.

Liability.—Other than your agreement to make payment for bonds confirmed to you and your liability to take up repurchased bonds as mentioned below, you will have not commitment in this selling group.

Delivery date.—It is expected that temporary bonds will be ready for delivery on or about March 16, 1928, at the office of Guaranty Co. of New York, 140 Broadway, New York, N. Y. Selling group members agree to take up and make payment when called upon for bonds confirmed to them, at 97½ per cent and accrued interest, such payment to be made in New York funds. The 1¼ per cent selling commission will be paid as soon as practicable after the termination of the account except as provided below. We reserve the right to withhold delivery of 10 per cent of the amount of bonds confirmed to selling group members during the life of the selling group.

Date of termination.—The selling group will terminate at the close of business May 5, 1928, unless sooner terminated by us as selling group managers, but may be extended at our option for a period or periods not exceeding in the aggregate 60 days.

Repurchased bonds.—In respect to any temporary bonds repurchased in the market by the managers during the life of the selling group at or below the original list price of 97½ per cent and accrued interest, the managers reserve the right to withhold the selling commission from the member to whom such temporary bonds were originally delivered or to require such member to repurchase such temporary bonds at the cost thereof to the managers even though temporary bonds delivered to such member against such repurchase may not be the identical temporary bonds purchased by the managers. The managers reserve the right to apply either of the above-mentioned penalties in respect to any temporary bonds repurchased by them during the life of the account, but of which delivery is made within seven days after termination of the account.

Advertising and circulars.—As selling group managers we expect to advertise on Wednesday, March 7, 1928. Selling group members will be permitted to advertise at their own expense on the day following the appearance of our advertisement. Circulars and sircular letters are not to be mailed until after the close of business, March 7, 1928. Telegrams may be sent out at any time on or after March 7, 1928. Circulars will be supplied in blank in reasonable quantities upon request.

As managers we reserve the right, in our discretion, to change the offering price, selling commission and concession at any time without notice and further reserve the right to withdraw at any time and without previous notice the privilege of any member of the group to place orders with us, for failure of such member to maintain the list price, or for any other cause deemed sufficient by us. We shall have full discretionary powers and shall have authority to make any arrangements or perform any act which we may deem expedient for the promotion and direction of the interests of the account. As managers we shall not be liable in any way or for any matter connected herewith except for lack of good faith.

Kindly wire Guaranty Co. of New York your acceptance or declination of of the invitation to become a member of this selling group, and in confirmation of your acceptance sign and promptly transmit to the undersigned the inclosed duplicate.

Yours very truly,

GUARANTY CO. OF NEW YORK,
DILLON, READ & CO.,
THE FIRST NATIONAL CORPORATION OF BOSTON,
Selling Group Managers.

By GUARANTY CO. OF NEW YORK,
For the Selling Group Managers.

To GUARANTY CO. OF NEW YORK,
For the Selling Group Managers, New York City.

GENTLEMEN: The undersigned hereby accepts the invitation to become a member of the above selling group upon the terms and conditions set forth.

——— ———.

$30,000,000 KINGDOM OF NORWAY 35-YEAR 5 PER CENT SINKING FUND EXTERNAL LOAN GOLD BONDS

To be dated March 15, 1928. To mature March 15, 1963.

BANKING GROUP

NEW YORK, N. Y., *March 6, 1928.*

GENTLEMEN: We and our associates have purchased, when, as, and if issued and received by us and subject to approval of counsel, $30,000,000 Kingdom of Norway 35-year 5 per cent sinking fund external loan gold bonds, to mature March 15, 1963, more particularly described in the inclosed advance circular.

We are forming a banking group, of which we shall be managers and in which we may participate, to purchase these bonds from ourselves and associates at 95¾ per cent and accrued interest, which price allows us and our associates a profit.

In this banking group we have reserved for you an interest of $. This interest is for your own account and may not be re-offered, subdivided, or transferred.

We propose to offer these bonds to the public at 97½ per cent and accrued interest to yield about 5.15 per cent, through a selling group of which we shall be managers and in which we may participate. This selling group is to receive a commission of 1¼ per cent on confirmed sales.

Upon the acceptance of the above participation you will become liable for the principal amount of your participation and will share pro rata in the profits or losses of the banking group.

Expenses incurred in connection with the purchase and sale of this issue may be charged against this banking group. We reserve the right to trade in these bonds for the account of the banking group and any profit or losses accruing through such trading will be credited to or charged against this banking group.

Participants agree to take up and make payment for bonds when called upon by us as managers upon five days' notice.

As managers of the banking group we shall have full discretionary powers and may hold without accountability for interest any and all banking-group moneys in general account. We act solely as agent for this banking group and shall incur no liability except for lack of good faith.

This banking group terminates at the close of business May 5, 1928, unless sooner terminated, but may be extended by us as managers for a period or periods not exceeding in the aggregate 60 days. We shall advise you separately in regard to the selling-group terms, but call your attention to the fact that selling-group members will not be permitted to offer these bonds in European or Canadian markets.

Kindly confirm your acceptance of the above interest in accordance with the terms of this letter.

Yours very truly,

GUARANTY CO. OF NEW YORK,
DILLON, READ & CO.,
THE FIRST NATIONAL CORPORATION OF BOSTON,
Banking Group Managers.

By GUARANTY CO. OF NEW YORK,
For the Banking Group Managers.

MARCH 7, 1928.

DILLON, READ & CO.
New York, N. Y.

DEAR SIRS: In reference to your letter of March 5, 1928, we are pleased to inform you that the contract for the purchase of $30,000,000 Kingdom of Norway 35-year 5 per cent sinking fund external loan gold bonds, due 1963, was signed by Mr. Daniel B. Grant, manager of our London office, on behalf of Guaranty Trust Co. of New York and Dillon, Read & Co. The bonds were purchased at 95.17 per cent and accrued interest and we confirm that your interest in this purchase is $7,000,000 principal amount on original terms.

The bonds have been taken over from us and our associates at 95¾ per cent and accrued interest by a banking group, particulars of which are being furnished you separately.

Will you please confirm that the foregoing is in accordance with your understanding.

Yours very truly,

——— ———, *Vice President.*

MARCH 6, 1928.

FIRST NATIONAL CORPORATION OF BOSTON,
New York, N. Y.

DEAR SIRS: Guaranty Co. of New York and Dillon Read & Co. have purchased $30,000,000 Kingdom of Norway 35-year 5 per cent sinking fund external loan gold bonds, due March 15, 1963, at 95.17 per cent and accrued interest.

We are pleased to confirm that we have offered you, and you have accepted, an interest in this purchase of $3,500,000 on original terms. The bonds have been taken over from us and our associates at 95¾ per cent and accrued interest by a banking group, particulars of which are being furnished you separately.

Will you please confirm that the foregoing is in accordance with your understanding.

Yours very truly, ——— ———, *Vice President.*

MARCH 7, 1928.

THE UNION TRUST CO. OF PITTSBURGH,
Pittsburgh, Pa.

DEAR SIRS: Guaranty Co. of New York and Dillon Read & Co. have purchased $30,000,000 Kingdom of Norway 35-year 5 per cent sinking fund external loan gold bonds, due March 15, 1963, at 95.17 per cent and accrued interest.

We are pleased to confirm that we have offered you, and you have accepted, an interest in this purchase of $3,000,000 on original terms. The bonds have been taken over from us and our associates at 95¾ per cent and accrued interest by a banking group, particulars of which are being furnished you separately.

Will you please confirm that the foregoing is in accordance with your understanding.

Yours very truly,

——— ———, *Vice President.*

MARCH 7, 1928.

HAMBROS BANK (LTD.),
London, England.

DEAR SIRS: We are pleased to confirm that in the purchase by yourselves and ourselves and associates of $30,000,000 Kingdom of Norway 35-year 5 per cent sinking fund external loan gold bonds, due March 15, 1963, at 95.17 per cent and accrued interest, you have an interest on original terms of $6,000,000 principal amount. The bonds have been taken over from us and our associates by a banking group at 95¾ per cent and accrued interest.

Will you please confirm that the foregoing is in accordance with your understanding.

Yours very truly,

——— ———, *Vice President.*

CONTRACT OF THE GOVERNMENT OF THE KINGDOM OF NORWAY WITH GUARANTY TRUST CO. OF NEW YORK—$30,000,000 35-YEAR 5 PER CENT SINKING FUND EXTERNAL LOAN GOLD BONDS, DATED MARCH 15, 1928

The following contract is concluded this 6th day of March, 1928, between the Government of the Kingdom of Norway (hereinafter termed the "government"), acting by and through Per Lund, Minister of Finance, and Guaranty Trust Co. of New York, a corporation of the State of New York, and Dillon, Read & Co., a joint stock association organized under the laws of the State of New York (hereinafter collectively termed the "bankers").

ARTICLE 1

The bankers agree to purchase at and accrued interest, $30,000,000, aggregate principal amount, of the 35-year 5 per cent sinking fund external loan gold bonds, to be issued by and to constitute direct obligations of the government, which hereby pledges its full faith and credit for the payment of principal, interest and sinking fund thereof. The bonds are to be dated March 15, 1928, to mature March 15, 1963, and to bear interest at the rate of 5 per cent per annum from March 15, 1928, payable semiannually on March 15 and September 15 in each year. The bonds will be in coupon bearer form, of the denomination of $1,000 each.

ARTICLE 2

The bonds shall not be subject to redemption prior to March 15, 1933. The government shall have the right to redeem all or any part of the outstanding bonds at the redemption price of 100 per cent of the principal amount thereof, on March 15, 1933, or on any semiannual interest date thereafter prior to maturity, upon giving notice of such redemption by publishing the same once a week for four consecutive weeks in each of two newspapers of general circulation published in the borough of Manhattan in the city of New York, United States of America, specifying in case of partial redemption the numbers of the bonds called for redemption, the first publication to be at least 30 days prior to the date designated for redemption. In case of partial redemption the bonds to be redeemed shall be selected by lot by the fiscal agent on behalf of the government. Such notice of redemption having been given as herein provided, the bonds selected for redemption shall, on the date designated in such notice, become due and payable at the said redemption price, anything herein or in the said bonds contained to the contrary notwithstanding, upon presentation and surrender thereof with all coupons maturing after the redemption date. After such redemption date, the bonds designated for redemption shall cease to bear further interest unless they shall not be so paid by the government upon presentation thereof.

ARTICLE 3

Both principal and interest of the bonds and any and all other sums or expenses payable by the government in connection with the service of the loan shall be payable at Guaranty Trust Co. of New York (the fiscal agent for the loan hereinafter appointed) in the borough of Manhattan, in the city and State of New York, United States of America, in United States gold coin of or equal to the standard of weight and fineness existing on March 15, 1928, and shall be paid in time of war as well as in time of peace, whether the respective holders or owners of the bonds are citizens of a friendly or a hostile state.

ARTICLE 4

Payment of the principal of the bonds shall be effected during the last 30 years of the loan by means of a cumulative sinking fund, hereinafter provided for. At least five days prior to September 15, 1933, and each semiannual interest date thereafter, so long as any of the bonds remain outstanding, the government shall remit to the fiscal agent the sum of about $970,600 for the payment of interest and sinking fund, of which sum so much thereof as may exceed the semiannual interest due on such interest date upon the outstanding bonds shall constitute sinking fund moneys and may be paid in whole or in part by the delivery to the fiscal agent of bonds of this loan, which shall be accepted at the face value thereof. The government shall notify the fiscal agent at least 40 days prior to any semiannual interest date, beginning with the interest date September 15, 1933, of the amount of cash which will be paid into the sinking fund for redemption of bonds on such interest date; and the fiscal agent, on behalf of the government, shall thereupon select by lot an aggregate principal amount of bonds equal, as nearly as may be, to, but not exceeding the sum so indicated by the government, and shall thereupon under authority and on behalf of the government cause notice of redemption of the bonds so selected to be given in substantially the same manner and with like effect as hereinbefore provided in article 2 hereof: *Provided*, That the said notice shall specify the numbers of the bonds selected for redemption. All bonds paid or redeemed pursuant to any of the provisions of this contract, as well as all bonds delivered to the fiscal agent in payment, in whole or in part, of any sinking fund installment, shall forthwith be canceled and permanently retired. Bonds called for redemption, in respect of which cash sufficient for the redemption thereof shall be deposited with the fiscal agent, shall not be deemed to be outstanding, within the meaning of this contract, after the interest date designated for the redemption thereof.

ARTICLE 5

Both principal and interest of the bonds shall be paid without deduction for or on account of any present or future taxes or duties imposed or levied by or within the Kingdom of Norway or by or within any political subdivision or taxing authority thereof; but the foregoing shall not be construed as exempting bonds from taxation when in hands of subjects or residents of the Kingdom of Norway otherwise subject to taxation thereon in Norway.

ARTICLE 6

The Government agrees that if, in the future, it shall sell, offer for public subscription, or in any manner dispose of any bonds or loan secured by lien on any revenue or asset of the Kingdom of Norway, the bonds of this loan shall be secured equally and ratably with such bonds or loan.

ARTICLE 7

The Government will maintain in the borough of Manhattan, in the city of New York, a fiscal agency of the loan. The Government hereby appoints Guaranty Trust Co. of New York fiscal agent for the service of the loan. The Government irrevocably authorizes and directs the fiscal agent to pay out of the moneys paid to them as hereinbefore provided the interest on the bonds to the bearers of the coupons upon presentation and surrender thereof, and the principal of the bonds at maturity or on the redemption dates, as the case may be, to the bearers of the bonds to be paid or redeemed, on presentation and surrender thereof, and to apply the moneys in the sinking fund to the redemption of the bonds.

The Government shall pay the fiscal agent of the loan, as compensation for its services as such, per cent of the face value of all interest coupons, as paid, and per cent, of the principal amount of all bonds redeemed by the sinking fund or otherwise or delivered to the fiscal agent in lieu of cash.

ARTICLE 8

All sums payable on account of interest or principal on the outstanding bonds, or on account of the sinking fund hereinbefore provided for, shall be in the hands of the fiscal agent at least five full business days prior to the respective interest dates upon which the same become payable.

ARTICLE 9

A temporary bond or, if requested by the bankers and approved by the Government, temporary bonds in the denomination of $1,000, shall be duly issued, executed, authenticated by the fiscal agent of the loan and delivered to the bankers at the office of Guaranty Trust Co. of New York, in the city of New York, by the duly authorized representative of the Government on or before March 16, 1928, against payment by the bankers of the purchase price of the bonds, such payment to be made by crediting the purchase price to the account of the Government with Guaranty Trust Co. of New York, available for the free disposal of the Government. At the option of the bankers, delivery of the temporary bond or bonds may be deferred for a period or periods of 10 days in the aggregate.

ARTICLE 10

The legality of all proceedings in connection with the form and issuance of the bonds of this loan shall be subject to the approval of counsel of the bankers, and the Government agrees to furnish to the bankers, prior to the delivery of the temporary bond or bonds, such documents, assurances, and proofs of legality as the counsel of the bankers may require.

ARTICLE 11

The Government undertakes to pay, as part of the expenses in connection with the service of the loan, all expenses incident to the issuance and preparation of both temporary and definitive bonds, and any interim certificates, including printing, engraving, charges for authentication, fees of its own counsel, charges for the use and facilities of a signature company in executing and authenticating the bonds, the cost of advertising bonds drawn for redemption for sinking fund or otherwise, and the cost of listing the bonds on the New York Stock Exchange if the bankers deem such listing desirable.

ARTICLE 12

The temporary and definitive bonds of this loan shall be executed in substantially the same forms, respectively, and shall be authenticated by the fiscal agent in substantially the same manner as the 30-year 6 per cent sinking fund external loan gold bonds of the Kingdom of Norway, dated October 16, 1922. Definitive bonds shall be in such form as to be eligible for listing on the New York Stock Exchange. The Government agrees to furnish such information as may be required in connection with such listing.

ARTICLE 13

Reference in this contract to the fiscal agent shall be deemed to include any successor corporation however constituted.

In witness whereof this contract is signed in duplicate and delivered, at the city of Oslo the day and year first above written.

For the Government:

PER LUND,
Minister of Finance.

[SEAL.] L. SMITT,
Permanent Secretary General to the Department of Finance.

For the Guaranty Trust Co. of New York:

DANIEL B. GRANT.

For Dillon, Read & Co.:

DANIEL B. GRANT.

Appointments in connection with foreign issues, corporate trust department, Guaranty Trust Co. of New York, 1920–1931

Issue	Guaranty Trust Co. as—	Principal amount issued
The Algoma Central & Hudson Bay Ry. Co., equipment trust series E, dated Nov. 1, 1929, due 1930-1939.	Trustee	$320,000
Andian National Corporation (Ltd.), first mortgage 15-year 6 per cent sinking fund gold bonds, dated Mar. 1, 1925, due Mar. 1, 1940.	....do	[1] 10,000,000
Anglo-American Oil Co. (Ltd.), 5-year 7½ per cent sinking fund gold notes, dated Apr. 1, 1920, due Apr. 1, 1925.	....do	[1] 15,000,000
Anglo-American Oil Co. (Ltd.), serial 4½ per cent gold notes, dated July 1, 1926, due July 1, 1927-1929.	....do	[1] 6,000,000
Antilla Sugar Co., 20-year 8 per cent convertible gold debenture bonds, dated Jan. 1, 1924, due Jan. 1, 1944.	....do	4,000,000
Arnold Bernstein Schiffahrtsgesellschaft m. b. h., first mortgage 5 per cent marine equipment gold bonds, dated Sept. 15, 1930, due Sept. 15, 1945.	....do	2,000,000
Commonwealth of Australia, external loan of 1925 30-year 5 per cent gold bonds, dated July 15, 1925, due July 15, 1955.	Countersigning agent	75,000,000
Austrian Government International Loan 1930 sinking fund 7 per cent gold bonds, dated July 1, 1930, due July 1, 1957.	....do	25,000,000

[1] Closed.

Appointments in connection with foreign issues, corporate trust department, Guaranty Trust Co. of New York, 1920–1931—Continued

Issue	Guaranty Trust Co. as—	Principal amount issued
Banco Agricola Hipotecario, guaranteed 20-year 7 per cent sinking fund gold bonds, issue of January, 1927, due Jan. 15, 1947.	Registrar	$3,000,000
Kingdom of Belgium, 1 and 2 year treasury bills, dated—various 1920 due—various 1921–22.	Countersigning agent Paying agent	[1] 12,000,000
Kingdom of Belgium, 5-year 6 per cent treasury bills, dated Jan. 1, 1920, due Jan. 1, 1925.	Countersigning agent Paying agent	[1] 4,280,000
The Kingdom of Belgium, 25-year external gold loan 7½ per cent sinking fund redeemable bonds, dated June 1, 1920, due June 1, 1945.	Cofiscal agent	[1] 50,000,000
The Kingdom of Belgium, external loan 20-year 8 per cent sinking fund gold bonds, dated Feb. 1, 1921, due Feb. 1, 1941.	do	[1] 30,000,000
Kingdom of Belgium, external loan 25-year 6½ per cent gold bonds, dated Sept. 1, 1924, due Sept. 1, 1949.	do	30,000,000
Kingdom of Belgium, external loan 30-year sinking fund 6 per cent gold bonds, dated Jan. 1, 1925, due Jan. 1, 1955.	do	50,000,000
The Kingdom of Belgium, external loan 30-year sinking fund 7 per cent gold bonds dated, June 1, 1925, due June 1, 1955.	do	50,000,000
The Kingdom of Belgium, stabilization loan, 1926 external sinking fund 7 per cent gold bonds dated Nov. 1, 1926, due Nov. 1, 1956.	do	50,000,000
Bergwerksgesellschaft Georg von Giesche's Erben, 8½ per cent sinking fund mortgage bonds due Nov. 1, 1945.	Trustee	6,000,000
Banco Hipotecario de Bogota (mortgage bank of Bogota) 20-year 7 per cent sinking fund gold bond issue of May, 1927, dated May 1, 1927, due May 1, 1947.	do	3,000,000
Department of Bolivar, Republic of Colombia, 30-year 6 per cent external gold bonds dated Jan. 1, 1924, due Jan. 1, 1954.	do	[1] 10,000,000
Republic of Bolivia, external 8 per cent serial gold bonds dated Jan. 1, 1922, due serially through July 1, 1940.	do	[1] 3,000,000
State of Bremen (Germany) (free Hanseatic city of Bremen), 1-year external gold discount treasury notes dated Dec. 1, 1924, due Dec. 1, 1925.	Paying agent	[1] 5,000,000
State of Bremen (free Hanseatic city of Bremen), 10-year 7 per cent external loan gold bond dated Sept. 1, 1925, due Sept. 1, 1935.	Paying agent of the loan and bankers.	15,000,000
City of Brisbane, 30-year sinking fund 5 per cent gold bonds dated Feb. 1, 1928, due Feb. 1, 1958.	Fiscal and authenticating agent.	7,500,000
Brunner Turbine & Equipment Co., 7½ per cent closed first-mortgage 30-year sinking fund gold bonds dated Nov. 1, 1925, due Nov. 1, 1955.	Trustee	[1] 4,000,000
Canadian General Electric Co. (Ltd.), 20-year 6 per cent gold debentures dated Apr. 1, 1922, due Apr. 1, 1942.	do	[1] 5,000,000
The Canadian Northern Ry. Co., 3-year 5 per cent gold notes dated Mar. 1, 1922, due Mar. 1, 1925.	do	[1] 11,000,000
Canadian National Rys. Co., equipment trust series H 1924 dated July 1, 1924, due serially through July 1, 1939.	do	9,375,000
Canadian National Railways equipment trust series J 1927 4½ per cent equipment trust gold certificates dated May 1, 1927, due serially May 1 of each of years 1928 to 1942, inclusive.	do	15,000,000
Republic of Chile, $24,000,000, external loan 20-year sinking fund 8 per cent gold bonds dated Feb. 1, 1921, due Feb. 1, 1941.	Fiscal agent	[1] 24,000,000
Republic of Chile, 6 per cent external sinking fund gold bonds dated Oct. 1, 1926, due Apr. 1, 1960.	Countersigning agent	42,500,000
Republic of Chile, 6 per cent external sinking fund gold bonds dated Feb. 1, 1927, due Feb. 1, 1961.	do	27,500,000
Christiania Tramways Corporation, certificates of participation in the 2-year 5 per cent gold notes dated Oct. 16, 1924, due Oct. 1, 1926.	Trustee	[1] 1,400,000
Republic of Colombia, 6 per cent external sinking fund gold bonds dated July 1, 1927, due Jan. 1, 1961.	Authenticating agent	25,000,000
Republic of Colombia, 6 per cent external sinking fund gold bonds of 1928 dated Apr. 1, 1928, due Oct. 1, 1961.	Registrar	35,000,000
Compania Azucarera Boca Chica, C. por A., first mortgage 15 year 7½ per cent sinking fund gold bonds dated Feb. 15, 1927, due Feb. 15, 1942.	Trustee	1,000,000
Compagnie du Chemin de fer du Nord (Nord Railway Co.), 6½ per cent external sinking fund gold bonds dated Oct. 1, 1924, due Oct. 1, 1950.	Countersigning agent	15,000,000
Copenhagen Telephone Co. 25-year sinking fund external 6 per cent gold bonds dated Apr. 15, 1925, due Apr. 15, 1950.	Fiscal agent	[1] 2,000,000
Copenhagen Telephone Co., 25-year sinking fund external 5 per cent gold bonds due Feb. 15, 1954.	Paying agent	7,000,000
Credit Consortium for Public Works, series A 10-year bonds dated Mar. 1, 1927, due Mar. 1, 1937.	Registrar	4,500,000

[1] Closed.

Appointments in connection with foreign issues, corporate trust department, Guaranty Trust Co. of New York, 1920–1931—Continued

Issue	Guaranty Trust Co. as—	Principal amount issued
Credit Consortium for Public Works, series B 20-year bonds dated Mar. 1, 1927, due Mar. 1, 1947.	Registrar	$7,500,000
Cuba Hydroelectric Co., 7 per cent first mortgage and collateral trust gold bonds dated July 1, 1926, due July 1, 1946.	Trustee	[1] 550,000
Cuban Telephone Co., 10-year 8 per cent gold debenture bonds dated July 1, 1920, due July 1, 1930.	do	[1] 3,600,000
Danish Export Credit Committee, guaranteed 4½ per cent gold notes:		
First issue, dated Jan. 1, 1927, due serially Jan. 1, 1929–1934, inclusive.	Paying agent	1,100,000
Second issue, dated Nov. 1, 1927, due serially May and Nov. 1, 1928–1934.	do	3,000,000
Danish Producers Loan Fund Committee, guaranteed 5 per cent gold bonds dated July 1, 1928, due July 1, 1931–1940.	do	2,500,000
Kingdom of Denmark, 40-year 5½ per cent external loan gold bonds dated Aug. 1, 1925, due Aug. 1, 1955.	do	30,000,000
Kingdom of Denmark, 34-year 4½ per cent external loan gold bonds dated Apr. 15, 1928, due Apr. 15, 1962.	do	55,000,000
Deutsche Dampfschifffahrts-Gesellschaft "Hansa" ("Hansa" Steamship Line), 10-year 6 per cent gold bonds dated Oct. 1, 1929, due Oct. 1, 1939.	Fiscal agent and American trustee.	5,000,000
Dutch East Indies (Nederlandsch-Indie), 25-year external 6 per cent gold bonds dated Jan. 1, 1922, due Jan. 1, 1947.	Fiscal agent	40,000,000
Dutch East Indies (Nederlandsch-Indie), 40-year external sinking fund 6 per cent gold bonds dated Mar. 1, 1922, due Mar. 1, 1962.	do	60,000,000
Dutch East Indies (Nederlandsch-Indie), 30-year external sinking fund 5½ per cent gold bonds dated Mar. 1, 1923, due Mar. 1, 1953.	do	25,000,000
Dutch East Indies (Nederlandsch-Indie), 30-year external sinking fund 5½ per cent gold bonds dated Nov. 1, 1923, due Nov. 1, 1953.	do	25,000,000
Farmers National Mortgage Institute, 7 per cent Hungarian land mortgage sinking fund gold bonds, 1928, dated Oct. 1, 1928, due Oct. 1, 1963.	Paying agent	2,000,000
Fried. Krupp (Ltd.) (Fried. Krupp Aktiengesellschaft), 7 per cent 5-year merchandise secured gold dollar notes dated Dec. 15, 1924, due Dec. 15, 1929.	Authenticating agent	[1] 10,000,000
The Government of the French Republic, 20-year external gold loan 7½ bonds dated June 1, 1921, due June 1, 1941.	Registrar and countersigning agent.	100,000,000
Republic of France, 5 per cent redeemable national loan dated May 1, 1920, redeemable by series within 60 years by semiannual drawings.	Countersigning agent (certain series).	Fcs.65,593,900
The Government of the French Republic, external loan of 1924 25-year sinking fund 7 per cent gold bonds dated Dec. 1, 1924, due Dec. 1, 1949.	Countersigning agent	$100,000,000
Hamburg-Amerikanische Packetfahrt Actien-Gesellschaft, first mortgage 6½ per cent marine equipment serial gold bonds dated Dec. 1, 1925, due Dec. 1, 1928–1939.	Trustee	6,500,000
Housing & Realty Improvement Co., Berlin, first (closed) mortgage 20-year sinking fund 7 per cent gold bonds dated Nov. 15, 1926, due Nov. 15, 1946.	American trustee	1,500,000
Hudson Bay Mining & Smelting Co. (Ltd.), 5-year convertible 6 per cent gold debentures dated July 15, 1930, due July 15, 1935.	Trustee	5,000,000
Hungarian Central Mutual Credit Institute, 7 per cent land mortgage sinking fund gold bonds series A dated Jan. 1, 1927, due Jan. 1, 1937.	do	3,000,000
Hungarian Land Mortgage Institute, 7½ per cent sinking fund land mortgage gold bonds series B dollar bonds dated Nov. 1, 1927, due May 1, 1961.	Paying agent	3,000,000
Hungarian Land Mortgage Institute, 7½ per cent sinking fund land mortgage gold bonds series A dollar bonds dated May 1, 1926, due May 1, 1961.	do	3,000,000
"Lloyd Sabaudo" Societa Anonima Per Azioni, first mortgage 7 per cent marine equipment serial gold bonds dated Feb. 1, 1926, $200,000, due Feb. 1, 1930–Feb. 1, 1941.	Trustee	[1] 2,400,000
Municipality of Medellin—Republic of Colombia, 25-year external 7 per cent secured gold bonds of 1926, dated Dec. 1, 1926, due Dec. 1, 1951.	do	3,000,000
Municipality of Medellin—Republic of Colombia, external 6½ per cent gold bonds of 1928 dated June 1, 1928, due Dec. 1, 1954.	Authenticating agent	9,000,000
Minerva Motors, Societe Anonyme, 6 per cent serial gold notes dated Feb. 1, 1920, due serially through Feb. 1, 1925.	Trustee	[1] 1,000,000
"Montecatini" Societa Generale per L'Industria Mineraria de Agricola, 10-year sinking fund 7 per cent gold debenture bonds dated Jan. 1, 1927, due Jan. 1, 1937.	do	10,000,000

[1] Closed

Appointments in connection with foreign issues, corporate trust department, Guaranty Trust Co. of New York, 1920–1931—Continued

Issue	Guaranty Trust Co. as—	Principal amount issued
Municipality of Montevideo, southern boulevard loan external sinking fund 6 per cent gold bonds, series A, due Nov. 1, 1959.	Paying agent	$5,171,000
Mortgage bank of Chile, guaranteed sinking fund 6½ per cent gold bonds dated June 30, 1925, due June 30, 1957.	Cofiscal agent and registrar	20,000,000
Mortgage bank of Chile, guaranteed sinking fund 6¾ per cent gold bonds of 1926, due June 30, 1961.	do	20,000,000
Mortgage bank of Chile, guaranteed 5-year 6 per cent agricultural notes of 1926, dated Dec. 31, 1926, due Dec. 31, 1931.	do	10,000,000
Mortgage bank of Chile, guaranteed sinking fund 6 per cent gold bonds of 1928 dated Apr. 30, 1928, due Apr. 30, 1961.	do	20,000,000
Mortgage bank of Chile, guaranteed sinking fund 6 per cent gold bonds of 1929 dated May 1, 1929, due May 1, 1962.	do	20,000,000
National Hungarian Industrial Mortgage Institute (Ltd.), first mortgage sinking fund 7 per cent gold bonds, series A dollar bonds dated Nov. 1, 1928, due Nov. 1, 1948.	Paying agent	5,000,000
Norddeutsche Lloyd (Bremen) (North German Lloyd), 20-year 6 per cent sinking fund gold bonds dated Nov. 1, 1927, due Nov. 1, 1947.	Cofiscal agent and American trustee.	20,000,000
Government of the Kingdom of Norway, 35-year 5 per cent sinking fund external loan gold bonds dated Mar. 15, 1928, due Mar. 15, 1963.	Fiscal agent	30,000,000
Kingdom of Norway Municipalities Bank (Norges Kommunalbank), external 5 per cent sinking fund gold bonds dated Dec. 1, 1927, due Dec. 1, 1967.	Fiscal agent and registrar	6,000,000
North American Sugar Co., S. A., 6½ per cent first mortgage gold bonds dated Aug. 22, 1923, due June 30, 1943.	Cotrustee	4,000,000
Republic of Panama, 30-year 5½ per cent external secured sinking fund gold bonds due June 1, 1953, dated June 1, 1923, due June 1, 1953.	Trustee	4,500,000
Republic of Peru, 10-year external 8 per cent secured gold bonds dated June 1, 1922, due June 1, 1932.	Paying agent	[1] 2,500,000
Republic of Peru, external sinking fund secured 8 per cent gold bonds:		
Sanitation loan, series of 1924	do	[1] 7,000,000
Sanitation loan, series of 1926, dated Oct. 1, 1924, due Oct. 1, 1944; dated Apr. 1, 1926, due Oct. 1, 1944.	do	[1] 2,000,000
Republic of Peru, 15-year external sinking fund secured 7½ per cent gold bonds of 1925 dated Nov. 1, 1925, due Nov. 1, 1940.	do	[1] 7,500,000
Rebpulic of Peru, external secured sinking fund 7½ per cent gold bonds, series of 1926, dated Sept. 1, 1926, due Sept. 1, 1956.	do	[1] 16,000,000
Porto Rico Telephone Co., 10-year 8 per cent gold debenture bonds dated July 1, 1920, due July 1, 1930.	Trustee	[1] 400,000
Potrero Sugar Co., first mortgage 7 per cent sinking fund gold bonds dated Nov. 15, 1927, due Nov. 15, 1947.	do	2,000,000
Department of Santander-Republic of Colombia, external 20-year 7 per cent secured sinking fund gold bonds, series A, dated Oct. 1, 1928, due Oct. 1, 1948.	Fiscal agent	2,000,000
City of Santiago, Chile, 1-year 6 per cent external gold notes dated Jan. 1, 1927, due Jan. 1, 1928.	Authenticating agent	[1] 1,000,000
The Shawinigan Water & Power Co., 6-year 7½ per cent secured convertible gold notes dated July 1, 1920, due July 1, 1926.	Trustee	[1] 4,000,000
City of Soissons, 15-year external reconstruction secured 6 per cent gold loan bonds dated Nov. 14, 1921, due Nov. 14, 1936.	Paying agent	6,000,000
Government of Switzerland, 20-year 8 per cent sinking fund gold bonds dated July 1, 1920, due July 1, 1940.	Registrar	25,000,000
Toho Electric Power Co. (Ltd.), first mortgage (Kansai division) gold bonds dated Mar. 15, 1925, due Mar. 15, 1955.	Fiscal agent	15,000,000
Tokyo Electric Light Co. (Ltd.), 3-year 6 per cent gold notes dated Aug. 1, 1925, due Aug. 1, 1928.	Trustee	[1] 24,000,000
Toho Electric Power Co. (Ltd.), 3-year 6 per cent gold notes dated July 15, 1926, due July 15, 1929.	Trustee	[1] 10,000,000
Tokyo Dento Kabushiki Kaisha, first mortgage gold bonds, 6 per cent dollar series due 1953 dated June 15, 1928, due June 15, 1953.	Fiscal agent	70,000,000
Toho Electric Power Co. (Ltd.), 3-year 6 per cent gold notes dated July 1, 1929, due July 1, 1932.	Trustee	11,450,000
City of Trondhjem, Norway, municipal external dollar loan of 1924, 20 year 6½ per cent sinking fund external loan gold bonds dated July 1, 1924, due July 1, 1944.	Registrar	2,500,000
City of Trondhjem, Norway, municipal external dollar loan of 1927, 30-year 5½ per cent sinking fund external loan gold bonds dated May 1, 1927, due May 1, 1957.	do	2,750,000

[1] Closed.

Appointments in connection with foreign issues, corporate trust department, Guaranty Trust Co. of New York, 1920–1931—Continued

Issue	Guaranty Trust Co. as—	Principal amount issued
Province of Tucuman (Argentine Republic), 7 per cent external sinking fund gold bonds of 1927 dated Oct. 1, 1927, due Oct. 1, 1950.	Fiscal agents	$2,122,500
United Industrial Corporation (Viag), 6½ per cent sinking fund gold debentures dated Nov. 1, 1926, due Nov. 1, 1941.	Trustee	6,000,000
United Steel Works of Burbach-Eich-Dudelange (Arbed), 25-year sinking fund 7 per cent gold bonds dated Apr. 1, 1926, due Apr. 1, 1951.	do	10,000,000
Republic of Uruguay, 6 per cent external sinking fund gold bonds dated May 1, 1926, due May 1, 1960.	Registrar	30,000,000
Republic of Uruguay, 6 per cent external sinking fund gold bonds, public works loan dated May 1, 1930, due May 1, 1964.	Authenticating agent	17,581,000

RECAPITULATION

Open	$1,369,869,500
Closed	284,630,000
Aggregate	1,654,499,500
Open	Fcs. 65,593,900

NOTE.—In addition to the capacity or function mentioned, in many cases we have acted also as paying agent of principal or interest, or both, as registrar as to ownership, and we also in many cases operate sinking funds, or market funds, and handle optional calls for redemption.

CIRCULARS OF FOREIGN ISSUES, 1920 TO 1931, WHICH WERE MANAGED BY GUARANTY CO. OF NEW YORK (AND IN WHICH THEY APPEARED FIRST)

$2,525,000 PROVINCE OF ALBERTA, CANADA, 4½ PER CENT GOLD BONDS

Dated January 15, 1927, noncallable, $1,275,000 due January 15, 1957, $1,250,000 due January 15, 1942. Principal and semiannual interest (January 15 and July 15) payable in gold coin of the present standard of weight and fineness in New York City, or in Canadian funds in Toronto, Montreal, Edmonton, or Victoria. Coupon bonds in $1,000 denomination, registerable as to principal.

Free from all provincial taxes, succession duty charges, and impositions of the Province of Alberta, and from municipal taxation in the Province.

Financial statement

Assessed value of property within the Province	$725,886,000
Gross funded debt (including this issue)	89,394,666
NOTE.—Included in above are $25,992,702 representing net amount of self-sustaining debt.	
Sinking funds	2,732,826
Contingent liabilities (last published statement)	48,188,854
NOTE.—Of this amount $22,539,957 represents debentures of railways now owned and operated by the Dominion Government under the Canadian National Railway System and upon which interest is paid by the Dominion Government.	
Total provincial assets	174,091,689
Annual dominion subsidy	1,674,435
1926 estimate:	
Revenues	11,999,852
Expenditures	11,677,862
December 31, 1925:	
Revenues	11,531,026
Expenditures	11,343,006
Population ... number	645,700
Area ... square miles	255,285

The Province of Alberta, fourth in area among the Provinces of Canada, is five times as large as the State of New York and equals the combined area of Montana, North Dakota, and Minnesota. It is primarily a country of agricultural wealth. The eastern part of the Province is admirably adapted to the production of first-quality hard wheat and the western section, at the foothills of the Rocky Mountains, is unexcelled for ranching and mixed farming. There is also a great area of coal deposits exceeding 14 per cent of the world's supply. This abundance of agricultural and other natural resources is a constant source of revenue and prosperity for the Province.

Alberta has excellent transportation facilities, being traversed by two trans continental railways, namely, the Canadian Pacific Railway and the Canadian National Railway Systems, which also have a network of branch lines. The Province also owns and operates the Alberta & Great Waterways Railway, the Edmonton, Dunvegan & British Columbia Railway, and the Lacombe & North Western Railway, all of which serve a rich territory.

These bonds, issued for highway and railroad purposes, are direct obligations of the Province of Alberta. The Province has the power to levy direct taxes upon all the taxable property within the Provicne to provide for principal, interest, and sinking funds on its debentures, but only finds it necessary to exercise this taxing power to a small degree, owing to the large amount of revenue received from other sources.

One million two hundred and seventy-five thousands dollars bonds, due 1957, price, 95.25 and interest; $1,250,000 bonds, due 1942, price, 96.82 and interest; to yield about 4.80 per cent (for payment in United States funds).

These bonds are offered when, as, and if issued and received by us and subject to the approval of counsel. The legality of this issue is to be approved by E. G. Long, K. C., Toronto. Interim receipts will be ready for delivery on or about January 24, 1927.

GUARANTY CO. OF NEW YORK.

$2,100,000 PROVINCE OF ALBERTA 6 PER CENT GOLD BONDS

Dated September 1, 1921; due September 1, 1931. Interest payable March and September. Principal and interest payable in gold in New York or Canada. Coupon bonds, in denomination of $1,000, registerable as to principal.

Legal for investment for savings banks in Connecticut, New Hampshire, Vermont, and Ohio.

The Province of Alberta, with an estimated population of 600,000, has an assessed valuation of $529,148,267 and a net funded debt, with this issue included and sinking fund and self-sustaining debt deducted, of $24,187,195, or about 4½ per cent of assessed valuation. The actual valuation of all taxable property in the Province is estimated to be well over $1,000,000,000.

These bonds are a direct general obligation of the entire Province of Alberta. Ninty-five and interest, to yield about 6.7 per cent. Legality to be approved by Messrs. Malone, Malone & Long of Toronto.

$2,000,000 PROVINCE OF BRITISH COLUMBIA, CANADA, 5 PER CENT SINKING FUND GOLD BONDS

Dated January 25, 1924, noncallable, due January 25, 1949. Principal and semiannual interest payable (January 25 and July 25) in United States gold in New York City; also payable at the option of the holder in Canada. Coupon bonds in denomination of $1,000, with privilege of registration as to principal.

These bonds are the direct obligation of the Province of British Columbia and are payable, principal and interest, from its general revenues.

Financial statement

(As officially reported)

Approximate value of assessable property		$820, 407, 268
Total funded debt, including this issue		85, 667, 136
Sinking funds	$18, 064, 668	
Revenue producing debt against which the Government holds collateral bonds and mortgages the revenue receipts of which for 1923 were $850,607.21	14, 592, 325	
		32, 656, 993
Net funded debt		53, 010, 143
Annual federal government subsidy		623, 135
Provincial assets, including public buildings, lands, timber, etc		650, 000, 000

Population, 1921 census, 524,582.

In addition to its direct debt the Province has guarantees in effect aggregating $44,517,856, of which, however, $40,157,523 are in connection with railways now owned and operated by the Canadian Government.

Under authorizing orders-in-council specific sinking funds are provided sufficient to retire this issue at maturity. Such sinking funds are to be appropriated from the consolidated revenue fund and invested in bonds of the Dominion of Canada or Province of British Columbia. The present sinking fund of this Province amounts to $18,064,668 and is the largest sinking fund held by any Province in Canada.

British Columbia is the third largest of the Canadian Provinces, possessing great natural resources of timber, agricultural lands, mines, and fisheries.

Price 96¾ and interest to yield over 5.23 per cent (for payments in United States funds).

When, as, and if, issued and received by us and subject to approval of counsel. It is expected that interim certificates will be ready for delivery on or about February 5, 1924. The legality of this issue is to be approved by E. G. Long, K. C., of Toronto.

GUARANTY CO. OF NEW YORK.

$4,000,000 PROVINCE OF BRITISH COLUMBIA, CANADA, 3-YEAR 4½ PER CENT GOLD BONDS

To be dated February 2, 1925. To mature February 2, 1928. Principal and semiannual interest (February 2 and August 2) payable in United States gold in New York City; also payable at the option of the holder in Canada. Coupon bonds in denomination of $1,000, with privilege of registration as to principal.

These bonds are a direct and primary obligation of the Province of British Columbia and are payable, both principal and interest, from its general revenues.

Financial statement

Approximate value of assessable property		$820, 407, 268
Total funded debt, including this issue		91, 574, 636
Sinking funds	$14, 059, 272	
Revenue-producing debt	15, 234, 728	
		29, 294, 000
Net funded debt		62, 280, 636
Annual Federal-Government subsidy		623, 135
Provincial assets, including public buildings, lands, timber, etc		700, 000, 000

Population, 1921 census, 524,582.

In addition to its direct debt the Province has guarantees in effect aggregating $45,247,226, of which, however, $40,157,523 are in connection with railways now owned and operated by the Dominion Government.

The Province of British Columbia, the third largest of the Canadian Provinces, includes all the Pacific seaboard belonging to the Dominion and possesses great natural resources of timber, agricultural lands, mines, and fisheries. The Province ranks first in Canada in the production of lumber, fish, copper, and zinc; second in total mineral output, and in fruit growing; and third in manufacturing, being exceeded in this respect only by the thickly populated Provinces of Ontario and Quebec.

Price 100 and accrued interest (for payment in United States funds).

When, as, and if issued and received by us and subject to the approval of counsel. It is expected that interim certificates will be ready for delivery on or about February 10, 1925. The legality of this issue is to be approved by E. G. Long, K. C., of Toronto, Canada.

GUARANTY CO. OF NEW YORK.

$1,000,000 PROVINCE OF MANITOBA 5 PER CENT GOLD BONDS

Dated April 2, 1923. Due April 1, 1924. Principal and semiannual interest (October 2 and April 1) payable in United States gold in New York City. Coupon bonds in denomination of $1,000.

Manitoba, adjoining Ontario on the west, is the oldest of Canada's western Provinces, and contains one of the finest wheat-producing areas in the world. The value of products of the Province, for 1920, including agriculture, livestock, dairy products, fisheries, manufactures, minerals, and lumber, is estimated at $318,000,000.

Manitoba is well served with railway facilities, all transcontinental lines passing through the Province, and these, together with their numerous branch lines, form a network of 4,168 miles.

Price 99.80 and accrued interest, to yield over 5.20 per cent. For payment in United States funds.

Legality to be approved by E. G. Long, K. C., of Toronto, Ontario.

GUARANTY CO. OF NEW YORK.
BLYTH, WITTER & CO.
WOOD, GUNDY & CO.

$2,000,000 PROVINCE OF NOVA SCOTIA (DOMINION OF CANADA) 2-YEAR 5 PER CENT BONDS

To be dated August 1, 1922. To mature August 1, 1924. Principal and semiannual interest (February 1 and August 1) payable in the city of New York or in Canada at the holder's option. Coupon bonds in denomination of $1,000, registrable as to principal.

Legal investment for savings banks in Connecticut, Vermont, and New Hampshire.

Financial statement

Assessed valuation for taxation		$165,000,000
Total debenture debt (including this issue)		24,186,266
Less—Sinking fund	$1,244,190	
Halifax & Southwestern Railway bonds	4,447,000	
Other revenue producing debentures	2,450,000	
		8,141,190
Net debenture debt		16,045,076
Annual Dominion Government subsidy		626,696

Population: 524,579. Area: 21,428 square miles.

The Province of Nova Scotia is one of the oldest and most highly developed of the Canadian Provinces. Its chief industries are shipping, fishing, mining, manufacturing, and agriculture. Halifax, the capital, is situated on one of the main trans-Atlantic trade routes, and is noted for its excellent harbor facilities.

These bonds constitute direct and primary obligations of the Province of Nova Scotia, and are a charge upon the consolidated revenue of that Province.

Legality to be approved by E. G. Long, K. C.

Price 99.80 and accrued interest to yield more than 5.10 per cent (payment in United States funds), interim certificates will be delivered pending completion of definitive bonds.

GUARANTY CO. OF NEW YORK.

GUARANTEED UNCONDITIONALLY BY THE GOVERNMENT OF THE DOMINION OF CANADA AS TO BOTH PRINCIPAL AND INTEREST—$18,500,000 THE HARBOUR COMMISSIONERS OF MONTREAL 40-YEAR 5 PER CENT FIRST MORTGAGE GOLD BONDS

To be dated November 1, 1929. To mature November 1, 1969. Principal and semiannual interest (May 1 and November 1) payable at the holder's option in Canadian gold coin at any branch in Canada of the Royal Bank of Canada, or in United States gold coin at the agency of the Royal Bank of Canada in New York, or in sterling at the branch of the Royal Bank of Canada in London, England, at the fixed rate of $4.86⅔ to the pound sterling. Coupon bonds in denominations of $1,000, registerable as to principal only; fully registered bonds in denominations of $1,000, $5,000, and $10,000. Trustee: Montreal Trust Co., Montreal.

Authorized, $19,500,000. To be issued, $18,500,000. Subject to redemption on or after November 1, 1949, in whole or in part, at the option of the commissioners, on any interest date upon at least 60 days' previous notice at 105 per cent on or before November 1, 1954; at 103 per cent thereafter and on or before November 1, 1959; at 102 per cent thereafter and on or before November 1, 1964; and thereafter prior to maturity at 102 per cent less two-fifths of 1 per cent for each year or part thereof which shall have elapsed after November 1, 1964; in each case plus accrued interest.

These bonds, in the opinion of counsel, are to be secured by a closed first mortgage upon the toll bridge now being constructed by the harbour commissioners of

Montreal across the St. Lawrence River. Principal and interest will be guaranteed unconditionally by the Dominion of Canada, a copy of the guaranty to be indorsed on each bond.

The bridge, which is expected to be available for traffic by January, 1930, will complete an important thoroughfare in the metropolitan area of Montreal.

The harbour commissioners, appointed by and acting under the authority of the Dominion Government, have had complete jurisdiction over the development of the harbour of Montreal since 1894, with an excellent record of administration on a self-sustaining basis.

We offer these bonds for delivery when, as, and if issued and received by us and subject to the approval of counsel. It is expected that delivery will be made on about November 27, 1929, in the form of temporary bonds or interim receipts. Price 99½ and interest.

GUARANTY CO. OF NEW YORK.

NOVEMBER, 1929.

Dividends of 7 per cent or more per annum have been paid on the company's common stock for the last 24 years, the present rate being 8 per cent.

FINANCIAL POSITION

As of December 31, 1921, the consolidated balance sheet of the company and and Canadian Allis-Chalmers (Ltd.), was as follows (without giving effect to this issue):

ASSETS

Plant and equipment		$20, 377, 479
Patents, contracts, and good will		1
Current assets:		
Inventory	$8, 677, 682	
Accounts receivable	3, 963, 518	
Mortgages receivable	79, 500	
Investments	822, 671	
Cash	577, 698	
Prepaid insurance premiums, etc	116, 285	
		14, 237, 354
		34, 614, 834

LIABILITIES

Common stock		10, 800, 000
Preferred stock		2, 000, 000
Mortgages on properties purchased		61, 250
Current liabilities:		
Contingent liabilities	$194, 459	
Accounts and bills payable	8, 380, 321	
Dividends payable	215, 914	
		8, 790, 694
Depreciation reserve		5, 405, 164
Surplus:		
Reserve	$7, 000, 000	
Profit and loss	557, 726	
		7, 557, 726
		34, 614, 834

An appraisal of plant and equipment made as of July 31, 1920, by Canadian Appraisal Co. (Ltd.), showed values approximately $8,000,000 in excess of those shown in the above balance sheet.

With regard to its inventory, the company has consistently adopted a conservative policy. All active materials have been taken at cost or market, whichever was lower; any goods that may be considered obsolete have been taken at scrap value, and adequate reserves have been provided to guard against any shrinkage in value.

GENERAL

The growth of Canada, and the gradual development of its large undeveloped water power resources, will afford a growing and continuing market for the electrical machinery and appliances manufactured by this company.

Yours very truly,

A. E. DYMENT, *President.*

$2,680,000 THE MONTREAL METROPOLITAN COMMISSION 4½ PER CENT GOLD BONDS

Dated May 1, 1931. Due May 1, 1965.

Coupon bonds in the denomination of $1,000 registerable as to principal only. Principal and semiannual interest (May 1 and November 1) payable at the option of the holder in United States gold coin in New York City or in Canadian gold coin in Montreal or Toronto.

Not redeemable before maturity.

The Montreal Metropolitan Commission is a corporate body created in 1921 by an act of the Quebec Legislature, without limitation as to duration, in order to consolidate the resources and borrowing power and to coordinate the development of the 15 municipalities, contiguous to and including the city of Montreal, which are embraced within its jurisdiction.

The area included covers 92 square miles with a population of about 1,228,410, or approximately 12 per cent of that of the Dominion of Canada.

These bonds are payable from taxes levied, in an amount sufficient to pay all interest and sinking fund charges, on all the taxable immovable property of the following municipalities: Cities of Montreal, Westmount, Outremont, Verdun, Lachine, and towns of Montreal West, Hampstead, Lasalle, St. Pierre, St. Laurent, Mount Royal, Montreal East, Montreal North, Pointe-aux-Trembles, and St. Michel. The municipalities have a taxable value of $1,183,697,825 and a net bonded debt of $205,168,505. With the exception of the city of Montreal, none of the municipalities may contract loans or issue securities, except temporary loans in anticipation of the collection of revenue, without authorization of the commission. Price 100 and interest.

When, as and if issued and received by us and subject to approval of counsel, Messrs. Brown, Montgomery and McMichael of Montreal. It is expected that bonds will be ready for delivery on or about May 19, 1931.

GUARANTY CO. OF NEW YORK.

MAY, 1931.

$3,000,000 ISLAND OF MONTREAL METROPOLITAN COMMISSION 5 PER CENT SINKING FUND GOLD BONDS

To be dated November 1, 1922. To mature November 1, 1942.

Interest payable May 1 and November 1. Principal and interest payable, at the option of the holder, in United States funds in New York or in Canadian funds in Montreal. Coupon bonds in denomination of $1,000, with privilege of registration. Not redeemable before maturity.

The Island of Montreal Metropolitan Commission is a corporate body created in 1921 by an act of the Quebec Legislature, without limitation as to duration, in order to consolidate the resources and borrowing power and to coordinate the development of the 16 municipalities, contiguous to and including the city of Montreal, which are embraced within its jurisdiction.

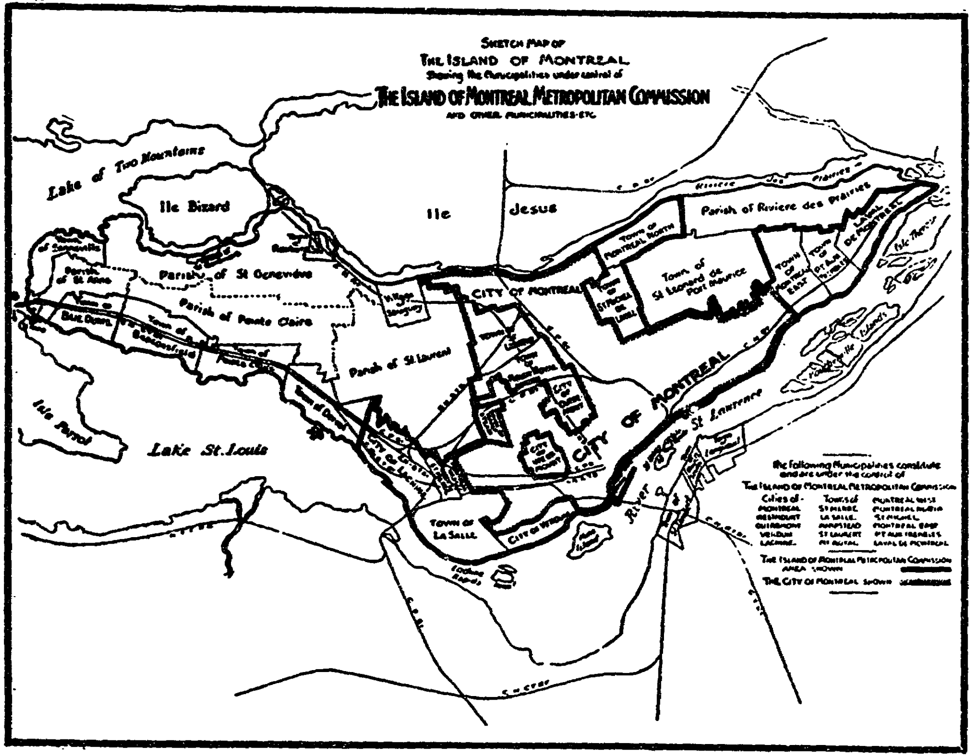
The area included covers 92 square miles with a population of about 854,000, or approximately 10 per cent of that of the Dominion of Canada.

These bonds are payable from taxes levied to an amount sufficient on all the taxable immovable property of the following municipalities: cities of Montreal, Westmount, Outremont, Verdun, Lachine, and towns of Montreal West, Hampstead, Lasalle, St. Pierre, St. Laurent, Mount Royal, Montreal East, Montreal North, La Pointe-aux-Trembles, Laval-de-Montreal, and St. Michel. They have an assessable value of $856,426,598 and a net bonded debt of $111,568,407. With the exception of the city of Montreal, none of the municipalities may contract a loan or issue securities, except temporary loans in anticipation of the collection of revenue, without authorization of the commission; 96.33 and interest, to yield about 5.30 per cent (payment in United States funds).

When, as and if issued and received by us and subject to approval of counsel, Messrs. Brown, Montgomery and McMichael of Montreal. It is expected that bonds will be ready for delivery on or about November 3, 1922.

GUARANTY CO. OF NEW YORK.

OCTOBER, 1922.


SKETCH MAP OF
THE ISLAND OF MONTREAL
THE ISLAND OF MONTREAL METROPOLITAN COMMISSION
Lake of Two Mountains
Ile Bizard
Ile Jesus
Parish of Riviere des Prairies
Parish of St Genevieve
Parish of Pointe Claire
Parish of St Laurent
Town of St Leonard de Port Maurice
CITY OF MONTREAL
Ile Perrot
Lake St. Louis
Town of La Salle
St Lawrence
River
Cities of -
Towns of

$2,285,000 City of Ottawa, Ontario, Canada, Direct Obligation Municipal Improvement 6 Per Cent Bonds

Dated July 1, 1920. Due serially July 1, 1921–1950, inclusive, as below.

Principal and semiannual interest (January 1 and July 1) payable in Canada at Bank of Nova Scotia, Ottawa, Montreal, and Toronto, and in gold in New York. Coupon bonds, denomination $1,000, $500, and $100.

Financial statement

Actual valuation (estimated)		$150, 000, 000. 00
Assessed valuation		120, 453, 606. 00
Total debt		11, 525, 430. 46
Less water debt	$3, 304, 216. 95	
Less electric light	700, 000. 00	
Less sinking fund	2, 308, 378. 62	
		6, 312, 595. 57
Net debt		5, 212, 834. 89
Net debt less than $4\frac{1}{2}$ per cent of assessed valuation.		
Value of lands and buildings owned by municipality		4, 301, 747. 37
Population (1920)		107, 732

Legality to be approved by Malone, Malone & Long, Toronto.

Ottawa is the capital of the Dominion of Canada. The city owns its waterworks and electric light system and is well supplied with schools and other public institutions. Served by nine railroads and eight water transport lines, Ottawa, with its 192 industries and 38 banks, is an important industrial and financial center of Canada. Bank clearings aggregated more than $470,000,000 in 1919, an increase of about 80 per cent over the clearings for 1916.

Maturities and prices

Due	Amount	Price basis	Due	Amount	Price basis
		Per cent			*Per cent*
1921	$51,000	8.00	1936	$71,000	$6\frac{7}{8}$
1922	54,000	7.95	1937	76,000	$6\frac{7}{8}$
1923	58,000	7.90	1938	80,000	$6\frac{7}{8}$
1924	61,000	7.85	1939	85,000	$6\frac{7}{8}$
1925	65,000	7.80	1940	90,000	6.75
1926	69,000	7.75	1941	57,000	6.75
1927	73,000	7.70	1942	60,000	6.75
1928	77,000	7.65	1943	64,000	6.75
1929	82,000	7.60	1944	68,000	6.75
1930	87,000	7.50	1945	72,000	6.75
1931	87,000	7.45	1946	76,000	6.75
1932	86,000	7.40	1947	81,000	6.75
1933	91,000	7.30	1948	85,000	6.75
1934	96,000	7.20	1949	91,000	6.75
1935	102,000	7.00	1950	96,000	6.75

GUARANTY CO. OF NEW YORK.

OCTOBER, 1920.

$2,025,000 City of Winnipeg, Canada, $4\frac{1}{2}$ Per Cent Gold Bonds

Dated June 1, 1926. Due June 1, 1946.

Principal and semiannual interest (June 1 and December 1) payable in United States gold coin of the present standard of weight and fineness in New York City, or at the option of the holder in Canadian funds in Winnpieg, Toronto, or Montreal. Coupon bonds in denomination of $1,000 registerable as to principal.

Provision has been made for a sinking fund to retire this issue at maturity.

FINANCIAL STATEMENT (AS OFFICIALLY REPORTED)

Assessed valuation for purposes of taxation, 1925		$234, 493, 510. 00
Tax-exempt property not included above		44, 848, 900. 00
Total bonded debt (including this issue)		57, 987, 354. 91
Less:		
Waterworks bonds	$6, 905, 929. 24	
Central heating bonds	1, 000, 000. 00	
Hydroelectric bonds	16, 427, 000. 00	
Housing bonds	2, 650, 000. 00	
Local improvement bonds (taxpayers share)	14, 066, 846. 89	
Sinking fund [1]	5, 790, 166. 55	
		46, 839, 942. 68
Net bonded debt		11, 147, 412. 23
Value of assets owned by the city		80, 881, 772. 87
Population (1925)		197, 125

Winnipeg, the capital of Manitoba, is the third largest city in Canada, and the leading commercial, financial, distributing, and railroad center of the middle west of Canada. The city is located 60 miles north of the international boundary and lies 301 miles northwest of Duluth. It is now said to be the largest grain market in the world. Ample transportation facilities are furnished by the Canadian Pacific and Canadian National Railway system. The wholesale turnover in Winnipeg is estimated to be in excess of $250,000,000 annually. Its factories number 1,200 with a gross output of over $125,000,000 of manufactured products each year.

These bonds, issued for refunding purposes, are direct obligations of the city of Winnipeg. A specific tax has been levied on all the taxable property in the city of Winnipeg. to provide for the payment of interest and principal at maturity. For several years the various public utilities of the city have produced an annual surplus of revenues over expenditures after paying all operating and fixed charges.

The sinking funds of the city of Winnipeg are administered by a permanent commission which had on hand December 31, 1925, an amount equal to $289.75 against each $1,000 of the city's gross debt. We are advised that the sinking fund since that date has been increased by over $1,000,000 or $17.24 against each $1,000 of the city's gross debt.

Price 96.17 and interest, to yield about 4.80 per cent (for payment in United States funds).

When, as, and if issued and received by us and subject to the approval of counsel. It is expected that definitive bonds of the city of Winnipeg will be ready for delivery on or about July 27, 1926.

GUARANTY CO. OF NEW YORK,
A. E. AMES & CO. (LTD.).

JULY, 1926.

$2,500,000 CITY OF WINNIPEG, CANADA, 4½ PER CENT GOLD BONDS

Dated June 1, 1926. Due June 1, 1946.

Principal and semiannual interest (June 1 and December 1) payable in United States gold coin of the present standard of weight and fineness in New York City, or, at the option of the holder in Canadian funds in Winnipeg, Toronto, or Montreal. Coupon bonds in denomination of $1,000 registerable as to principal.

Provision has been made for a sinking fund sufficient to retire this issue at maturity.

---

[1] There is an additional sinking fund of $10,993,905.83 for public utility bonds and other special debt.

FINANCIAL STATEMENT (AS OFFICIALLY REPORTED)

Assessed valuation for purposes of taxation		$234, 493, 510. 00
Tax exempt property not included above		44, 848, 900. 00
Total bonded debt (including this issue)		57, 924, 466. 54
Less:		
Waterworks bonds	$6, 905, 929. 24	
Central heating bonds	1, 000, 000. 00	
Hydroelectric bonds	16, 052, 000. 00	
Housing bonds	2, 650, 000. 00	
Local improvement bonds (taxpayers share)	14, 404, 279. 76	
Sinking fund [1]	5, 790, 166. 55	
		46, 802, 375. 55
Net bonded debt		11, 122, 090. 99
Value of assets owned by the city		76, 859, 911. 23
Population (1925)		197, 125

Winnipeg, the capital of Manitoba, is the third largest city in Canada, and the leading commercial, financial, distributing, and railroad center of the middle west of Canada. The city is located 60 miles north of the international boundary and lies 310 miles northwest of Duluth. It is now said to be the largest grain market in the world. Ample transportation facilities are furnished by the Canadian Pacific and Canadian National Railway systems. The wholesale turnover in Winnipeg is estimated to be in excess of $250,000,000, annually Its factories number 1,200 with a gross output of over $125,000,000 of manufactured products each year.

These bonds, issued to provide funds for hydroelectric, local improvement, steam heating, and waterworks purposes, are direct obligations of the city of Winnipeg. A specific tax has been levied on all the taxable property in the city of Winnipeg sufficient to provide for the payment of interest and principal at maturity. For several years the various public utilities of the city have produced an annual surplus of revenues over expenditures after paying all operating and fixed charges.

The sinking funds of the city of Winnipeg are administered by a permanent commission which has on hand an amount equal to $289.75 against each $1,000 of the city's gross debt.

Price, 96.17 and interest, to yield 4.80 per cent (for payment in United States funds).

When, as and if issued and received by us and subject to the approval of counsel. It is expected that interim receipts of the city of Winnipeg will be ready for delivery on or about June 14, 1926.

GUARANTY CO. OF NEW YORK.
A. E. AMES & CO. (LTD.).

JUNE, 1926.

$8,000,000 ($4,000,000 IN CANADA AND $4,000,000 IN UNITED STATES BELGO CANADIAN PAPER COMPANY, (LTD.), FIRST MORTGAGE 20-YEAR 6 PER CENT SINKING FUND GOLD BONDS

To be dated July 1, 1923. To mature July 1, 1943.

Authorized $10,000,000. Presently to be issued, $8,000,000. Principal and interest payable at the holder's option in United States gold coin at the agency of the Royal Bank of Canada, New York or in Canadian gold coin at any branch of the Royal Bank of Canada, in Canada, or in sterling, at the Royal Bank of Canada, London, England, at the fixed rate of $4.86⅔ to the £1 sterling. Interest payable January 1 and July 1. Coupon bonds in denominations of $1,000 and $500 registerable as to principal only, or fully registered bonds in denominations of $1,000 or any multiples thereof. Coupon bonds and fully registered bonds of $1,000 denomination interchangeable. Redeemable as a whole or in part at the company's option on any interest date on 30 days' notice, at 105 and accrued interest, less one-fourth of 1 per cent for each year, or part of a year, of the expired term of the bonds, but in no case at less than 102 and accrued interest.

Annual cumulative sinking fund, commencing July 1, 1924, is to be 2 per cent for the first five years and 3 per cent thereafter.

[1] There is an additional sinking fund of $10,993,905.83 for public utility bonds and other special debt.

MONTREAL TRUST CO., TRUSTEE

For detailed information regarding the company, we refer to the within letter from Mr. H. Biermans, president of the company, which he has summarized as follows:

THE COMPANY

Belgo Canadian Paper Co. (Ltd.), is being incorporated under the laws of the Province of Quebec to acquire the properties and business of the Belgo Paper Co. (Ltd.), which is one of the largest and lowest-cost producers of newsprint paper in Canada, owning and operating at Shawinigan Falls, Province, of Quebec, a modern newsprint paper mill with a capacity of over 90,000 tons of newsprint per annum, now being increased to 115,000 tons per annum. The business has been in successful operation during the past 20 years.

PROPERTIES

The plant at Shawinigan Falls, Province of Quebec, is one of the most efficiently equipped newsprint mills on the continent. The mill is a complete and self-contained unit, including groundwood and sulphite pulp and newsprint mills, with the necessary auxiliary equipment. The location of the mills at Shawinigan Falls is most advantageous with relation to supplies of raw materials and markets for finished products.

ASSETS SECURING BONDS

Bonds are to be secured by specific first mortgage and charge on all the company's real and immovable properties, including plants, buildings, timber limits and leases now owned and hereafter acquired, and by a floating charge on all other assets, present and future.

The physical assets to be pledged under the mortgage, including extensions now being made, have recently been appraised at $18,750,464. Net current assets, as at April 30, 1923, after deducting current accounts of $1,002,100 (no bank loans) were $2,306,265. Total assets securing the bonds are over two and one-half times the present issue.

EARNINGS

Net earnings, as certified by Messrs. P. S. Ross & Sons, chartered accountants, Montreal, after maintenance and repairs, available for bond interest, depreciation, and income taxes, have been as follows:

Period	Output (rate per annum)	Net earnings (rate per annum)	Equal to interest on present issue earned
	Tons		
Four fiscal years ended August 31, 1922	65,303	$1,742,570	Over 3½ times
Eight months of current fiscal year (September, 1922 to April, 1923, inclusive).	65,303-90,000	1,989,054	Over 4 times

The company will own 15,000 acres of freehold timber lands and control under lease from the Province of Quebec 1,800 square miles leasehold timber limits on the St. Maurice River and tributaries, estimated to contain 6,000,000 cords pulpwood, sufficient for forty years' operations at the increased capacity.

The management of the company will remain in the hands of those responsible for the attainment of its present outstanding position. The president, Mr. Hubert Biermans, has been the active head of the business since its inception.

The additional equipment increasing capacity to 90,000 tons per annum began operation on March 1; net earnings for the first two months following such increase aggregated $450,671, equivalent to five and one-half times two months interest requirements on these bonds.

Commencing November 1 next, the completion of another newsprint unit now being installed will increase the production to 115,000 tons of newsprint annually. This increased capacity should result in a further substantial increase in earnings.

Price 97 and interest, to yield over 6¼ per cent.

We offer this issue of bonds, if, as and when issued and received by us and subject to legality. All legal details in connection with this issue will be passed upon by E. G. Long, K. C., Toronto, for the bankers; and by Messrs. Meredith, Holden, Hague, Shaughnessy & Heward, Montreal, for the company. It is expected that temporary bonds will be ready for delivery shortly after July 1, 1923.

JUNE, 1923.

BELGO CANADIAN PAPER CO. (LTD.),
Montreal, June 1, 1923.

GUARANTY CO. OF NEW YORK,
MESSRS. WOOD, GUNDY AND CO.

DEAR SIRS: Referring to your purchase of $8,000,000 first mortgage 6 per cent sinking fund gold bonds of this company, I have pleasure in giving you the following information:

THE COMPANY

Belgo Canadian Paper Co. (Ltd.), is being incorporated under the laws of the Province of Quebec to acquire the properties and business of the Belgo Paper Co. (Ltd.), which is one of the largest and lowest-cost newsprint producers in Canada, owning and operating at Shawinigan Falls, Province of Quebec, an efficient and well-balanced newsprint paper mill with present capacity of over 90,000 tons newsprint per annum, now in process of being increased to 115,000 tons per annum.

The business was founded with Belgian capital and commenced operations with the manufacture of ground wood pulp. The production of newsprint paper was begun in 1904 with an annual output of 7,500 tons. The company's predecessors have been in continuous and successful operation for the past 20 years.

ASSETS SECURING BONDS

The physical assets, including plants, properties, buildings, timber limits and leases have been recently appraised and have been valued, including extensions now being made, at $18,750,464, as against $8,000,000 of bonds now being issued.

New current assets (working capital) as at April 30, 1923, after all current liabilities, were $2,306,265. The company has no bank loans.

Total assets securing the first-mortgage bonds, after all current liabilities, will amount to over two and one-half times the present issue of bonds.

EARNINGS

Net earnings, as certified by Messrs. P. S. Ross & Sons, chartered accountants, Montreal, after maintenance and repairs, available for bond interest, depreciation and income taxes, have been as follows:

Period	Output (rate per annum)	Net earnings (rate per annum)	Equal to interest on present issue earned
	Tons		
Four fiscal years ended August 31, 1922	65,303	$1,742,570	Over 3½ times.
Eight months of current fiscal year (September, 1922 to April 1923, inclusive	65,303–90,000	1,989,054	Over 4 times.

The additional equipment increasing capacity to 90,000 tons per annum began operation on March 1; net earnings for the first two months following such increase aggregated $450,671, equivalent to five and one-half times two months interest requirements on these bonds.

Commencing November 1 next, the completion of another newsprint unit now being installed will increase the production to 115,000 tons of newsprint annually. This increased capacity should result in a further substantial increase in earnings.

TIMBER LIMITS

The company will own 15,000 acres of freehold timber lands and control under lease from the Province of Quebec 1,800 square miles of leasehold timber limits on the St. Maurice River and tributaries, estimated by engineers to contain over 6,000,000 cords of spruce and balsam pulpwood, sufficient, without benefit of regrowth or reforestation, for 40 years' operations at the increased capacity. In addition, there are large supplies of pine and other wood suitable for lumber operations.

The greater part of the limits were selected many years ago. They are not only exceptional with regard to both quantity and quality of standing timber, but are well situated for economical logging operations. Their accessibility to the company's mills and the facilities for wood handling at the mill site will enable the company to obtain its wood supply at costs that compare most favorably with those of other Canadian producers.

MILL PROPERTIES

The plant at Shawinigan Falls, Province of Quebec, is one of the most efficiently equipped newsprint paper mills on the continent. The mill is a complete and selfcontained unit, including groundwood and sulphite pulp and newsprint mills, with the necessary auxiliary equipment. The main plant is under one roof, a method of construction that materially increases efficiency of operation. Machinery and equipment embody all recognized improvements in the industry.

The location of the plant at Shawinigan Falls not only places it in close proximity to its wood supply and affords it easy access by rail to the markets for its finished products, but it has enabled the business to dispense with the necessity of large capital expenditures for the development of an extensive town site for its employees.

WATER POWER

Under perpetually renewable contract, 14,000 hydraulic horsepower for the operation of the mills is secured from the Shawinigan Water & Power Co. In addition, such electrical power as is required is purchased from the Shawinigan Water & Power Co., under long-term and renewable contract. These water and power contracts are exceptionally favorable and assure adequate supplies at low cost.

MARKET

The plant is favorably situated with relation to the Eastern Canadian and United States newsprint markets and its entire output is sold to leading newspapers and publishing interests in the United States and Canada. Its sales connections are long established and it has at all times been able to dispose of its entire output.

Capitalization (upon completion of present financing)

	Authorized	Issued
First mortgage, 6 per cent sinking fund gold bonds	$10,000,000	$8,000,000
7 per cent cumulative preferred shares	5,000,000	4,000,000
Common shares	8,500,000	8,500,000

BOND ISSUE

The bonds will be a direct obligation of Belgo Canadian Paper Co. (Ltd.), and will be secured by specific first mortgage and charge on all the company's real and immovable properties, including plants, buildings, timber limits and leases now owned and hereafter acquired, and by a floating charge on all other assets, present and future.

The total authorized amount of first mortgage 6 per cent sinking fund gold bonds will be $10,000,000, of which $8,000,000 par value are now being issued.

The remaining bonds may be issued only to the extent of 60 per cent of cash cost, or appraised value, which ever is less, of capital expenditures or additional properties acquired, provided the company's average annual net earnings, as defined in the trust deed, for the two fiscal years previous to such issue shall have been not less than three times annual interest on all bonds outstanding, including those proposed to be issued.

While any bonds are outstanding, the company will not make any capital expenditures, except for necessary renewals and replacements, nor pay any dividends on its common shares, which would reduce net current assets below 25 per cent of outstanding bonds or current assets below 150 per cent of current liabilities.

SINKING FUND

The trust deed will provide for an annual cumulative sinking fund commencing July 1, 1924, equal to 2 per cent for the first five years, and 3 per cent for the years commencing July 1, 1929, to maturity, of all the issued first mortgage 6 per cent sinking fund gold bonds, together with an amount equivalent to the annual interest on all bonds redeemed. These moneys are to be used for the purchase in the open market of first mortgage bonds at or below the then redemption price, but failing such purchase, shall be used by the trustee for the redemption by lot of first mortgage bonds at the then redemption price and accrued interest.

GENERAL

This enterprise possesses exceptional advantages. Its management will be in the hands of those responsible for the attainment of its present position. It possesses large and easily accessible supplies of cheap pulpwood. Its power supply is assured at reasonable cost. Its labor supply is obtained under most favorable conditions. Its mills are modern in structure and strategic in location. With the completion of extensions now under way, they will produce sufficient groundwood and sulphite pulp for their newsprint output, a balanced production that will add materially to efficiency of operation. These factors render possible continued low-cost newsprint production.

In view of the stable and growing demand for newsprint paper and because of the company's strong current position and demonstrated earning power, I have no hesitation in recommending to your clients the purchase of this company's first mortgage 6 per cent sinking fund bonds for safe investments.

BALANCE SHEET

The Balance Sheet, as at April 30, 1923, after giving effect to this financing, as certified by Messrs. P. S. Ross & Sons, chartered accountants, Montreal, follows:

ASSETS

Fixed: Real estate, plant, buildings, and forest limits			$18, 390, 191. 26
Current:			
Cash on hand and at mill		$16, 727. 47	
Cash in bank		254, 570. 10	
Bills receivable		164, 514. 75	
Accounts receivable		818, 308. 43	
Inventories		2, 054, 244. 43	
			3, 308, 365. 18
Deferred charges to operation			53, 856. 85
			21, 752, 413. 29

LIABILITIES

Capital stock:			
7 per cent preferred	$5, 000, 000. 00		
Less unissued	1, 000, 000. 00		
		$4, 000, 000. 00	
Common		8, 500, 000. 00	
			$12, 500, 000. 00
First mortgage 6 per cent bonds:			
Authorized		10, 000, 000. 00	
Unissued		2, 000, 000. 00	
			8, 000, 000. 00
Current:			
Sundry interests and dividends		6, 669. 09	
Accounts payable, deposits, etc		747, 449. 77	
Bills payable		2, 744. 56	
Exchange loss		174, 393. 10	
Accrued charges to operation		70, 843. 40	
			1, 002, 099. 92
Provision for damages at Cyprus Creek			73, 479. 42
Contingent reserve			164, 001. 94
Reserve fund for accidents, sickness, etc			12, 832. 01
			21, 752, 413. 29

Yours faithfully,

H. BIERMANS, *President.*

$5,000,000 CANADIAN GENERAL ELECTRIC CO., (LTD.), 20-YEAR GOLD DEBENTURES 6 PER CENT SERIES A

To be dated April 1, 1922. To mature April 1, 1942.

To be authorized, $10,000,000. Presently to be issued, 6 per cent Series A, $5,000,000.

Interest payable April 1 and October 1. Principal and interest payable at Guaranty Trust Co. of New York in United States gold coin of or equal to the present standard of weight and fineness, without deduction for any tax or taxes levied by the Government of the Dominion of Canada or any taxing authority thereof or therein. Coupon debentures in denomination of $1,000, registerable as to principal only.

Redeemable at the option of the company, as a whole or in principal amounts of not less than $1,000,000 at any one time, on any interest date on 60 days' notice, at 107½ per cent to and including April 1, 1932; at 105 per cent thereafter to and including April 1, 1937; at 104 per cent thereafter to and including April 1, 1938; at 103 per cent thereafter to and including April 1, 1939; at 102 per cent thereafter to and including April 1, 1940; at 101 per cent thereafter prior to maturity.

GUARANTY TRUST CO. OF NEW YORK, TRUSTEE

The accompanying letter from Mr. A. E. Dyment, president of the company, is summarized as follows:

BUSINESS AND PROPERTY

The Canadian General Electric Co. (Ltd.) was incorporated in Canada in 1892 and acquired the exclusive right in perpetuity to manufacture and sell in Canada the products developed by the General Electric Co. The company, together with Canadian Allis-Chalmers (Ltd.) all of whose shares it owns (excepting dirctors' qualifying shares), is the largest manufacturer and distributor in Canada of elecrtical apparatus. It also manufactures a varied line of milling and other machinery under a contract with the Allis-Chalmers Manufacturing Co., of Milwaukee, covering the manufacture and sale of same in Canada.

Eight manufacturing plants are owned by the company and Canadian Allis-Chalmers, (Ltd.), and 18 branch houses are maintained in the principal distributing centers of the Dominion, covering the territory from coast to coast.

PURPOSE OF ISSUE

The purpose of this issue is to reimburse the company for capital expenditures heretofore made and to provide additional working capital.

PROVISIONS OF ISSUE

These debentures will be direct obligations of the company, which has no other funded debt (except $61,250 mortgage obligations on properties purchased). The indenture will provide, among other covenants, that the company shall not mortgage or pledge or create any charge upon any of its properties unless these debentures be given a prior lien thereon.

EARNINGS

The company's earnings for the 10 years ended December 31, 1921, have been as follows:

Year ended Dec. 31	Net profits	Depreciation	Balance for interest, etc.
1912	$2,011,720	$456,358	$1,555,362
1913	2,029,898	470,934	1,558,964
1914	914,528	....	914,528
1915	1,219,514	416,223	803,291
1916	2,225,912	[1] 1,040,491	1,185,421
1917	2,051,609	[1] 918,012	1,133,597
1918	2,013,996	577,513	1,436,483
1919	1,617,989	524,668	1,093,321
1920	2,213,731	530,742	1,682,989
1921	1,707,339	401,831	1,305,508

[1] Including extraordinary depreciation of war-time facilities.

Earnings available for interest, as shown above, averaged $1,266,946 per annum or over three times the present annual interest charges after giving effect to this issue.

Dividends of 7 per cent or more per annum have been paid on the company's common stock for the last 24 years, the present rate being 8 per cent.

FINANCIAL POSITION

As of December 31, 1921, the consolidated balance sheet of the company and Canadian Allis-Chalmers (Ltd.) (without giving effect to this issue), showed plant and equipment over $20,000,000, current assets over $14,000,000; total indebtedness less than $9,000,000, depreciation reserve $5,400,000. An appraisal as of July 31, 1920, by Canadian Appraisal Co. (Ltd.) gave values for plant and equipment about $8,000,000 in excess of those in this balance sheet.

101 AND INTEREST, TO YIELD OVER 5.90 PER CENT

When, as and if issued and received by us, subject to authorization of shareholders and to approval of counsel. All legal matters will be passed upon by Messrs. Stetson, Jennings & Russell, of New York, and Messrs. Osler, Hoskin & Harcourt, of Toronto.

It is expected that trust receipts of Guaranty Trust Co. of New York will be ready for delivery on or about April 26, 1922.

GUARANTY CO. OF NEW YORK.

CANADIAN GENERAL ELECTRIC CO. (LTD.),
Toronto, March 28, 1922.

GUARANTY CO. OF NEW YORK,
New York City.

GENTLEMEN: I take pleasure in giving you the following information concerning the Canadian General Electric Co. (Ltd.), and its proposed $5,000,000 20-year gold debentures, 6 per cent, series A.

BUSINESS AND PROPERTY

The Canadian General Electric Co. (Ltd.), was incorporated in Canada in 1892 as a consolidation of several companies producing electrical supplies, and acquired the exclusive right in perpetuity to manufacture and sell in Canada the products developed by the General Electric Co., Schenectady, N. Y. The company, together with Canadian Allis-Chalmers (Ltd.), all of whose shares it owns (excepting directors' qualifying shares), is the largest manufacturer and distributor in Canada of electrical apparatus, including incandescent lamps, motor and generator equipment, transformers, insulating devices, etc. It also manufactures a varied line of heavy machinery, including pumps, milling machinery, water wheels, and mining machinery, under a contract with the Allis-Chalmers Manufacturing Co., of Milwaukee, covering the manufacture and sale of same in Canada.

The manufacturing plants of the company and Canadian Allis-Chalmers (Ltd.), aggregate eight in number, the principal ones being located at Toronto, Peterboro, and Stratford, Ontario, and in Montreal, Quebec. Eighteen branch houses are maintained in the principal distributing centers of the Dominion, covering the territory from coast to coast.

CAPITALIZATION

Upon completion of the present financing, the capitalization of the company will be as follows:

	Authorized	Outstanding
20-year debentures, 6 per cent series A (this issue)	$10,000,000	$5,000,000
Preferred stock, 7 per cent cumulative	2,000,000	2,000,000
Common stock	18,000,000	10,800,000
Mortgages on properties purchased	....	61,250

PURPOSE OF ISSUE

The purpose of this issue is to reimburse the company for capital expenditures heretofore made and to provide additional working capital.

PROVISIONS OF ISSUE

These debentures will be direct obligations of the company, which has no other funded debt (except $61,250 mortgage obligations on properties purchased). They are to be issued under an indenture which will contain, among other provisions, the covenant that the company will not mortgage or pledge or create any charge upon any of its properties unless these debentures be secured by a lien prior to that of any obligations secured by such mortgage, pledge, or charge; provided, however, that this shall not prevent the pledging of personal property, other than shares of subsidiaries, in the ordinary course of business, or the acquisition of property subject to existing or purchase-money mortgages.

EARNINGS

The company's earnings for the 10 years ended December 31, 1921, have been as follows:

Year ended Dec. 31—	Net profits	Depreciation	Balance for interest, etc.
1912	$2,011,720	$456,358	$1,555,362
1913	2,029,898	470,934	1,558,964
1914	914,528	----------	914,528
1915	1,219,514	416,223	803,291
1916	2,225,912	[1] 1,040,491	1,185,421
1917	2,051,609	[1] 918,012	1,133,597
1918	2,013,996	577,513	1,436,483
1919	1,617,989	524,668	1,093,321
1920	2,213,731	530,742	1,682,989
1921	1,707,339	401,831	1,305,508

[1] Including extraordinary depreciation of war-time facilities.

Earnings available for interest, as shown above, averaged $1,266,946 per annum, or over three times the present annual interest charges after giving effect to this issue. Of the aggregate earnings for this 10-year period after deduction of $5,336,772 for depreciation, $1,537,118 was paid in interest,.

$12,000,000 Canadian Pacific Railway Equipment Trust 6 Per Cent Gold Certificates to be Issued Under Philadelphia Plan

To be dated April 1, 1920. To mature $500,000 semiannually, October 1, 1920, to April 1, 1932.

Authorized and to be issued, $12,000,000. Certificates in denomination of $1,000. Dividend warrants payable semiannually April 1 and October 1. Principal and dividends payable at The Union Trust Co. of Pittsburgh and Guaranty Trust Co. of New York in United States gold coin.

THE UNION TRUST CO. OF PITTSBURGH, TRUSTEE

The $12,000,000 equipment trust 6 per cent gold certificates issued under the Philadelphia plan are to be specifically secured by standard new railway equipment costing $15,000,000 delivered. The title to this equipment is to be vested in the trustee and it will be leased to the railway company.

Pending receipt of the equipment, which is to be delivered in Canada, the trustee will hold for the benefit of the certificate owners $15,000,000 in cash at the Bank of Montreal, subject to the order of the trustee.

The Canadian Pacific Railway Co. controls a transcontinental railroad system of about 18,500 miles extending from St. John, New Brunswick, to Vancouver, British Columbia, penetrating the United States as far as Chicago and St. Paul, and connecting by its own steamship lines with European and Asiatic ports. Of the 8,300 miles of road directly owned, only about 180 miles, branch lines, are mortgaged.

The Canadian Pacific has been able to maintain its earnings on a very substantial basis, in spite of increased operating costs, as evidenced by the following income accounts reported by the company:

	1917	1918	1919
Years ended Dec. 31:			
Gross earnings	$152,389,335	$157,537,698	$176,929,060
Operating expenses	105,843,317	123,035,310	143,996,024
Net earnings	46,546,018	34,502,388	32,933,036
Other income	8,744,617	7,934,775	9,049,343
Total income	55,290,635	42,437,163	41,982,379
Fixed charges	10,229,143	10,177,513	10,161,510
Balance after charges	45,061,492	32,259,650	31,820,869
Times charges earned	5.40	4.17	4.13

The dividends on these $12,000,000, 6 per cent equipment trust certificates will be $705,000 in the first year. Had fixed charges in 1919 been increased by this amount, total charges would have been earned about three and eighty-five hundredths times, without allowing for any benefit from the proceeds of this issue.

Dividends have been paid on the ordinary stock of the company since 1883 and since 1910 the rate has been 10 per cent per annum. The equity junior to funded debt and equipment issues is represented by over $80,000,000 of 4 per cent preference stock and by ordinary stock having at present quoted prices an indicated market value of $320,000,000.

	Prices		Prices
Oct. 1, 1920	99⅝	Oct. 1, 1926	96¼
Apr. 1, 1921	99¼	Apr. 1, 1927	96½
Oct. 1, 1921	99	Oct. 1, 1927	96⅜
Apr. 1, 1922	98⅝	Apr. 1, 1928	96⅛
Oct. 1, 1922	98⅜	Oct. 1, 1928	96
Apr. 1, 1923	98	Apr. 1, 1929	95¾
Oct. 1, 1923	97⅝	Oct. 1, 1929	95⅝
Apr. 1, 1924	97⅜	Apr. 1, 1930	95½
Oct. 1, 1924	97⅛	Oct. 1, 1930	95⅜
Apr. 1, 1925	96⅞	Apr. 1, 1931	95⅛
Oct. 1, 1925	96⅝	Oct. 1, 1931	95
Apr. 1, 1926	96⅜	Apr. 1, 1932	94⅞

Accrued dividend to be added in each case.

At the above prices the first 12 maturities yield approximately 6¾ per cent and the last 12 maturities approximately 6⅝ per cent.

When, as, and if issued and received by us and subject to approval of counsel. On or about April 2 purchasers will be advised as to delivery.

We do not guarantee the statements and figures presented herein, but they are taken from sources which we believe to be accurate.

Guaranty Trust Co. of New York.
The Union Trust Co. of Pittsburgh.
Brown Bros. & Co.
Bankers Trust Co., New York.
White, Weld & Co., New York.
Colgate, Parker & Co., New York.

March, 1920.

$4,000,000 Department of Antioquia (Republic of Colombia) 7 per cent 30½-year External Secured Sinking Fund Gold Bonds, First Series

To be dated April 1, 1927. To mature October 1, 1957.

A cumulative sinking fund of 1 per cent per annum, commencing October 1, 1927, is calculated to retire the entire first series of bonds by maturity through purchase in the open market at not over 100 per cent and accrued interest or call by lot at 100 per cent and accrued interest. Redeemable (otherwise than through the sinking fund) as a whole only, on three months' prior notice, at 102 per cent and accrued interest on April 1, 1937, or on any interest date thereafter up to and including October 1, 1946, and at 100 per cent and accrued interest on any interest date thereafter. International Acceptance Securities & Trust Co., fiscal agent of the loan.

The following information was obtained from General Pedro Justo Berrio, Governor of the Department of Antioquia, and from other official sources:

SECURITY

These bonds will be the direct obligation of the Department of Antioquia, and will be specifically secured by a first lien on 75 per cent of the gross revenues from the departmental liquor monopoly. The revenues so pledged, before and after deducting costs of material, expenses of production, distribution and administration, have been as follows (1 peso=$0.9733):

Fiscal year ended June 30—	75 per cent of gross revenues	75 per cent of net revenues
1923	$1,146,688	$936,382
1924	1,104,932	829,121
1925	1,311,110	1,063,608
1926	1,645,741	1,407,302
Annual average	1,302,117	1,059,103
1927 (10 months)	1,636,944	1,309,557

The average annual revenues pledged as security for these bonds for the four fiscal years 1923–1926 were equal to four times the annual interest and sinking-fund requirements on the $4,000,000 principal amount to be presently outstanding. For the same period, the average net revenues were equal to three and three-tenths times such requirements. For the first 10 months of the fiscal year ended June 30, 1927, the pledged revenues were equal to five and one-tenth times, and the net revenues equal to four times, such total annual requirements.

The subsequent series of these bonds up to the total of $12,350,000 authorized will share equally with the present issue in the above-named security, but the Department has covenanted that it will not issue any such subsequent series unless and until for two consecutive years immediately preceding any issue, 75 per cent of the net revenues from the departmental liquor monopoly and/or other revenues satisfactory to the bankers, hereafter pledged, shall have aggregated each year an amount equal to at least the annual interest and sinking-fund charges on all the bonds outstanding and then to be issued.

DEPARTMENT OF ANTIOQUIA

Antioquia, the largest Department of the Republic of Colombia, has an area of over 25,000 square miles extending from the central part of the Republic to the Caribbean Sea on the north, and a population in excess of 900,000. Medellin, the capital of Antioquia, is the commercial center of a larger surrounding territory estimated to include more than 2,000,000 inhabitants. The Department produces approximately one-quarter of the coffee grown in the Republic of Colombia—the world's second largest coffee producer—and the value of the 1926 crop is estimated at $18,000,000. Agriculture, stock raising, manufacturing and mining (coal, silver, platinum, gold) are the principal activities and industries of the people.

PURPOSES

The total authorized issue of $12,350,000 is for general highway construction and for other purposes. The proceeds of the first series are to be used in part for the retirement of internal debt and for road construction, chiefly the first section of a highway to the sea. This highway will be a modern motor road, about 400 kilometers in total length, running from Medellin almost due north to the Gulf of Urabá on the Caribbean Sea. The Colombian Government has agreed to pay a subsidy for this highway approximating one-third of its cost. The contract for the first 200 kilometers, from Medellin to Dabeiba, was awarded to R. W. Hebard & Co. (Inc.), New York, and work was started in September, 1926.

FINANCES

Since its creation in 1886, the Department of Antioquia has never defaulted in the payment of principal, interest or sinking fund on any of its debt.

The Department agrees to incorporate each year in the departmental budget the amount necessary for the complete service of the loan.

Receipts and expenditures, exclusive of railways have been as follows (1 peso=$0.9733):

Fiscal year ending June 30	Receipts	Expenditures
1923	$3,272,061	$3,152,091
1924	3,370,668	3,320,437
1925	4,276,815	[1] 4,398,783
1926	5,259,746	4,887,037
1927 (11 months)	5,814,472	5,444,771

[1] Including $552,000 for roads and public buildings.

The budget for the fiscal year ending June 30, 1928, estimates receipts at $7,053,174 and expenditures at $7,051,967.

The total debt of the department, including this issue, is approximately $23,740,620; the value of property owned by the department, including its railways, is estimated at $33,500,000. Within the last two years, Antioquia has borrowed in the American market $14,500,000 for railway construction. It operates its own railways, the net earnings of which, for 1926, were sufficient for the service of the railway loans.

The Colombian peso is equal to $0.9733 United States currency at gold parity. Banco de la Republica has the sole right to issue bank notes and had on February 28, 1927, a gold reserve of 87 per cent against notes outstanding and demand liabilities.

It is expected that application will be made to list these bonds on the New York Stock Exchange.

Authorized $12,350,000; presently to be outstanding, first series (this issue), $4,000,000. Principal and semiannual interest, due April 1 and October 1, payable in New York City at the principal office of International Acceptance Securities & Trust Co. or Guaranty Trust Co. of New York in United States gold coin of or equal to the standard of weight and fineness existing on April 1, 1927, without deduction for any taxes, present or future, levied or imposed by the Republic of Colombia, or by any taxing authority therein or thereof. Coupon bonds in denomination of $1,000, 93 and interest, to yield about 7.60 per cent.

When, as and if issued and received by us and subject to approval of counsel. All legal details in connection with the issue are being passed on by Messrs. Curtis, Mallet-Prevost, Colt & Mosle, except questions of Colombian law which will be passed on by Dr. Carlos E. Restrepo, of Medellin. It is expected that interim or trust receipts of Guaranty Trust Co. of New York will be ready for delivery on or about July 27, 1927.

INTERNATIONAL ACCEPTANCE BANK (INC.),
GUARANTY CO. OF NEW YORK.

FOUR MILLION DOLLARS DEPARTMENT OF ANTIOQUIA (REPUBLIC OF COLOMBIA) 7 PER CENT EXTERNAL SECURED SINKING FUND GOLD BONDS, SECOND SERIES

To be dated April 1, 1927. To mature October 1, 1957.

A cumulative sinking fund is calculated to retire the entire second series of bonds by maturity through purchase in the open market at not over 100 per cent and accrued interest or call by lot at 100 per cent and accrued interest. Redeemable (otherwise than through the sinking fund) as a whole only, on three months, prior notice, at 102 per cent and accrued interest on April 1, 1937, or on any interest date thereafter up to and including October 1, 1946, and at 100 per cent and accrued interest on any interest date thereafter. International Acceptance Securities & Trust Co., fiscal agent of the loan.

The following information was obtained from General Pedro Justo Berrio, Governor of the Department of Antioquia, and from other official sources:

SECURITY

These bonds will be the direct obligation of the Department of Antioquia, and will be specifically secured by a first lien on 75 per cent of the gross revenues from the departmental liquor monopoly. The revenues so pledged, before and after deducting costs of material, expenses of production, distribution and administration, have been as follows:

Year ended Sept. 30	75 per cent of gross revenues	75 per cent of net revenues
1926	$1,755,620	$1,368,015
1927	1,934,234	1,507,195

The average annual revenues pledged as security for these bonds for the two years preceding this issue were equal to more than two and three-fourths times the annual interest and sinking-fund requirements on the $9,979,000 principal amount to be presently outstanding, and the average net revenues were equal to about two and one-fourth times such requirements.

All series of these bonds up to the total of $12,350,000 authorized will share equally with the present issue in the above-named security, but the department has covenanted that it will not issue any additional series unless and until for two consecutive years immediately preceding any issue, 75 per cent of the net revenues from the departmental liquor monopoly and/or other revenues satisfactory to the bankers, hereafter pledged, shall have aggregated each year an amount equal to at least twice the annual interest and sinking-fund charges on all the bonds outstanding and then to be issued.

PURPOSE

The proceeds of this second series are to be used to retire approximately $1,353,000 internal 10 per cent bonds and to continue the construction of the highway to the sea. This will be a modern motor road, about 400 kilometers in total length, running from Medellin almost due north to the Gulf of Urabá on the Caribbean Sea. The Colombian Government has agreed to pay a subsidy for this highway approximating one-third of its cost. The contract for the first 200 kilometers, from Medellin to Dabeiba, was awarded to R. W. Hebard & Co. (Inc.), New York, and construction has been in progress since September, 1926.

DEPARTMENT OF ANTIOQUIA

Antioquia, the largest Department of the Republic of Colombia, has an area of over 25,000 square miles extending from the central part of the Republic to the Caribbean Sea on the north, and a population in excess of 900,000. Medellin, the capital of Antioquia, is the commercial center of a larger surrounding territory estimated to include more than 2,000,000 inhabitants. The department produces approximately one-fourth of the coffee grown in the Republic of Colombia—the world's second largest coffee producer—and the value of the 1926 crop is estimated at $18,000,000. Agriculture, stock-raising, manufacturing, and mining (coal, silver, platinum, gold) are the principal activities and industries of the people.

FINANCES

Since its creation in 1886, the Department of Antioquia has never defaulted in the payment of principal, interest, or sinking fund on any of its debt.

The department agrees to incorporate each year in the departmental budget the amount necessary for the complete service of the loan.

Receipts and expenditures, exclusive of the railways, have been as follows:

Fiscal year ended June 30	Receipts	Expenditures	Fiscal year ended June 30	Receipts	Expenditures
1923	$3,272,061	$3,152,091	1926	$5,259,746	$4,887,037
1924	3,379,668	3,320,437	1927	6,518,330	6,042,815
1925	4,276,815	[1] 4,398,783			

[1] Including $552,000 for roads and public buildings.

The budget for the fiscal year ending June 30, 1928, estimates receipts at $7,053,174 and expenditures at $7,051,967.

The total debt of the department, including this issue, is approximately $26,125,000; the value of property owned by the department, including its railways, is estimated at $33,500,000. Within the last three years Antioquia has borrowed in the American market $14,500,000 for railway construction. It operates its own railways, the net earnings of which for the year ending December 31, 1926, were sufficient for the service of the railway loans.

The Colombian peso is equal to $0.9733 United States currency at gold parity, and conversions into dollars above have been made at this rate. Banco de la Republica has the sole right to issue bank notes and had on June 30, 1927, a gold reserve of 86 per cent against notes outstanding and demand liabilities.

The first series of these bonds are listed on the New York Stock Exchange and it is expected that application will be made to list this second series.

Authorized $12,350,000; presently to be outstanding, including this issue, $7,979,000. Interest April 1 and October 1. Principal and interest payable in New York City at the principal office of International Acceptance Securities & Trust Co. or Guaranty Trust Co. of New York in United States gold coin of or equal to the standard of weight and fineness existing on April 1, 1927, without deduction for any taxes, present or future, levied or imposed by the Republic of Colombia, or by any taxing authority therein or thereof. Coupon bonds in denomination of $1,000, 94¼ per cent and interest, to yield over 7.48 per cent.

When, as, and if issued and received by us and subject to approval of counsel. All legal details in connection with the issue are being passed on by Messrs. Curtis, Mallet-Prevost, Colt & Mosle, except questions of Colombian law which will be passed on by Dr. Carlos E. Restrepo, of Medellin. It is expected that interim or trust receipts of Guaranty Trust Co. of New York will be ready for delivery on or about December 7, 1927.

INTERNATIONAL ACCEPTANCE BANK (Inc.).
GUARANTY CO. OF NEW YORK.

$4,350,000 DEPARTMENT OF ANTIOQUIA (REPUBLIC OF COLOMBIA) 7 PER CENT EXTERNAL SECURED SINKING FUND GOLD BONDS, THIRD SERIES

To be dated April 1, 1927. To mature October 1, 1957.

A cumulative sinking fund is calculated to retire the entire third series of bonds by maturity through purchase in the open market at not over 100 per cent and accrued interest or call by lot at 100 per cent and accrued interest. Redeemable (otherwise than through the sinking fund) as a whole only, on three months' prior notice, at 102 per cent and accrued interest on April 1, 1937, or on any interest date thereafter up to and including October 1, 1946, and at 100 per cent and accrued interest on any interest date thereafter. International Acceptance Trust Co., fiscal agent for the loan.

The following information was obtained from General Pedro Justo Berrio, Governor of the Department of Antioquia, and from other official sources:

SECURITY

These bonds will be the direct obligation of the Department of Antioquia, and will be specifically secured by a first lien upon 75 per cent of the gross revenues derived from the department liquor monopoly, from slaughter and from the consumption of foreign liquors, and upon 100 per cent of the gross revenues derived from the registration of mortgages and other instruments. The revenues so pledged, before and after deducting costs of material, expenses of production, distribution and administration, have been as follows:

Year ended Mar. 31—	75 per cent of gross revenues [1]	75 per cent of net revenues [1]
1927	$2,071,019	$2,223,157
1928	2,712,402	2,274,109

[1] 100 per cent of revenues from registration of mortgages and other instruments.

The revenues pledged as security for these bonds for the two years preceding this issue averaged about 2¾ times the annual interest and sinking fund requirements on the $12,287,000 principal amount presently to be outstanding, and the net revenues averaged more than 2¼ times such requirements.

The first and second series of these bonds will share pro rata with the present issue in the above-named security.

The department has covenanted that if the pledged revenues, after deducting costs of material, expenses of production, distribution, and administration, shall have amounted in any year to less than twice the annual interest and sinking fund charges on all the bonds outstanding, it will pledge additional revenues satisfactory to the bankers.

PURPOSE

The proceeds of this third series are to be used to retire approximately $300,000 floating debt, for roads, and to continue the construction of the highway to the sea. This will be a modern motor road, about 400 kilometers in total length, running from Medellin almost due north to the Gulf of Urabá on the Caribbean Sea. The Colombian Government has agreed to pay a subsidy for this highway approximating one-third of its cost. The contract for the first 200 kilometers, from Medellin to Dabeiba, was awarded to R. W. Hebard & Co. (Inc.), New York, and construction has been in progress since September, 1926.

DEPARTMENT OF ANTIOQUIA

Antioquia, the largest department of the Republic of Colombia, has an area of over 25,000 square miles extending from the central part of the Republic to the Caribbean Sea on the north, and a population in excess of 900,000.

Since its creation in 1886, the Department of Antioquia has never defaulted in the payment of principal, interest, or sinking fund on any of its debt, and it agrees to incorporate each year in the departmental budget the amount necessary for the complete service of these bonds.

Receipts and expenditures, exclusive of the railways, have been as follows:

Fiscal year ended June 30—	Receipts	Expenditures	Fiscal year ended June 30—	Receipts	Expenditures
1923	$3,272,061	$3,152,091	1926	$5,259,746	$4,887,037
1924	3,370,668	3,320,437	1927	6,518,330	6,042,815
1925	4,276,815	[1] 4,398,783	1928 (9 months)	5,228,719	4,788,499

[1] Including $552,000 for roads and public buildings.

The budget for the fiscal year ending June 30, 1929, estimates receipts at $7,053,174 and expenditures at $7,051,967.

The total debt of the Department, including this issue, is approximately $35,475,000; the value of property owned by the Department, including its railways, is estimated at $40,000,000. The Department operates its own railways, the net earnings of which for the year 1927 were sufficient for the service of the railway bonds outstanding during that year. New railway construction has been financed by the issue this year in the American market of $3,750,000 bonds.

NATIONAL LEGISLATION

By Law No. 6 of June 5, 1928, contracts for all loans proposed to be made by Departments and municipalities must be submitted to the National Government, and the National Government is empowered to restrict such borrowing by withholding its approval in any case where, in its opinion, annual debt service of the Department or municipality requires too large a proportion of annual revenues.

Law No. 88 of 1923 restricts the sale of liquor throughout the Republic of Colombia and raises the price from June 1, 1928. A bill providing that any loss of revenue to the Departments resulting from this law shall be made up by the National Government is under consideration by the National Congress now in special session.

The Colombian peso is equal to $0.9733 United States currency at gold parity, and conversions into dollars above have been made at this rate. Banco de la Republica has the sole right to issue bank notes and had on March 31, 1928, a gold reserve of 92 per cent against notes outstanding and demand liabilities.

The first and second series of these bonds are listed on the New York Stock Exchange and it is expected that application will be made to list this third series.

Authorized, $12,350,000; outstanding, including this issue, $12,287,000; retired by sinking fund, $63,000. Interest April 1 and October 1. Principal and interest payable in New York City at the principal office of International Acceptance Trust Co. or Guaranty Trust Co. of New York in United States gold coin of or equal to the standard of weight and fineness existing on April 1, 1927, without deduction for any taxes, present or future, levied or imposed by the Republic of Colombia, or by any taxing authority therein or thereof. Coupon bonds in denomination of $1,000, 96½ per cent and interest, to yield 7.20 per cent.

When, as and if issued and received by us and subject to approval of counsel. All legal details in connection with the issue are being passed on by Messrs. Curtis, Mallet-Prevost, Colt & Mosle, except questions of Colombian law, which will be passed on by Dr. Carlos E. Restrepo, of Medellin. It is expected that interim or trust receipts of Guaranty Trust Co. of New York will be ready for delivery on or about June 28, 1928.

INTERNATIONAL ACCEPTANCE BANK (INC.).
GUARANTY CO. OF NEW YORK.

THIRTY MILLION DOLLARS KINGDOM OF DENMARK 30-YEAR 5½ EXTERNAL LOAN GOLD BONDS

Two million dollar bonds of the present offering have been withdrawn for simultaneous issue in Holland by Messrs. Lippmann, Rosenthal & Co., De Twentsche Bank, Rotterdamsche Bankvereeniging and Labouchere & Co., and $1,500,000 bonds have been withdrawn for Switzerland by Credit Suisse and associates.

To be dated August 1, 1925. To mature August 1, 1955.

Interest payable February 1 and August 1. Principal and interest payable in New York at Guaranty Trust Co. of New York in United States gold coin of or equal to the present standard of weight and fineness, without deduction for any tax or taxes now or hereafter imposed by the Kingdom of Denmark, or by any taxing authority thereof or therein. Coupon bonds in denominations of $1,000 and $500. Not redeemable prior to August 1, 1930.

Redeemable for the sinking fund, or at the option of the Kingdom of Denmark as a whole or in part, on August 1, 1930, or on any interest date thereafter on three months' notice at par and accrued interest.

The Kingdom of Denmark agrees to set aside as a sinking fund, semiannually commencing August 1, 1930, sums sufficient to retire entire issue by maturity, such sums to be applied to purchase of bonds at not exceeding par and accrued interest or to the redemption of bonds by lot.

GUARANTY TRUST CO. OF NEW YORK, PAYING AGENT

The following information has been furnished by C. V. Bramsnaes, Minister of Finance of the Kingdom of Denmark:

These bonds are to be direct obligations of the Kingdom of Denmark, which agrees that if, during the life of these bonds, it shall sell, offer for public subscription or otherwise in any manner dispose of any issue of bonds, or contract any loan, secured by lien or charge on any of its revenues or assets the bonds of this loan shall be secured equally and ratably therewith. None of the assets or revenues of the Kingdom of Denmark are now pledged as security for any loan.

The proceeds of the loan in large part are to be used to retire on October 15, 1925, the outstanding 8 per cent dollar loan issued in 1920.

DENMARK

The Kingdom of Denmark has an area of 16,609 square miles and a population of 3,377,000. It is an important agricultural and industrial country. Over 70 per cent of the land is held by small owners, a fact which makes for a wide distribution of wealth and a conservative and politically stable national character. All legislation pertaining to finances must originate in the lower House of Parliament, which is elected by universal suffrage. The principles of cooperative production and marketing have been extensively and successfully put into practice in Denmark, and the country is noted for high efficiency in agricultural production.

DEBT AND GOVERNMENT-OWNED PROPERTIES

The debt on December 31, 1924, at parity of exchange, amounted to $303,600,000, which is equivalent to about $90 per capita. A large part of the debt was contracted for the construction of revenue-producing properties, such as railroads, telegraphs and telephones, harbors, etc. The Government owns 48 per cent of the railroad mileage. State assets, consisting of railways, port works, etc., figured at parity of exchange, are valued at $447,300,000, almost $143,700,000 in excess of the total debt.

Of the above debt, the equivalent of $180,400,000, figured at parity of exchange, are internal and $123,200,000 foreign.

The wealth of Denmark, at parity of exchange, was estimated in 1924 at $5,360,000,000, or about seventeen times the present national debt. Under the provision of the various peace treaties, Denmark has had restored to it the larger part of the Province of Schleswig, a rich farming and dairy district, which has added very materially to the wealth and taxable resources of the country.

REVENUES AND EXPENDITURES

For the year ended March 31, 1925, it is expected that there will be a small surplus of current revenues over current expenditures. After using this surplus, it is estimated that net expenditures for capital account for the year including amortization of debt, construction work, and revenue-producing investments amounted to $12,500,000.

The budget for the year ending March 31, 1926, provides for total expenditures of $99,594,000 and the revenues are estimated to be sufficient to cover not only the current expenditures of the Government but are expected to be within $623,000 of meeting all expenditures, including those for capital account.

INDUSTRY AND TRADE

Exports of 16 principal agricultural and dairy products were valued at $332,334,000 in 1924, an increase of $62,759,000 over 1923, which was considered a record year for Danish agriculture. Total imports for 1924 were valued at $523,920,000, against $450,660,000 in 1923. This increase in imports of about $73,260,000 compares with an increase of $103,452,000 in exports (from $374,070,000 in 1923 to $477,522,000 in 1924).

CURRENCY

The Danish kroner exchange rate (gold parity 26.8 cents) has appreciated gradually over the last two years and was quoted on July 25 at 22.33 cents per kroner. This rate represents an increase of about 38 per cent over the rate of one year ago.

(Except where noted, all conversions of kroner into dollars have been made at 22.20 cents per kroner, which is approximately the current exchange rate on July 25.)

It is expected that application will be made to list these bonds on the New York Stock Exchange.

Price 99½ and interest, to yield over 5½ per cent to maturity.

When, as, and if issued and received by us and subject to approval of counsel. All legal details in connection with this issue will be passed upon by Gunnar

Sally, Esq., of Copenhagen, Denmark, and Messrs. Davis, Polk, Wardwell, Gardiner & Reed, of New York. It is expected that trust or interim receipts will be ready for delivery on or about August 14, 1925.

Kingdom of Denmark 25-year 8 per cent sinking fund external gold bonds dated October 15, 1920, which are to be called for payment on October 15, 1925, at 110 per cent and accrued interest, will be accepted in payment at a price equivalent to a 4 per cent interest yield basis computed from the date of payment for the above 5½ per cent bonds to October 15, 1925 (as of August 14, this figures $1,132.325 flat for each $1,000 bond).

GUARANTY CO. OF NEW YORK.

FIFTY-FIVE MILLION DOLLARS KINGDOM OF DENMARK THIRTY-FOUR YEAR 4½ PER CENT EXTERNAL LOAN GOLD BONDS, NOT REDEEMABLE FOR 10 YEARS EXCEPT FOR SINKING FUND

Approximately $10,000,000 bonds of this issue have been withdrawn by Canadian and European bankers, including De Twentsche Bank, Amsterdam; Privatbanken i Kjobenhavn and R. Henriques, jr., Copenhagen; Stockholms Enskilda Bank, Stockholm; Swiss Bank Corporation, Basle, and Crédit Suisse, Zurich.

To be dated April 15, 1928. To mature April 15, 1962.

Cumulative sinking fund, commencing April 15, 1929, calculated to be sufficient to retire the entire issue by maturity.

GUARANTY TRUST CO. OF NEW YORK, PAYING AGENT

The following information has been furnished by Niels Neergaard, Minister of Finance of the Kingdom of Denmark:

These bonds are to be direct obligations of the Kingdom of Denmark, which agrees that if, during the life of these bonds, it shall sell, offer for public subscription or otherwise in any manner dispose of any issue of bonds, or contract any loan, secured by lien or charge on any of its revenues or assets the bonds of this loan shall be secured equally and ratably therewith. None of the assets or revenues of the Kingdom of Denmark is now pledged as security for any loan.

The Kingdom of Denmark has never defaulted on any of its obligations and during the period 1901 to 1912, its external loans were issued to yield about 3.90 per cent.

PURPOSE OF ISSUE

The proceeds of this loan are mainly to be used for the reconstruction of Den Danske Landmandsbank in Copenhagen and for the Government's subscription to Kr. 50,000,000 shares in the new bank, thereby considerably increasing the State's assets; the remaining amount of the proceeds will be used for extraordinary amortization of debt. The Government plans to offer for resale the above-mentioned shares.

REVENUES AND EXPENDITURES

For the year ended March 31, 1927, ordinary revenues showed a surplus over ordinary expenditures of $1,864,000. For the fiscal year 1927–28 it is expected that ordinary revenues will equalize ordinary expenditures, while the ordinary budget for the year 1928–29 anticipates a surplus of $1,314,000.

After using these surpluses, net expenditures for capital account, including amortization of debt, construction expenditures, and revenue-producing investments, amounted to $770,500 in 1926–27, and are estimated at $8,672,000 in 1927–28, and $4,560,000 in 1928–29.

DEBT AND GOVERNMENT-OWNED PROPERTIES

The total national debt, after giving effect to this financing, will amount to $358,628,200. A large part of the debt was contracted for the construction of revenue-producing properties, such as railroads, telegraphs and telephones, harbors, etc. The Government owns 48 per cent of the railroad mileage in the Kingdom. State assets, consisting in railroads, port works, etc., were valued on March 31, 1927, at $415,400,000. The wealth of Denmark was officially estimated in 1927 at about $5,360,000,000.

DENMARK

The Kingdom of Denmark has an area of 16,609 square miles and a population of 3,475,000. It is essentially an agricultural country. About 76 per cent of the total area is productive land utilized for cultivation. Nine-tenths of this area are distributed between small and medium size estates owned by independent farmers. There is, therefore, a wide distribution of wealth which makes for a conservative and politically stable character. The principles of cooperative production and marketing have been extensively and successfully put into practice in Denmark, and the country is noted for high efficiency in agricultural production. Owing to favorable geographical location and a long seacoast, shipping and fishing are important industries in addition to those allied with agricultural production.

Agricultural and dairy products are foremost among Danish exports, but exports of machinery and other manufactures are also important items. Total exports amounted in 1927 to $415,300,000 and imports to $444,612,000.

CURRENCY

Denmark returned to the gold standard on January 1, 1927. All conversions of kroner into dollars have been made at par of exchange, 26.8 cents per krone.

Application will be made to list these bonds on the New York Stock Exchange.

Interest payable April 15 and October 15. Principal and interest payable in New York at the principal office of Guaranty Trust Co. of New York in United States gold coin of or equal to the standard of weight and fineness existing on April 15, 1928, without deduction for any tax or taxes now or hereafter imposed by the Kingdom of Denmark or by any taxing authority thereof or therein. Coupon bonds in denomination of $1,000. Redeemable in whole or in part on April 15, 1938, or on any interest date thereafter, on three months' notice, at 100 per cent and accrued interest. The Kingdom of Denmark agrees to set aside as a cumulative sinking fund, semiannually, commencing April 15, 1929, sums calculated to be sufficient to retire the entire issue by maturity, to be applied to the purchase of bonds at not exceeding 100 per cent and accrued interest or to their redemption by lot at 100 per cent and accrued interest, the first redemption to take place October 15, 1929, 95 and interest, to yield 4.80 per cent when, as, and if issued and received by us and subject to approval of counsel. All legal details pertaining to this issue will be passed upon by Messrs. Davis, Polk, Wardwell, Gardiner & Reed, of New York, except questions of Danish law which will be passed upon by Gunnar Sally, Esq., Copenhagen. It is expected that interim or trust receipts of Guaranty Trust Co. of New York will be ready for delivery on or about April 19, 1928.

Guaranty Co. of New York; The Union Trust Co. of Pittsburgh; Wood, Gundy & Co. (Inc.); The First National Corporation of Boston; First Trust & Savings Bank, Chicago; The Union Trust Co., Cleveland; The National Park Bank; Illinois Merchants Trust Co.; Dillon, Read & Co.; International Acceptance Bank (Inc.); The Dominion Securities Corporation (Ltd.); J. & W. Seligman & Co.; Continental National Co.; Otis & Co.

APRIL, 1928.

ONE MILLION ONE HUNDRED THOUSAND DOLLARS DANISH EXPORT CREDIT COMMITTEE GUARANTEED 4½ PER CENT GOLD NOTES—UNCONDITIONALLY GUARANTEED AS TO PRINCIPAL AND INTEREST BY INDORSEMENT BY THE KINGDOM OF DENMARK

Dated January 1, 1927. Due $200,000 each January 1, 1929–1933, and $100,000 January 1, 1934.

Total dollar amount authorized limited to a total principal amount equivalent to 20,000,000 kroner at the rate or rates of exchange existing at the time of issuance thereof (equivalent at par of exchange to $5,360,000). To be issued from time to time in installments of not less than $500,000, each installment maturing annually in from one to not exceeding seven years. Outstanding (this issue), $1,100,000.

Interest payable semiannually on January 1 and July 1. Principal and interest payable in New York at the office of Guaranty Trust Co. of New

York in gold coin of the United States of America of or equal to the standard of weight and fineness existing on January 1, 1927, without deduction for or on account of any taxes, assessments, or duties of any character, now or hereafter levied or imposed by the Danish National Government or by or within any political subdivision or taxing authority thereof or within the territories of the Kingdom of Denmark. Coupon notes of $5,000 denomination.

GUARANTY TRUST CO. OF NEW YORK, PAYING AGENT

We have received the following information from M. N. Siebsager, Minister of Commerce:

These notes are to be the direct obligation of the Danish export credit committee and each note is to be unconditionally guaranteed as to principal and interest by indorsement by the Kingdom of Denmark. The mortgage bank of the Kingdom of Denmark will control and supervise the issuance of the notes.

The Danish export credit committee was established by the Danish Government by decree of the Minister of Commerce dated July 10, 1922, to foster the export trade of Denmark. Pursuant to paragraph 17 of the finance act passed by the Danish Parliament on March 31, 1926, and decrees of the Minister of Commerce of August 26, 1926, and of September 7, 1926, this committee is authorized to grant credits to responsible Danish exporters and to issue interest-bearing notes to bearer, payable in United States gold dollars and carrying the unconditional guaranty of the Danish Government. The Danish export credit committee has authorized the mortgage bank of the Kingdom of Denmark to issue these notes on its behalf, the proceeds to be used to extend credit to Danish exporters or to reimburse the committee for credits so extended.

Under this arrangement the advances thus made to Danish exporters are to be liquidated by payments by the buyers of the exported goods, which payments will be collected on behalf of the Danish Government by the Privatbanken in Copenhagen.

DENMARK

The Kingdom of Denmark has an area of 16,609 square miles and a population of about 3,420,000. It is an important agricultural country, and its geographic position and important mercantile marine have contributed largely to the development of the country's foreign commerce. While agricultural and dairy products are foremost among Danish exports, exports of machinery and other manufactures are also important.

The debt of Denmark on March 31, 1926, amounted to $304,500,000, of which $125,600,000 was foreign indebtedness. State assets, consisting of railways, port works, etc., are valued at $412,500,000, which is in excess of the total debt. The wealth of Denmark at the beginning of 1926 was estimated at $5,305,000,000, or about seventeen times the present national debt.

For the fiscal year ended March 31, 1926, ordinary revenues showed a surplus of $290,000 over ordinary expenditures. After using this surplus, net expenditures for capital account for the year, including amortization of debt, construction works, and revenue-producing investments, will amount to approximately $1,234,000. The preliminary budget for 1926–27 shows a surplus of ordinary revenues over ordinary expenditures of about $234,000.

The Danish krone, with a gold parity of 26.8 cents, has appreciated during the last four years and was quoted on January 5, 1927, at 26.68 or substantially at par of exchange. The Danish Parliament recently passed laws by which the gold standard was reestablished on January 1, 1927.

All conversions of Danish kroner into dollars have been made at part of exchange.

Maturity	Price	Approximate yield	Maturity	Price	Approximate yield
		Per cent			*Per cent*
Jan. 1, 1929	$100.00	4½	Jan. 1, 1932	$97.83	5
Jan. 1, 1930	99.66	4⅝	Jan. 1, 1933	96.83	5⅛
Jan. 1, 1931	99.11	4¾	Jan. 1, 1934	95.68	5⅛

Accrued interest to be added in each case.

All legal details in connection with this issue have been passed upon by Gunnar Sally, Esq., of Copenhagen, Denmark, and Messrs. Davis, Polk, Wardwell, Gardiner & Reed, of New York. It is expected that due bills of Guaranty Company of New York, issued against the deposit of temporary notes of this issue, will be ready for delivery on January 20, 1927.

DILLON, READ & CO.
GUARANTY CO. OF NEW YORK.
INTERNATIONAL ACCEPTANCE BANK (INC.)

$3,000,000 DANISH EXPORT CREDIT COMMITTEE GUARANTEDD 4½ PER CENT GOLD NOTES—UNCONDITIONALLY GUARANTEED AS TO PRINCIPAL AND INTEREST BY INDORSEMENT BY THE KINGDOM OF DENMARK

To be dated November 1, 1927. To mature in various amounts each six months from November 1, 1928, to November 1, 1934.

GUARANTY TRUST CO. OF NEW YORK, PAYING AGENT

We have received the following information from Mr. M. N. Slebsager, minister of commerce:

These notes are to be the direct obligation of the Danish export credit committee and each note is to be unconditionally guaranteed as to principal and interest by indorsement by the Kingdom of Denmark. The mortgage bank of the Kingdom of Denmark will control and supervise the issuance of the notes.

The Danish export credit committee was established by the Danish Government by decree of the minister of commerce dated July 10, 1922, to foster the export trade of Denmark. Pursuant to paragraph 17 of the finance act passed by the Danish Parliament on March 31, 1926, and decrees of the minister of commerce of August 26, 1926, and of September 7, 1926, this committee is authorized to grant credits to responsible Danish exporters and to issue interest-bearing notes to bearer, payable in United States gold dollars and carrying the unconditional guaranty of the Danish Government. The Danish export credit committee has authorized the mortgage bank of the Kingdom of Denmark to issue these notes on its behalf, the proceeds to be used to extend credit to Danish exporters or to reimburse the committee for credits so extended.

Under this arrangement the advances thus made to Danish exporters are to be liquidated by payments by the buyers of the exported goods, which payments will be collected on behalf of the Danish Government by the Privatbanken in Copenhagen.

DENMARK

The Kingdom of Denmark has an area of 16,609 square miles and a population of about 3,420,000. It is an important agricultural country, and its geographic position and important mercantile marine have contributed largely to the development of the country's foreign commerce. While agricultural and dairy products are foremost among Danish exports, exports of machinery and other manufactures are also important.

The debt of Denmark on March 31, 1927, amounted to $301,300,000, of which $140,430,000 was foreign indebtedness. State assets, consisting of railways, port works, etc., are valued at $415,400,000, which is in excess of the total debt. The wealth of Denmark at the beginning of 1926 was estimated at $5,305,000,000, or about seventeen times the present national debt.

For the fiscal year ended March 31, 1927, ordinary revenues showed a surplus of $1,864,000 over ordinary expenditures. After using this surplus, net expenditures for capital account for the year, including amortization of debt, construction works, and revenue-producing investments, will amount to approximately $770,500. The preliminary budget for 1927–28 shows a surplus of ordinary revenues over ordinary expenditures of about $1,281,000.

All conversions of Danish kroner into dollars have been made at par of exchange, 26.8 cents per krone. The gold standard was re-established on January 1, 1927.

Total dollar amount authorized limited to a total principal amount equivalent to 20,000,000 kroner at the rate or rates of exchange existing at the time of issuance thereof (equivalent at par of exchange to $5,360,000). To be issued from time to time in installments of not less than $500,000, each installment maturing in from one to not exceeding seven years. Outstanding (including this issue) $4,100,000.

Interest payable semiannually on May 1 and November 1. Principal and interest payable in New York at the office of Guaranty Trust Co. of New York, in gold coin of the United States of America of or equal to the standard of weight and fineness existing on November 1, 1927, without deduction for or on account of any taxes, assessments, or duties of any character, now or hereafter levied or imposed by the Danish National Government or by or within any political subdivision or taxing authority thereof or within the territories of the Kingdom of Denmark. Coupon notes of $5,000 denomination.

Maturity	Price	Approximate yield	Maturity	Price	Approximate yield
		Per cent			*Per cent*
Nov. 1, 1928	$100.25	4¼	May 1, 1932	$97.52	5⅛
May 1, 1929	100.00	4½	Nov. 1, 1932	97.28	5⅛
Nov. 1, 1929	99.77	4⅝	May 1, 1933	96.69	5.20
May 1, 1930	99.42	4¾	Nov. 1, 1933	96.44	5.20
Nov. 1, 1930	99.31	4¾	May 1, 1934	95.65	5.30
May 1, 1931	98.42	5	Nov. 1, 1934	95.38	5.30
Nov. 1, 1931	98.21	5			

Accrued interest to be added in each case.

When, as, and if issued and received by us and subject to approval of counsel. All legal details in connection with this issue are to be passed upon by Gunnar Sally, Esq., of Copenhagen, Denmark, and Messrs. Davis, Polk, Wardwell, Gardiner & Reed, of New York. It is expected that trust receipts of Guaranty Trust Co. of New York, issued against the deposit of temporary notes of this issue, will be ready for delivery on November 1, 1927.

GUARANTY CO. OF NEW YORK.
DILLON, READ & CO.
INTERNATIONAL ACCEPTANCE BANK (INC.).

$2,500,000 DANISH PRODUCERS LOAN FUND COMMITTEE GUARANTEED 5 PER CENT GOLD BONDS UNCONDITIONALLY GUARANTEED AS TO PRINCIPAL AND INTEREST BY ENDORSEMENT BY THE KINGDOM OF DENMARK

Dated July 1, 1928. To mature $250,000 each July 1 from July 1, 1931 to July 1, 1940, inclusive.

GUARANTY TRUST CO. OF NEW YORK, PAYING AGENT

The following information has been furnished by Niels Neergaard, Minister of Finance of the Kingdom of Denmark:

These bonds are to be the direct obligation of the Danish producers loan fund committee and each bond is to be unconditionally guaranteed as to principal and interest by indorsement by the Kingdom of Denmark.

The Danish producers loan fund committee was established by the Danish Government pursuant to law 109 of April 4, 1928 enacted by the Danish Parliament. The committee is authorized to grant loans to loan associations of farm owners, industrial concerns, artisans, fishers, and for other productive purposes, and to issue interest-bearing bonds to bearer, carrying the unconditional guaranty of the Danish Government. The committee consists of three members nominated by the minister of finance.

DENMARK

The Kingdom of Denmark has an area of 16,609 square miles and a population of 3,475,000. It is essentially an agricultural country. About 76 per cent of the total area is productive land utilized for cultivation Nine-tenths of this area are distributed between small and medium-size estates owned by independent farmers. There is, therefore, a wide distribution of wealth which makes for a conservative and politically stable character. The principles of cooperative production and marketing have been extensively and successively put into practice in Denmark, and the country is noted for high efficiency in agricultural production. Owing to favorable geographical location and a long seacoast, shipping and fishing are important industries in addition to those allied with agricultural production.

Agricultural and dairy products are foremost among Danish exports, but exports of machinery and other manufactures are also important items. Total exports amounted in 1927 to $415,176,000 and imports to $444,556,000.

The total direct national debt, as of September 15, 1928, amounted to $365,-198,650. A large part of the debt was contracted for the construction of revenue-producing properties, such as railroads, telegraphs and telephones, harbors, etc. The Government owns 48 per cent of the railroad mileage in the Kingdom. State assets, consisting of railroads, port works, etc., were valued on March 31, 1928, at $432,800,000. The wealth of Denmark was officially estimated in 1927 at about $5,360,000,000.

For the year ended March 31, 1927, ordinary revenues showed a surplus over ordinary expenditures of $1,864,000 and for the year 1927-28 of $1,569,000. The ordinary budget for the year 1928-29 anticipates a surplus of $1,314,000.

After using these surpluses, net expenditures for capital account, excluding proceeds from new loans other than refunding operations but including amortization of debt, construction expenditures and revenue-producing investments, amounted to $770,500 in 1926-27, to $8,332,000 in 1927-28, and are estimated at $6,165,250 in 1928-29. The amortization of debt amounted in 1926-27 to $3,804,714, in 1927-28 to $3,809,500 and is estimated for 1928-29 at $3,827,000.

All conversions of Danish kroner into dollars have been made at par of exchange, 26.8 cents per krone.

Aggregate amount authorized limited to a total principal amount equivalent to 26,000,000 kroner at the rate or rates of exchange existing at the time of issuance thereof (equivalent at par of exchange to $6,968,000). Outstanding (this issue) $2,500,000.

Interest payable semiannually on January 1 and July 1. Principal and interest payable in New York at the office of Guaranty Trust Co. of New York in gold coin of the United States of America of or equal to the standard of weight and fineness existing on July 1, 1928, without deduction for or on account of any taxes, assessments or duties of any character, now or hereafter levied or imposed by the Danish National Government or by or within any political subdivision or taxing authority thereof or within the territories of the Kingdom of Denmark. Coupon bonds of $1,000 denomination.

Maturity	Price	Approximate yield	Maturity	Price	Approximate yield
		Per cent			*Per cent*
July 1, 1931	98¾	5.50	July 1, 1936	96⅞	5.50
July 1, 1932	98⅝	5.50	July 1, 1937	96½	5.50
July 1, 1933	98	5.50	July 1, 1938	96¼	5.50
July 1, 1934	97½	5.50	July 1, 1939	96	5.50
July 1, 1935	97¼	5.50	July 1, 1940	95¾	5.50

Accrued interest to be added in each case.

When, as, and if issued and received by us and subject to approval of counsel. All legal details in connection with this issue are to be passed upon by Gunnar Sally, Esq., of Copenhagen, Denmark, and Messrs. Davis, Polk, Wardwell, Gardiner & Reed, of New York. It is expected that trust receipts of Guaranty Trust Co. of New York will be ready for delivery on or about October 23, 1928

GUARANTY CO. OF NEW YORK.

$2,000,000 COPENHAGEN TELEPHONE COMPANY (KJØBENHAVNS TELEFON AKTIESELSKAB) 25-YEAR SINKING FUND EXTERNAL 6 PER CENT GOLD BONDS

To be dated April 15, 1925. To mature April 15, 1950.

Sinking fund, commencing in 1930, of $100,000 per annum, sufficient to retire entire issue by maturity; to operate by purchase at not exceeding 100 per cent or annual redemption by lot at 100 per cent; first redemption to take place April 15, 1931.

GUARANTY TRUST CO. OF NEW YORK, PAYING AGENT

The following information has been furnished us by Mr. Frederik Johannsen, managing director of Copenhagen Telephone Co.:

The company, established in 1882, now operates under an exclusive 20-year concession granted by the Danish Government in July, 1919, under the terms of which the company provides telephone service without competition on the islands of Amager and Zealand, which include the city of Copenhagen. The territory served has a population estimated at 1,320,000, and the company's subscribers on January 1, 1925, numbered 135,000, of which 101,000 are in the city of Copenhagen and suburbs.

The company's plant and equipment are thoroughly modern and its service is of a very high standard. A large part of its equipment, particularly that for its automatic centrals, has been purchased in the United States. A considerable part of the company's lines is underground.

Telephone development in Denmark, as a whole, ranks third among the nations of the world with 8.8 instruments per 100 population, as compared with 14.2 in the United States and 11.5 in Canada. In the area served by the company the development is about 10 telephones per 100 inhabitants.

PURPOSE OF ISSUE

Proceeds of the bonds are to be used for extensions of the company's plant and equipment and for other corporate purposes.

RELATIONS WITH GOVERNMENT

Under the terms of the concession the operations of the company are closely supervised by the Government of the Kingdom of Denmark. The accounts and accounting methods are in accordance with regulations established by the Government which require proper provisions for maintenance and depreciation. Rates are regulated through the minister of public works, and these rates are subject to revision when the profits realized, after depreciation, are not suitable to current conditions. An increase in rates amounting to 7½ per cent per annum, beginning July 1, 1925, was granted in 1924. Installation of new equipment and any development or change in equipment already installed are subject to the approval of the Government. There is also provided Government inspection of the company's equipment, operation, and personnel. All questions between the company and its employees concerning wages, pensions, or working conditions are to be taken up under the terms approved by the minister of public works, and in the event of failure to reach a settlement the matter is to be arbitrated. Two members of the board of directors are appointed by the minister of public works.

Any issuance of loans or stock by the company must have the approval of the Government, and total funded debt may not exceed the amount of stock capital. The present issue has been approved by the Government.

The Government owns 9,000,000 of the 50,000,000 kronen capital stock of the company and has the right to purchase half of any future stock issued. Upon the expiration of the present concession in 1939, the Government has the right to buy, on one year's notice, at the rate of 125 kronen for each 100 kronen share, all or part of the stock of the company then outstanding. If only part of such stock is to be purchased the shares are to be drawn by lot. In case the Government does not purchase all of the stock by 1939, the concession will automatically be extended for five years more, at the end of which period the Government again has the right to purchase the stock as above, this process to be repeated until all of the stock has been purchased.

The minister of public works officially agrees that if the Government should purchase all or substantially all of the stock or assets of the company the Government will thereupon redeem, or guarantee the payment of the principal and interest of, all of these bonds outstanding.

SECURITY

These bonds are to be direct obligations of the company. They will rank equally with the company's outstanding kronor bonds, equivalent to about $3,000,000, bearing 4½ per cent and 5 per cent coupons, none of which is secured by mortgage. The company's properties, carried on its books at $15,000,000, after deducting depreciation reserve, and having a conservative value in excess of this amount, are free from mortgage except for approximately $372,000 real estate mortgages.

The company agrees that if in the future it shall give a lien on any of its assets or revenues in favor of any obligation (except obligations for not greater amounts given in renewal of existing real estate mortgages, current indebtedness maturing not later than one year incurred in the general conduct of its business which may be secured by pledge of accounts receivable or other liquid assets, and indebtedness secured by purchase money mortgages created by the company, or existing, on real estate hereafter acquired) these bonds shall be equally and ratably secured on such assets or revenues.

EARNINGS

The growth and earnings of the company are shown by the following figures taken from reports prepared by Danish independent chartered accountants and approved by the Government:

Year ended Dec. 31	Gross revenues	Net earnings (after depreciation, taxes, etc.)	Interest and commissions	Net income	Number of subscribers at end of year
1919	$2,808,573	$569,733	$176,964	$392,769	100,633
1920	3,816,349	1,010,025	35,718	974,307	105,131
1921	4,378,271	1,149,372	88,055	1,061,316	114,621
1922	4,263,538	1,000,910	121,269	879,641	120,297
1923	4,440,891	1,090,636	121,647	968,989	127,801
1924	4,661,629	1,374,710	139,740	1,234,970	134,892

Net earnings (after depreciation, taxes, etc.) for the 6-year period as above averaged $1,032,564, or more than three and one-half times present annual interest requirements including interest on this issue. In 1924, net earnings amounted to more than four and one-half times such requirements.

EQUITY

Dividends at the rate of 6 per cent per annum or more have been paid on the company's capital stock without interruption since 1886, the rate since 1917 being 8 per cent per annum. At present quotations the stock has an indicated market value of more than $10,500,000.

It is expected that application will be made to list these bonds on the New York Stock Exchange.

Authorized and presently to be issued, $2,000,000. Interest payable April 15 and October 15, without deduction for any tax or taxes now or hereafter imposed by the Kingdom of Denmark or by any taxing authority thereof or therein. Principal and interest payable in New York at Guaranty Trust Co. of New York in United States gold coin of or equal to the present standard of weight and fineness. Coupon bonds in denomination of $1,000.

Redeemable at the option of the company, as a whole or in part, at par and accrued interest on any interest date on 60 days' notice, price 99¾ and interest.

When, as, and if issued and received by us and subject to approval of counsel. All legal details in connection with this issue will be passed upon by Gunnar Sally, Esq., of Copenhagen, Denmark, and Messrs. Davis, Polk, Wardwell, Gardiner, and Reed, of New York. It is expected that trust or interim receipts will be ready for delivery on or about May 7, 1925.

GUARANTY CO. OF NEW YORK.
DILLON, READ & CO.

NOTE.—All conversions of kronor into dollars have been made at 5½ kronor to the dollar which is approximately the current exchange rate.

$7,000,000 Copenhagen Telephone Co. (Kjøbenhavns Telefon Aktieselskab) 25-Year Sinking Fund External 5 Per Cent Gold Bonds

Approximately $3,000,000 bonds of this issue have been withdrawn by European bankers.

To be dated February 15, 1929. To mature February 15, 1954.

Sinking fund, commencing in 1930, of $280,000 per annum, sufficient to retire entire issue by maturity; to operate by purchase at not exceeding 100 per cent or annual redemption by lot at 100 per cent, first redemption to take place February 15, 1931.

Guaranty Trust Co. of New York, Paying Agent

The following information has been furnished us by Mr. Frederik Johannsen, managing director of Copenhagen Telephone Co.:

The company, established in 1882, operates under an exclusive 20-year concession granted by the Danish Government in July, 1919, under the terms of which the company provides telephone service without competition on the islands of Amager and Zealand which include the city of Copenhagen. The territory served has a population estimated at 1,357,300 (June 30, 1930, 1,402,000), and the company's subscribers on January 1, 1929, numbered 148,009 (June 30, 1930, 156,550), of which 111,867 are in the city of Copenhagen and suburbs.

The company's plant and equipment are thoroughly modern and its service is of a very high standard. A large part of its equipment, particularly that for its automatic centrals, has been purchased in the United States. A considerable part of the company's lines is underground.

Telephone development in Denmark as a whole ranks fourth among the nations of the world, with 9.2 instruments per 100 population, as of January 1, 1927, as compared with 15.3 in the United States, and 12.6 in Canada. In the area served by the company the development is about 12.7 telephones per 100 inhabitants.

PURPOSE OF ISSUE

The proceeds of these bonds are to be used to retire $2,000,000 25-year sinking fund external 6 per cent gold bonds, to be called for redemption on April 15, 1929, and to provide funds for capital expenditures and other corporate purposes.

RELATIONS WITH GOVERNMENT

Under the terms of the concession the operations of the company are closely supervised by the Government of the Kingdom of Denmark. The accounts and accounting methods are in accordance with regulations established by the Government which require proper provisions for maintenance and depreciation. Rates are regulated through the minister of public works and these rates are subject to revision when the profits realized, after depreciation, are not suitable to current conditions. Installation of new equipment and any development or change in equipment already installed are subject to the approval of the Government. There is also provided Government inspection of the company's equipment, operation, and personnel. All questions between the company and its employees concerning wages, pensions, or working conditions are to be taken up under the terms approved by the minister of public works, and in the event of failure to reach a settlement the matter is to be arbitrated. Two members of the board of directors are appointed by the minister of public works.

Any issuance of loans or stock by the company must have the approval of the Government, and total funded debt may not exceed the amount of stock capital. The present issue has been approved by the Government.

The Government owns 9,000,000 of the 50,000,000-krone capital stock of the company and has the right to purchase half of any future stock issued. Upon the expiration of the present concession in 1939, the Government has the right to buy, on one year's notice, at the rate of 125 kroner for each 100-krone share, all or part of the stock of the company then outstanding. If only part of such stock is to be purchased the shares are to be drawn by lot. In case the Government does not purchase all of the stock by 1939, the concession will automatically be extended for five years more, at the end of which period the Government again has the right to purchase the stock as above, this process to be repeated until all of the stock has been purchased.

The minister of public works officially agrees that if the Government should purchase all or substantially all of the stock or assets of the company, the Government will thereupon redeem, or guarantee the payment of the principal and interest of all of these bonds outstanding.

SECURITY

These bonds are to be direct obligations of the company. They will rank equally with the company's outstanding kroner bonds, equivalent to about $3,367,956 (December 31, 1929, $3,135,600), bearing 5 per cent coupons, none of which is secured by mortgage. The company's properties, carried December 31, 1928, on its books at approximately $26,371,000 (December 31, 1929, $27,606,655), after deducting depreciation reserve, have a conservative value in excess of this amount and are free from mortgage except for $571,376 (December 31, 1929, $597,648) real-estate mortgages.

The company agrees that if in the future it shall give a lien on any of its assets or revenue in favor of any loan, these bonds shall be equally and ratably secured on such assets or revenues; provided, however, that this provision shall not prevent the company's incurring (1) current indebtedness maturing not later than one year in the general conduct of its business which may be secured by pledge of accounts receivable or other liquid assets, (2) obligations not exceeding 5,000,000 kroner ($1,340,000 at par of exchange) aggregate principal amount at any one time outstanding (including, while outstanding, the $571,376 (December 31, 1929, $597,648) real estate mortgage loans mentioned above) which may be secured by mortgage on its real estate, and (3) indebtedness secured by purchase-money mortgages created by the company, or existing, on real estate hereafter acquired.

EARNINGS

The growth and earnings of the company are shown by the following figures taken from reports prepared by Danish independent chartered accountants and approved by the Government (1928 figures are subject to approval of Government):

Year ended Dec. 31	Gross revenues	Net earnings (after depreciation, taxes, etc.)	Interest and commissions (net)	Net income	Number of subscribers
1925	$5,789,322	$1,581,360	$180,303	$1,401,057	136,391
1926	7,319,574	1,827,359	224,672	1,602,687	140,495
1927	7,081,099	1,709,200	246,365	1,462,835	143,492
1928	6,914,400	2,010,000	268,000	1,742,000	148,009

NOTE.—The above figures represent conversions into dollars at average exchange rates for 1925 and 1926 and at par of exchange for 1927 and 1928.

Net earnings (after depreciation, taxes, etc.) for the four years as shown above averaged $1,781,979, or more than three and two-tenths times the annual interest requirements on the company's funded debt to be outstanding after completion of this financing. For 1928, net earnings as shown above amounted to more than three and sixty-five one-hundreds times such requirements.

The following figures (converted at par of exchange) for 1928 and 1929 have been approved by the government:

Year ended Dec. 31	Gross revenues	Net earnings (after depreciation taxes, etc.)	Interest and commissions (net)	Net income	Number of subscribers
1928	$6,924,616	$1,973,356	$261,889	$1,711,467	148,009
1929	7,178,732	2,051,666	365,919	1,685,747	153,815

Gross revenues for six months ending June 30, 1930, amounted to $3,714,283 (subject to approval of government).

Net earnings (after depreciation, taxes, etc.), for the five years from 1925 to 1929, inclusive, averaged $1,8-8,588, or more than three and six-tenths times the annual interest requirements on the company's funded debt outstanding December 31, 1929. For 1929 net earnings as shown above amounted to more than four times such requirements.

EQUITY

Dividends at the rate of 6 per cent per annum or more have been paid on the company's capital stock without interruption since 1886, the rate since 1917 being 8 per cent per annum. At present quotations the stock has an indicated market value of more than $17,800,000 (September 10, 1930, more than $18,000,000).

Application will be made to list these bonds on the New York Stock Exchange (now listed).

Authorized and presently to be issued, $7,000,000. Interest payable February 15 and August 15. Principal and interest payable in New York at Guaranty Trust Co. of New York in United States gold coin of or equal to the standard of weight and fineness existing February 15, 1929, without deduction for any tax or taxes now or hereafter imposed by the Kingdom of Denmark or by any taxing authority thereof or therein. Coupon bonds in denomination of $1,000.

Redeemable at the option of the company, as a whole or in part, at par and accrued interest on any interest date on 60 days' notice.

Price on application. The company's 25-year sinking fund external 6 per cent gold bonds, to be called for redemption on April 15, 1929, will be accepted in payment for the above bonds on a 5 per cent discount basis to April 15, 1929.

When, as, and if issued and received by us and subject to approval of counsel. All legal details in connection with this issue will be passed upon by Messrs. Davis, Polk, Wardwell, Gardiner & Reed, of New York, except matters of Danish law, which will be passed upon by Gunnar Sally, Esq., of Copenhagen, Denmark. It is expected that trust or interim receipts will be ready for delivery on or about February 27, 1929.

GUARANTY CO. OF NEW YORK.

FEBRUARY, 1929.

$40,000,000 DUTCH EAST INDIES 25-YEAR EXTERNAL 6 PER CENT GOLD BONDS. AUTHORIZED BY LAW OF DECEMBER 30, 1921, PASSED BY THE KINGDOM OF THE NETHERLANDS PARLIAMENT AND APPROVED BY THE CROWN. NOT REDEEMABLE DURING FIRST 10 YEARS

To be dated January 1, 1922. To mature January 1, 1947.

Interest payable January 1 and July 1. Principal and interest payable in United States gold coin of the present standard of weight and fineness or its equivalent at the main office of Guaranty Trust Co. of New York, without deduction for any taxes, present or future, of the Netherlands or the Dutch East Indies. Coupon bonds in denominations of $500 and $1,000, registrable as to principal only.

On and after January 1, 1932, redeemable as a whole at the option of the Government, or in part for sinking fund only, at par and accrued interest.

Sinking fund commencing 1932, to retire entire issue by maturity through annual payments sufficient to redeem each year one-fifteenth of the amount of bonds outstanding on January 1, 1932. These funds to be applied to redemption by lot at par.

GUARANTY TRUST CO. OF NEW YORK, FISCAL AGENT OF THE LOAN

The following is summarized from information furnished by cable by Mr. S. de Graaff, minister of colonies, Kingdom of the Netherlands. All conversions of florins to dollars have been computed at the rate of 2½ florins per dollar, or approximately at par of exchange.

The bonds are to be direct external obligations of the government of the Dutch East Indies, an integral part of the Kingdom of the Netherlands under the sovereignty of the crown, and its most important colonial possession. The executive and much of the legislative power of the colony is vested in a governor-general and council appointed by the Government of the Netherlands. Budget and other fiscal matters are originated by the colony, subject to the control and approval of the Government of the Netherlands.

RESOURCES AND COMMERCE

The islands, the more important of which include Java, Sumatra, Celebes, Dutch Borneo, and Dutch New Guinea, have an estimated population (largely native) of about 50,000,000 and a land area of about 750,000 square miles. The great natural resources of the colony have for centuries given it prominence in the world's commerce, and after more than 300 years under Dutch control it is to-day one of the richest of all colonial possessions. The principal products include tin, coal, gold, petroleum, and a large variety of agricultural commodities, among them coffee, rubber, rice, copra, tea, sugar, and tobacco.

These natural resources have enabled the maintenance of a substantial excess of exports over imports. For the six years, 1915 to 1920, inclusive, the Dutch East Indies had a larger favorable balance of trade than any country in the world, excepting the United States. Trade with the United States has developed remarkably, total exports and imports having increased from $9,370,000 for the fiscal year ending January 30, 1913, to $202,840,000 for the fiscal year ending June 30, 1921.

CURRENCY AND EXCHANGE

The unit of currency is the guilder, or florin, with parity of 40.2 cents. Its present quotation of approximately 37 cents represents a discount of only 8 per cent, reflecting its position as one of the soundest currencies in the world.

REVENUES

Total interest and amortization charges on all debt, both funded and floating, as appear by the 1922 budget aggregate less than 10 per cent of the 1921 total revenues (partly estimated). These revenues, including the gross income from government-owned monopolies and industries, totaled $267,000,000.

For the period of 116 years from the establishment of the colonial government in 1798 to the outbreak of the war in 1914, the aggregate ordinary revenues exceeded expenditures (ordinary and capital aggregated). From 1906 to 1913 the ordinary budget, exclusive of receipts from loans and capital expenditures, reflected in each year a favorable balance, the surplus for the period aggregating about $34,000,000. In the more recent budgets, due principally to capital and other extraordinary expenditures, there have been substantial deficits. The floating debt amounts to $222,000,000, but without allowance for any reduction by $40,000,000 taxes levied but not yet collected and by any application of loan proceeds.

GOVERNMENT-OWNED PROPERTY AND DEBT

Total funded debt, exclusive of this loan, approximates $212,000,000, as compared with government-owned property of an estimated value of not less than $275,000,000. These properties, from which the government has realized substantial profits over a period of many years, include tramways and railroads (approximately 2,550 miles), telephone and telegraph systems, tin mines, coal mines, and harbor developments. The government also controls great natural resources of value difficult to estimate.

For the five years 1917–1921, partly estimated for the last year, the net income from government properties and monopolies averaged $46,000,000 annually or more than one and three-fourths times all interest and amortization charges in the 1922 budget.

Price 94½ and interest. To yield about 6.75 per cent to earliest redemption date, January 1, 1932; to yield about 6.45 per cent if held to maturity when, as and if issued and received by us and subject to approval of counsel. It is expected that interim receipts will be ready for delivery on or about January 17, 1922.

JANUARY, 1922.

DUTCH EAST INDIES

Data compiled from recognized authorities and cable advices. All conversions of florins to dollars have been computed at the rate of 2½ florins per dollar, or approximately at par of exchange.

The Dutch East Indies are an integral part of the Kingdom of the Netherlands and its most important colonial possession.

The executive and much of the legislative power of the colony is vested in a governor-general and council appointed by the Government of the Netherlands. Budget and other fiscal matters are originated by the colony, which since 1912 has been permitted to borrow in its own name, all such matters being subject to the control and approval of the Government of the Netherlands.

The more important islands in the group are Java, Sumatra, Celebes, Dutch Borneo, and Dutch New Guinea. The total land area is approximately 750,000 square miles, and the population, which is largely native, is estimated at more than 50,000,000.

RESOURCES

The great natural resources of the colony have for centuries given it an important position in the world's commerce, and after more than 300 years under Dutch control it is to-day one of the richest of all colonial possessions.

The islands contain extensive mineral deposits including tin, iron, coal, and some gold, and are gaining prominence as a source of petroleum supply.

The rich soil and tropical climate favor the production of a large variety of agricultural commodities of great importance in commerce, including especially coffee, rubber, rice, tea, pepper, tobacco, sugar, tapioca, quinine, copra, and coconut oil. The extraordinary development of the plantation system of rubber cultivation is well known.

COMMERCE

The natural resources enable the maintenance of a substantial excess of exports over imports. For the 6 years, 1915 to 1920, inclusive, the Dutch East Indies had a larger favorable balance of trade than any country in the world, excepting the United States. The relation between exports and imports in recent years is shown by the following approximate figures:

Calendar years	Exports	Imports	Favorable trade balances
1913	$271,000,000	$186,000,000	$85,000,000
1914	272,000,000	165,000,000	107,000,000
1915	308,000,000	156,000,000	152,000,000
1916	343,000,000	162,000,000	181,000,000
1917	314,000,000	198,000,000	116,000,000
1918	277,000,000	212,000,000	65,000,000
1919	856,000,000	255,000,000	601,000,000
1920	889,000,000	523,000,000	366,000,000

Trade with the United States has developed remarkably, exports to the United States having increased from $6,220,000 for the fiscal year ended June 30, 1913, to $141,660,000 for the fiscal year ended June 30, 1921, with imports from the United States during the same period increasing from $3,150,000 to $61,180,000.

REVENUES

For the period of 116 years from the establishment of the colonial government in 1798 until the outbreak of the war in 1914, the aggregate ordinary revenues exceeded expenditures (ordinary and capital aggregated).

From 1906 to 1913 the ordinary budget, exclusive of receipts from loans and extraordinary expenditures, reflected in each year a favorable balance, the surplus for the period aggregating about $34,000,000. In the more recent budgets, due principally to capital and other extraordinary expenditures, there have been substantial deficits. The floating debt amounts to $222,000,000, but without allowance for any reduction by $40,000,000 taxes levied but not yet collected and by any application of loan proceeds.

Total interest and amortization charges on all debt, both funded and floating, as appear by the 1922 budget aggregate less than 10 per cent of the 1921 total revenues (partly estimated). These revenues, including the gross income from government-owned monopolies and industries, totaled $267,000,000.

MONETARY SYSTEM

The unit of currency is the guilder, or florin, equivalent at par to 40.2 cents. Its present quotation of approximately 37 cents represents a discount of only 8 per cent, reflecting its position as one of the soundest currencies in the world.

The fiscal system centers in the Bank of Java, which on November 12, 1921, had a total reserve of $74,954,000, of which $64,826,000 was in gold. This reserve represented 63 per cent of notes in circulation and 49 per cent of combined note, deposit, and draft liabilities. In addition to the circulation of the Bank of Java, the government has outstanding uncovered currency of approximately $22,000,000, of which it is proposed to replace all but $10,000,000 by silver coins during the present year.

GOVERNMENT-OWNED PROPERTY AND DEBT

Total funded debt, exclusive of this loan, approximates $212,000,000, as compared with government-owned property of an estimated value of not less than $275,000,000. These properties, from which the government has realized substantial profits over a period of many years, include tramways and railroads (approximately 2,550 miles), telephone and telegraph systems, tin mines, coal mines, and harbor developments. The government also controls great natural resources of value difficult to estimate.

For the five years 1917–1921, partly estimated for the last year, the net income from government properties and monopolies averaged $40,000,000 annually or more than one and three-fourths times all interest and amortization charges in the 1922 budget.

$40,000,000 Dutch East Indies 40-year External Sinking Fund 6 per cent Gold Bonds—Authorized by Law of December 30, 1921, Passed by the Kingdom of the Netherlands Parliament, and Approved by the Crown

To be dated March 1, 1922. Not redeemable during first 10 years. To mature March 1, 1962. Interest payable March 1 and September 1. Principal and interest payable in United States gold coin of the present standard of weight and fineness or its equivalent at the main office of Guaranty Trust Co. of New York, without deduction for any taxes, present or future, of the Netherlands or the Dutch East Indies. Coupon bonds in denominations of $500 and $1,000, registerable as to principal only. Redeemable at the option of the government on March 1, 1932, and on any interest date thereafter, as a whole, or in part, at par and accrued interest.

Sinking fund to retire entire issue by maturity through annual payments sufficient to redeem each year, commencing 1933, one-thirtieth of the amount of bonds outstanding on March 1, 1932. These funds to be applied to retirement of bonds through purchase at not exceeding par and accrued interest or through call by lot at par and accrued interest. Guaranty Trust Co. of New York, fiscal agent of the loan.

The following is summarized from information furnished by cable by Mr. S. de Graaff, the minister of colonies, Kingdom of the Netherlands. All conversions of florins to dollars have been computed at the rate of 2½ florins per dollar, or approximately at par of exchange:

These bonds are to be direct external obligations of the Government of the Dutch East Indies and will not be redeemable during the first 10 years. The Dutch East Indies is an integral part of the Kingdom of the Netherlands, the executive and much of the legislative power of the colony being vested in a governor general and a council appointed by the home government. The colony originates budget and other fiscal matters subject to the control and approval of the Government of the Netherlands.

Resources and commerce.—The islands, which include Java, Sumatra, and Celebes, have an estimated population of about 50,000,000, possess great natural resources, and constitute one of the richest of all colonial possessions. The principal products include tin, coal, petroleum, and a large variety of agricultural commodities.

These natural resources have enabled the maintenance of a substantial excess of exports over imports. For the six years 1915 to 1920 inclusive, the Dutch East Indies had a larger favorable balance of trade than any country in the world, excepting the United States. Trade with the United States has developed remarkably, total exports and imports having increased from $9,370,000 for the fiscal year ending June 30, 1913, to $202,840,000 for the fiscal year ending June 30, 1921.

Currency and exchange.—The unit of currency is the guilder, or florin, with parity of 40.2 cents. Its present quotation of approximately 37.6 cents represents a discount of less than 7 per cent, reflecting its position as one of the soundest currencies in the world.

Revenues.—Total revenues for the year 1921 (partly estimated), including the gross income from Government-owned monopolies and industries, amounted to $267,000,000. For the period of 116 years from the establishment of the colonial Government in 1798 to the outbreak of the war in 1914, the aggregate ordinary revenues exceeded expenditures (ordinary and capital combined). From 1906 to 1913, the ordinary budget, exclusive of capital expenditures and receipts from loans, reflected in each year a favorable balance, the surplus for the period aggregating about $34,000,000. In the more recent budgets, due principally to capital and other extraordinary expenditures, there have been substantial deficits. The floating debt amounts to $222,000,000 without making any allowance for reduction by the application of the proceeds of this loan and of the $40,000,000 25-year bonds recently issued, or by $40,000,000 taxes levied but not yet collected.

Government-owned property and debt.—Total funded debt, exclusive of this loan and the bonds recently issued, approximates $212,000,000. The Government controls great natural resources of value difficult to estimate and owns revenue-producing properties including over 2,500 miles of tramways and railroads, telephone and telegraph systems, and mines, which have an estimated value of not less than $275,000,000.

For the five years 1917–1921, net income from Government-owned properties and monopolies, partly estimated for the last year, averaged $46,000,000 annually. This amount, which is less than 20 per cent of the total revenues for 1921, is more than 1¾ times all interest and amortization charges as appear in the 1922 budget.

Price 94¾ and interest to yield about 6.73 per cent to earliest redemption date, March 1, 1932; to yield about 6.35 per cent if held to maturity, when, as and if issued and received by us and subject to approval of counsel. It is expected that interim receipts will be ready for delivery on or about March 30, 1922.

GUARANTY CO. OF NEW YORK.

DUTCH EAST INDIES

Data compiled from recognized authorities and cable advices. All conversions of florins to dollars have been computed at the rate of 2½ florins per dollar, or approximately at par of exchange.

The Dutch East Indies is an integral part of the Kingdom of the Netherlands and its most important colonial possession.

The executive and much of the legislative power of the colony is vested in a governor general and council appointed by the Government of the Netherlands. Budget and other fiscal matters are originated by the colony, which since 1912 has been permitted to borrow in its own name, all such matters being subject to the control and approval of the Government of the Netherlands.

The more important islands in the group are Java, Sumatra, Celebes, Dutch Borneo, and Dutch New Guinea. The population, which is largely native, is estimated at more than 50,000,000.

Resources.—The great natural resources of the colony have for centuries given it an important position in the world's commerce, and after more than 300 years under Dutch control, it is to-day one of the richest of all colonial possessions.

The islands contain extensive mineral deposits including tin, iron, coal, and some gold, and are gaining prominence as a source of petroleum supply.

The rich soil and tropical climate favor the production of a large variety of agricultural commodities of great importance in commerce, including especially coffee, rubber, rice, tea, pepper, tobacco, sugar, tapioca, quinine, copra, and coconut oil. The extraordinary development of the plantation system of rubber cultivation is well known.

Commerce.—The natural resources enable the maintenance of a substantial excess of exports over imports. For the six years, 1915 to 1920, inclusive, the Dutch East Indies had a larger favorable balance of trade than any country in the world, excepting the United States. The relation between exports and imports in recent years is shown by the following approximate figures:

Calendar years	Exports	Imports	Favorable trade balances
1913	$271,000,000	$186,000,000	$85,000,000
1914	272,000,000	165,000,000	107,000,000
1915	308,000,000	156,000,000	152,000,000
1916	343,000,000	162,000,000	181,000,000
1917	314,000,000	198,000,000	116,000,000
1918	277,000,000	212,000,000	65,000,000
1919	856,000,000	255,000,000	601,000,000
1920	889,000,000	523,000,000	366,000,000

Trade with the United States has developed remarkably, exports to the United States having increased from $6,220,000 for the fiscal year ended June 30, 1913, to $141,050,000 for the fiscal year ended June 30, 1921, with imports from the United States during the same period increasing from $3,150,000 to $61,180,000.

Revenues.—For the period of 116 years from the establishment of the colonial government in 1798 until the outbreak of the war in 1914, the aggregate ordinary revenues exceeded expenditures (ordinary and capital combined).

From 1906 to 1913 the ordinary budget, exclusive of extraordinary expenditures and receipts from loans, reflected in each year a favorable balance, the surplus for the period aggregating about $34,000,000. In the more recent budgets, due principally to capital and other extraordinary expenditures, there have been substantial deficits. The floating debt amounts to $222,000,000 without making any allowance for reduction by the application of the proceeds of this loan and of the $40,000,000 25-year bonds recently issued, or by $40,000,000 taxes levied but not yet collected.

Total revenues for the year 1921 (partly estimated), including the gross income from government-owned monopolies and industries, amounted to $267,000,000.

Monetary system.—The unit of currency is the guilder, or florin, equivalent at par to 40.2 cents. Its present quotation of approximately 37.6 cents represents a discount of less than 7 per cent, reflecting its position as one of the soundest currencies in the world.

The fiscal system centers in the Bank of Java, which on January 7, 1922, had a total reserve of $71,052,000, of which $58,994,000 was in gold. This reserve represented 62.3 per cent of notes in circulation and 44 per cent of combined note, deposit, and draft liabilities. In addition to the circulation of the Bank of Java, the government has outstanding uncovered currency of approximately $21,000,000, of which it is proposed to replace all but $10,000,000 by silver coins during the present year.

Government-owned property and debt.—Total funded debt, exclusive of this loan and the bonds recently issued, approximates $212,000,000. The government controls great natural resources of value difficult to estimate and owns revenue-producing properties including 2,500 miles of tramways and railroads, telephone and telegraph systems, and mines, which have an estimated value of not less than $275,000,000.

For the five years 1917–1921, net income from government-owned properties and monopolies, partly estimated for the last year, averaged $46,000,000 annually. This amount, which is less than 20 per cent of the total revenues for 1921, is more than one and three-quarter times all interest and amortization charges as appear in the 1922 budget.

We do not guarantee the statements and figures presented herein, but they are taken from sources which we believe to be reliable.

$20,000,000 DUTCH EAST INDIES 40-YEAR EXTERNAL SINKING FUND 6% GOLD BONDS

This issue completes the $100,000,000 loan authorized by law of December 30, 1921, passed by the Kingdom of the Netherlands Parliament and approved by the Crown.

To be dated March 1, 1922. Not redeemable during first ten years. To mature March 1, 1962. Interest payable March 1, and September 1. Principal and interest payable in United States gold coin of the present standard of weight and fineness or its equivalent at the main office of Guaranty Trust Co. of New York, without deduction for any taxes, present or future, of the Netherlands or the Dutch East Indies. Coupon bonds in denominations of $500 and $1,000, registerable as to principal only. Redeemable at the option of the Government on March 1, 1932, and on any interest date thereafter, as a whole or in part, at par and accrued interest.

Sinking fund to retire entire issue by maturity through annual payments sufficient to redeem each year, commencing 1933, one thirtieth of the amount of bonds outstanding on March 1, 1932. These funds to be applied to retirement of bonds through purchase at not exceeding par and accrued interest or through call by lot at part and accrued interest. Guaranty Trust Co. of New York, fiscal agent of the loan.

The following is summarized from information furnished by cable by Mr. S. de Graaff, the minister of colonies, Kingdom of the Netherlands. All conversions of florins to dollars have been computed at the rate of 2½ florins per dollar, or approximately at par of exchange:

These bonds are to be direct external obligations of the Government of the Dutch East Indies and will not be redeemable during the first ten years. The Dutch East Indies is an integral part of the Kingdom of the Netherlands, the executive and much of the legislative power of the colony being vested in a governor general and a council appointed by the home Government. The colony originates budget and other fiscal matters subject to the control and approval of the Government of the Netherlands.

RESOURCES AND COMMERCE

The islands, which include Java, Sumatra, and Celebes, have an estimated population of about 50,000,000, possess great natural resources and constitute one of the richest of all colonial possessions. The principal products include tin, coal, petroleum and a large variety of agricultural commodities.

These natural resources have enabled the maintenance of a substantial excess of exports over imports. For the six years, 1915 to 1920, inclusive, the Dutch East Indies had a larger favorable balance of trade than any country in the world, excepting the United States. Trade with the United States has developed remarkably, total exports and imports having increased from $9,370,000 for the fiscal year ending June 30, 1913, to $202,840,000 for the fiscal year ending June 30, 1921.

CURRENCY AND EXCHANGE

The unit of currency is the guilder, or florin, with parity of 40.2 cents. Its present quotation of approximately 37.9 cents represents a discount of less than six per cent, reflecting its position as one of the soundest currencies in the world.

REVENUES

Total revenues for the year 1921 (partly estimated), including the gross income from Government-owned monopolies and industries, amounted to $267,000,000.

For the period of 116 years from the establishment of the colonial Government in 1798 to the outbreak of the war in 1914, the aggregate ordinary revenues exceeded expenditures (ordinary and capital combined). From 1906 to 1918 the ordinary budget, exclusive of capital expenditures and receipts from loans, reflected in each year a favorable balance, the surplus for the period aggregating about $34,000,000. In the more recent budgets, due principally to capital and other extraordinary expenditures, there have been substantial deficits. The floating debt on April 1, 1922 amounted to $171,000,000 without making any allowance for reduction by the application of the proceeds of this issue, or by $10,000,000 taxes levied but not yet collected.

GOVERNMENT-OWNED PROPERTY AND DEBT

Total funded debt, exclusive of this issue, approximates $292,400,000. The Government controls great natural resources of value difficult to estimate and owns revenue-producing properties including over 2,500 miles of tramways and railroads, telephone and telegraph systems and mines, which have an estimated value of not less than $275,000,000.

For the five years, 1917–1921 (partly estimated for the last year), net income from Government-owned properties and monopolies alone averaged $146,000,000 annually, or more than one and three-fourths times all interest and amortization charges as appear in the 1922 budget.

Price 96½ and interest, to yield about 6.48 per cent to earliest redemption date, March 1, 1932, to yield about 6.24 per cent if held to maturity.

When, as, and if issued and received by us and subject to approval of counsel. It is expected that interim receipts will be ready for delivery on or about May 11, 1922.

Guaranty Co. of New York; Harris, Forbes & Co.; Lee, Higginson & Co.; Bankers Trust Co., New York; Kidder, Peabody & Co.; The Union Trust Co. of Pittsburgh; Continental and Commercial Trust & Savings Bank, Chicago; Illinois Trust & Savings Bank, Chicago; The Union Trust Co., Cleveland.

Dutch East Indies

Data compiled from recognized authorities and cable advices. All conversions of florins to dollars have been computed at the rate of 2½ florins per dollar, or approximately at par of exchange.

The Dutch East Indies is an integral part of the Kingdom of the Netherlands and its most important colonial possession.

The executive any much of the legislative power of the colony is vested in a governor-general and council appointed by the Government of the Netherlands. Budget and other fiscal matters are originated by the colony, which since 1912 has been permitted to borrow in its own name, all such matters being subject to the control and approval of the Government of the Netherlands.

The more important islands in the group are Java, Sumatra, Celebes, Dutch Borneo and Dutch New Guinea. The population, which is largely native, is estimated at more than 50,000,000.

RESOURCES

The great natural resources of the colony have for centuries given it an important position in the world's commerce, and after more than 300 years under Dutch control it is to-day one of the richest of all colonial possessions.

The islands contain extensive mineral deposits including tin, iron, coal, and some gold, and are gaining prominence as a source of petroleum supply.

The rich soil and tropical climate favor the production of a large variety of agricultural commodities of great importance in commerce, including especially coffee, rubber, rice, tea, pepper, tobacco, sugar, tapioca, quinine, copra and coconut oil. The extraordinary development of the plantation system of rubber cultivation is well known.

COMMERCE

The natural resources enable the maintenance of a substantial excess of exports over imports. For the six years 1915 to 1920, inclusive, the Dutch East Indies had a larger favorable balance of trade than any country in the world, excepting the United States. The relation between exports and imports in recent years is shown by the following approximate figures.

Calendar years	Exports	Imports	Favorable trade balances	Calendar years	Exports	Imports	Favorable trade balances
1913	$271,000,000	$186,000,000	$85,000,000	1917	$314,000,000	$198,000,000	$116,000,000
1914	272,000,000	165,000,000	107,000,000	1918	277,000,000	212,000,000	65,000,000
1915	308,000,000	156,000,000	152,000,000	1919	856,000,000	255,000,000	601,000,000
1916	343,000,000	162,000,000	181,000,000	1920	889,000,000	523,000,000	366,000,000

Trade with the United States has developed remarkably, exports to the United States having increased from $6,220,000 for the fiscal year ended June 30, 1913, to $141,660,000 for the fiscal year ended June 30, 1921, with imports from the United States during the same period increasing from $3,150,000 to $61,180,000.

REVENUES

For the period of 116 years from the establishment of the Colonial Government in 1798 until the outbreak of the war in 1914, the aggregate ordinary revenues exceeded expenditures (ordinary and capital combined).

From 1906 to 1913 the ordinary budget, exclusive of extraordinary expenditures and receipts from loans, reflected in each year a favorable balance, the surplus for the period aggregating about $34,060,000. In the more recent budgets, due principally to capital and other extraordinary expenditures, there have been substantial deficits. The floating debt on April 1, 1922, amounted to $171,000,000 without making any allowance for reduction by the application of the proceeds of this issue, or by $40,000,000 taxes levied but not yet collected.

Total revenues for the year 1921 (partly estimated), including the gross income from Government-owned monopolies and industries, amounted to $267,000,000.

MONETARY SYSTEM

The unit of currency is the guilder, or florin, equivalent at par to 40.2 cents. Its present quotation of approximately 37.9 cents represents a discount of less than 6 per cent, reflecting its position as one of the soundest currencies in the world.

The fiscal system centers in the Bank of Java, which on January 7, 1922, had a total reserve of $71,052,000, of which $58,994,000 was in gold. This reserve represented 62.3 per cent of notes in circulation and 44 per cent of combined note, deposit and draft liabilities. In addition to the circulation of the Bank of Java, the Government has outstanding uncovered currency of approximately $21,000,000, of which it is proposed to replace all but $10,000,000 by silver coins during the present year.

GOVERNMENT-OWNED PROPERTY AND DEBT

Total funded debt, exclusive of this issue, approximates $292,400,000. The Government controls great natural resources of value difficult to estimate and owns revenue-producing properties including over 2,500 miles of tramways and railroads, telephone and telegraph systems and mines, which have an estimated value of not less than $275,000,000.

For the five years 1917–1921 (partly estimated for the last year) net income from Government-owned properties and monopolies alone averaged $46,000,000 annually or more than one and three-quarters times all interest and amortization charges as appear in the 1922 budget.

$25,000,000 Dutch East Indies 30-year External Sinking Fund 5½ Per Cent Gold Bonds

To be dated March 1, 1923. Not redeemable prior to March 1, 1933. To mature March 1, 1953.

Interest payable March 1 and September 1. Principal and interest payable in United States gold coin of the present standard of weight and fineness or its equivalent at the main office of Guaranty Trust Co. of New York, without deduction for any taxes, present or future, of the Netherlands or of the Dutch East Indies. Coupon bonds in denominations of $500 and $1,000, registerable as to principal only. Redeemable at the option of the Government on March 1, 1933, and on any interest date thereafter, as a whole or in part, at par and accrued interest. Sinking fund to retire entire issue of bonds by maturity through annual payments sufficient to redeem each year commencing March 1, 1934, one-twentieth of the amount of bonds outstanding on March 1, 1933. These funds to be applied to retirement of bonds through purchase at not exceeding par and accrued interest or through call by lot at par and accrued interest.

GUARANTY TRUST CO. OF NEW YORK, FISCAL AGENT OF THE LOAN

Part of an amount authorized by the Kingdom of the Netherlands, under which authorization, in addition to the present issue, 131,000,000 guilders have been issued in the Netherlands and £5,000,000 were issued in January, 1923, in London.

The following is summarized from official sources and other information which we regard as reliable. All conversions of guilders to dollars have been computed at par of exchange. (Guilder=$0.402).

These bonds are to be direct external obligations of the government of the Dutch East Indies.

RESOURCES AND COMMERCE

The Dutch East Indies, which include Java, Sumatra, and Celebes, have an estimated population of about 50,000,000, possess great natural resources and constitute one of the richest of all colonial possessions. Geographically they belong to the same group of islands as the Philippines and have an area of more than 735,000 square miles—about one-fourth the area of continental United States.

The principal products include tin, coal, petroleum, and a large variety of agricultural commodities, and to-day the Dutch East Indies stand first in the production of quinine, copra, and spices; third in the production of tin, rubber, coffee, and cane sugar, and second in the exportation of the latter commodity. They rank fourth in the production of petroleum and are also important producers of tobacco, tea, rice, rattan, hemp, and coal.

These natural resources have enabled the maintenance of a substantial excess of exports over imports. For the seven years, 1914–1920, the Dutch East Indies had a larger favorable balance of trade than any country in the world excepting the United States. For this period this favorable trade balance was $1,593,000,000 as compared with $427,000,000 for the seven years, 1907–1913.

REVENUE AND EXPENDITURE

For 116 years, from the establishment of the colonial government in 1798 to the outbreak of the war in 1914, the aggregate ordinary revenue exceeded the expenditures, both ordinary and extraordinary. From 1906 to 1916 the ordinary budget, exclusive of expenditures on capital account, showed a surplus aggregating for that period over $43,777,000.

In more recent budgets, owing to an extension in government activities and to the large increase in salaries and wages, there have been deficits in the ordinary budget but the Netherlands Parliament has been informed that as a result of a policy of retrenchment now instituted, the ordinary budget will balance by the end of 1925. Moreover, it is significant that the budget for 1923 indicates that expenditures both ordinary and extraordinary are less than in any of the preceding years.

NATIONAL DEBT

The proceeds of this issue will be used to reduce the unfunded debt. The total debt, funded and unfunded, on January 12, 1923, was about $456,000,000 or less than $10 per capita. More than two-thirds of the debt is payable in Dutch currency.

Out of the surpluses of ordinary revenue and out of the proceeds of loans a sum estimated at $486,687,000 had been expended up to December 31, 1922, on capital assets, including railways, tramways, telephone and telegraph systems, tin mines, coal mines, harbor and irrigation works.

For the five years 1917–1921, the net income from government-owned properties and monopolies averaged over $41,000,000. The estimated net income for 1922 from the same sources is in excess of $51,874,000.

The total amount required for interest and amortization on the entire debt (including the present issue) for 1923 amounts to $34,375,000. These figures indicate net income for 1922 from government properties and monopolies equal to more than one and one-half times the debt service for 1923.

CURRENCY

The Dutch East Indies legal tender money is identical with the Dutch guilder. The Bank of Java, the sole bank note issuing power, had on November 11, 1922, a metallic reserve of 54 per cent against bank notes and other demand liabilities. The Dutch guilder is quoted in New York at practically par of exchange. Dutch East Indies exchange is ordinarily quoted in Holland at a small discount, which on February 13, 1923, amounted to only 2 per cent.

Price 88 and interest; to yield over 7.20 per cent to earliest redemption date, March 1, 1933; to yield over 6.40 per cent if held to maturity.

Application will be made to list these Bonds on the New York Stock Exchange. The recent issue of £5,000,000 40-year sinking fund 6 per cent bonds redeemable at par after the tenth year, which was issued in London at 98 per cent, is now quoted above 101 per cent, yielding less than 6 per cent. These Bonds are offered when, as, and if issued and received by us and subject to approval of counsel. It is expected that trust receipts of Guaranty Trust Co. of New York will be ready for delivery on or about March 6, 1923.

Guaranty Co. of New York; Harris, Forbes & Co.; Lee, Higginson & Co.; Bankers Trust Company, New York; Kidder, Peabody & Co.; The Union Trust Company of Pittsburgh; Continental and Commercial Trust and Savings Bank, Chicago; Illinois Trust & Savings Bank, Chicago; The Union Trust Co., Cleveland.

Dutch East Indies

Data compiled from official sources and other information which we regard as reliable. All conversions of guilders to dollars have been computed at par of exchange, $0.402.

The Dutch East Indies are not only the most important colonial possession of the Netherlands but they are one of the richest colonies in the world.

The executive and much of the legislative power of the colony is vested in a governor general and council appointed by the crown. Subject to the control and approval of the Government of the Netherlands, the colony originates its budget and other fiscal matters and since 1912 has been permitted to borrow in its own name.

The Dutch East Indies belong geographically to the same group as the Philippines and extend roughly from the Malay Peninsula to Australia, covering a distance of over 3,000 miles. The more important islands include Java, Sumatra, Celebes, Dutch Borneo, and Dutch New Guinea. The total area of the group is more than 735,000 square miles—about one-quarter of the area of continental United States—and the population is estimated at about 50,000,000.

Java and Madura, together about the size of New York State, have a population of more than 35,000,000, and are among the most densely populated areas in the world. From 1818 to 1918 the population of Java, where the most extensive commercial and economic development has taken place, increased tenfold. This growth has been largely made possible through the improvement in methods of production and transportation, and the construction of sanitation and irrigation works, railroads, highways, and other essentials to modern standards of economic life.

Commerce.—Three hundred years of control by one of the most prominent commercial nations, together with great natural resources, have resulted in extensive development in the trade of the islands. For the seven years 1914 to 1920, the Dutch East Indies had a larger favorable balance of trade than any country in the world, excepting the United States. The relation between exports and imports in recent years is shown by the following approximate figures.

Foreign trade of Dutch East Indies[1]

[In dollars]

Calendar year	Exports	Imports	Favorable trade balance
1914	272,000,000	165,000,000	107,000,000
1915	308,000,000	156,000,000	152,000,000
1916	349,000,000	169,000,000	180,000,000
1917	317,000,000	196,000,000	121,000,000
1918	273,000,000	225,000,000	48,000,000
1919	871,000,000	298,000,000	573,000,000
1920	908,000,000	496,000,000	412,000,000

[1] Exclusive of gold and silver.

No later official figures have been published showing the total trade of the Dutch East Indies.

For the seven years 1914-1920 the favorable trade balance was $1,593,000,000 as compared with a favorable balance of $427,000,000 for the seven years 1907-1913.

In the past, the Netherlands acted as a clearing house for trade with the United States, but more recently a substantial direct trade between the Dutch East Indies and the United States has developed. With the world-wide reaction and a considerable falling off in the sugar shipments which had been made to the United States—because of the high prices prevailing in 1921—the trade between the Dutch East Indies and the United States declined from the high figures of 1919–20 but the figures for July, August, and September, 1922, indicate a trade about 50 per cent greater for the same period in 1921. The total trade between the United States and the Dutch East Indies for the fiscal year ended June 30, 1922, was approximately four times the trade for 1913.

Resources.—The Dutch East Indies have for centuries produced commodities of great importance in world commerce. In recent years, private enterprise under government direction has been responsible for the foundation and profitable development of industries not entirely of native origin. Quinine and rubber, of which South America was originally the chief producer, were introduced by the Dutch and through assidious cultivation have now become two of the important products of the colony.

The islands contain extensive mineral deposits, including tin (of which they are the third largest producer of the world), iron, coal and some gold. They are also a very important factor in the world's petroleum supply, being the fourth producer of this essential commodity.

Fertility of the soil and climatic conditions favor production of a large variety of agricultural commodities of great importance to commerce. The Dutch East Indies are the largest producer of quinine, copra, and spices. They are the third producer of rubber, coffee and cane sugar, while their exports of the latter commodity are second only to those of Cuba. They are also important producers of tobacco, tea, rice, rattan and hemp.

The Government is actively engaged in the development of its mineral and agricultural industries, and this, together with the assistance given to individual enterprise, has materially added to the diversity of production.

Taxes.—The tax system of the Dutch East Indies Government is a diversified one, including direct land and personal property taxes, direct income and war profits taxes, as well as taxes levied upon trade and industry. The indirect taxes include import and export duties, excise tax, transfer of property tax, inheritance, stamp and miscellaneous taxes. In addition substantial revenue is derived from public utilities, industrial investments and public works.

Government-owned property and income.—The Dutch East Indies Government operates 2,550 miles of tramways and railroads and also telephone and telegraph systems, tin and coal mines, harbor works, irrigation works, rubber plantations, salt and other monopolies, as well as other business enterprises. These various government enterprises are not only self-supporting but they are distinctly profitable.

For the five years 1917–1921, the actual net income from government-owned properties and monopolies averaged over $41,000,000. The estimated net income for 1922 from the same sources is in excess of $51,874,000. The total amount required for interest and amortization on the entire debt (including the present issue) for 1923 amounts to $34,375,000. These figures indicate net income for 1922 from government-owned properties and monopolies equal to more than one and one-half times the debt service for 1923.

Total revenues of the Dutch East Indies Government including net income from government-owned properties and monopolies in 1921 was $154,125,192, and is estimated in the budget for 1922 at $163,655,004 and for 1923 at $152,775,276.

Revenues and Expenditures.—For the period from 1867—when the present policy of commercial development was actively inaugurated—to 1921, the total net revenues of the government, exclusive of the proceeds of loans, amounted to $4,383,211,000 while for the same period the total expenditures including capital account and public works amounted to $4,837,860,000. These capital account expenditures as of December 31, 1922 are estimated at more than the entire funded and floating debt of the Dutch East Indies.

For 116 years from the establishment of the colonial government in 1798 to the outbreak of the War in 1914, the aggregate ordinary revenues exceeded the expenditures both ordinary and extraordinary. From 1906 to 1916 the ordinary budget, exclusive of expenditures on capital account showed a surplus aggregating for that period over $43,777,000.

Up to the outbreak of the European War, any annual budget deficits were mainly due to outlays for capital account such as railroads, telephone lines, government industries, etc. During more recent years the cost of public works mounted materially, and the increased cost of government operation which has been a phenomenon of world-wide character has resulted in expenditures exceeding revenues and also resulted in increasing the total Government debt. The deficit in the proposed budget for 1923 is $74,533,614, of which $36,370,950 is for capital investment and public works.

The Government is now concentrating its attention upon the reduction of expenditures and has discontinued the general food relief instituted in 1918 and other similar measures entailing expense, which it deems are no longer warranted because of the recovery from the economic crisis of 1920. The high point of expenditures was reached in the budget for 1921 and it is significant that the 1923 budget indicates expenditures, both ordinary and extraordinary, which are less than in any of the preceding three years. Moreover, the Netherlands Parliament has been informed that as a result of the policy of retrenchment eedseiee eeonwgq rheee etaoin hrdlu taoin
now instituted, the ordinary budget will balance by the end of 1925.

Debt and Capital Investment.—The proceeds of this loan will be used to reduce the unfunded debt. The total debt, funded and unfunded on January 12, 1923 was about $456,000,000 or less than $10 per capita. Out of the surpluses of ordinary revenue and out of the proceeds of loans, a sum estimated at $486,-587,000 had been expended up to December 31, 1922 for capital assets. Of this total about $248,000,000 represents investments in railways and tramways.

Until 1922, the Dutch East Indies had no foreign deb; all necessary funds up to that year had been provided by the Netherlands and the colony itself. In 1922 $100,000,000 was borrowed in the United States and in January, 1923 £5,000,000 sterling was issued in London, of which £1,000,000 was placed in the Netherlands. More than two-thirds of the debt is payable in Dutch currency.

Monetary System.—The Dutch East Indies coinage act provides that all legal tender coins, whether gold or silver, shall be the same as those of the Netherlands. The unit of currency of the Dutch East Indies is the gold guilder, or florin, equivalent at par to 40.2 cents in American currency.

Due to the scarcity of silver coins during the war, the Government of the Dutch East Indies issued notes of small denominations, without any specified reserve, a portion of which it now proposes to replace by silver coins.

The Bank of Java, which was chartered in 1827, has the sole right of issue of fiduciary bank notes and is required to keep fixed reserves consisting of gold and silver against its total demand liabilities. On November 11, 1922 the Bank of Java had a metallic reserve of 54 per cent of demand liabilities representing an increase of 11 per cent since March 31, 1914.

The Dutch guilder is quoted in New York at practically par of exchange (40.2 cents). Dutch East Indies exchange is ordinarily quoted in Holland at a small discount, which on February 13, 1923, amounted to only 2 per cent.

$25,000,000 Dutch East Indies 30-Year External Sinking Fund 5½ Per Cent Gold Bonds (Nederlandsch-Indische Leening 1923 C)

To be dated November 1, 1923. Not redeemable prior to November 1, 1933. To mature November 1, 1953. Interest payable May 1, and November 1. Principal and interest payable in United States gold coin of the present standard of weight and fineness or its equivalent at the main office of Guaranty Trust Co. of New York, without deduction for any taxes, present or future, of the Netherlands or of the Dutch East Indies. Coupon bonds in denominations of $500 and $1,000, registerable as to principal only. Redeemable at the option of the Government on November 1, 1933 and on any interest date thereafter, as a whole or in part, at par and accrued interest.

Sinking fund to retire entire issue of bonds by maturity through annual payments sufficient to redeem each year commencing 1931, one-twentieth of the total amount of bonds outstanding at the end of 10 years. These funds to be applied to retirement of bonds through purchase at not exceeding par and accrued interest or through call by lot at par and accrued interest.. Guaranty Trust Co. of New York, fiscal agent of the loan.

Part of an amount authorized by the Law of the Kingdom of Netherlands dated June 2, 1923, approved by the crown, of which, in addition to the present issue, 65,000,000 guilders have been issued in the Netherlands and in the Dutch East Indies and £6,000,000 have been issued in London, in June, 1923.

The following is summarized from information supplied by the Dutch ministry of colonies. All conversions of guilders to dollars have been computed at par of exchange. (Guilder=$0.402.)

These bonds are to be direct external obligations of the Government of the Dutch East Indies.

Resources and commerce.—The Dutch East Indies, with an area of more than 735,000 square miles—about one-fourth the area of continental United States—have an estimated population of over 50,000,000. They are one of the richest of all colonial possessions.

The Dutch East Indies stand first in the production of quinine, copra and spices; third in the production of tin, rubber, coffee and cane sugar, and second in the exportation of the latter commodity. They rank fourth in the production of petroleum and are also important producers of tobacco, tea, rice, rattan, hemp and coal.

For the eight years 1914–1921, the Dutch East Indies had a larger favorable balance of trade than any country in the world excepting the United States. For this period this favorable trade balance was $1,587,000,000 as compared with $71,000,000 for the eight years, 1906–1913.

Revenue and expenditure.—For 116 years from the establishment of the colonial government in 1798 to the outbreak of the war in 1914, the aggregate ordinary revenue exceeded the expenditures, both ordinary and extraordinary. From 1906 to 1916 the ordinary budget, exclusive of expenditures on capital account, showed a surplus aggregating for that period over $44,130,000.

In more recent budgets, owing to an extension in government activities and to the large increase in salaries and wages, there have been deficits in the ordinary budget but the Netherlands Parliament has been informed that as a result of a policy of retrenchment now instituted, the ordinary budget will balance by the end of 1925. In this connection it is significant that in the proposed budget for 1924, expenditures, both ordinary and extraordinary, are less than in any of the preceeding four years, and that the proposed ordinary budget for 1924 indicates a deficit of only $9,409,000 as against a deficit of $33,000,000 for 1923.

National debt.—The proceeds of this issue are to be used to reduce the unfunded debt. The total debt, funded and unfunded including the present issue, on October 20, 1923 was about $509,000,000 or slightly over $10 per capita. Including the present issue, about three-fifths of the debt is payable in Dutch currency.

Out of the surpluses of ordinary revenue and out of the proceeds of loans a sum of $475,600,000 had been expended up to December 31, 1922 on capital assets, including railways, tramways, telephone and telegraph systems, tin mines, coal mines, harbor and irrigation works.

For the five years 1918–1922, the net income from government owned properties and monopolies averaged nearly $39,000,000. The estimated net income for 1923 from the same sources is $52,386,000 and for 1924 is $50,837,000.

The total amount required for interest and amortization on the entire debt (including the present issue) for 1924 amounts to $34,630,000. These figures indicate net income for 1923 from government properties and monopolies equal to about one and one-half times the debt service for 1924.

Currency.—The Dutch East Indies legal tender money is identical with the Dutch guilder. The Bank of Java, the sole bank note issuing power, had on September 8, 1923, a metallic reserve of 53 per cent against bank notes and other demand liabilities. The Dutch guilder is quoted in New York on November 7, at $0.386 (par $0.402). Dutch East Indies exchange is ordinarily quoted in Holland at a small discount, which on October 23, 1923, amounted to 3¼ per cent.

Price 90 and interest; to yield over 6.90 per cent to earliest redemption date, November 1, 1933; to yield over 6.24 per cent to maturity.

Application will be made to list these bonds on the New York Stock Exchange. The £5,000,000 6 per cent bonds due 1963 redeemable at par after the tenth year issued in London in 1923 are now quoted about 103½. The £6,000,000 5 per cent bonds due 1962 redeemable at par after the tenth year issued in London in 1923 are now quoted at about 91½.

These bonds are offered, when, as and if issued and received by us and subject to approval of counsel. It is expected that trust receipts of Guaranty

Trust Co. of New York will be ready for delivery on or about November 20, 1923.

Guaranty Co. of New York; Harris, Forbes & Co.; Lee, Higginson & Co.; Bankers Trust Co., New York; The Union Trust Co. of Pittsburgh; Continental & Commercial Trust & Savings Bank, Chicago; Illinois Merchants Trust Co., Chicago; The Union Trust Co., Cleveland; Kidder, Peabody & Co.

Dutch East Indies

(Data compiled from information supplied by the Dutch Ministry of Colonies unless otherwise indicated. All conversions of guilders to dollars have been computed at par of exchange, $0.402.)

The Dutch East Indies are not only the most important colonial possession of the Netherlands but they are one of the richest colonies in the world.

The executive and much of the legislative power of the colony is vested in a governor-general and council appointed by the Crown. Subject to the control and approval of the Government of the Netherlands, the colony originates its budget and other fiscal matters and since 1912 has been permitted to borrow in its own name.

The Dutch East Indies extend roughly from the Malay Peninsula to Australia, covering a distance of over 3,000 miles. The more important islands include Java, Sumatra, Celebes, Dutch Borneo, and Dutch New Guinea. The total area of this group is more than 735,000 square miles—about one-quarter of the area of the continental United States—and the population is over 50,000,000.

Java and Madura, together about the size of New York State, have a population of more than 35,000,000, and are among the most densely populated areas in the world. From 1818 to 1920 the population of Java, where the most extensive commercial and economic development has taken place, inceased tenfold. During this period there has been a remarkable improvement in methods of agricultural production, transportation, constuction of sanitation and irrigation works, railroads, highways, and other essentials to modern standards of economic life.

COMMERCE

Three hundred years of control by one of the most prominent commercial nations, together with great natural resources, have resulted in extensive development in the trade of the islands. For the eight years 1914 to 1921, the Dutch East Indies had a larger favorable balance of trade than any country in the world, excepting the United States. The relation between exports and imports in recent years is shown by the following approximate figures.

Foreign trade of Dutch East Indies[1]

[In dollars]

Calendar year	Exports	Imports	Favorable trade balance	Calendar year	Exports	Imports	Favorable trade balance
1914	272,000,000	165,000,000	107,000,000	1918	273,000,000	225,000,000	48,000,000
1915	308,000,000	156,000,000	152,000,000	1919	871,000,000	298,000,000	573,000,000
1916	349,000,000	169,000,000	180,000,000	1920	908,000,000	496,000,000	412,000,000
1917	317,000,000	196,000,000	121,000,000	1921	480,000,000	486,000,000	[2] 6,000,000

[1] Exclusive of gold and silver.
[2] Excess of imports.

These figures taken from "Statistiek van den Handel en de In-en Uitvoerrechten in Nederlandsch Indie." No later official figures have been published showing the total trade of the Dutch East Indies.

For the eight years 1914–1921 the favorable trade balance was $1,587,000,000 as compared with a favorable balance of $471,000,000 for the eight years 1906–1913.

In the past, the Netherlands acted as a clearing house for trade with the United States, but more recently a substantial direct trade between the Dutch East Indies and the United States has developed. With the world-wide reaction and a considerable falling off in the sugar shipments which had been made to the United States—because of the high prices prevailing in 1920—the trade between the Dutch East Indies and the United States declined from the high figures of 1919–20 but the figures for the first seven months of 1923 indicate a trade about 70 per cent greater than for the same period in 1922. The total trade between the United States and the Dutch East Indies for the fiscal year ended June 30, 1922, was approximately four times the trade for 1913.[1]

RESOURCES

The Dutch East Indies have for centuries produced commodities of great importance in world commerce. In recent years, private enterprise under government direction has been responsible for the foundation and profitable development of industries not entirely of native origin. Quinine and rubber, of which South America was originally the chief producer, were introduced by the Dutch and through assiduous cultivation have now become two of the important products of the colony.

The islands contain extensive mineral deposits, including tin (of which they are the third largest producer of the world), iron, coal and some gold. They are also a very important factor in the world's petroleum supply, being the fourth producer of this essential commodity.

Fertility of the soil and climatic conditions favor production of a large variety of agricultural commodities of great importance to commerce. The Dutch East Indies are the largest producer of quinine, copra, and spices. They are the third producer of rubber, coffee and cane sugar, while their exports of the latter commodity are second only to those of Cuba. They are also important producers of tobacco, tea, rice, rattan and hemp.

The government is actively engaged in the development of its mineral and agricultural industries, and this, together with the assistance given to individual enterprise, has materially added to the diversity of production.

TAXES

The tax system of the Dutch East Indies Government is a diversified one, including direct land and personal property taxes, direct income and war profits taxes, as well as taxes levied upon trade and industry. The indirect taxes include import and export duties, excise tax, transfer of property tax, inheritance, stamp and miscellaneous taxes. In addition substantial revenue is derived from public utilities, industrial investments and public works

GOVERNMENT-OWNED PROPERTY AND INCOME

The Dutch East Indies Government operates 2,550 miles of tramways and railroads and also telephone and telegraph systems, tin and coal mines, harbor works, irrigation works, rubber plantations, salt and other monopolies, as well as other business enterprises. These various government enterprises are not only self-supporting but they are distinctly profitable.

For the five years 1918–1922, the actual net income from government-owned properties and monopolies averaged nearly $39,000,000. The estimated net income for 1923 from the same sources is $52,386,000 and for 1924 is $50,837,000. The total amount required for interest and amortization on the entire debt (including the present issue) for 1924 amounts to $34,630,000. The figures indicate net income for 1923 from government-owned properties and monopolies equal to about one and one-half times the debt service for 1924.

Total net ordinary revenue of the Dutch East Indies Government including net income from government-owned properties and monopolies in 1922 was $196,779,804 and is estimated in the budget for 1923 at $147,517,116 and for 1924 at $158,090,520.

REVENUES AND EXPENDITURES

For the period from 1867—when the present policy of commercial development was actively inaugurated—to 1922, the total gross revenues of the government, exclusive of the proceeds of loans, amounted to $4,710,062,000 while for the same period the total gross expenditures including capital account and public works amounted to $5,199,392,000. The capital account expenditures

[1] Figures taken from Monthly Summary of Foreign Commerce of the United States.

as of December 31, 1923, are estimated at more than the entire funded and floating debt of the Dutch East Indies.

For 116 years from the establishment of the colonial government in 1798 to the outbreak of the War in 1914, the aggregate ordinary revenues exceeded the expenditures both ordinary and extraordinary. From 1906 to 1916 the ordinary budget, exclusive of expenditures on capital account showed a surplus aggregating for that period over $44,130,000.

Up to the outbreak of the European War, any annual budget deficits were mainly due to outlays for capital account such as railroads, telephone lines, government industries, etc. During more recent years the cost of public works mounted materially, and the increased cost of government operation which has been a phenomenon of world-wide character has resulted in expenditures exceeding revenues and also resulted in increasing the total government debt. The deficit in the proposed budget for 1924 is $32,689,000 of which about $23,280,000 is for capital investments and public works, as compared with a deficit in 1923 of about $69,000,000, of which $36,000,000 was for public works.

The government is now concentrating its attention upon the reduction of expenditures and has discontinued the general food relief instituted in 1918 and other similar measures entailing expense, which it deems are no longer warranted because of the recovery from the economic crisis of 1920. The high point of expenditures was reached in the budget for 1921 and it is significant that the 1924 budget indicates expenditures, both ordinary and extraordinary, which are less than in any of the preceding four years, and that the proposed ordinary budget for that year indicates a deficit of only $9,409,000, as against $33,000,000 for 1923. Moreover, the Netherlands Parliament has been informed that as a result of the policy of retrenchment now instituted, the ordinary budget will balance by the end of 1925.

DEBT AND CAPITAL INVESTMENTS

The proceeds of this loan are to be used to reduce the unfunded debt. The total debt, funded and unfunded including the present issue on October 20, 1923, was about $509,000,000 or slightly over $10 per capita. Out of the surpluses of ordinary revenue and out of the proceeds of loans, a sum of $475,600,000 had been expended up to December 31, 1922 for capital assets. Of this total about $238,000,000 represents investments in railways and tramways.

Until 1922, the Dutch East Indies had no foreign debt; all necessary funds up to that year had been provided by the Netherlands and the colony itself. In 1922 and 1923 $125,000,000 were borrowed in the United States, and in the latter year £11,000,000 were issued in London, of which £1,000,000 were floated in the Netherlands. Including the present issue, about three-fifths of the debt is payable in Dutch currency.

MONETARY SYSTEM

The Dutch East Indies coinage act provides that all legal tender coins, whether gold or silver, shall be the same as those of the Netherlands. The unit of currency of the Dutch East Indies is the gold guilder, or florin, equivalent at par to 40.2 cents in American currency.

Due to the scarcity of silver coins during the war, the Government of the Dutch East Indies issued notes of small denominations, without any specified reserve, a portion of which it now proposes to replace by silver coins.

The Bank of Java, which was chartered in 1827, has the sole right of issue of fiduciary bank notes and is required to keep fixed reserves consisting of gold and silver against its total demand liabilities. On September 8, 1923, the Bank of Java had a metallic reserve of 53 per cent of demand liabilities representing an increase of 10 per cent since March 31, 1914.

The Dutch guilder is quoted in New York on November 7, at $0.386 (par $0.402). Dutch East Indies exchange is ordinarily quoted in Holland at a small discount, which on October 23, 1923, amounted to 3¼ per cent.

$5,000,000 STATE OF BREMEN (FREE HANSEATIC CITY OF BREMEN), 1-YEAR EXTERNAL GOLD DISCOUNT TREASURY NOTES

Dated December 1, 1924. Due December 1, 1925.

Principal payable in United States gold of the present standard of weight and fineness at the Guaranty Trust Co. of New York without deduction for taxes, present or future, imposed by or within the State of Bremen or the German Reich. Denominations $50,000, $25,000, and $10,000.

Of these $5,000,000 notes, $1,000,000 have been purchased and privately placed in Berlin by the Berliner Handels Gesellshaft and in Bremen by the J. F. Schroeder Bank. Guaranty Trust Co. of New York, paying agent.

The following statement is made by the Hon. Dr. Martin Donandt, burgermeister of the State of Bremen:

Relative to the issuance of these notes, and in respect to the decree of November 2, 1924, of the German Reich, under which German States and cities are to receive permission of the Reich Finance Minister for the issuance of external loans, the State of Bremen has received the following letter from the Minister of Finance of the German Reich:

"The issuance of $5,000,000 treasury notes of the State of Bremen running from December 1, 1924, payable on December 1, 1925, does not fall under the decree of November 2, 1924, the agreement concerning the loan having been concluded already before that date. The State of Bremen is not prevented by any German laws to issue validly these $5,000,000; consequently the Reich Minister of Finance has no objection to the contracting of this loan.

"Berlin, November 20, 1924.

"FISCHER (Staatssekretaer)
"(*For the Imperial Minister of Finance*)."

These notes are direct obligations of the State of Bremen, which agrees that until it shall have paid to the paying agent the funds required for the payment at maturity of these notes, it will not pledge any of its assets or revenues as security for any loan.

The entire assets and revenues of the German Reich and its constituent states were made subject to a first charge for reparation payments under article 248 of the Versailles treaty. The enforcement of this charge is suspended during the operation of the Dawes plan. The Dawes plan provides that payments shall be made by Germany to the Reichsbank for account of the agent general for reparations and to secure these payments certain revenues are specifically pledged. The revenues of the State of Bremen are not included in the pledges made by Germany under the Dawes plan.

The transfer committee under the Dawes plan is charged with the execution of the transfer of the moneys deposited in Germany for the account of the agent general, but has no jurisdiction to interfere with the purchase of foreign exchange by the State of Bremen.

The State of Bremen has full legal powers to borrow and to agree not to pledge any of its revenues or assets as security for any loan until the full amount has been paid to the paying agent for the retirement of these notes.

The State of Bremen, one of the independent States of Germany, is governed by a senate which is the executive body and the Burgerschaft (house of burgesses) which is invested with the power of legislation and which consists of 120 members elected by direct vote of the citizens of the State. Legislative and executive powers are divided between the German Government and the individual States. In all matters which are not reserved for the central authority each single State has control over its own affairs. Bremen has had such local autonomy since 1903.

The State of Bremen comprises an area of 99 square miles, including the three harbors of Bremen, Bremmerhaven, and Vegesack. The population on April 1, 1924, was 330,561. The port of Bremen is the second largest of Germany. It is the largest cotton importing port on the continent of Europe. It is the main port of entry for the North German Lloyd and the United States Steamship Lines.

The total import trade in 1923 was 3,986,184 metric tons, as compared with 3,080,108 metric tons in 1913. The exports in 1923 were 548,584 metric tons as compared with 1,062,892 metric tons in 1913. The figures for the first 10 months of 1924 show imports of 1,440,900 tons, exclusive of British coal, and exports of 671,400 tons. The total shipping tonnage registered at the port of Bremen for 1923 was 55 per cent greater than in 1913.

The debt of Bremen on June 30, 1924, consisted of 1,054,000 United States dollars, 750,000 gold marks and 1, 455,754,000 paper marks. Of the paper mark debt, 303,000,000 marks were issued before the war. There is no legal difference between paper marks and prewar marks. None of the debt of Bremen bears a pledge of any of the assets or revenues of the State.

The budget of the State of Bremen for the fiscal year 1924–1925 provided for receipts of 48,600,000 gold marks and expenditures of 47,211,000. The actual operation of the budget for the first six months of 1924 shows a substantial surplus.

The proceeds of this loan are to be used for port improvements. from which the State will derive additional revenues. Under a law of the State of Bremen, the port dues must be paid in dollars or in pounds sterling. The net revenues from port works of the State are estimated to produce an equivalent of 5,756,000 gold marks in 1924.

These notes are offered when, as and if issued and received by us and subject to approval of counsel. It is expected that definitive notes will be ready for delivery on or about December 00, 1924.

$10,000,000 State of Bremen (Germany) 10-Year 7 Per Cent External Loan Gold Bonds

One million five hundred thousand dollars of the present offering have been withdrawn for simultaneous issue in Holland by Messrs. R. Mees & Zoonen, Rotterdam, Nederlandsche Handel-Maatschappij, Mendelssohn & Co., and Pierson & Co., Amsterdam, and $1,000,000 bonds have been withdraw for Switzerland by Credit Suisse and associates.

To be dated September 1, 1925. To mature September 1, 1935.

Authorized, $15,000,000. Present offering, $10,000,000. Interest payable March 1 and September 1. Principal and interest payable in New York at the office of Guaranty Trust Co. of New York, in gold coin of the United States of America of present standard of weight and fineness, without deduction for any taxes, present or future, imposed by the State of Bremen or by the German Reich or by any taxing authority thereof or therein. Coupon bonds in denominations of $1,000 and $500.

Such principal and interest shall also be collectible at the option of the holders in Rotterdam and Amsterdam, Holland, at the offices of the abovementioned banking houses, in guilders at the then current rate for buying dollar bonds and coupons fixed by them. Not redeemable before maturity.

Market purchase fund of 5 per cent per annum of the amount of bonds presently issued, payable semiannually commencing March 1, 1926, to be applied to purchase of bonds at not exceeding 100 per cent and accrued interest, unused funds to revert to the State. Guaranty Trust Co. of New York, paying agent.

The following statement is made by the Hon. Burgermeister Dr. Martin Donandt, president of the Senate of the State of Bremen:

These bonds are to be direct obligations of the State of Bremen, which covenants that so long as any of the bonds of this loan are outstanding, none of its assets or revenues will be pledged as security for any loan or obligation, public or private, without securing the bonds of this loan equally and ratably therewith. None of the assets or revenues of the State of Bremen are now pledged as security for any loan.

PURPOSE OF ISSUE

The proceeds of this issue will be used for necessary income-producing port improvements and other public works and for payment of the $5,000,000 external 1-year discount treasury notes, due December 1, 1925.

STATE OF BREMEN

The State of Bremen (free Hanseatic city of Bremen), as a free Hanseatic city, has had local autonomy since 1303 and existed prior to the eighth century. It is also one of the independent States of Germany with control over its own affairs, subject to such matters as are reserved for control by the German Reich.

The State of Bremen, with a population of about 330,000, comprises an area of 99 square miles, including the harbors of Bremen, Bremerhaven, and Vegesack. Its port is the second largest of Germany and is the largest cotton-importing port on the continent of Europe. It is the main German port of entry for the North German Lloyd and the United States Steamship Lines.

The total import trade in 1924 was 2,754,598 metric tons as compared with 3,086,108 metric tons in 1913. The exports in 1924 were 1,469,436 metric tons, compared with 1,062,892 metric tons in 1913.

DEBT AND PROPERTY

The total debt of Bremen, internal and external, including this loan, is approximately $15,000,000. Under the law of July 16, 1925, the liability of the State of Bremen on its previously contracted funded mark debt is estimated not to exceed $2,501,000, which is included in the above total.

After giving effect to the expenditure of part of the proceeds of this loan for public works, the State of Bremen will own properties, including port works, gas and electric plants, and water works, valued at $70,000,000, which is over four times the total present debt.

REVENUES AND EXPENDITURES

The revenues of the State of Bremen are derived from local taxes, the income of port works and utilities operated by the State, and allotment of certain taxes collected by the German Reich. For the fiscal year 1924–25 ordinary revenues showed an actual surplus of $1,377,304 over ordinary expenditures. For the current fiscal year 1925–26 the projected budget estimates indicate that ordinary expenditures will exceed ordinary revenues by about $942,000, but these estimates are based on minimum receipts from the German Reich, and it is believed that the actual receipts will balance expenditures. Actual ordinary revenues for the first four months of the current year have exceeded ordinary expenditures by about $214,000.

For the fiscal year 1924–25 extraordinary expenditures for productive public works, after giving effect to the surplus of the ordinary budget, exceeded receipts by about $994,500. In the budget for the current year, 1925–26, extraordinary expenditures are estimated at $8,455,000. Such expenditures are to be applied to the improvement and construction of revenue producing public works and are to be provided for by loans.

Revenues from port works are by law payable in dollars or sterling, which gives the State an income independent of any future depreciation of internal currency of Germany. These port revenues alone are estimated to yield in the current fiscal year the equivalent of $1,260,000, which more than equals the maximum charges on the present $10,000,000 loan.

It is expected that application will be made to list these bonds on the New York Stock Exchange. Price 94¾ and interest, to yield over 7.75 per cent.

When, as, and if issued and received by us and subject to approval of counsel. All legal details in connection with this issue will be passed upon by Messrs. Davis, Polk, Wardwell, Gardiner & Reed, of New York. It is expected that trust or interim receipts will be ready for delivery on or about October 6, 1925.

State of Bremen 1-year external gold discount treasury notes due December 1, 1925, will be accepted in payment at a price equivalent to a 4 per cent interest yield basis computed from the date of payment for the above 7 per cent bonds to December 1, 1925. (As of October 6, this figures $993.926 flat for each $1,000 note.)

TEN-YEAR 7 PER CENT EXTERNAL LOAN GOLD BONDS

$5,000,000 STATE OF BREMEN (GERMANY)

Seven hundred and fifty thousand dollars of the present offering have been withdrawn for issue in Holland by Messers R. Mees & Zoonen, Rotterdam, Nederlansche Handel-Maatschappij, Mendelsson & Co., and Pierson & Co., Amsterdam, and $500,000 bonds have been withdrawn for Switzerland by Credit Suisse and associates.

To be dated September 1, 1925. To mature September 1, 1935.

Authorized and presently to be outstanding $15,000,000. Interest payable March 1, and September 1. Principal and interest payable in New York at the office of Guaranty Trust Co. of New York, in gold coin of the United States of America of present standard of weight and fineness, without deduction for any taxes, present or future, imposed by the State of Bremen or by the German Reich or by any taxing authority thereof or therein. Coupon bonds in denominations of $1,000 and $500.

Such principal and interest shall also be collectible at the option of the holders in Rotterdam and Amsterdam, Holland, at the offices of the above mentioned banking houses, in guilders at the then current rate for buying dollar bonds and coupons fixed by them.

Not redeemable before maturity. Market purchase fund of five per cent per annum of the amount of bonds presently issued, payable semi-annually commencing March 1, 1926, to be applied to purchase of bonds at not exceeding 100 per cent and accrued interest, unused funds to revert to the State.

GUARANTY TRUST COMPANY OF NEW YORK, PAYING AGENT

The following statement is made by the honorable burgermeister Dr. Martin Donandt, president of the senate of the State of Bremen:

These bonds are to be direct obligations of the State of Bremen which covenants that so long as any of the bonds of this loan are outstanding, none of its assets or revenues will be pledged as security for any loan or obligation, public or private, without securing the bonds of this loan equally and ratably therewith. None of the assets or revenues of the State of Bremen are now pledged as security for any loan.

The entire assets and revenues of the German Reich and its constituent states were made subject to a first charge for reparation payments under article 248 of the Versailles treaty. The enforcement of this charge is suspended during the operation of the Dawes plan. The Dawes plan provides that payments shall be made by Germany to the Reichbank for account of the agent general for reparations and to secure these payments certain revenues are specifically pledged. The revenues of the State of Bremen are not included in the pledges made by Germany under the Dawes plan.

The transfer committee under the Dawes plan is charged with the execution of the transfer of the moneys deposited in Germany for the account of the agent general, but has no jurisdiction to interfere with the purchase of foreign exchange by the State of Bremen.

PURPOSE OF ISSUE

The proceeds of this $5,000,000 issue will be used for necessary income-producing port improvements and other public works.

STATE OF BREMEN

The State of Bremen (Free Hanseatic City of Bremen), as a free Hanseatic City, has had local autonomy since 1303 and existed prior to the eighth century. It is also one of the independent states of Germany with control over its own affairs, subject to such matters as are reserved for control by the German Reich.

The State of Bremen, with a population of about 330,000, comprises an area of 99 square miles, including the harbors of Bremen, Bremerhaven, and Vegesack. Its port is the second largest of Germany and is the largest cotton importing port on the continent of Europe. It is the main German port of entry for the North German Lloyd and the United States Steamship lines.

The total import trade in 1924 was 2,754,598 metric tons as compared with 3,086,108 metric tons in 1913. The exports in 1924 were 1,469,436 metric tons, compared with 1,062,892 metric tons in 1913.

DEBT AND PROPERTY

The total debt of Bremen, internal and external, including this loan, is approximately $20,000,000. Under the law of July 16, 1925, the liability of the State of Bremen on its previously contracted funded mark debt is estimated not to exceed $2,501,000, which is included in the above total.

After giving effect to the expenditure of the proceeds of this loan for public works, the State of Bremen will own properties including port works, gas and electric plants, and water works, valued at about $75,000,000, which is over three and one-half times the total present debt.

REVENUES AND EXPENDITURES

The revenues of the State of Bremen are derived from local taxes, the income of port works and utilities operated by the State, and allotment of certain taxes collected by the German Reich. For the fiscal year 1924–25 ordinary revenues showed an actual surplus of $1,377,304 over ordinary expenditures. For the current fiscal year, 1925–26, the projected budget estimates indicate that ordinary expenditures will exceed ordinary revenues by about $942,000, but these estimates are based on minimum receipts from the German Reich, and it is believed that the actual receipts will balance expenditures. Actual ordinary revenues for the first four months of the current year have exceeded ordinary expenditures by about $214,000.

For the fiscal year 1924–25, extraordinary expenditures for productive public works, after giving effect to the surplus of the ordinary budget, exeeded receipts by about $994,500. In the budget for the current year, 1925–26, extraordinary expenditures are estimated at $8,455,000. Such expenditures are to be applied to the improvement and construction of revenue producing public works and have been provided for by this and previous loans.

Revenues from port works are by law payable in dollars or sterling, which gives the State an income independent of any future depreciation of internal currency of Germany. These port revenues alone are estimated to yield in the current fiscal year the equivalent of $1,260,000, which more than equals the interest charges on the entire $15,000,000 loan.

It is expected that application will be made to list the entire $15,000,000 of these bonds on the New York Stock Exchange; $10,000,000 of this issue were offered and sold in September, 1925.

Price 95¾ and interest, to yield 7⅝ per cent.

When, as and if issued and received by us and subject to approval of counsel. All legal details in connection with this issue will be passed upon by Messrs. Davis, Polk, Wardwell, Gardiner and Reed, of New York. It is expected that trust or interim receipts will be ready for delivery on or about November 27, 1925.

GUARANTY CO. OF NEW YORK.
DILLON READ & CO.

FIVE MILLION DOLLAR "HANSA" STEAMSHIP LINE (DEUTSCHE DAMPFSCHIFF-FAHRTS-GESELLSHAFT "HANSA") BREMEN TEN-YEAR 6 PER CENT GOLD BONDS (WITH DETACHABLE STOCK PURCHASE WARRANTS)

To be dated October 1, 1929. To mature October 1, 1939.

Guaranty Trust Co. of New York, fiscal agent and American trustee J. F. Schroeder Bank K. a. A. of Bremen, German trustee.

The accompanying letter from Mr. Herm. Helms and Mr. Ad. Stein, managers of the company, is summarized as follows:

BUSINESS AND PROPERTIES

The "Hansa" Steamship Line, incorporated in 1881, is one of the most important continental cargo carriers, operating its principal lines between Bremen, Hamburg, Rotterdam, Antwerp, Portugal, Spain, Persian Gulf, Bombay, Karachi, Colombo, Madras, Calcutta, Rangoon, and the Malabar Coast.

As of June 30, 1929, the aggregate tonnage of the company's 44 ocean-going vessels was 278,363 gross registered tons. The bulk of the fleet is modern, about 70 per cent of it having been built within the last 9 years, and although it is valued on the company's balance sheet as of June 30, 1929, less depreciation, at $10,507,002 (not including ships under construction), its reproduction cost new, less depreciation, is considered to be much higher as evidenced by the fact that the fleet is insured for approximately $20,000,000.

The company owns in fee valuable real estate properties in Bremen, shown in the balance sheet at below actual value. The company's holdings include a block of North German Lloyd shares which were obtained from that company in exchange for "Hansa" shares.

PURPOSE OF ISSUE

The proceeds of this issue are to be used to repay presently maturing indebtedness amounting to approximately $2,750,000, for new construction and for other corporate purposes.

THIS ISSUE

These bonds are to be the direct obligations of the company, which covenants in the trust agreement under which they are to be issued that if, while any of the bonds are outstanding, the company or any company in which it owns directly or indirectly stock having 51 per cent of the voting power, shall create or issue or guarantee any indebtedness or obligations secured by lien on any of its property (except liens on property other than ships to secure current indebtedness or obligations incurred in the ordinary course of business) or pledge any of its property as security for any guaranty of any indebtedness, the present issue of bonds will be secured equally and ratably with such other indebtedness or obligations or such guaranty. The company may, however, acquire property, including ships, subject to existing or purchase money liens provided that the aggregate amount of such liens existing at any time shall never exceed $250,000.

FINANCIAL

Upon completion of the present financing the company's total funded and unfunded debt including the present issue will amount to $6,676,054. The obligations under the Dawes plan, which require an annual charge of approximately $50,000 are not included in the above figure.

The balance sheet of the company does not take into account the tonnage seized by the United States Government, for which claims are pending. The amount of the possible indemnification for such property has been estimated by the company at from $2,000,000 to $3,000,000.

CAPITALIZATION

The company has outstanding 32,000,000 reichsmarks fully paid common stock which at current quotations has an indicated market value of over $11,800,000. In addition the company will authorize 10,000,000 reichsmarks par value of common stock for issuance upon the exercise of stock purchase warrants to be issued in connection with the present financing.

EARNINGS

The net earnings of the company for the past three calendar years and for the first six months of 1929, as certified by Dr. H. Hasenkamp, independent auditor, have been as follows:

Net earnings, after payments under Dawes plan, available for interest, depreciation, and income taxes:

1926	$992,134
1927	2,221,633
1928	2,030,382
1929 (6 months)	[1] 1,008,993

[1] In addition the company realized a profit of $437,284 from the sale of its holdings of Neptune Steamship Co. shares.

Net earnings as above for the 3 years ended December 31, 1928, averaged $1,748,049, equivalent to 4.3 times annual interest requirements of $406,388 on total indebtedness to be outstanding upon completion of this financing. For the first 6 months of 1929 such net earnings were at the rate of 4.9 times such interest requirements. The management expects that net earnings for the full year 1929 will equal or exceed net earnings for 1928.

Practically all of the company's revenues are received in sterling and therefore the company is provided with ample foreign exchange for its external commitments.

STOCK PURCHASE WARRANTS

Each bond when delivered will carry a detachable stock purchase warrant entitling the holder to purchase 2,000 reichsmark par value of fully paid capital stock of the company at prices equal to 180 per cent of the par value if exercised on or before October 1, 1931, 200 per cent if exercised thereafter and on or before October 1, 1933, 220 per cent if exercised thereafter and on or before October 1, 1935, 230 per cent if exercised thereafter and on or before October 1, 1937, and 240 per cent if exercised thereafter and on or before October 1, 1939. The company's capital stock consists of shares of 100 reichsmarks and 1,000 reichsmarks, par value. The present market price of the stock is approximately 156 per cent of par value.

The range in market price of the company's stock on the Berlin Stock Exchange, dividends paid and earnings in per cent of par value, have been as follows:

Figures below in per cent of par value

	High	Low	Earned [1]	Dividend
1926	260	102	10.21	6
1927	248	187	12.30	10
1928	233	171	10.65	10
1929 (to date)	174	141	[2] 13.13	(3)

[1] Including certain nonrecurring items of $133,598 for 1927, $238,200 for 1928, and $437,234 for 1929.
[2] To June 30, 1929, on annual basis.
[3] Dividends are declared annually after close of fiscal year ending Dec. 31.

Application will be made to list these bonds on the New York Stock Exchange. Conversions from reichsmarks to dollars above have been made at mint parity of exchange, 23.82 cents per reichsmark.

Authorized and presently to be issued, $5,000,000. Coupon bonds in denomination of $1,000. Interest payable April 1 and October 1. Principal and interest payable in New York City at the principal office of Guaranty Trust Co. of New York, N. Y., in gold coin of the United States of America of or equal to the standard of weight and fineness existing as of October 1, 1929, without deduction for any German taxes, present or future.

Redeemable as a whole or in part at the option of the company at par and accrued interest on any interest date on and after October 1, 1934 upon 60 days' notice if a total, and 30 days' notice, if a partial redemption. Price on application.

When, as and if issued and received by us and subject to the completion of the transaction as planned and to the approval of counsel. All legal details are to be passed upon for the bankers by Messrs. Davis, Polk, Wardwell, Gardiner & Reed, New York, except as to matters of German law which will be accrued interest on any interest date on and after October 1, 1934, upon 60 days' notice if a total, and 30 days' notice, if a partial, redemption. Price on October 30, 1929.

GUARANTY CO. OF NEW YORK.

"HANSA" STEAMSHIP LINE
(Deutsche Dampfschifffahrts-Gesellschaft "Hansa")

Bremen, Germany, October 15, 1929.

GUARANTY CO. OF NEW YORK,
New York City.

GENTLEMEN: In connection with the proposed issue of $5,000,000 ten-year 6 per cent gold bonds, due October 1, 1939, of "Hansa" Steamship Line (Deutsche Dampfschifffahrts-Gesellschaft "Hansa"), we take pleasure in giving you the following information:

BUSINESS AND PROPERTIES

The "Hansa" Steamship Line, incorporated in 1881, is one of the most important continental cargo carriers, operating its principal lines between Bremen, Hamburg, Rotterdam, Antwerp, Portugal, Spain, Persian Gulf, Bombay, Karachi, Colombo, Madras, Calcutta, Rangoon, and the Malabar Coast.

As of June 30, 1929, the aggregate tonnage of the company's 44 ocean-going vessels was 278,363 gross registered tons. The bulk of the fleet is modern, about 70 per cent of it having been built within the last nine years, and although it is valued on the company's balance sheet as of June 30, 1929, less depreciation, at $10,507,002 (not including ships under construction), its reproduction cost new, less depreciation, is considered to be much higher as evidenced by the fact that the fleet is insured for approximately $20,000,000.

The company owns in fee valuable real estate properties in Bremen, shown in the balance sheet at below actual value. The company's holdings include a block of North German Lloyd shares which were obtained from that company in exchange for "Hansa" shares.

PURPOSE OF ISSUE

The proceeds of this issue are to be used to repay presently maturing indebtedness amounting to approximately $2,750,000, for new construction and for other corporate purposes.

OPTIONAL REDEMPTION

On October 1, 1934, or on any semiannual interest date thereafter, the company may, at its option, call for redemption all or any part of the bonds then outstanding at par and accrued interest on not less than 60 days' notice by publication if a total redemption and not less than 30 days' notice if a partial redemption.

THIS ISSUE

These bonds are to be the direct obligation of the company, which covenants in the trust agreement under which they are to be issued that if, while any of the bonds are outstanding, the company or any company in which it owns directly or indirectly stock having 51 per cent of the voting power, shall create or issue or guarantee any indebtedness or obligations secured by lien or any of its property (except liens on property other than ships to secure current indebtedness or obligations incurred in the ordinary course of business) or pledge any of its property as security for any guaranty of any indebtedness, the present issue of bonds will be secured equally and ratably with such other indebtedness or obligations or such guaranty. The company may, however, acquire property, including ships, subject to existing or purchase money liens provided that the aggregate amount of such liens existing at any time shall never exceed $250,000.

FINANCIAL

Upon completion of the present financing the company's total funded and unfunded debt including the present issue will amount to $6,676,054. Included therein is a debt of $699,876 to the German Government at low rates of interest secured by mortgages on two of the company's steamships.

The obligations under the Dawes Plan, which require an annual charge of approximately $50,000, are not included in the above figure.

The balance sheet of the company does not take into account the tonnage seized by the United States Government, consisting of 18,106 gross registered tons for which claims are pending under the provisions of the settlement war claims act of 1928. The amount of the possible indemnification for such property has been estimated by the company at from $2,000,000 to $3,000,000. As and when such payment is received it is the company's intention to pay off its above-mentioned debt to the German Government.

CAPITALIZATION

The company has outstanding 32,000,000 reichsmarks fully paid common stock which at current quotations has an indicated market value of over $11,800,000. In addition the company will authorize 10,000,000 reichsmarks par value of common stock for issuance upon the exercise of stock-purchase warrants to be issued in connection with the present financing.

EARNINGS

The net earnings of the company for the past three calendar years and for the first six months of 1929, are certified by Dr. H. Hasenkamp, independent auditor, have been as follows:

Net earnings, after payments under Dawes plan, available for interest, depreciation and income taxes:

1926	$992, 134
1927	2, 221, 633
1928	2, 030, 382
1929 (6 months)	[1] 1, 008, 993

Net earnings as above for the three years ended December 31, 1928, averaged $1,748,049, equivalent to 4.3 times annual interest requirements of $406,388 on total indebtedness to be outstanding upon completion of this financing. For the first six months of 1929 such net earnings were at the rate of 4.9 times such interest requirements. The management expects that net earnings for the full year 1929 will equal or exceed net earnings for 1928.

[1] In addition the company realized a profit of $437,284 from the sale of its holdings of Neptune Steamship Co. shares.

Practically all of the company's revenues are received in sterling and therefore the company is provided with ample foreign exchange for its external commitments.

STOCK PURCHASE WARRANTS

Each bond when delivered will carry a detachable stock purchase warrant entitling the holder to purchase 2,000 reichsmarks par value of fully paid capital stock of the company at prices equal to 180 per cent of the par value if exercised on or before October 1, 1931, 200 per cent if exercised thereafter and on or before October 1, 1933, 220 per cent if exercised thereafter and on or before October 1, 1935, 230 per cent if exercised thereafter and on or before October 1, 1937, and 240 per cent if exercised thereafter and on or before October 1, 1939, payable in reichsmarks if exercised in Bremen or in United States dollars at the current cable rate of exchange in New York if exercised at the principal office of the warrant agent in New York. The company's capital stock consists of shares of 100 reichsmarks and 1,000 reichsmarks par value. The present market price of the stock is approximately 156 per cent of par value.

The warrant agreement under which the warrants are to be issued will contain approximate provisions protecting the interests of the holders of the warrants, in case of a stock dividend, and in case of the issuance of additional common stock at less than the then existing warrant price.

The range in market price of the company's stock on the Berlin Stock Exchange, dividends paid and earnings in per cent of par value, have been as follows:

Figures below in per cent of par value

	High	Low	Earned [1]	Dividend
1926	260	102	10.21	6
1927	248	187	12.30	10
1928	238	171	10.65	10
1929 (to date)	174	141	[2] 13.13	([3])

[1] Including certain nonrecurring items of $133,598 for 1927, $238,200 for 1928, and $437,234 for 1929.
[2] To June 30, 1929, on annual basis.
[3] Dividends are declared annually after close of fiscal year ending Dec. 31.

BALANCE SHEET

The balance sheet of the company as of June 30, 1929, after giving effect to the present financing, as certified by Dr. H. Hasenkamp, independent auditor, is as follows:

ASSETS		LIABILITIES	
Fleet (less depreciation)	$10,507,002	Capital stock (common)	$7,622,400
Ships under construction	1,418,471	Legal reserve	1,391,088
Office building	214,380	Insurance reserve	714,600
Furniture	1,191	Funded and unfunded debt (including this issue)	6,893,012
Repair shop	5,717	Accounts payable	1,453,409
Wharf and equipment at Hamburg	669,342	Profit and loss surplus	741,264
Investments	937,227		18,815,773
Cash	2,415,429		
Inventory	304,074		
Accounts receivable	1,742,676		
Prepaid expenses	600,264		
	18,815,773		

NOTE.—This balance sheet does not include Dawes plan debentures requiring an annual charge of approximately $50,000.

Application will be made to list these bonds on the New York Stock Exchane.

Conversions in this letter from reichsmarks to dollars have been made at mint parity of exchange, 23.82 cents per reichsmark.

Very truly yours,

"HANSA" STEAMSHIP LINE
(Deutsche Dampfschiffahrts-Gesellschaft "Hansa").
HERM. HELMS, *Manager.*
AD. STEIN, *Manager.*

$3,000,000 Hungarian Land Mortgage Institute (Magyar Földhitel Intezet) 7½ Per Cent Sinking Fund Land Mortgage Gold Bonds Series "A" Dollar Bonds

To be dated May 1, 1926. To mature May 1, 1961.

Sinking fund, operating by semiannual redemption of bonds at par beginning in 1929, to retire entire issue by maturity.

GUARANTY TRUST CO. OF NEW YORK, PAYING AGENT

The accompanying letter from Messrs. Dessewffy and Koós Zoltán, respectively, chairman and general manager of the institute, is summarized by them as follows:

GENERAL

The Hungarian land mortgage institute of Budapest is the oldest farm mortgage bank in Hungary and the leading lender of money on agricultural land mortgages. All of its activities, including the granting of loans, are under the direct supervision of the Hungarian Government. In 63 years of operation, less than one-third of 1 per cent of its mortgage loans have had to be collected by legal methods and in no such instance has it ever suffered any loss.

The institute is not a limited liability company, but is based on the unlimited and irrevocable, joint and several liability of all its members, consisting of holders of founders' shares and borrowers. The holders of founders' shares belong to prominent land-owning families in Hungary and own landed property alone having a value in excess of $100,000,000.

OPERATION

In making mortgage loans, the institute arrives at the value of the land on the basis of a governmental survey made about 40 years ago, checked when necessary by actual valuation. The valuations established in this survey are approximately 30 per cent to 40 per cent of the actual market values of to-day. Loans will not exceed on an average 50 per cent of valuations shown by the survey, and in consequence are restricted to from 15 per cent to 20 per cent of present actual market values. Moreover, the institute undertakes in addition to limit the amount of its loans to the estimated value of one average year's crop.

SECURITY

These $3,000,000 bonds are to be issued in accordance with and subject to Hungarian law. They will constitute a direct obligation of the Hungarian land mortgage institute created on the basis of:

(1) An equal amount of first land mortgages, made and repayable in dollars.

(2) A special reserve fund amounting to 5 per cent of the bonds outstanding to be invested in dollar securities approved by the trustee.

(3) The joint and several unlimited liability of the holders of founders' shares of the institute.

(4) The joint and several unlimited liability of the mortgagors under first land mortgages while such mortgages are outstanding.

Under the law of Hungary all the land mortgage bonds of the institute at any time outstanding will always be secured by first land mortgages for a corresponding amount and no bond can be issued until mortgages to a corresponding amount have been created and registered, and no creditor of the institute except holders of land mortgage bonds can have any claim against the mortgages securing the bonds until the bonds have been paid in full, as, under the law of Hungary, when the mortgage is created there must be made a special entry in the land register to the effect that such mortgage has been issued in respect of the mortgage bonds. According to Hungarian law, in the event of default in this or any other issue of land mortgage bonds of the institute, all the land mortgages and special reserve funds, held by the institute are to be pooled as security for all the issues of land mortgage bonds of the institute.

A Hungarian law passed in 1925 provides that bonds issued subsequently to January 1, 1925, must be secured by mortgages created after that date, and that no bonds of the institute outstanding prior to January 1, 1925, will have any claim upon such mortgages.

The institute agrees that the central corporation of banking companies in Budapest shall be appointed trustee to see in behalf of the bondholders that all the provisions of the law and of the bonds are duly observed and to approve the investments of the special reserve fund.

The debt of the institute outstanding on May 1, 1926, amounted to 1,011,-328,485 kronen, equivalent to $14,153, and £1,000,000 7½ per cent land mortgage bonds offered in London in January, 1926.

SINKING FUND

The institute agrees that sinking fund payments will be made sufficient to retire the whole issue by maturity.

Mortgagors are to make semiannual cumulative payments on a regular amortization schedule calculated to repay their loans by the maturity of the bonds in respect of which the mortgages were created. Such payments are to be applied as a sinking fund to the redemption of bonds at par by semiannual drawings beginning May 1, 1929.

Mortgagors have the right to repay their loans in advance of the regular schedule. Such advance payments are to be applied to the purchase of bonds at not exceeding par and accrued interest, or, if bonds are not so available, to redemption of bonds at par by semiannual drawings.

HUNGARY

Hungary, with an area of 35,900 square miles and a population of over 8,000,000, is primarily an agricultural country and has large exports of grain, flour, sugar, livestock, poultry, and meat.

An international loan for the reconstruction of Hungary was issued in the United States, Great Britian, and other countries in 1924, yielding over $50,000,000. Over half of the proceeds of the loan are still available. Notable progress has been made in reconstruction, a substantial surplus of revenue over expenditure having been shown for the fiscal year ended June 30, 1925, and a surplus also being expected for the current fiscal year.

Application will be made to list these bonds on the New York and Boston stock exchanges.

Authorized and to be issued, $3,000,000. Interest payable May 1 and November 1. Principal and interest payable in gold coin of the United States of America of or equal to the standard of weight and fineness existing on May 1, 1926, at the principal office of Guaranty Trust Co. of New York in New York City or at the option of the holder in Budapest at the offices of the Hungarian land mortgage institute (in dollar drafts on New York payable in such gold coin), without any deduction for any Hungarian taxation or public charges whatsoever, present or future,. Coupon Bonds in denomination of $1,000. Redeemable for the sinking fund, as above stated, and also redeemable at the option of the institute as a whole on any interest date at par on four week's notice. 95 and accrued interest to yield over 7.90 per cent.

When, as, and if issued and received by us and subject to approval of counsel. All legal details pertaining to this issue will be passed upon for the bankers by Messrs. Davis, Polk, Wardwell, Gardiner, and Reed of New York, and Dr. Eugene Nyari, of Budapest. It is expected that interim receipts of guaranty Trust Co. of New York will be ready for delivery on or about June 15, 1926. All conversions from Hungarian kronen to dollars, unless otherwise stated have been made at the current rate of exchange, approximately 0.0014 cent per krone.

GUARANTY CO. OF NEW YORK.
W. A. HARRIMAN & CO. (INC.).

HUNGARIAN LAND MORTGAGE INSTITUTE

(Magyar Földhitel Intezet) Incorporated by Royal Hungarian Charter

BUDAPEST, *May 21, 1926.*

GUARANTY CO. OF NEW YORK.

GENTLEMEN: With reference to the $3,000,000 7½ per cent, sinking fund land mortgage gold bonds, series "A" dollar bonds, of the Hungarian land mortgage institute, which we are creating with the consent and approval of the Royal Hungarian minister of finance, we beg to give you the following information:

HISTORY AND BUSINESS

The Hungarian land mortgage institute of Budapest, founded in 1863, is the oldest farm mortgage bank in Hungary. Since its inception, it has always been the leading lender of money on agricultural land mortgages, its business before the war representing over 50 per cent of the agricultural land mortgage bond business of Hungary. Its bonds were quoted before the war at a higher average price than that of the land bonds of any other Hungarian bank.

The institute was established under royal charter by a group of the most prominent landowners in Hungary, who, as original founders, subscribed a sum equal to 3,354,000 gold kronen as a guarantee fund. The growth of the institute's reserves from profits later allowed the return of 90 per cent of the funds so originally subscribed by the founders, the balance of 10 per cent remaining as liquid capital and bearing a nominal interest rate of 5 per cent. Beyond this 5 per cent, the institute does not pay any further dividends but all its net earnings beyond such 5 per cent are used to increase its general reserve fund.

The institute is not a limited liability company, but, established on old law articles, it is based on the unlimited and irrevocable, joint and several liability of all its members, consisting of holders of founders' shares and borrowers. While the institute has power to issue bonds secured by municipal obligations and bonds, secured by mortgages, for certain agricultural, river, and land improvement and other purposes, and in addition has the power to conduct a commercial banking business, this and other issues of land mortgage bonds issued since January 1, 1925, enjoy a special status under Hungarian law, as stated below. The founders hold 207 founders' shares, belong to prominent land-owning families in Hungary, and own in landed property alone more than 1,000,000 Hungarian acres, representing a value exceeding $100,000,000.

MANAGEMENT AND SUPERVISION

The institute's operations have been successfully conducted since its inception 63 years ago. According to its charter the institute is under the direct supervision of the Hungarian Government, which appoints a permanent commissioner to supervise all of the institute's activities, including the granting of loans.

In 63 years of the institute's operation, less than one-third of 1 per cent of its mortgage loans have had to be collected by legal methods and in no such instance has the institute ever suffered any loss.

OPERATION

In making mortgage loans the value of the land is arrived at on the basis of the cadastral value, checked when necessary by actual valuation, and on an average the amount of the loans will not exceed 50 per cent of the cadastral value. The cadastral value is that determined for taxation purposes about 40 years ago through a governmental survey, which established valuations that are approximately 30–40 per cent of the actual market value of to-day. The loans are therefore restricted to from 15–20 per cent of the actual market value to-day. Moreover, the institute undertakes, in addition, to limit the amount of its loans to the estimated value of one average yearly crop.

PRIVILEGES

Under Hungarian law the institute enjoys all the privileges granted formerly to the mortgage department of the late Austro-Hungarian Bank, viz., the late Imperial Bank, including the right to require that on notification by the institute of default by a mortgagor the law courts are bound within three days to issue authoritative decrees for the seizure of the assets and estate of defaulting debtors and the sale thereof by auction. Under a special law the book entries and accounts signed on behalf of the institute are to be considered as full legal proof.

SECURITY

The bonds will constitute a direct obligation of the Hungarian land mortgage institute created on the basis of:

(1) A like amount of first land mortgages, made in and repayable in dollars.

(2) A special reserve fund amounting to 5 per cent of the bonds outstanding to be invested in dollar securities approved by the trustee.
(3) The joint and several unlimited liability of the holders of founders' shares of the institute.
(4) The joint and several unlimited liability of the mortgagors under first land mortgages while such mortgages are outstanding.

Under the law of Hungary all the land mortgage bonds of the institute at any time outstanding will always be secured by first land mortgages for a corresponding amount and no bond can be issued until mortgages to a corresponding amount have been created and registered, and no creditor of the institute except holders of land mortgage bonds can have any claim against the mortgages securing the bonds until the bonds have been paid in full, as, under the law of Hungary, when the mortgage is created there must be made a special entry in the land register to the effect that such mortgage has been issued in respect of the mortgage bonds. According to Hungarian law, in the event of default in this or any other issue of land mortgage bonds of the institute, all the land mortgages and special reserve funds, held by the institute are to be pooled as security for all the issues of land mortgage bonds of the institute.

A Hungarian law passed in 1925 provides that bonds issued subsequently to January 1, 1925, must be secured by mortgages created after that date, and that no bonds of the institute outstanding prior to January 1, 1925, will have any claim upon such mortgages.

The mortgage deeds constituting the underlying security for the present issue of bonds will be made in United States gold dollars on first mortgage on agricultural land and the loans advanced thereon will not exceed the value of one average yearly crop, nor shall such loans exceed on an average 50 per cent of the cadastral value of such agricultural land, i. e., from $15 to $36 per Hungarian joch (approximately 1.01 acre).

As long as any part of this issue is outstanding the institute will make additional issues of its bonds only on condition:

(*a*) That the mortgage deeds against which the bond issue is to be made shall always be in the currency of the respective bond issue.
(*b*) That the amount of the loans granted per Hungarian joch shall not exceed the value of one average yearly crop, nor on an average 50 per cent of the cadastral value of the mortgaged land.
(*c*) That including this issue it will not have outstanding at any given time land mortgage bonds to a principal amount greater than the equivalent at par of exchange, of £25,000,000.

TRUSTEE

The institute agrees that the Central Corporation of Banking Companies in Budapest shall be appointed Trustee to see on behalf of the bondholders that all provisions of the law and of the bonds are duly observed and to approve the investments of the special reserve fund.

THIS ISSUE

The $3,000,000 7½ per cent sinking fund land mortgage gold bonds, series A dollar bonds are to be direct obligations of the Hungarian land mortgage institute. The bonds will be in coupon form, in denomination of $1,000, will be dated May 1, 1926, will mature May 1, 1961, and will bear interest at the rate of 7½ per cent per annum from May 1, 1926, payable semiannually on May 1 and November 1 of each year. Principal and interest will be payable in gold coin of the United States of America of or equal to the standard of weight and fineness existing on May 1, 1926, at the principal office of Guaranty Trust Co. of New York, New York City, or at the option of the holder at the principal office of the Hungarian land mortgage institute in Budapest (in dollar drafts on New York payable in such gold coin), without deduction for any taxes or public charges whatsoever now, or at any time hereafter, imposed by the Kingdom of Hungary or by any taxing authority thereof or therein. Such principal and interest will be so paid in time of war as well as in time of peace, whether the holder or owner of the bonds, or of any interest coupon pertaining thereto, is a citizen of a friendly, neutral, or hostile state, without requiring any declaration as to citizenship, nationality, or residence of such holder or owner, or as to the length of time he has been in possession of the bond, or of such interest coupon, as the case may be. The bonds are to be issued in accordance with and subject to the Hungarian law.

According to Hungarian law and the terms of the bonds, coupons 6 years past due and bonds 20 years past due are void, and the value of forfeited coupons and bonds is to be added to the reserve fund of the institute.

SINKING FUND AND REDEMPTION

The institute agrees that sinking fund payments will be made sufficient to retire the whole issue by maturity. The landowner makes to the institute semiannual cumulative amortization payments on his debt, calculated in accordance with a regular amortization schedule to redeem such debt by the date of the maturity of the bonds in respect of which the mortgages are created. All payments of principal received in accordance with the regular amortization schedule will be applied, as, and for a sinking fund in the redemption of bonds at par by half-yearly drawings, the first of which will take place on May 1, 1929, and the bonds drawn at each half-yearly drawing will be repaid on the next following November 1 or May 1, as the case may be. The landowner has the right, if he so desires, to repay his debt in advance of the regular amortization schedule. Payments of principal made in advance of the regular schedule will be applied to redemption by the purchase of bonds of this issue in the open market at prices not exceeding 100 per cent and accrued interest and if bonds are not so available, such payments will be applied to additional drawings at 100 per cent, which will be made in the same manner as the drawings in respect of the sinking fund. All bonds redeemed shall be canceled.

The distinctive numbers of all drawn bonds will be advertised in two New York newspapers four weeks prior to the date on which they become payable.

The outstanding bonds may likewise be redeemed at the option of the institute as a whole at par on any interest date. Notice of such redemption must be given by the institute four weeks before the interest date on which redemption will take place, by public advertisement in two New York newspapers.

HUNGARY

Hungary, with an area of 35,900 square miles, or about three times the size of either Belgium or Holland, has a population of over 8,000,000. Its principal industry is agriculture and the country has important exports of grain, flour, sugar, livestock, poultry, and meat.

In accordance with the plan of the League of Nations an international loan for the reconstruction of Hungary was issued in 1924 in the United States, Great Britain, and other countries, yielding over $50,000,000. Over half of the proceeds of the loan are still available. Notable progress has been made in reconstruction, the receipts from taxes greatly exceeding the estimates of the financial committee of the League of Nations. For the fiscal year ended June 30, 1925 (first year of the reconstruction period), there was a surplus of revenue over expenditure, instead of an anticipated deficit, of over $20,000,000, according to the League of Nations estimates. For the current year the Government estimates a surplus of about $5,500,000.

FINANCIAL

The debt of the institute, consisting of bond issues specifically secured in each case, outstanding on May 1, 1926, amounted to 1,011,328,485 kronen, equivalent to $14,153, and £1,000,000 7½ per cent land mortgage bonds, series A, offered in London in January, 1926, by Hambros Bank (Ltd.) and the Anglo-Austrian Bank (Ltd.). This sterling issue was quoted on May 26, 1926, at 96¼ to yield about 7.80 per cent to maturity. The reserve funds on May 1, 1926, amounted to 36,401,092,682 kronen, equivalent to $509,418.

GENERAL

The bonds are legal investments in Hungary for the Royal Hungarian Postal Savings Banks, for municipalities, corporations, and institutes controlled by the Government, for widows' and orphans' funds, and are acceptable in Hungary as security for contracts with the Government and as a legal guarantee fund to be deposited by home and foreign insurance companies.

Application will be made to list these bonds on the New York and Boston Stock Exchanges.

Yours faithfully,

HUNGARIAN LAND MORTGAGE INSTITUTE.
DESSEWFFY, *Chairman.*
KOÓS ZOLTÁN, *General Manager.*

NOTE.—All conversions of Hungarian kronen to dollars, unless otherwise stated, have been made at the current rate of exchange, approximately 0.0014 cent per krone.

$3,000,000 HUNGARIAN LAND MORTGAGE INSTITUTE (MAGYAR FÖLDHITEL INTÉZET)—7½ PER CENT SINKING FUND LAND MORTGAGE GOLD BONDS SERIES "B" DOLLAR BONDS

To be dated November 1, 1927. To mature May 1, 1961. Sinking fund, operating by semiannual redemption of bonds at par beginning in 1929, to retire entire issue by maturity. Guaranty Trust Co. of New York, paying agent.

The accompanying letter from Messrs. Dessewffy and Koós Zoltán, respectively chairman and general manager of the institute, is sumarized by them as follows:

General.—The Hungarian Land Mortgage Institute of Budapest is the oldest farm mortgage bank in Hungary and the leading lender of money on agricultural land mortgages. All of its activities, including the granting of loans, are under the direct supervision of the Hungarian Government. In 65 years of operation, less than one-third of 1 per cent of its mortgage loans have had to be collected by legal methods and in no such instance has it ever suffered any loss.

The institute is not a limited liability company, but is based on the unlimited and irrevocable, joint and several liability of all of its members, consisting of holders of founders' shares and borrowers. The holders of founders' shares belong to prominent land-owning families in Hungary and own landed property alone having a value in excess of $100,000,000.

Operation.—In making mortgage loans, the institute arrives at the value of the land on the basis of a governmental survey made about 40 years ago, checked when necessary by actual valuation. The valuations established in this survey are approximately 30 per cent to 40 per cent of the actual market values of to-day. Loans will not exceed on an average 50 per cent of valuations shown by the survey, and in consequence are restricted to from 15 per cent to 20 per cent of present actual market values. Moreover, the institute undertakes in addition to limit the amount of its loans to the estimated value of one average year's crop.

Security.—These $3,000,000 bonds are to be issued in accordance with and subject to Hungarian law. They will constitute a direct obligation of the Hungarian Land Mortgage Institute created on the basis of:

(1) An equal amount of first land mortgages, made and repayable in dollars.

(2) A special reserve fund amounting to 5 per cent of the bonds outstanding to be invested in dollar securities approved by the trustee.

(3) The joint and several unlimited liability of the holders of founders' shares of the institute.

(4) The joint and several unlimited liability of the mortgagors under first land mortgages while such mortgages are outstanding.

Under the law of Hungary all the land mortgage bonds of the institute at any time outstanding will always be secured by first land mortgages for a corresponding amount and no bond can be issued until mortgages to a corresponding amount have been created and registered, and no creditor of the institute except holders of land mortgage bonds can have any claim against the mortgages securing the bonds until the bonds have been paid in full, as, under the law of Hungary, when the mortgage is created there must be made a special entry in the land register to the effect that such mortgage has been issued in respect of the mortgage bonds. According to Hungarian law, in the event of default in this or any other issue of land mortgage bonds of the institute, all the land mortgages and special reserve funds held by the institute are to be pooled as security for all the issues of land mortgage bonds of the institute.

A Hungarian law passed in 1925 provides that bonds issued subsequently to January 1, 1925, must be secured by mortgages created after that date, and that no bonds of the institute outstanding prior to January 1, 1925, will have any claim upon such mortgages.

The institute agrees that The Central Corporation of Banking Companies in Budapest shall be appointed trustee to see on behalf of the bondholders that all the provisions of the law and of the bonds are duly observed and to approve the investments of the special reserve fund.

The debt of the institute outstanding on January 31, 1928, amounted to $10,404,621, including $3,000,000 and £1,500,000 7½ per cent land mortgage bonds, series A.

Sinking fund.—The institute agrees that sinking fund payments will be made sufficient to retire the whole issue by maturity.

Mortgagors are to make semiannual cumulative payments on a regular amortization schedule calculated to repay their loans by the maturity of the bonds in respect of which the mortgages were created. Such payments are to be applied as a sinking fund to the redemption of bonds at par by semiannual drawings beginning May 1, 1929, the first redemption to take place November 1, 1929.

Mortgagors have the right to repay their loans in advance of the regular schedule. Such advance payments are to be applied to the purchase of bonds at not exceeding par and accrued interest, or, if bonds are not so available, to redemption of bonds at par by semiannual drawings.

Hungary.—Hungary, with an area of 35,900 square miles and a population of over 8,000,000, is primarily an agricultural country and has important exports of grain, flour, sugar, livestock, poultry, and meat.

The financial control of the League of Nations was terminated on June 30, 1926, the recovery of the country having been so rapid that supervision was no longer considered necessary. In each year since 1925 ordinary revenues have exceeded ordinary expenditures and total revenues collected in the first six months of the current fiscal year amounting to about $87,537,000 were in excess of estimates by approximately $11,753,000.

Hungary has been on a gold exchange standard basis since January 1, 1927, having introduced on that date a new currency unit called the "pengö," equivalent to 17.49 cents. The Central Bank on March 15, 1928, showed a ratio of reserves to circulation and sight liabilities less State debt of 49.36 per cent.

Series A dollar bonds are listed on the New York and Boston stock exchanges, and application will be made to list these series B bonds.

Authorized and to be issued, $3,000,000. Interest payable May 1 and November 1. Principal and interest payable in gold coin of the United States of America of or equal to the standard of weight and fineness existing on November 1, 1927, at the principal office of Guaranty Trust Co. of New York in New York City or at the option of the holder at the principal office of the Hungarian Land Mortgage Institute in Budapest (in dollar drafts on New York, payable in such gold coin), without deduction for any Hungarian taxation or public charges whatsoever, present or future. Coupon bonds in denomination of $1,000. Redeemable for the sinking fund, as above stated, and also redeemable at the option of the institute as a whole on any interest date at par on 45 days' notice.

One hundred and accrued interest, to yield 7.50 per cent. When, as and if issued and received by us and subject to approval of counsel. All legal details pertaining to this issue will be passed upon for the bankers by Messrs. Davis, Polk, Wardwell, Gardiner, and Reed, of New York, and Dr. Eugene Nyari, of Budapest. It is expected that interim receipts of Guaranty Trust Co. of New York will be ready for delivery on or about April 24, 1928. All conversions from pengös and pounds sterling into dollars have been made at par of exchange.

GUARANTY CO. OF NEW YORK,
W. A. Harriman & Co. (Inc.).

HUNGARIAN LAND MORTGAGE INSTITUTE (MAGYAR FÖLDHITEL INTÉZET)—
INCORPORATED BY ROYAL HUNGARIAN CHARTER

BUDAPEST, *March 30, 1928.*

GUARANTY CO. OF NEW YORK.

GENTLEMEN: With reference to the $3,000,000 7½ per cent sinking fund land mortgage gold bonds, series B dollar bonds, of the Hungarian Land Mortgage Institute, we beg to give you the following information:

History and business.—The Hungarian Land Mortgage Institute of Budapest, founded in 1863, is the oldest farm mortgage bank in Hungary. Since its inception, it has always been the leading lender of money on agricultural land mortgages, its business before the war representing over 50 per cent of the agricultural land mortgage bond business of Hungary. Its bonds were quoted before the war at a higher average price than that of the land bonds of any other Hungarian bank.

The institute was established under royal charter by a group of the most prominent land owners in Hungary, who, as original founders, subscribed a sum equal to 3,354,000 gold kronen as a guaranty fund. The growth of the institute's reserves from profits later allowed the return of 90 per cent of the funds so originally subscribed by the founders, the balance of 10 per cent remaining as liquid capital and bearing a nominal interest rate of 5 per cent. Beyond this 5 per cent, the institute does not pay any further dividends, but all its net earnings beyond such 5 per cent are used to increase its general reserve fund.

The institute is not a limited liability company, but, established on old law articles, it is based on the unlimited and irrevocable, joint and several liability of all its members, consisting of holders of founders' shares and borrowers. While the institute has power to issue bonds secured by municipal obligations and bonds, secured by mortgages, for certain agricultural, river and land improvement and other purposes, and in addition has the power to conduct a commercial banking business, this and other issues of land mortgage bonds issued since January 1, 1925, enjoy a special status under Hungarian law, as stated below. The founders hold 200 founders' shares, belong to prominent landowning families in Hungary, and own in landed property alone more than 1,000,000 Hungarian acres, representing a value exceeding $100,000,000.

Management and supervision.—The institute's operations have been successfully conducted since its inception 65 years ago. According to its charter the institute is under the direct supervision of the Hungarian Government, which appoints a permanent commissioner to supervise all of the institute's activities, including the granting of loans.

In the 65 years of the institute's operation, less than one-third of 1 per cent of its mortgage loans have had to be collected by legal methods and in no such instance has the institute ever suffered any loss.

Operation.—In making mortgage loans the value of the land is arrived at on the basis of the cadastral value, checked when necessary by actual valuation, and on an average the amount of the loans will not exceed 50 per cent of the cadastral value. The cadastral value is that determined for taxation purposes about 40 years ago through a governmental survey, which established valuations that are approximately 30 to 40 per cent of the actual market value of to-day. The loans are therefore restricted to from 15 to 20 per cent of the actual market value to-day. Moreover, the institute undertakes in addition to limit the amount of its loans to the estimated value of one average yearly crop.

Privileges.—Under Hungarian law the institute enjoys all the privileges granted formerly to the mortgage department of the late Austro-Hungarian Bank, namely, the late note issuing bank, including the right to require that on notification by the institute of default by a mortgagor the law courts are bound within three days to issue authoritative decrees for the seizure of the assets and estate of defaulting debtors and the sale thereof by auction. Under a special law the book entries and accounts signed on behalf of the Institute are to be considered as full legal proof.

Security.—The bonds will constitute a direct obligation of the Hungarian Land Mortgage Institute created on the basis of:

(1) A like amount of first land mortgages, made in and repayable in dollars.

(2) A special reserve fund amounting to 5 per cent of the bonds outstanding to be invested in dollar securities approved by the trustee.

(3) The joint and several unlimited liability of the holders of founders' shares of the institute.

(4) The joint and several unlimited liability of the mortgagors under first land mortgages while such mortgages are outstanding.

Under the law of Hungary all the land mortgage bonds of the institute at any time outstanding will always be secured by first land mortgages for a corresponding amount and no bond can be issued until mortgages to a corresponding amount have been created and registered, and no creditor of the institute except holders of land-mortgage bonds can have any claim against the mortgages securing the bonds until the bonds have been paid in full, as, under the law of Hungary, when the mortgage is created there must be made a special entry in the land register to the effect that such mortgage has been issued in respect of the mortgage bonds. According to Hungarian law, in the event of default in this or any other issue of land mortgage bonds of the institute, all the land mortgages and special reserve funds held by the institute are to be pooled as security for all the issues of land mortgage bonds of the institute.

A Hungarian law passed in 1925 provides that bond issues subsequently to January 1, 1925, must be secured by mortgages created after that date, and that no bonds of the institute outstanding prior to January 1, 1925, will have any claim upon such mortgages.

The mortgage deeds constituting the underlying security for the present issue of bonds will be made in United States gold dollars on first mortgages on agricultural land and the loans advanced thereon will not exceed the value of one average yearly crop, nor shall such loans exceed on an average 50 per cent of the cadastral value of such agricultural land, that is, from $15 to $36 per Hungarian Joch (approximately 1.01 acre).

As long as any part of this issue is outstanding the institute will make additional issues of its bonds only on condition: (*a*) that the mortgage deeds against which the bond issue is to be made shall always be in the currency of the respective bond issue; (*b*) that the amount of the loans granted per Hungarian Joch shall not exceed the value of one average yearly crop, nor on an average 50 per cent of the cadastral value of the mortgages land; (*c*) that including this issue it will not have outstanding at any given time land mortgage bonds to a principal amount greater than the equivalent, at par of exchange, of £25,000,000.

Trustee.—The institute agrees that The Central Corporation of Banking Companies in Budapest shall be appointed trustee to see on behalf of the bondholders that all provisions of the law and of the bonds are duly observed and to approve the investments of the special reserve fund.

This issue.—The $3,000,000 7½ per cent sinking fund land mortgage gold bonds, series B dollar bonds, are to be direct obligations of the Hungarian Land Mortgage Institute. The bonds will be in coupon form, in denomination of $1,000, will be dated November 1, 1927, will mature May 1, 1961, and will bear interest at the rate of 7½ per cent per annum from November 1, 1927, payable semiannually on May 1 and November 1 of each year. Principal and interest will be payable in gold coin of the United States of America of or equal to the standard of weight and fineness existing on November 1, 1927, at the principal office of Guaranty Trust Co. of New York, New York City, or at the option of the holder at the principal office of the Hungarian Land Mortgage Institute in Budapest (in dollar drafts on New York payable in such gold coin), without deduction for any taxes or public charges whatsoever now, or at any time hereafter, imposed by the Kingdom of Hungary or by any taxing authority thereof or therein. Such principal and interest will be so paid in time of war as well as in time of peace, whether the holder of the bond, or of any interest coupon pertaining thereto, is a citizen of a friendly, neutral or hostile state, without requiring any declaration as to citizenship, nationality or residence of such holder, or as to the length of time he has been in possession of the bond, or of such interest coupon, as the case may be. The bonds are to be issued in accordance with and subject to Hungarian law.

According to Hungarian law and the terms of the bonds, coupons 6 years past due and bonds 20 years past due are void, and the value of forfeited coupons and bonds is to be added to the reserve fund of the institute.

Sinking fund and redemption.—The institute agrees that sinking fund payments will be made sufficient to retire the whole issue by maturity. The landowner makes to the institute semiannual cumulative amortization payments on his debt, calculated in accordance with a regular amortization schedule to redeem such debt by the date of the maturity of the bonds in respect of which the mortgages are created. All payments of principal received in accordance with the regular amortization schedule will be applied, as, and for a sinking fund in the redemption of bonds at par by half-yearly drawings, the first of which will take place on May 1, 1929, and the bonds drawn at each half-yearly drawing will be repaid on the next following November 1 or May 1, as the case may be. The landowner has the right, if he so desires, to repay his debt in advance of the regular amortization schedule. Payments of principal made in advance of the regular schedule will be applied to redemption by the purchase of bonds of this issue in the open market at prices not exceeding 100 per cent and accrued interest and if bonds are not so available, such payments will be applied to additional drawings at 100 per cent which will be made in the same manner as the drawings in respect of the sinking fund. All bonds redeemed shall be cancelled.

The distinctive numbers of all drawn bonds will be advertised in two New York newspapers 45 days prior to the date on which they become payable.

The outstanding bonds may likewise be redeemed at the option of the institute as a whole at par on any interest date. Notice of such redemption must be given by the institute 45 days before the interest date on which redemption will take place, by public advertisement in two New York newspapers.

Hungary.—Hungary, with an area of 35,900 square miles, or about three times the size of either Belgium or Holland, has a population of over 8,000,000. Its principal industry is agriculture and the country has important exports of grain, flour, sugar, livestock, poultry, and meat.

The financial control of the League of Nations was terminated on June 30, 1926, the recovery of the country having been so rapid that supervision was no longer considered necessary. In each year since 1925 ordinary revenues have exceeded ordinary expenditures and total revenues collected in the first six months of the current fiscal year amounting to about $87,537,000 were in excess of estimates by approximately $11,753,000.

Hungary has been on a gold exchange standard basis since January 1, 1927, having introduced on that date a new currency unit called the "pengö," equivalent to 17.49 cents. The Central Bank on March 15, 1928 showed a ratio of reserves to circulation and sight liabilities less State debt of 49.36 per cent.

Financial.—The debt of the Institute outstanding on January 31, 1928, amounted to $10,404,621, including $3,000,000 and £1,500,000 7½ per cent land mortgage bonds, series A. The reserve funds on January 31, 1928, amounted to $530,816.

General.—The bonds are legal investments in Hungary for the Royal Hungarian Postal Savings Banks, for municipalities, corporations, and institutes controlled by the Government, for widows' and orphans' funds, and are acceptable in Hungary as security for contracts with the Government and as a legal guarantee fund to be deposited by home and foreign insurance companies.

Application will be made to list these bonds on the New York and Boston stock exchanges.

Yours faithfully,

HUNGARIAN LAND MORTGAGE INSTITUTE,
DESSEWFFY, *Chairman.*
KOOS ZOLTÁN, *General Manager.*

NOTE.—All conversions from pengös and pounds sterling into dollars have been made at par of exchange.

FIVE MILLION DOLLAR NATIONAL HUNGARIAN INDUSTRIAL MORTGAGE INSTITUTE (LTD.), (ORSZÁGOS MAGYAR IPARI JELZÁLOGINTÉZET R. T.)—FIRST MORTGAGE SINKING FUND 7 PER CENT GOLD BONDS, SERIES A DOLLAR BONDS—ISSUED WITH THE CONSENT, APPROVAL, AND AUTHORITY OF THE ROYAL HUNGARIAN MINISTER OF FINANCE

To be dated November 1, 1928. To mature November 1, 1948.

Sinking Fund, operating by semi-annual redemption of Bonds at par, to retire entire issue at or before maturity.

GUARANTY TRUST CO. OF NEW YORK, PAYING AGENT

The following information has been summarized from a letter dated October 28, 1928, from Count Janos Zichy and Dr. Erno Friedman, respectively, chairman and managing director of the institute, which letter has been approved and signed by Dr. Andor de Iklody Szabo, Royal Hungarian Government Commissioner.

***Relations with Hungarian Government.*—The National Hungarian Industrial Mortgage Institute (Ltd.), has recently been founded by the Royal Hungarian Treasury and the National Union of Manufacturers for the purpose of issuing bonds secured by first mortgages of industrial enterprises.**

The Royal Hungarian Treasury has subscribed to 80 per cent of the capital stock, which consists of 10,000,000 pengös ($1,749,000); the remaining 20 per cent has been subscribed by the National Union of Manufacturers of Budapest and its industrial member unions. The Royal Hungarian Minister of Finance

has agreed to take up during the life of these bonds so much of any additional share capital which may be issued in the future as may be necessary in order that the treasury shall own at least 51 per cent of the aggregate capital stock.

The Royal Hungarian Government exercises control over the institute through its minister of finance, who has appointed a commissioner whose permanent responsibility it is to supervise the carrying on of the business of the institute.

Operation.—All issues of first mortgage bonds of the institute must be approved by the government commissioner and the trustee for the bondholders, and loans on first mortgages securing such bond issues may only be made provided, among other things, that:

(a) Tangible assets so mortgaged by industrial enterprises have a "basic value" of not less than three times the total amount of the loan.

(b) On the basis of the last ordinary closing account made up in the present gold currency of Hungary, available net profits for the preceeding fiscal year (after 1929 the average of the preceding three fiscal years) after depreciation and taxes, cover the annual interest and sink ng fund not less than three times.

(c) In lieu of (b) other appropriate full security is given for both principal and interest of the mortgage debt, to be approved by the government commissioner, by the trustee for the bondholders and by the board of directors of the institute.

Security.—These $5,000,000 bonds are to be issued in accordance with and subject to Hungarian law. They are to constitute a direct obligation of the National Hungarian Industrial Mortgage Institute (Ltd.), and are to be secured by:

(1) An equal aggregate principal amount of first mortgages on industrial enterprises, issued as specified above, made and repayable in gold currency of the United States of America.

(2) A special reserve fund amounting to 20 per cent of the principal amount of series A bonds outstanding, to be invested in dollar securities approved by the government commissioner and the trustee for the bondholders.

Provision has been made that future issues of first mortgage bonds will be secured on the same basis. In case of default all first mortgages shall constitute joint security for all issues of first mortgage bonds. The special reserve fund for each issue, however, will constitute specific security for such issue only.

The institute agrees that the Central Corporation of Banking Companies in Budapest shall be appointed trustee on behalf of the bondholders and is to approve the investments of the special reserve fund.

These bonds will be the first issue of bonds of the institute, which has no current or floating debt outstanding at the present time.

Amortization.—The institute agrees that sinking-fund payments will be made sufficient to retire the entire issue at or before maturity. Mortgagors are to make semiannual amortization payments, to be applied to the redemption of bonds at par by semiannual drawings, beginning May 1, 1929, the first redemption to take place November 1, 1929. Mortgagors have the right, and under certain circumstances may be required, to repay their debt in advance of the regular schedule.

Hungary.—Hungary is a constitutional parliamentary monarchy with a population of over 8,000,000 and although primarily an agricultural country, it has had in recent years a period of industrial development. The total industrial production which was estimated in 1925 at $339,636,000, had increased in 1927, according to recent estimates, to $469,454,000.

The financial supervision of the League of Nations, initiated in 1924, was terminated on June 30, 1926, which was considerably before the date fixed in the reconstruction program. The ordinary government accounts have shown a surplus of revenues over expenditures in each year since 1925. Hungary has been on a gold exchange standard basis since January 1, 1927.

Application will be made to list these bonds on the New York and Boston Stock Exchanges.

Series A dollar bonds authorized and presently to be issued $5,000,000. Interest payable May 1 and November 1. Principal and interest payable in gold coin of the United States of America of or equal to the standard of weight and fineness existing on November 1, 1928, at the principal office of Guaranty Trust Co. of New York, in New York City, or at the option of the holder at the office of the National Hungarian Industrial Mortgage Institute (Ltd.), in Budapest (in dollar drafts on New York payable in such gold coin), without deduction for any taxes or public charge whatsoever now or at any time hereafter imposed by the Kingdom of Hungary or by any taxing authority thereof or therein. Coupon bonds in denomination of $1,000. Redeemable as above stated, and also redeemable at the option of the institute as a whole on November 1, 1933, or on any interest date thereafter at par on six months' notice for four months' notice if for sinking fund) 93¾ and accrued interest, to yield over 7.50 per cent when, as and if issued and received by us and subject to approval of counsel. All legal details pertaining to this issued will be passed upon for the bankers by Messrs. Davis, Polk, Wardwell, Gardiner, and Reed, of New York, except as to matters of Hungarian law which will be passed upon by Dr. Eugene Nyari, of Budapest. It is expected that interim receipts of Guaranty Trust Co. of New York will be ready for delivery on or about November 30, 1928. All conversions from pengös into dollars have been made at par of exchange, 17.49 cents per pengö.

GUARANTY CO. OF NEW YORK.

NATIONAL HUNGARIAN INDUSTRIAL MORTGAGE INSTITUTE (LTD.) (ORSZÁGOS MAGYAR IPARI JELZÁLOGINTÉZET R. T.)

BUDAPEST, *October 26, 1928.*

GUARANTY COMPANY OF NEW YORK.

GENTLEMEN: With reference to the $5,000,000 first mortgage sinking fund 7 per cent gold bonds, series A dollar bonds, which we are creating with the consent, approval, and authority of the Royal Hungarian Minister of Finance given by decrees No. 107986, dated August 27, 1928, and No. 132102 of September 29, 1928, under the powers conferred by Law No. XXI of 1928 we beg to give you the following information:

History and business.—The National Hungarian Industrial Mortgage Institute (Ltd.), has been founded by the Royal Hungarian Treasury and the National Union of Manufacturers as an institution under Law XXI of the year 1928 for the purpose of issuing bonds secured by first mortgages of joint stock companies and cooperative associations carrying on industrial enterprises.

Government control and supervision.—The Royal Hungarian Treasury has subscribed to 80 per cent of the capital stock of the institute, which consists of 10,000,000 pengös ($1,749,000); the remaining 20 per cent has been subscribed by the National Union of Manufacturers (Gyáriparosok Országos Szövetsége) of Budapest and its industrial member unions. The shares of capital stock representing such 80 per cent subscribed by the treasury may not be transferred while any of the first mortgage sinking fund 7 per cent gold bonds, series A dollar bonds total issue $5,000,000 are outstanding. The Royal Hungarian Minister of Finance has agreed to take up while any of the first mortgage sinking fund 7 per cent gold bonds, series A dollar bonds total issue $5,000,000 are outstanding so much of any additional share capital which may be issued in the future as may be necessary in order that the treasury shall own at least 51 per cent of the aggregate capital stock.

The Royal Hungarian Government exercises control over the institute through its minister of finance, who has appointed a commissioner whose permanent responsibility it is to supervise the carrying on of the business of the institute in accordance with the law and articles of association, and is to control the issue of bonds, which must bear his certificate.

The trustee for the bondholders also appoints a representative who, like the government commissioner, has access to all documents and papers having reference to the institute's business, is to be present at meetings when decisions regarding loans are made, and is entitled to attend meetings of the board of directors and general meetings of the institute.

Operation.—Pursuant to the article sof association the institute has power to issue first mortgage bonds against first mortgages, existing on the properties of industrial enterprises carried on by joint stock companies or cooperative associations situated on their own mortgageable land, registered in the central register of industrial enterprises. This register (to be kept in the royal court of justice in Budapest) was recently established under Law XXI of the year 1928, and contains provisions enabling enterprises registered therein to mortgage not only their land and immovable assets, but also their plants, machinery, stocks, work in progress, book debts, and other current assets. Such mortgaging, however, shall not hinder the mortgagor in carrying on the business of the industrial enterprise and in concluding legal transactions connected with, and incidental thereto, alienating his moveable assets and pledging them in favor of third creditors.

All issues of first mortgage bonds of the institute must be approved by the government commissioner and the trustee for the bondholders, and loans on first mortgages securing such bond issues may only be made provided:

(a) Tangible assets (exclusive of good will, patents, trade-marks, etc.) so mortgaged by industrial enterprices are found to have a "basic value" by independent valuers employed by the institute of not less than three times the total amount of the loan. Such basic value is to be determined by careful computation and comparison of the book value, the going concern value, and the break-up value at forced sale of the borrowing concern.

(b) The industrial enterprise can satisfy the institute that, on the basis of the last ordinary closing account made up in the present gold currency of Hungary, available net profits, after depreciation and taxes, have been sufficient for the preceding fiscal year to cover the annual interest and sinking fund on the proposed loan not less than three times (after 1929 the average net profits of the preceding three fiscal years shall be taken as a basis).

(c) The board of directors of the institute are satisfied that there are no special reasons to anticipate that such profits will not be maintained in the future.

(d) No loan shall be granted when more than one director objects thereto.

(e) The principal amount of such mortgage loans is covered as to 100 per cent by the quick assets of the borrowing enterprise.

(f) That in lieu of (b), (c), and (e) other appropriate full security is given for both principal and interest of the mortgage debt, to be approved by the Government commissioner, by the trustee for the bondholders, and by the board of directors of the institute.

All mortgagors must maintain the conditions set forth above and are to permit the institute at any time, should the latter or the Government commissioner or the trustee for the bondholders consider it necessary, to have an independent valuation or audit made. They also are to agree to keep the properties mortgaged in first-class condition and fully insured, including insurance against "chômage" (stoppage of work).

First-mortgage bonds of the institute may only be issued against underlying first mortgages payable in the same currency as that of the bonds for which they serve as security. In connection with any issue of first-mortgage bonds there must be set aside out of the capital of the institute a special reserve fund earmarked to secure such bonds equal to 20 per cent of the principal amount of bonds issued and this fund must be invested in securities approved by the Government commissioner and the trustee for the bondholders, payable in the same currency as that of the issue of bonds in respect of which such fund has been created. As first-mortgage bonds are redeemed, the institute has the right to reduce the special reserve funds by an amount equal to 20 per cent of the principal amount of bonds redeemed, but never so as to reduce the total value of said funds to less than 20 per cent of the principal amount of the outstanding first-mortgage bonds in respect of which they were set aside. In addition to such special reserve funds the articles of association of the institute provide that at least 10 per cent of the annual net profits shall be carried to the ordinary reserve of the institute and that dividends on the share capital shall not exceed 5 per cent per annum.

The institute enjoys special privileges with respect to the enforcement of claims. Such privileges include the right to require that on notification by the institute of default by a mortgagor the law courts are bound within three days to issue authoritative decrees for the seizure of assets of defauling debtors and the sale thereof at auction, as under the law the book entries and accounts signed on behalf of the institute are to be considered as full legal proof. The law No. XXI of 1928 provides for the appointment of a receiver at the instance of the institute pending the enforcement of its claims.

Security.—These $5,000,000 bonds are to be issued in accordance with and subject to Hungarian law. They are to constitute a direct obligation of the National Hungarian Industrial Mortgage Institute (Ltd.), and are to be secured by: (1) An equal aggregate principal amount of first mortgages on industrial enterprises issued as specified above, made and repayable in gold currency of the United States of America. (2) A special reserve fund amounting to 20 per cent of the principal amount of Series A Dollar Bonds outstanding, to be invested in dollar securities approved by the government commissioner and the trustee for the bondholders.

Provision has been made that future issues of first mortgage bonds will be secured on the same basis, the first mortgages in each case to be payable and the special reserve funds to be invested in securities payable in the same currency as the corresponding issue of first mortgage bonds. In case of default all first mortgages shall constitute joint security for all issues of first-mortgage bonds. The special reserve fund for each issue, however, will constitute specific security for such issues only.

In particular cases, but only with the consent of the trustees for the bondholders, and with the further approval of the Royal Hungarian Government Commissioner the institute may permit the levy of execution by a third party creditor of any mortgagor on property covered by such mortgage in priority to the mortgage, but this right will be availed of only where its exercise is deemed to be for the benefit of the institute and of the boldhonders.

Trustee.—The institute agrees that the Central Corporation of Banking Companies in Budapest shall be appointed trustee on behalf of the bondholders to supervise the conduct of the business of the institute and to see that all of the provisions of the law, of the articles of association, and of the bonds are duly observed and to approve the investments of the special reserve fund.

This issue.—The $5,000,000 first mortgage sinking fund 7 per cent gold bonds, series A dollar bonds, are to be direct obligations of the National Hungarian Industrial Mortgage Institute (Ltd.). The bonds will be in coupon form, in denomination of $1,000, will be dated November 1, 1928, will mature November 1, 1948, and will bear interest at the rate of 7 per cent per annum from November 1, 1928, payable semiannually on May 1 and November 1 of each year. Principal and interest will be payable in gold coin of the United States of America of or equal to the standard of weight and fineness existing on November 1, 1928, at the principal office of Guaranty Trust Co. of New York, New York City, or at the option of the holder at the office of the National Hungarian Industrial Mortgage Institute, (Ltd.), in Budapest (in dollar drafts on New York payable in such gold coin), without deduction for any taxes or public charges whatsoever now or at any time hereafter imposed by the Kingdom of Hungary or by any taxing authority thereof or therein. Such principal and interest will be so paid in time of war as well as in time of peace, whether the holder of the bond, or of any interest coupon pertaining thereto, is a citizen or a subject of a friendly, neutral or hostile state, without requiring any declaration as to citizenship, nationality or residence of such holder, or as to the length of time he has been in possession of the bond or of such interest coupon, as the case may be, or as to the date on or price at which he first acquired the same.

According to Hungarian law and the terms of the bonds, coupons 6 years past due and bonds 20 years past due are void, and the value of forfeited coupons and bonds is to be added to the special reserve fund.

Amortization.—The institute agrees that sinking-fund payments will be made sufficient to retire the entire issue by maturity. The mortgagors are to make to the institute semiannual cumulative amortization payments on their debt, calculated in accordance with a regular amortization schedule to repay such loans by the maturity of the bonds in respect of which the mortgages were created. Such payments are to be applied as and for a sinking fund in the redemption of bonds at par by half-yearly drawings, the first of which will take place on May 1, 1929, and the bonds drawn at each half-yearly drawing will be repaid on the next following November 1 or May 1, as the case may be.

The mortgagors have the right, and under certain circumstances may be required, to repay their debt in advance of the regular amortization schedule. Payments of principal made voluntarily in advance of the regular schedule will be applied to redemption by the purchase of bonds of this issue in the open market at prices not exceeding par and accrued interest or if bonds are not so available (or in the case of involuntary payments), such payments will be applied by additional drawings at par, which will be made in the same manner as the drawings in respect of the sinking fund. All bonds redeemed shall be cancelled.

The distinctive numbers of all bonds drawn for sinking fund will be advertised in two newspapers in New York City at least four months prior to the date on which they become payable.

The outstanding bonds may likewise be redeemed at the option of the institute, as a whole, on November 1, 1933, or on any interest date thereafter at par. Notice of such redemption must be given by the institute at least six months before the interest date on which redemption will take place, by public advertisement in two newspapers in New York City.

Financial.—These bonds will be the first issue of bonds of the institute, which has no current or floating debt outstanding at the present time.

General.—Under Hungarian law, these bonds are legal investments in Hungary for trust money, for funds of communities, public bodies, charitable endowments, institutions subject to public control, funds of wards and minors, and for the investment of the premium reserves of home and foreign insurance companies. They may furthermore serve as personal or business surety whenever special enactments do not prescribe surety in cash.

Hungary.—Hungary is a constitutional parliamentary monarchy with a population of over 8,000,000 and comprises an area of 35,900 square miles. It is primarily an agricultural country, but has various industries of which milling, distilling, sugar refining, iron and coal mining, and textile and machine manufacture are among the most important. Hungary has had in recent years a period of industrial development. The total industrial production, which was estimated in 1925 at $339,636,000, had increased in 1927, according to recent equivalent to 17.49 cents.

The financial supervision of the League of Nations, initiated in 1924, was terminated on June 30, 1926, which was considerably before the date fixed in the reconstruction program. The ordinary government accounts have shown a surplus of revenues over expenditures in each year since 1925.

Hungary has been on a gold exchange standard basis since January 1, 1927, having introduced on that date a new currency unit called the "pengö," equivalent to 17.49 cents.

Application will be made to list these bonds on the New York and Boston Stock Exchanges.

Yours faithfully,

NATIONAL HUNGARIAN INDUSTRIAL MORTGAGE INSTITUTE (LTD.),
COUNT JANOS ZICHY,
Chairman.
PROF. DR. ERNO FRIEDMAN.
Managing Director.

Approved:

DR. ANDOR DE IKLODY SZABO,
Royal Hungarian Government Commissioner.

$10,000,000 "MONTECATINI" SOCIETÁ GENERALE PER L'INDUSTRIA MINERARIA ED AGRICOLA (ITALY) 10-YEAR SINKING FUND 7 PER CENT GOLD DEBENTURE BONDS (WITH DETACHABLE STOCK PURCHASE WARRANTS)

To be dated January 1, 1927. To mature January 1, 1937.

Cumulative sinking fund sufficient to retire at least half of the entire issue by maturity. $1,250,000 of these bonds have been withdrawn for sale in England, Sweden, Germany, Holland, and Switzerland.

GUARANTY TRUST CO. OF NEW YORK, TRUSTEE

The accompanying letter from Mr. Guido Donegani, president and managing director of the company, is summarized by him as follows:

HISTORY AND BUSINESS

The company, generally known as "Montecatini," with its affiliated companies is the largest manufacturer of chemical fertilizers and allied products in Italy and one of the largest in the world, as well as the largest producer in Italy of suphuric acid, copper sulphate, nitric acid, nitrocellulose, dynamite and gunpowder, and chemical raw materials for the artificial silk industry.

Montecatini manufactures approximately 60 per cent of the total Italian production of chemical fertilizers. Through its extensive and efficient sales organization and trade agreements with other producers in Italy and in other countries the company has a strongly predominant position in the distribution in Italy of all domestic and imported chemical fertilizers.

Ownership of mines which supply the greater part of its raw materials, favorable long-term contracts for the purchase of phosphate rock, and control of its full electrical energy requirements on advantageous terms, place the company on a sound and well integrated manufacturing basis.

PURPOSE OF ISSUE

Proceeds of issue are to be used for extensions and improvements to existing facilities, for the construction of a plant near Venice for the recovery of aluminum from bauxite and two new hydroelectric plants in connection with the proposed aluminum plant and synthetic nitrate works now under construction, and for additional working capital and general corporate purposes.

THIS ISSUE

The company agrees that, except for purchase money, mortgages, and liens, and except for pledges of materials or supplies, or accounts or bills receivable, as security for temporary loans in the usual course of current business, neither it nor its subsidiaries will mortgage or pledge any property without thereby securing these bonds ratably with the obligations secured by such mortgage or pledge. Neither the company nor any of its subsidiaries has at present any indebtedness secured by liens on materials, supplies or receivables.

Neither the company nor any of its subsidiaries has any other funded debt.

FINANCIAL

Physical properties of Montecatini and its subsidiaries, excluding less than 75 per cent owned subsidiaries and two small 100 per cent owned companies and excluding mines, according to a recent appraisal by Day & Zimmermann, (Inc.), have a cost of reproduction new, less depreciation, of more than $28,700,000. The value of the mines, according to the same appraisal, determined on the basis of earning power, is more than $9,900,000. All of the properties are free from lien. The company's investments in other companies are conservatively valued by it at $4,000,000. Current assets as of September 30, 1926, at the then current exchange rate, including the proceeds of the present issue, are conservatively estimated to be more than $34,150,000 and current liabilities less than $11,650,000. Total assets so computed are more than $76,750,000 as against current liabilities of $11,650,000 and this issue. (Current liabilities include $3.467,084 since repaid without reducing current assets and $2,998,276 accrued taxes.)

The capital stock of the company consists of 5,000,000 fully paid shares of 100 lire par value each of which 2,000,000 shares were sold within the past year at 200 lire per share, the company realizing the equivalent of more than $16,000,000. In addition the company has authorized sufficient shares, not to exceed 1.000,000, for issuance upon the exercise of stock purchase warrants to be issued in connection with the present financing. At present quoted prices the capital stock has an indicated market value of approximately $47,500,000.

EARNINGS

Net profits of Montecatini and its subsidiaries applicable to interest, converted into dollars at average prevailing rates of exchange, as audited by Price, Waterhouse & Co. but after increased charges for depreciation and depletion as determined by Day & Zimmermann, (Inc.), have been as follows:

Net profits applicable to interest, after depreciation and depletion but before income taxes

Year ended December 31:	
1922	$3, 180, 062
1923	3, 415, 812
1924	3, 423, 450
1925	3, 857, 708

Average Net Profits—last 4 years $3,469,258 or more than 4½ times total annual interest requirements upon completion of this financing.

Net profits as above for nine months ended September 30, 1926, as prepared from company statements by Price, Waterhouse & Co. to insure uniformity of computation, but not audited by them, were $4,514.465. This was at the rate of $6,019.000 per annum, or more than seven and three-fourths times interest charges.

Foregoing earnings reflect no benefits from proceeds of this issue and only limited benefits in 1926 from extensive development program started in 1924 on which over $10,000,000 has already been expended.

STOCK PURCHASE WARRANTS

Each bond when issued will carry a detachable stock purchase warrant entitling the holder to purchase 50 shares in the case of a $1,000 bond and 25 shares in the case of a $500 bond of fully paid capital stock of the company of the par value of 100 lire each at the following prices: July 1, 1927, to June 30, 1930, $11.50 per share; July 1, 1930, to June 30, $12 per share; provided, however, that the price shall not be less than 100 lire per share.

The range in market price of the company's stock on the Milan Bourse, dividend payments, and earnings per share (after increased depreciation and depletion as determined by Day & Zimmermann Inc.) in recent years have been as follows:

Year	Price range (dollar equivalent) [1]		Dividends paid	Earned per share
	Low	High		
			Per cent	*Per cent*
1922	$6.96	$8.61	15	23.27
1923	8.25	10.13	15	30.81
1924	9.60	13.46	15	24.68
1925	9.63	12.87	18	23.65
1926	7.52	10.32	(2)	[3] 27.78

[1] At the then current rate of exchange.
[2] To be determined at company's annual meeting to be held in March, 1927.
[3] Partially estimated.

The present price of the stock is 222 lire, equivalent at the current exchange rate to about $9.50.

GENERAL

About three-fourths of Italy's population is engaged directly or indirectly in agriculture. The Government is cooperating with the fertilizer industry with notably successful results to increase the use of chemical fertilizer in order to improve crop yields and thereby reduce the imports of wheat and other food products.

These bonds have been listed on the Boston Stock Exchange and it is expected that application will be made to list them on the New York Stock Exchange.

Authorized and presently to be issued, $10,000,000. Coupon bonds in denominations of $1,000 and $500. Interest payable January 1 and July 1. Principal and interest payable in New York City at the principal office of Guaranty Trust Co. of New York, or, at the option of the holder, at the office of International Acceptance Securities & Trust Co., in gold coin of the United States of America of or equal to standard of weight and fineness existing January 1, 1927, without deduction for any taxes, imposts, levies, or duties of any nature now or at any time hereafter imposed by the Kingdom of Italy or by any taxing authority thereof or therein.

Redeemable as a whole or in part at the option of the company on any interest date upon 60 days' notice at 102 per cent and accrued interest on or before January 1, 1932, and at 100 per cent and accrued interest thereafter, 96½ and interest, to yield over 7.50 per cent.

When, as, and if issued and received by us and subject to approval of counsel. All legal details to be passed on for the bankers by Messrs. Hornblower, Miller & Garrison, New York and Paris, and Avv. Roberto Pozzi, Milan, and for the company by Avv. Camillo Giussani, Milan. It is expected that interim or trust receipts of Guaranty Trust Co. of New York will be ready for delivery on or about February 9, 1927.

GUARANTY CO. OF NEW YORK, MARSHALL FIELD, GLORE, WARD & CO.
INTERNATIONAL ACCEPTANCE BANK (INC.).
BLYTH, WITTER & CO.
BANCA COMMERCIALE ITALIANA TRUST CO.

"MONTECATINI" SOCIETÀ GENERALE PER L'INDUSTRIA MINERARIA ED AGRICOLA,
Milan, Italy, January 26, 1927.

GUARANTY CO. OF NEW YORK, MARSHALL FIELD, GLORE, WARD & CO.

DEAR SIRS: In connection with the issue of $10,000,000 10-year sinking fund 7 per cent gold debenture bonds of "Montecatini" Società Generale per l'Industria Mineraria ed Agricola, I take great pleasure in giving you the following information:

HISTORY AND BUSINESS

The company, generally known as Montecatini, with its affiliated companies is the largest manufacturer of chemical fertilizers and allied products in Italy and one of the largest in the world. Founded in 1888 it has grown, through natural development and through acquisition of other companies, from a small mining concern supplying raw materials to fertilizer manufacturers to be itself the predominant factor in the fertilizer industry in Italy.

Directly or through affiliated companies Montecatini is also the largest producer in Italy of sulphuric acid, copper sulphate, nitric acid, nitrocellulose, dynamite and gunpowder, and chemical raw materials for the artificial silk industry; is an important factor in the mining and refining of sulphur, manufactures an extensive line of chemical and pharmaceutical supplies, and practically controls the glue and glue products business in Italy.

The importance of the company and its affiliations in the industry is indicated by the following table of production and sales of principal items in 1926:

[In metric tons; 1 metric ton equals 1.102 tons avoirdupois]

	Montecatini production	Total Italian production	Montecatini sales	Total Italian consumption
Iron pyrites	415,000	580,000	[1] 400,000	[1] 580,000
Sulphur	72,500	280,000	72,000	170,000
Sulphuric acid	688,000	1,150,000	[2] 73,000	1,150,000
Superphosphates	935,000	1,550,000	940,000	1,650,000
Copper sulphate	68,000	100,000	67,500	95,000
Calciocyanamide	10,700	52,500	74,800	85,000
Sulphate of ammonia	35,500	57,500	42,300	65,000
Nitrate of ammonia	5,200	5,200	5,200	5,300
Nitrate of soda	....	....	11,700	48,000

[1] Including 217,000 tons used by Montecatini group.
[2] Balance of Montecatini production used in manufacture of superphosphates.

The company has an extensive and efficiently operated sales organization and has entered into trade agreements with other producers in Italy and in other countries as a result of which it has a strongly predominant position in the distribution in Italy of all domestic and imported chemical fertilizers.

A program for the development of synthetic nitrate production which was started two years ago is rapidly nearing completion and will enable the company to supply all of the nitrate fertilizers now being imported and should result in substantially increased earnings.

In addition to mines, manufacturing plants, marble quarries, etc., the company owns or controls hydroelectric plants with a total capacity, including secondary power, of more than 50,000 kilowatts. It also has favorable long-term contracts for the purchase of more than 500,000,000 kilowatt-hours per annum. Including purchased power and the output of its own existing or nearly completed plants, the company will have available 1,000,000,000 kilowatt-hours per annum, which will supply on advantageous terms all the electrical energy required for its electrochemical processes. This, together with ownership of mines supplying most of its raw material requirements, and favorable long-term contracts for the purchase of phosphate rock, places the company on a sound and well-integrated manufacturing basis.

The company also owns a fleet of four steamers and various lighter craft with a total deadweight tonnage of 16,400 tons for the transportation of raw materials, and 7,385 acres of agricultural lands used largely for experimental and demonstration purposes. Including affiliated corporations, Montecatini has more than 16,000 employees.

The properties of the company and its subsidiaries are well distributed throughout Italy, with some in Sicily and Sardinia, and, in the opinion of American engineers, are well constructed, adequately maintained, and efficiently operated.

Purpose of issue.—The proceeds of the present issue are to be used for extensions and improvements to existing facilities and the construction of a plant near Venice for the recovery of aluminum from bauxite and two new hydroelectric plants with a capacity of 35,200 kilowatts in connection with the proposed aluminum plant and synthetic nitrate works now under construction, and for additional working capital and general corporate purposes. These additions and improvements are expected to result in substantially increased earnings.

This issue.—The bonds of the present issue are to be the direct obligations of the company, which will covenant that, except in the case of purchase money mortgages and liens, and except in case of pledges of materials or supplies, or accounts or bills receivable, as security for temporary loans in the usual course of current business for terms not exceeding one year, neither it nor its subsidiaries will mortgage or pledge any of its or their property without thereby securing these bonds ratably with the obligations secured by such mortgage or pledge. Neither the company nor any of its subsidiaries has at present any indebtedness secured by liens on materials, supplies, or receivables.

Neither the company nor any of its subsidiaries has any other funded debt.

The bonds were authorized by the stockholders at the extraordinary meeting of stockholders on January 12, 1927.

Sinking fund.—The company agrees to establish a cumulative sinking fund, payable semiannually, sufficient to retire at least half of the entire issue by maturity. The company shall have the right to make sinking fund payments in bonds at par in lieu of cash. To the extent that sinking fund installments shall not be paid in bonds, available moneys are to be applied to the purchase of bonds, if obtainable, at not exceeding 102 per cent and accrued interest up to and including January 1, 1932, and at not exceeding 100 per cent and accrued interest thereafter, or if not so obtainable, to the redemption of bonds, to be called by lot, at the then current redemption price and accrued interest.

Financial.—The physical properties of Montecatini and its subsidiaries, excluding less than 75 per cent owned subsidiaries and two small 100 per cent owned companies and excluding mines, according to a recent appraisal by Day & Zimmermann (Inc.), have a cost of reproduction new, less depreciation, of more than $28,700,000. The value of the mines, according to the same appraisal, determined on the basis of earning power, is more than $9,900,000. All of the properties are free from lien. The company's investments in other companies are conservatively valued by it at $4,000,000. Current assets as of September 30, 1926, at the then current exchange rate, including the proceeds of the present issue, are conservatively estimated to be more than $34,150,000 and current liabilities less than $11,650,000. Total assets so computed are more than $76,750,000, as against current liabilities of $11,650,000 and this issue. (Current liabilities include $3,467,084, since repaid without reducing current assets, and $2,998,276 accrued taxes.

The capital stock of the company consists of 5,000,000 fully paid shares of 100 lire par value each of which 2,000,000 shares were sold within the past year at 200 lire par share, the company realizing the equivalent of more than $16,000,000. In addition the company has authorized sufficient shares, not to exceed 1,000,000, for issuance upon the exercise of stock purchase warrants to be issued in connection with the present financing. At present quoted prices the capital stock has an indicated market value of approximately $47,500,000.

Earnings.—Net profits of Montecatini and subsidiaries applicable to interest during the past four years, converted into dollars at average prevailing rates of exchange, as audited by Price, Waterhouse & Co. but after allowing for increased charges for depreciation and depletion as determined by Day & Zimmermann (Inc.), have been as follows:

Net profits applicable to interest, after depreciation and depletion but before income taxes

Year ended Dec. 31:	
1922	$3,180,062
1923	3,415,812
1924	3,423,450
1925	3,857,708

Net profits applicable to interest, as shown above, averaged over $3,469,258 per annum. This is equivalent to more than four and one-half times total annual interest requirements upon completion of this financing. For the year ended December 31, 1925, such profits were more than 5 times such interest charges.

Net profits as above for nine months ended September 30, 1926, as prepared from company statements by Price, Waterhouse & Co. to insure uniformity of computation, but not audited by them, were $4,514,465. This was at the rate of $6,019,000 per annum, or more than seven and three-fourths times interest charges.

The foregoing earnings do not, of course, reflect any benefits from the proceeds of this issue, nor do they reflect prior to 1926 and only to a limited extent in that year, the results of Montecatini's large development program started in 1924 since which time over $10,000,000 has already been expended.

Stock purchase warrants.—Each bond when issued will carry a detachable stock purchase warrant entitling the holder to purchase 50 shares in the case of a $1,000 bond and 25 shares in the case of a $500 bond of fully paid capital stock of the company of the par value of 100 lire each at the following prices: July 1, 1927, to June 30, 1930, $11.50 per share; July 1, 1930, to June 30, 1932, $12 per share; provided, however, that the price shall not be less than 100 lire per share.

Warrants may be exercised and the required payments made at the principal office of Guaranty Trust Co. of New York, New York City, or, at the option of the holder, at the office of Banca Commerciale Italiana, Milan, Italy, whereupon the company will cause to be delivered the appropriate number of share certificates. The company will covenant to protect the interests of the holders of the warrants in case of a change in the par value of the stock, in case of the issuance of additional shares of stock as a stock dividend, and in case of the issuance of additional shares for a consideration of cash or property less than the above prices.

The range in market price of the company's stock on the Milan Bourse, dividend payments and earnings per share (after increased depreciation and depletion as determined by Day & Zimmermann, (Inc.), in recent years have been as follows:

Year	Price range, dollar equivalent [1]		Dividends paid	Earned per share
	Low	High		
			Per cent	Per cent
1922	$6.96	$8.61	15	23.27
1923	8.25	10.13	15	30.81
1924	9.60	13.46	15	24.68
1925	9.63	12.87	18	23.65
1926	7.52	10.32	([2])	[3] 27.78

[1] At the then current rate of exchange; lira quotations were as follows: 1922, low 130, high 172; 1923, low 171, high 234; 1924, low 221, high 303; 1925, low 241, high 314; 1926, low 167, high 257.
[2] To be determined at company's annual meeting to be held in March, 1927.
[3] Partially estimated.

Dividends have been paid in each year since 1910, the dollar equivalent having been not less than $0.63 per share (in 1921) and averaging $0.99 per share. The latest dividend was equivalent to $0.72 per share at the then current rate of exchange.

The present price of the stock is 222 lire, equivalent at the current exchange rate to about $9.50.

General.—Montecatini is an enterprise of national scope and of great importance in the economic life of Italy.

Italy is primarily an agricultural country, about three-fourths of its population being engaged directly or indirectly in the raising of food products from the soil. The Government is cooperating with the fertilizer industry with notably successful results in a nation-wide campaign to encourage the increased use of chemical fertilizer in order to improve crop yields and thereby reduce the imports of wheat and other food products.

These bonds have been listed on the Boston stock exchange and it is expected that application will be made to list them on the New York stock exchange.

Very truly yours,

GUIDO DONEGANI,
President and Managing Director.

$15,000,000 TOHO ELECTRIC POWER COMPANY, LIMITED (TOHO DENRYOKU KABUSHIKI KAISHA). FIRST MORTGAGE (KANSAI DIVISION) SINKING FUND 7 PER CENT GOLD BONDS SERIES A

Dated March 15, 1925. Due March 15, 1955.

SINKING FUND TO BE PROVIDED SUFFICIENT TO RETIRE ALL SERIES A BONDS BY MATURITY

Sinking fund to retire at least $125,000 par value of bonds each six months prior to March 15, 1930, by purchase in the open market or by call by lot at par and interest; on September 15, 1930. and each succeeding interest date thereafter, the sinking fund is to retire one-fiftieth of the bonds outstanding as of March 15, 1930, through call by lot at 100 per cent and interest. Mitsui Bank (Ltd.), Tokyo, trustee, Guaranty Trust Co. of New York, fiscal agent.

Mr. Y. Matsunaga, vice president of the company, has summarized his accompanying letter to us as follows:

BUSINESS AND TERRITORY

Toho Electric Power Co. (Ltd.), directly or through subsidiaries, supplies practically without competition electric light and power to over 4,000,000 people in a territory of approximately 4,000 square miles. It is the second largest retail distributor of electric energy in Japan.

Operations of predecessor companies began as early as 1889. Since that date the number of power and lighting customers has consistently increased to its present total of approximately 900,000.

The company operates mainly in two distinct areas, the Kansai manufacturing district in and around Nagoya, Gifu, Nara, and Toyohashi in central Japan and the industrially important Kyushu district in and around Fukuoka and Nagasaki in southern Japan. These districts constitute two of the most important commercial and industrial sections of Japan.

PROPERTY

The company's generating stations have a total capacity of 147,563 kilowatts, including the Nagoya steam plant, under construction, with an initial 35,000,-kilowatt turbine (the largest in Japan). The ultimate capacity of the Nagoya plant will be 105,000 kilowatts. The company also controls an additional 79,250 kilowatts under favorable contracts, principally with closely affiliated companies. Other property owned or under construction includes substations with 294,352-kilovolt-ampere capacity, over 8,200 miles of transmission and distribution lines, and valuable water-power sites.

The depreciated value of the physical properties alone, including the new Nagoya plant, is estimated by independent engineers to exceed $47,000,000. This does not include investments in other public-utility companies of an indicated market value of approximately $17,900,000.

SECURITY

These bonds are to be the direct obligation of the company and in addition are to be specifically secured by a first-mortgage lien, supplemented by assignments, covering all of the company's property in the Kansai division. By subsequent registration, hereafter acquired property in the Kansai division is to be included under the mortgage.

The present depreciated value of the property to be mortgaged has been conservatively estimated by independent engineers to be in excess of $30,000,000, or more than twice the amount of these bonds.

The properties to be mortgaged, including those under construction, will include generating stations with an installed capacity of 78,813 kilowatts.

substations with a total capacity of 210,392 kilovolt amperes and approximately 4,735 miles of transmission and distribution lines, constituting a complete operating system serving more than 556,000 customers in the important manufacturing district in and around Negoya.

Additional bonds under the indenture shall not be issued for more than 50 per cent of the cost or appraisal value, whichever is lower, of permanent improvements or additions to the mortgaged property; and then only when net earnings, after maintenance but before depreciation, available for interest are three times annual interest requirements, all as set forth in the indenture.

PURPOSE OF ISSUE

The proceeds of these bonds are to be used for the retirement of all outstanding bills payable, for the completion of the Nagoya plant, and for the purchase and installation of other new plant and equipment.

Earnings

[Of all properties now constituting the system]

12 months ended Oct. 31	Gross operating earnings	Operating expenses, maintenance, taxes, and depreciation	Gross income (including other income) available for interest
1921 [1]	$9,223,695	$6,745,059	$4,958,725
1922 [2]	10,375,384	6,970,067	5,455,439
1923	13,267,779	8,577,003	6,376,850
1924	14,654,383	9,645,512	7,174,839

[1] 12 months ended Nov. 30.
[2] 11 months ended Oct. 31.

The above figures for 1921 and 1922 have been taken from the company's books and have been approved by the shareholders. The 1923 and 1924 figures shown above have been audited by Messrs. Harold Bell, Taylor & Co., chartered accountants.

(Conversions of earnings and interest charges from Japanese to United States currency have been made conservatively at the rate of 38½ cents per yen, and from British to United States currency at the rate of $4.75 per pound sterling.)

For the 12 months ended October 31, 1924, net operating earnings of the mortgaged properties alone, after charging them with their proportionate share of overhead, amounted to more than two and six tenths times the maximum annual interest requirements on this issue.

Annual interest charges on total funded debt to be outstanding upon completion of present financing amount to $2,444,110. For the 12 months ended October 31, 1924, the $7,174,839 available for interest amounted to approximately three times such charges.

CAPITALIZATION

(To be outstanding upon completion of present financing)

First mortgage bonds (this issue)	$15,000,000
5 per cent sterling loan, due 1945 [1]	1,460,000
Unsecured debentures [2]	22,100,000
Paid-up capital stock [3]	51,102,112

DIVIDENDS

Under Japanese law total funded debt may not exceed the amount of paid-up capital stock.

Dividends are now being paid at the rate of 12 per cent per annum, and have been paid at the rate of not less than 8 per cent per annum on stock of this company and all important constituent companies from time to time outstand-

[1] To be secured by pledge of certain investments in affiliated companies and issued in London with the guarantee of the British Government under the provisions of its Trade Facilities Act.
[2] Various maturities 1926–1929.
[3] An additional $18,808,488 authorized capital stock has been subscribed for and is subject to the company's call.

ing during the past 10 years. More than 20,000 stockholders own the outstanding capital stock, which at present quotations has an indicated market value in excess of $49,000,000, using exchange at the rate of 38½ cents per yen.

Except as noted, all conversions from Japanese to United States currency have been made for convenience at 50 cents per yen (parity, 49.85 cents per yen) and conversions from British to United States currency have been made for convenience at 50 cents per yen (parity, 49.85 cents per yen) and conversions from British to United States currency have been made at parity, $4.8665 per pound sterling. It is expected that application will be made to list these bonds on the New York Stock Exchange.

To be authorized, $30,000,000. To be issued now, $15,000,000. Principal and interest (September 15 and March 15), payable in New York at the office of Guaranty Trust Co. of New York, fiscal agent, in United States gold coin of the standard of weight and fineness existing on March 15, 1925 (or, at the option of the holder, in London in sterling at $4.8665 to the pound sterling), without deduction for any Japanese taxes when held by other than residents of Japan. Coupon bonds in denominations of $1,000 and $500. Callable as a whole or in part on any interest date after 60 days' notice at 100 per cent and interest. Ninety and one-half and interest, to yield over 7.80 per cent.

These bonds are offered for delivery when, as, and if, issued and received by us, subject to approval of all legal proceedings by American and Japanese counsel. It is expected that interim receipts of the Guaranty Trust Co. of New York will be ready for delivery on or about March 25, 1925. All legal matters pertaining to this issue will be passed upon for the bankers by Messrs. Davis, Polk, Wardwell, Gardiner, and Reed, of New York, and by Dr. S. Kishi of Tokyo, and for the company by Dr. T. Aoki and by Messrs. McIvor, Kauffman, Smith, and Yamamoto, of Tokyo.

GUARANTY CO. OF NEW YORK.

TOHO ELECTRIC POWER CO. (LTD.).
(TOHO DENRYOKU KABUSHIKI KAISHA)
Tokyo, Japan, March 6, 1925.

(TOHO DENRYOKU KABUSHIKI KAISHA)

GUARANTY CO. OF NEW YORK.

GENTLEMEN: With reference to the authorization of $30,000,000 and the present issue of $15,000,000 first mortgage (Kansai division) sinking fund 7 per cent gold bonds, series A, of Toho Electric Power Co. (Ltd.), I take pleasure in giving you the following information:

BUSINESS AND TERRITORY

Toho Electric Power Co. (Ltd.), incorporated in June, 1922, represents a consolidation of numerous predecessor companies which for many years had been primarily engaged in the distribution of electric light and power. Operations of predecessor companies began as early as 1889.

It is, next to the Tokyo Electric Light Co. (Ltd.), the largest retail distributor of electric energy in Japan. Directly or through subsidiaries, it supplies practically without competition electric light and power to over 4,000,000 people in a territory of approximately 4,000 square miles.

The company operates mainly in two distinct areas, the Kansai manufacturing district in and around Nagoya, Gifu, Nara, and Toyohashi in central Japan and the industrially important Kyushu district in and around Fukuoka and Nagasaki in southern Japan. These districts constitute two of the most important commercial and industrial sections of Japan.

Electric lighting is used for street illumination and is to be found in practically all city residences and in cottages in outlying sections. The use of electric appliances, especially for heating, cooking and fans, has shown much growth, and this business is still in its infancy. The largest use of electricity, however, is to furnish power for the growing and diversified manufacturing enterprises, such as cotton spinning mills, porcelain and china factories, ice factories, clock and watch factories, cement mills, steel mills, shipyards, machine shops, and electric railways.

PROPERTY

The company generates and purchases power for distribution. The generating stations have a total capacity of 147,563 kilowatts including the Nagoya steam plant, under construction, with an initial 35,000 kilowatt turbine (the largest in Japan). The ultimate capacity of the Nagoya plant will be 105,000 kilowatts. The company also controls an additional 79,250 kilowatts under favorable contracts, principally with closely affiliated companies. Other property owned or under construction includes substations with a total capacity of 294,352 kilovolt amperes and over 8,200 miles of transmission and distribution lines, all of which have been maintained in first class operating condition, as well as many valuable water-power sites principally on the Tenryu River which the company plans to develop. As is usual with Japanese electric distributing companies, the company also often owns the fixtures and appliances used by its customers, in somewhat the same way as telephones are owned by the telephone companies in the United States.

The present depreciated value of the physical properties of the company, exclusive of all overhead costs, intangible and water rights but including the new Nagoya station, has been estimated by independent engineers to exceed $47,000,000.

In addition the company has investments in 17 other utility companies, many of which are operated under the supervision of the Toho company, of an indicated market value of approximately $17,900,000. These affiliated companies include 8 electric generating and distributing companies, 3 street railway companies, 4 electric apparatus manufacturing companies, 1 gas and electric company, and 1 artificial gas company, the Toho Gas Co. which represents the largest single investment and which is a modern and successful coal-gas property through which the Toho Electric Power Co. (Ltd.), controls the entire gas business in Nagoya. Another substantial investment consists of stock of the Great Consolidated Electric Power Co. (Daido). It is expected that some of these affiliated companies will eventually become integral parts of the Toho system.

GROWTH

Since October 31, 1920, the number of lighting customers of companies now constituting the Toho system has increased from 625,533 to 877,871, an increase of 42 per cent and the number ot power customers has increased from 8,525 to 21,543, an increase of 150 per cent. Similarly the output for lighting has increased from 84,293,217 kilowatt-hours to 163,970,120 kilowatt-hours and for power from 216,006,924 kilowatt-hours to 457,024,646 kilowatt-hours, or 95 and 110 per cent, respectively.

The peak load demand on the Toho system for the past 6 years has increased at an average rate of about 15 per cent per annum, and in order to meet this expansion the company has steadily enlarged and extended its facilities for electric service. Believing that this demand will continue to increase, a comprehensive study of the power requirements through 1932 has been made, which indicates an increase in peak load from 154,000 kilowatts in 1924 to more than 420,000 kilowatts in 1932. In consequence the company plans further to increase its generating capacity from 147,563 to 336,000 kilowatts and its purchased power from 79,250 to 185,000 kilowatts. This purchased power will be obtained under favorable long-term contracts with other electric companies. The contract with the Great Consolidated Electric Power Co. (Ltd.) (Daido), the largest of such companies, provides that Toho Electric Power Co. (Ltd.), is entitled to receive power in preference to all other companies operating in its territory until 1948, and is subject to renewal thereafter.

SECURITY

These bonds are to be the direct obligation of the company and in addition are to be specifically secured by a first-mortgage lien, supplemented by assignments, and covering all of the company's property in the Kansai division. By subsequent registration, all hereafter acquired property in the Kansai division is to be included under the mortgage. Under Japanese law the trustee has power independently of the company to make such registrations.

The present depreciated value of the physical property to be mortgaged has been conservatively estimated by independent engineers, to be in excess of $30,000,000, or more than twice the amount of these bonds.

The properties to be mortgaged constitute over 60 per cent of the total physical assets of the company and will include generating stations with an installed capacity of 78,813 kilowatts, substations with a total capacity of 210,392 kilovolt-amperes and approximately 4,735 miles of transmission and distribution lines. They constitute a complete operating system serving more than 556,000 customers in the important Kansai manufacturing district centering around the important and growing city of Nagoya.

The Imperial Japanese Government has consented to the mortgaging of these properties to secure these bonds and has given formal assurance that if properties are purchased by the Imperial Government or by municipalities, the rights of bondholders will be safeguarded.

Concessions for water rights and licenses for the generation and sale of power in Japan are granted under the authority of the Imperial Government which has general supervisory power over such companies and reserves the inherent sovereign right to extend or revoke such grants under certain conditions. All important franchises of the company extend beyond the maturity of these series A bonds. Franchises, licenses, water rights, and power contracts can not be mortgaged in Japan, but the company will deposit with the trustee, as further security, assignments of all its property of this character pertaining to the Kansai division.

ISSUANCE OF ADDITIONAL BONDS

The indenture under which the first-mortgage (Kansai division) gold bonds are to be issued limits the aggregate amount of bonds at any time outstanding, which may be issued thereunder, to $30,000,000. Additional bonds shall mature at a date or dates later than the present issue but may have such rate of interest, sinking fund, and other provisions as the company may determine, and may be issued only for not more than 50 per cent of the cost or appraised value, whichever is lower, of permanent improvements or additions to the mortgaged property. No additional bonds may be issued under the indenture unless net earnings, after maintenance but before depreciation, available for interest, as defined in the indenture, for 12 consecutive calendar months out of the 15 immediately preceding, have equaled at least three times the annual interest requirements of all the outstanding funded debt of the company, including the bonds proposed to be issued.

The company will covenant that, so long as any of these bonds remain outstanding, none of its other physical properties now owned or hereafter acquired will be mortgaged to an amount exceeding 50 per cent of their fair value, as defined in the indenture; and it will also covenant not to create debts of any character having a maturity of more than three years unless net earnings, after maintenance but before depreciation, available for payment of interest, as defined in the indenture, for 12 consecutive months out of the next preceding 15, shall have equalled at least twice the annual interest requirements on its total funded debt including the obligations proposed to be issued.

PURPOSE OF ISSUE

The proceeds of these bonds are to be used for the retirement of all outstanding bills payable, for the completion of the Nagoya plant and for the purchase and installation of other new plant and equipment.

Earnings of all properties now constituting the system

12 months ended Oct. 31	Gross operating earnings	Operating expenses, maintenance, taxes and depreciation	Gross income (including other income) available for interest
1921[1]	$9,223,695	$6,745,059	$4,958,725
1922[2]	10,375,384	6,970,067	5,455,439
1923	13,267,779	8,577,003	6,376,850
1924	14,654,383	9,645,512	7,174,839

[1] 12 months ended No. 30.
[2] 11 months ended Oct. 31.

The above figures for 1921 and 1922 have been taken from the company's books and have been approved by the shareholders. The 1923 and 1924 figures shown above have been audited by Messrs. Harold Bell, Taylor & Co., chartered accountants.
(Conversions of earnings and interest charges from Japanese to United States currency have been made conservatively at the rate of 38½ cents per yen, and from British to United States currency at the rate of $4.75 per pound sterling.)

For the 12 months ended October 31, 1924, net operating earnings of the mortgaged properties alone, after charging them with their proportionate share of overhead, amounted to more than 2.6 times the maximum annual interest requirements on this issue.

Annual interest charges on total funded debt to be outstanding upon completion of present financing amount to $2,444,110. For the 12 months ended October 31, 1924, the $7,174,839 available for interest amounted to approximately three times such charges.

Approximately 45 per cent of gross revenues are derived from electric light, 35 per cent from electric power, 7 per cent from miscellaneous and 13 per cent from interest and dividends on securities owned.

Capitalization

[To be outstanding upon completion of present financing]

	Authorized	Outstanding
First mortgage bonds (this issue)	$30,000,000	$15,000,000
6 per cent sterling loan, due 1945 (to be secured by pledge of certain investments in affiliated companies and issued in London with the guaranty of the British Government under the provisions of its trade facilities act)	1,460,000	1,460,000
Unsecured debentures maturing 1926-1929	(1)	22,100,000
Capital stock (shares of $25 par value)	[2] 69,910,600	51,102,112

[1] Under Japanese law total funded debt may not exceed the amount of paid-up capital stock.
[2] Of the $69,910,600 authorized capital stock $51,102,112 has actually been paid up. The remaining amount has been subscribed for and is subject to the company's call.

(Except as noted, all conversions from Japanese to United States currency have been made for convenience at the rate of 50 cents per yen, parity being 49.85 cents per yen and conversions of pounds sterling into dollars have been made at parity of exchange, $4.8665 per pound sterling).

DIVIDENDS

Dividends are now being paid at the rate of 12 per cent per annum, and have been paid at the rate of not less than 8 per cent per annum on stock of this company and all important constituent companies from time to time outstanding during the past 10 years. More than 20,000 stockholders own the outstanding capital stock, which at present quotations has an indicated market value in excess of $49,000,000, using exchange at the rate of 38½ cents per yen.

SINKING FUND

The company agrees to the establishment of a sinking fund, the due operation of which will retire the entire $15,000,000 of these bonds by maturity. The sinking fund is to retire at least $125,000 par value of bonds each six months prior to March 15, 1930, by purchase in the open market or by call by lot at par and interest; on September 15, 1930, and each succeeding interest date thereafter, the sinking fund is to retire one-fiftieth of the bonds outstanding as of March 15, 1930, through call by lot at 100 per cent and interest.

MANAGEMENT

The directorate of the Toho Electric Power Co. (Ltd.) is composed of prominent and successful business men, most of whom are residents of the territory served. The operation of the property is in the hands of skilled engineers, many of whom received their technical training in the United States and are familiar with the most modern practices of public utility operation.

GENERAL

The use of electricity in Japan has been developed to a remarkable extent. There is probably a greater proportion of houses of all kinds illuminated electrically than is the case in any other country in the world. In the number of homes wired for electricity, Japan is said to be second only to the United States. The use of electric energy for industrial purposes is also extending rapidly, and practically all large factories and works are now electrically driven. Furthermore, the Government is giving careful study to the electrification of railroads, and the electric companies are making plans to meet these requirements.

As the future economic life of Japan is so thoroughly dependent upon the generation of cheap electrical power, the Government has given much encouragement to its development. In this matter the Toho Electric Power Co. (Ltd.), and its affiliated companies, expect to play an increasingly important part by developing the valuable water power sites which they now hold by concession of the Imperial Japanese Government.

Very truly yours,

Y. MATSUNAGA, *Vice President.*

TEN MILLION DOLLAR TOHO ELECTRIC POWER CO. (LTD.) (TOHO DENRYOKU KABUSHIKI KAISHA) 3-YEAR 6 PER CENT GOLD NOTES

To be dated July 15, 1926. To mature July 15, 1929. Guaranty Trust Co. of New York, trustee.

Mr. Y. Matsunaga, vice president of the company, has summarized his accompanying letter to us as follows:

Business and territory.—Toho Electric Power Co. (Ltd.), directly or indirectly, supplies practically without competition electric light and power to over 5,500,000 people in a territory of approximately 4,000 square miles. It is the second largest retail distributor of electric energy in Japan.

The company operates mainly in two distinct areas, the Kansai manufacturing district in and around Nagoya, Gifu, Nara, and Toyohashi in central Japan and the industrially important Kyushu district in and around Shimonoseki, Fukuoka, and Nagasaki in southern Japan.

Property.—The company now has in operation or under construction electric generating stations having a total capacity of 189,593 kilowatts, including the new Nagoya steam plant, in which a second 35,000-kilowatt unit is now being installed. The company also controls an additional 108,500 kilowatts under favorable contracts with nine neighboring hydroelectric companies and one farmers' association. Other property now owned or under construction includes substations with 501,020 kilovolt-amperes transformer capacity, more than 9,200 route-miles of transmission and distribution lines and valuable undeveloped water-power sites.

Purpose of issue.—Unpaid installments of $9,404,244 on the company's subscribed capital stock are to be called for payment to be made on or before December 31, 1926. The proceeds of this payment on stock and of these notes are to be used to pay the entire existing bank indebtedness of the company and approximately $9,887,500 of its funded debt (maturing or to be retired by sinking funds during 1926 and 1927), for the construction and acquisition of additional property, and for other corporate purposes.

Capitalization.—(Giving effect to this issue and the $9,404,244 call on capital).

Paid up capital stock [1]	$60,506,356
Debentures issued in Japan (maturing 1929–1936)	10,937,500
3-year 6 per cent gold notes due 1929 (this issue)	10,000,000
5 per cent sterling debentures due 1945 guaranteed by British treasury under trade facilities act	1,459,950
First mortgage (Kansai division) 7 per cent bonds due 1955	14,375,000
Total capitalization	97,278,806

The company also has outstanding indorsements on behalf of allied companies amounting to $2,420,000.

Of the foregoing capitalization, paid-up capital stock will comprise more than 60 per cent and funded debt less than 40 per cent. Of the latter considerably less than half is secured. The secured issues are the 5 per cent sterling debentures (under which are pledged certain stock investments) and the first mortgage (Kansai division) 7 per cent bonds, which have a lien on the company's fixed property in the Kansai division. Additional amounts of bonds may be issued under this mortgage for not more than 50 per cent of permanent improvements or additions to the mortgaged property.

Valuation.—The depreciated value of the company's physical properties, on the basis of 1924 estimates by independent engineers, plus subsequent net capital expenditures, is in excess of $56,000,000. The entire Kyushu division, constituting approximately $20,000,000 of this physical property valuation, is free from lien of any kind. In addition, the company owns directly or indirectly, as through the Toho Securities Co. (Ltd.) (of which it owns, free from lien, practically all the capital stock and all except approximately $8,280,000 of the outstanding indebtedness), investments in public utility and other companies having an indicated market value of more than $25,000,000.

Provisions of issue.—These notes are to be issued under an indenture which will provide, among other things, that so long as any of the notes are outstanding, Toho Electric Power Co. (Ltd.), shall not (*a*) create any new mortgage or pledge of any assets now owned or hereafter acquired although this shall not prevent the company from placing new mortgage on Kansai division to replace existing one or acquiring properties subject to mortgages previously existing thereon or created in connection with such acquisition (*b*) sell or transfer to another company any substantial part of the physical property now owned, except when sold for value to the municipality or other political subdivision in which the property may be operated. (*c*) created debts of any character having a maturity of more than one year if the aggregate amount of such debt would thereby exceed the total amount of its then paid-in capital stock or if net earnings after maintenance but before depreciation available for payment of interest, for 12 months out of the preceding 15 months, amount to less than twice the annual interest requirements on total funded debt including the obligations to be issued. or (*d*) guarantee any of the obligations of the Toho Securities Co. (Ltd.). or any company controlled by it.

Earnings

[As certified to by Messrs. Harold Bell, Taylor, Bird & Co., chartered accountants]

12 months ended Oct. 31	Gross operating earnings	Operating expenses, maintenance, taxes, and depreciation	Gross income (including other income) available for interest
1923	$15,507,793	$10,025,068	$7,453,462
1924	17,128,499	11,273,975	8,386,175
1925	17,910,608	11,963,389	8,501,693
1926 [a]	18,489,442	12,306,829	8,810,772

[a] 12 months ended Apr. 30.

[1] An additional $9,404,244 authorized capital stock has been subscribed for and is subject to the company's call.

Annual interest requirements on total funded debt to be outstanding after giving effect to this issue and the $9,404,244 call on capital amount to $2,380,820. For the 12 months ended April 30, 1926, gross income available for interest amounted to more than three and one-half times such charges.

Dividends and equity.—Dividends are now being paid at the rate of 12 per cent per annum, and have been paid at the rate of not less than 8 per cent per annum on stock of the company and all important predecessor companies outstanding during the past 11 years. The stock now outstanding is owned by more than 21,000 stockholders and at present quotations has an indicated aggregate market value in excess of $63,000,000.

Conversions from Japanese to United States currency have been made in the case of earnings, interest charges, and market quotations at 45 cents per yen, approximately the present rate of exchange, and in all other cases at 50 cents per yen, parity being 49.85 cents per yen. Conversions from English to United States currency have been made at parity, $4.8665 per pound sterling.

It is expected that application will be made to list these notes on the New York Stock Exchange; to be authorized and issued, $10,000,000. Interest payable January 15 and July 15. Principal and interest payable at the office of Guaranty Trust Co. of New York, at its principal New York office in United States gold coin of the present standard of weight and fineness, or, at the option of the holder, at its principal London office in sterling at $4.8665 per pound sterling, in either case without deduction for any Japanese taxes, present or future, when held by other than residents of Japan. Coupon notes in denominations of $1,000. Callable as a whole or in part on any interest date upon 45 days' notice at par and accrued interest, 98½ and accrued interest, to yield over 6.55 per cent. When, as, and if issued and received by us and subject to authorization of stockholders and approval of counsel. All legal matters pertaining to this issue will be passed upon for the bankers by Messrs. Davis, Polk, Wardwell, Gardiner, and Reed, of New York, and by Dr. S. K'shi, of Tokyo, and for the company by Messrs. Webb, Patterson, and Hadley, of New York, and by Dr. T. Aoki, of Tokyo. It is expected that interim receipts of Guaranty Trust Co. of New York will be ready for delivery on or abount July 28, 1926.

GUARANTY CO. OF NEW YORK.
LEE, HIGGINSON & CO.
HARRIS, FORBES & CO.

TOHO ELECTRIC POWER CO. (LTD.)
(Toho Denryoku Kabushiki Kaisha),
Tokyo, Japan, July 12, 1926.

GUARANTY CO. OF NEW YORK,
140 Broadway, New York City.

GENTLEMEN: In connection with the $10,000,000 3-year 6 per cent gold notes presently to be issued by the Toho Electric Power Co. (Ltd.), I take pleasure in giving you this letter of information. In it conversions from Japanese to United States currency have been made, in the case of earnings, interest charges and market quotations, at 45 cents per yen, approximately the present rate of exchange, and in all other cases at 50 cents per yen, parity being 49.85 cents per yen. All conversions from English to United States curerncy have been made at parity, $4.8665 per pound sterling.

Business and territory.—Toho Electric Power Co. (Ltd.) represents a consolidation of numerous predecessor companies which for many years had been primarily engaged in the distribution of electric light and power. Operations of predecessor companies began as early as 1889.

It is, next to the Tokyo Electric Light Co. (Ltd.), the largest retail distributor of electric energy in Japan. Directly or indirectly it suppiles practically without competition electric light and power to more than 5,500,000 people in a territory of approximately 4,000 square miles.

In addition to its electric business, the company engages in coal-gas manufacturing and electric-railway business, as well as in real estate and forestry undertakings, deriving about 6 per cent of its gross earnings from these and other miscellaneous operating activities.

Operations are conducted principally in two distinct areas, the Kansai manufacturing district in and around Nagoya, Gifu, Nara, Toyohashi in central Japan, and in the industrially important Kyushu district in and around Shimonoseki, Fukuoka, and Nagasaki in southern Japan. These districts constitute two of the most important commercial and industrial sections of Japan. In these densely populated areas the company serves over 1,500 factories. More than 60 cities with a population in excess of 10,000 each are supplied exclusively by the properties of the Toho system.

Growth and diversity of business.—The rapid and consistent growth in total kilowatt-hours generated and purchased since 1923 is illustrated in the following tabulation:

12 months ended Oct. 31	Kilowatt-hours		
	Generated	Purchased	Total
1923	370,904,593	280,014,905	650,919,498
1924	367,190,521	398,914,568	766,105,089
1925	383,697,780	469,790,309	853,488,089
1926 [1]	398,623,348	494,594,459	893,217,807

[1] 12 months ended Apr. 30.

As indicated below, the company had 960,879 electric customers as of April 30, 1926, or approximately one for every six persons residing in the territory served.

Oct. 31	Number of electric customers	Connected power load (kilowatts)	Number of lamps connected
1923	854,967	109,665	2,253,861
1924	899,414	134,903	2,483,818
1925	945,536	144,858	2,669,411
1926 [1]	960,879	156,979	2,759,515

[1] Apr. 30.

More than 94 per cent of gross operating revenues are derived from the sale of electric energy. Of this amount, approximately 56 per cent comes from electric-lighting business and 44 per cent from electric-power sales.

Diversity of connected power load is emphasized by the following industrial classification:

Percentage of special power-connected load

Apr. 30, 1926:	
Spinning and weaving	29.4
Electric light and power companies	13.6
Iron and steel foundries	11.9
Electric railways	12.4
Chemical works	2.5
Public institutions	6.0
Lumber mills	3.5
Coal mines	4.0
Ice factories	3.4
Miscellaneous industrial power	13.3
Total	100.0

Property.—The company owns electric-generating stations having an aggregate installed capacity of 149,593 kilowatts, substations with an aggregate transformer capacity of 450,000 kilovolt-amperes and more than 9,200 route miles of transmission and distribution lines. In addition to its own generating capacity, the company has contracts on favorable terms with 9 neighboring hydroelectric companies and 1 farmers association for 108,500 kilowatts, additional output, of which 32,000 kilowatts is from the Great Consolidated (Daido) Electric Power Co. (Ltd.). The contract with the Great Consolidated Electric Power Co. (Daido) provides that Toho Electric Power Co. (Ltd.) is entitled to receive power in preference to all other companies operating in its territory until 1948 and is subject to renewal thereafter. The contracts for 104,500 kilowatts extend beyond the maturity of these notes.

In order to provide for the increasing demands for power within the territory served, the company is now increasing its generating capacity by 40,000 kilowatts principally through the installation of a second 35,000-kilowatt unit (largest in Japan) in its new Nagoya steam station. Other property now under construction includes substations with an aggregate transformer capacity of 51,000 kilovolt-amperes and approximately 95 route miles of transmission and distributing lines.

Valuation.—The depreciated value of the company's physical properties, on the basis of 1924 estimates by independent engineers, plus subsequent net capital expenditures, is in excess of $56,000,000. The entire Kyushu division, constituting approximately $20,000,000 of this physical property valuation, is free from lien of any kind.

In addition, the company owns directly or indirectly, as through the Toho Securities Co. (Ltd.) (of which it owns, free from lien, practically all the capital stock and all except approximately $8,280,000 of the outstanding indebtedness), investments in public utility and other companies having an indicated market value of more than $25,000,000.

Purpose of issue.—Unpaid installments of $9,404,244 on the company's subscribed capital stock are to be called for payment to be made on or before December 31, 1926. The proceeds of this payment on stock and of these notes are to be used to pay the entire existing bank indebtedness of the company and approximately $9,887,500 of its funded debt (maturing or to be retired by sinking funds during 1926 and 1927), for the construction and acquisition of additional property and for other corporate purposes.

Capitalization

(Giving effect to this issue and the $9,404,244 call on capital)

Paid-up capital stock [1]	$60, 506, 356
Debentures issued in Japan:	
8 per cent debentures due 1929	2, 750, 000
7 per cent debentures due 1932	5, 000, 000
7 per cent customer-ownership debentures due 1936	1, 487, 500
6.2 per cent customer-ownership debentures due 1935	1, 700, 000
3-year 6 per cent gold notes due 1929 (this issue)	10, 000, 000
5 per cent sterling debentures due 1945 guaranteed by British treasury under trade facilities act	1, 459, 950
First-mortgage (Kansai division) 7 per cent bonds due 1955	14, 375, 000
Total capitalization	97, 278, 806

Of the foregoing capitalization, paid-up capital stock will comprise more than 60 per cent and funded debt less than 40 per cent. Of the latter considerably less than half is secured. The secured issues are the 5 per cent sterling debentures (under which are pledged certain stock investments), and the first mortgage (Kansai division) 7 per cent bonds, which have a lien on the company's fixed property in the Kansai division. Additional amounts of bonds may be issued under this mortgage for not more than 50 per cent of permanent improvements or additions to the mortgaged property.

Water rights and franchises.—None of the company's important water rights or franchises for the generation and sale of power expires prior to the maturity of these notes. All such rights in Japan are granted under the authority of the Imperial Government, which has general supervisory power over electric companies and reserves the inherent sovereign right to extend or revoke under certain conditions grants made to such companies.

Provisions of issue.—These notes are to be issued under an indenture which will provide, among other things, that so long as any of the notes are outstanding, Toho Electric Power Co. (Ltd.), shall not (*a*) create any new mortgage or pledge of any assets now owned or hereafter acquired although this shall not prevent the company from placing new mortgage on the Kansai division to replace the existing one or acquiring properties subject to mortgages previously

[1] An additional $9,404,244 authorized capital stock has been subscribed for and is subject to the company's call.

The company also has outstanding endorsements on behalf of allied companies amounting to $2,240,000.

existing thereon or created in connection with such acquisition, (*b*) sell or transfer to another company any substantial part of the physical properties now owned, except when sold for value to the municipality or other political subdivision in which the property may be operated, (*c*) *create* debts of any character having a maturity of more than one year if the aggregate amount of such debt would thereby exceed the total amount of its then paid-in capital stock or if net earnings after maintenance but before depreciation available for payment of interest, for 12 months out of the preceding 15 months, amount to less than twice the annual interest requirements on total funded debt including the obligations to be issued, or (*d*) guarantee any of the obligations of the Toho Securities Co. (Ltd.), or any company controlled by it.

Earnings

[As certified to by Messrs. Harold Bell, Taylor, Bird & Co., chartered accountants]

12 months ended Oct. 31	Gross operating earnings	Operating expenses, maintenance, taxes, and depreciation	Gross income (including other income) available for interest
1923	$15,507,793	$10,025,068	$7,453,462
1924	17,128,499	11,273,975	8,380,175
1925	17,910,608	11,963,389	8,501,693
1926 [1]	18,489,442	12,306,829	8,810,772

[1] 12 months ended April 30.

Annual interest requirements on total funded debt to be outstanding after giving effect to this issue and the $9,404,244 call on capital amount to $2,380,820. For the 12 months ended April 30, 1926, gross income available for interest amounted to more than three and one half times such charges.

Dividends and equity.—Dividends are now being paid at the rate of 12 per cent per annum, and have been paid at the rate of not less than 8 per cent per annum on stock of the company and all important predecessor companies outstanding during the past 11 years. The stock now outstanding is owned by more than 21,000 stockholders and at present quotations has an indicated aggregate market value in excess of $63,000,000.

Management.—The directorate of the Toho Electric Power Co. (Ltd.) is composed of prominent and successful business men, most of whom are residents of the territory served. The operation of the property is in the hands of skilled engineers many of whom received their technical training in the United States and are familiar with the most modern practices of public utility operation.

Very truly yours,

Y. MATSUNAGA, *Vice-President.*

$11,450,000 TOHO ELECTRIC POWER CO. (LTD.) (TOHO DENRYOKU KABUSHIKI KAISHA), 3-YEAR 6 PER CENT GOLD NOTES

To be dated July 1, 1929. To mature July 1, 1932.

Guaranty Trust Co. of New York, trustee.

The accompanying letter from Mr. Y. Matsunaga, president of the company, is summarized by him as follows:

BUSINESS AND TERRITORY

Toho Electric Power Co. (Ltd.) (Toho Denryoku Kabushiki Kaisha), is the second largest retail distributor of electric energy in Japan.

Directly or indirectly the company serves practically without competition a territory of approximately 4,200 square miles, situated in two distinct areas, the Kansai manufacturing district in and around Nagoya, Gifu, Nara, and Toyohashi in central Japan, and the industrially important Kyushu district in and around Shimonoseki, Fukuoka, and Nagasaki in southern Japan. This territory has a rapidly growing population now estimated to be in excess of 5,700,000.

PROPERTIES

The company owns 44 electric generating stations, with an aggregate installed capacity of 228,658 kilowatts and controls an additional 159,500 kilowatts under contracts with eight neighboring hydroelectric companies and one farmers' assosiation. Other physical property now owned or under construction includes 122 substations with 729,199 kilovolt-amperes, installed transformer capacity, more than 9,800 route-miles of transmission and distribution lines, and valuable undeveloped water power concessions.

PURPOSE OF ISSUE

The proceeds of these notes together with cash now on hand are to be used to pay the entire existing bank indebtedness of the company and approximately $10,432,717 of its funded debt (maturing or to be retired by sinking funds during 1929) and for other corporate purposes.

Capitalization

[To be outstanding with public upon completion of present financing]

First-mortgage (Kansai division) 7 per cent bonds due 1955	$13,750,000
5 per cent sterling debentures due 1945 guaranteed by British treasury under trade facilities act	1,374,066
3-year 6 per cent gold notes due 1932 (this issue)	11,450,000
Debentures issued in Japan (unsecured, maturing 1934-1943)	25,049,625
Total funded debt	51,623,691
Paid-in capital stock	[1] 57,005,027
Total capitalization	108,628,718

Of the foregoing capitalization paid-in capital stock will comprise more than 52 per cent and funded debt less than 48 per cent. Considerably less than one-third of the funded debt is secured. The secured issues are the 5 per cent sterling debentures (under which are pledged certain stock investments) and the first mortgage (Kansai division) 7 per cent bonds, which have a lien on the company's fixed property in the Kansai division. Up to $15,000,000 additional bonds may be issued under this mortgage for not more than 50 per cent of permanent improvements or additions to the mortgaged property, provided net earnings before depreciation are at least three times annual interest requirements of all outstanding and proposed funded debt.

VALUATION

The depreciated value of the fixed properties in operation as of April 30, 1929, was carried on the company's books at approximately $72,751,617. The properties in the Kyushu area, constituting approximately $22,000,000 of the foregoing book value, and any other properties hereafter acquired outside the Kansai area as defined, may be mortgaged to an amount not exceeding 50 per cent of their fair value in accordance with the provisions of the Kansai division first-mortgage indenture. The depreciated replacement value of the company's fixed properties in the Kansai area was estimated by Stone & Webster (Inc.) as of July 2, 1928, to be approximately $54,405,000 against which there will be outstanding upon completion of this financing $13,750,000 first-mortgage bonds. As indicated below additional mortgage bonds may not be issued against this property unless the proceeds thereof are applied to the retirement of these notes.

In addition, the company owns directly or indirectly as through Toho Securities Holding Co. (Ltd.) (of which it owns, free from lien, slightly more than 80 per cent of the capital stock and all except approximately $15,883,574 of the outstanding indebtedness), investments in public utility and other companies having an indicated market value of more than $33,000,000.

[1] An additional $9,876,031 authorized capital stock has been subscribed for and is subject to the company's call.

PROVISIONS OF ISSUE

These notes are to be issued under an indenture which will provide, among other things, that so long as any of the notes are outstanding, Toho Electric Power Co. (Ltd.) shall not (*a*) create any new mortgage or pledge (other than purchase money mortgages) of any assets in the Kansai area, as defined, now owned or hereinafter acquired, nor issue any additional bonds under the present Kansai division first mortgage, unless the proceeds thereof are forthwith applied to the retirement of these notes, (*b*) sell any of its fixed properties beyond certain limits to be provided in the indenture unless it substitutes other fixed properties in the same area of equal value or applies the proceeds of sale to retirement of mortgage bonds or these notes, (*c*) create, assume or guarantee debts of any character having a maturity of more than one year, if the aggregate amount of all funded debt, including guaranteed debt, would thereby exceed twice the total amount of its paid-in capital stock or if net earnings after maintenance due before depreciation available for payment of interest, for the two next preceding semiannual fiscal terms, amount to less than twice the annual interest requirements in total funded debt, as aforesaid, including the obligations to be incurred, or (*d*) guarantee any of the obligations of the Toho Securities Holding Co. (Ltd.), or any company controlled by it.

Earnings (as certified to by Messrs. Harold Bell, Taylor, Bird & Co., chartered accountants)

12 months ended Oct. 31	Gross operating earnings	Operating expenses, maintenance, and taxes	Total income (including other income) available for interest
1926	$19,106,986	$11,995,986	$9,748,140
1927	21,618,319	13,747,586	10,519,492
1928	22,576,155	14,045,003	10,795,515
1929 [1]	22,667,602	14,202,017	[2] 10,661,439

[1] 12 months ended Apr. 30.
[2] Earnings of the company in yen increased; the decrease in the dollar figure is due to the lower conversion rate of yen exchange.

Annual interest requirements on total funded debt to be outstanding after giving effect to this issue, amount to $3,198,798. For the 12 months ended April 30, 1929, total income before depreciation amounted to more than 3.3 times such charges.

DIVIDENDS AND EQUITY

Dividends are now being paid at the rate of 10 per cent per annum, and have been paid at the rate of not less than 8 per cent per annum on stock of the company and all important predecessor companies outstanding during the past 14 years. At present prices the indicated aggregate market value of the company's capital stock now outstanding with the public is more than $63,000,000.

Application will be made to list these notes on the New York Stock Exchange.

Conversions from Japanese and British currency to American currency above have been made at rates outlined in the President's letter.

To be authorized and issued $11,450,000. Interest payable January 1 and July 1. Principal and interest payable at the princial office of Guaranty Trust Co. of New York in gold coin of the United States of America of or equal to the standard of weight and fineness existing on July 1, 1929, or, at the option of the holder, at its principal London office, in sterling at the rate of $4.8665 per pound sterling, in either case without deduction for any Japanese taxes, present or future, when held by others than residents of Japan. Coupon notes in the denomination of $1,000.

Redeemable as a whole or in part, at the option of the company, on any interest date upon 45 days' notice, at 100 per cent and accrued interest. Ninety-six and one-fourth and accrued interest, to yield over 7.40 per cent.

The company's 3-year 6 per cent gold notes due July 15, 1929, will be accepted in payment for the above notes on a 5 per cent interest yield basis.

When, as and if issued and received by us and subject to the approval of counsel. All legal details will be passed upon for the bankers by Messrs. Davis, Polk, Wardwell, Gardiner & Reed, of New York. except as to matters of Japanese law which will be passed upon by Dr. S. Kishi, of Tokyo; and for the company by Messrs. Murray, Aldrich & Webb, of New York, and by Dr. T. Aoki, of Tokyo. It is expected that interim receipts of Guaranty Trust Co. of New York will be ready for delivery on or about July 5, 1929.

GUARANTY CO. OF NEW YORK.
LEE, HIGGINSON & CO.
HARRIS. FORBES & CO.

TOHO ELECTRIC POWER CO. (LTD.) (TOHO DENRYOKU KABUSHIKI KAISHA)

TOKYO. JAPAN, *June 15, 1929.*

GUARANTY CO. OF NEW YORK,
140 Broadway, New York City.

GENTLEMEN: In conection with the $11,450,000 3-year 6 per cent gold notes due 1932 presently to be issued by Toho Electric Power Co. (Ltd.) I take pleasure in giving you this letter of information. In it conversion from Japanese to American currency have been made, in case of eanings at 46 cents per yen in 1926, 48 cents per yen in 1927, 46½ cents per yen in 1928, and 45½ cents per yen in 1929, which were aproximately the average rates of exchange prevailing in those fiscal years. In the case of depreciated book and replacement values of fixed property, conversions have been made at 44⅞ and 46½ cents per yen, which were the rates prevailing on April 30, 1929. and July 2, 1928, respectively, the dates of such book and replacement values; and in the case of market values of securities at 43½ cents per yen which is approximately the present rate. In all other cases conversions have been made at parity, 49.85 cents per yen. All conversions from Bitish to Ameican currency have been made at parity, $4.8665 per pound sterling.

BUSINESS AND TERRITORY

Toho Electric Power Co. (Ltd.) represents a consolidation of numerous predecessor companies which for many years had been primarily engaged in the distribution of electric light and power. Operations of predecessor companies began as early as 1889.

It is, next to the Tokyo Eelectric Light Co. (Ltd.), the largest retail distributor of electric energy in Japan. Directly or indirectly it serves practically without competition a territory of approximately 4,200 square miles which has a rapidly growing population now estimated to be in excess of 5,700,000.

The company also conducts a small traction business. deriving about 2 per cent of its gross earnings from these and other miscellaneous operating activities.

Operations are conducted principally in two distinct areas, the Kansai manufacturing district in and around Nagoya, Gifu. Nara. and Toyohashi in central Japan and the industrially important Kyushu district in and around Shimonoseki, Fukuoka and Nagasaki in southern Japan. These districts constitute two of the mose important commercial and industrial sections in Japan. In these densely populated areas more than 55 cities with a population in excess of 10,000 each are supplied exclusively by the properties of the Toho system.

GROWTH AND DIVERSITY OF BUSINESS

The rapid and consistent growth in total kilowatt-hours geneated and purchased since 1926 is illustated in the following tabulation:

12 months ended Oct. 31	Kilowatt-hours		
	Generated	Purchased	Total
1926	423,090,789	527,289,656	950,380,445
1927	600,638,426	523,182,203	1,123,820,629
1928	651,963,340	611,005,398	1,262,968,738
1929 [1]	671,435,491	661,564,832	1,333,000,323

[1] 12 months ended Apr. 30.

As indicated below, the company had more than 1,050,000 electric customers as of April 30, 1929, or approximately one for every six persons residing in the territory served.

Oct 31	Number of electric customers	Connected power load (horsepower)	Number of lamps connected
1926	978,525	230,129	2,832,713
1927	1,010,086	283,283	2,987,708
1928	1,037,376	317,630	3,139,636
1929 [1]	1,050,411	335,705	3,231,757

[1] Apr. 30.

More than 97 per cent of gross operating revenues are derived from the sale of electric energy. Of this amount, approximately 51 per cent comes from electric lighting business and 49 per cent from electric power sales.

Diversity of connected power load is emphasized by the following industrial classification:

Percentage of special power connected load

	Per cent
Spinning and weaving	23.3
Electric light and power companies	20.2
Electric heating	14.0
Foodstuff	9.2
Machine and tool works	7.5
Lumber mills	5.2
Chemical works	4.2
Mining	3.7
Farming	3.3
Ceramic industry	2.5
Miscellaneous industrial power	6.9
Total	100.

PROPERTY

The company's fixed property, by reason of its wide geographical distribution, is favorably situated from the standpoint of the diversification of earthquake risk.

The company owns 44 electric generating stations having an aggregate installed capacity of 228,658 kilowatts. Other physical property now owned or under construction includes 122 substations with an aggregate installed transformer capacity of 729,199 kilovolt-amperes, more than 9,800 route-miles of transmission and distribution lines, and valuable undeveloped water power concessions with an estimated potential capacity of more than 180,000 kilowatts.

In addition to its own generating capacity, the company has contracts with eight neighboring hydroelectric companies and one farmers' association for 159,500 kilowatts additional output. Of this amount, 35,000 kilowatts are purchased from the Great Consolidated (Daido) Electric Power Co. (Ltd.), under contracts which provide that Toho Electric Power Co. (Ltd.), is entitled to receive power in preference to all other companies operating in its territory until 1948 and are subject to renewal thereafter. The contracts for 126,000 kilowatts extend beyond the maturity of these notes.

VALUATION

The depreciated value of the fixed properties in operation as of April 30, 1929, was carried on the company's books at approximately $72,751,617. The properties in the Kyushu area, constituting approximately $22,000,000 of the foregoing book value, and any other properties hereafter acquired outside the Kansai area as defined, may be mortgaged to an amount not exceeding 50 per cent of their fair value in accordance with the provisions of the Kansai division first mortgage indenture. The depreciated replacement value of the company's fixed properties in the Kansai area was estimated by Stone &

Webster (Inc.), as of July 2, 1928, to be approximately $54,405,000 against which there will be outstanding upon completion of this financing $13,750,000 first mortgage bonds. As indicated below additional mortgage bonds may not be issued against this property unless the proceeds thereof are applied to the retirement of these notes.

In addition, the company owns directly or indirectly as through Toho Securities Holding Co. (Ltd.), (of which it owns, free from lien, slightly more than 80 per cent of the capital stock and all except approximately $15,883,574 of the outstanding indebtedness), investments in public utility and other companies having an indicated market value of more than $33,000,000.

PURPOSE OF ISSUE

The proceeds of these notes together with cash now on hand are to be used to pay the entire existing bank indebtedness of the company and approximately $10,432,717 of its funded debt (maturing or to be retired by sinking funds during 1929) and for other corporate purposes.

Capitalization

[To be outstanding with public upon completion of present financing]

First Mortgage (Kansai division) 7 per cent bonds due 1955	$13,750,000
5 per cent sterling debentures due 1945 guaranteed by British Treasury under trade facilities act	1,374,066
Debentures issued in Japan (unsecured, maturing 1934–1943)	25,049,625
Total funded debt	51,623,691
3-year 6 per cent gold notes due 1932 (this issue)	11,450,000
Paid-in capital stock	57,005,027
Total capitalization	[1] 108,628,718

Of the foregoing capitalization, paid-in capital stock will comprise more than 52 per cent and funded debt less than 48 per cent. Considerably less than one-third of the funded debt is secured. The secured issues are the 5 per cent sterling debentures (under which are pledged certain stock investments) and the first mortgage (Kansai division) 7 per cent bonds, which have a lien on the company's fixed property in the Kansai division. Up to $15,000,000 additional bonds may be issued under this mortgage for not more than 50 per cent of permanent improvements or additions to the mortgaged property, provided net earnings before depreciation are at least three times annual interest requirements of all outstanding and proposed funded debt.

WATER RIGHTS AND FRANCHISES

None of the company's water rights or franchises for the generation and sale of power expires prior to the maturity of these notes. All such rights in Japan are granted under the authority of the Imperial Government, which has general supervisory power over electric companies and reserves the inherent sovereign right to extend or revoke under certain conditions grants made to such companies.

PROVISION OF ISSUE

These notes are to be issued under an indenture which will provide, among other things, that so long as any of the notes are outstanding Toho Electric Power Co. (Ltd.) shall not (*a*) create any new mortgage or pledge (other than purchase money mortgages) of any assets in the Kansai area, as defined, now owned or hereafter acquired, nor issue any additional bonds under the present Kansai division first mortgage, unless the proceeds thereof are forthwith applied to the retirement of these notes, (*b*) sell any of its fixed properties beyond certain limits to be provided in the indenture unless it substitutes other fixed properties in the same area of equal value or applies the proceeds of sale to retirement of mortgage bonds or these notes, (*c*) create, assume, or guarantee

[1] An additional $9,376,031 authorized capital stock has been subscribed for and is subject to the company's call.

debts of any character having a maturity of more than one year, if the aggregate amount of all funded debt, including guaranteed debt, would thereby exceed twice the total amount of its then paid-in capital stock or if net earnings after maintenance but before depreciation available for payment of interest, for the two next preceding semiannual fiscal terms, amount to less than twice the annual interest requirements on total funded debt, as aforesaid, including the obligations to be incurred, or (*d*) guarantee any of the obligations of the Toho Securities Holding Co. (Ltd.), or any company controlled by it.

Earnings, as certified to by Messrs. Harold Bell, Taylor, Bird & Co., chartered accountants

12 months ended Oct. 31	Gross operating earnings	Operating expenses, maintenance, and taxes	Total income (including other income) available for interest
1926	$19,106,986	$11,995,986	$9,748,140
1927	21,618,319	13,747,586	10,519,492
1928	22,576,155	14,045,003	10,795,515
1929 [1]	22,667,602	14,202,017	[2] 10,661,439

[1] 12 months ended Apr. 30.
[2] Earnings of the company in yen increased; the decrease in the dollar figure is due to the lower conversion rate of yen exchange.

Annual interest requirements on total funded debt to be outstanding after giving effect to this issue, amount to $3,198,798. For the 12 months ended April 30, 1929, total income before depreciation amounted to more than 3.3 times such charges.

DIVIDENDS AND EQUITY

Dividends are now being paid at the rate of 10 per cent per annum and have been paid at the rate of not less than 8 per cent per annum on stock of the company and all important predecessor companies outstanding during the past 14 years. The stock now outstanding with the public is owned by more than 22,000 stockholders and at present prices has an indicated aggregate market value of more than $63,000,000.

MANAGEMENT

The directorate of the Toho Electric Power Co. (Ltd.) is composed of prominent and successful business men, most of whom are residents of the territory served. The operation of the property is in the hands of skilled engineers, many of whom received their technical training in the United States and are familiar with the most modern practices of public-utility operation.

The company will make application to list the 3-year 6 per cent notes due 1932 on the New York Stock Exchange.

Very truly yours,

Y. MATSUNAGA, *President.*

TWENTY-FOUR MILLION DOLLAR TOKYO ELECTRIC LIGHT CO. (LTD.) 3-YEAR 6 PER CENT GOLD NOTES

To be dated August 1, 1925. To mature August 1, 1928.

To be authorized and to be issued $24,000,000. Interest payable February 1 and August 1. Principal and interest payable at the office of Guaranty Trust Co. of New York, in New York in United States gold coin of the present standard of weight and fineness (or, at the option of the holder, in London in sterling at $4.8665 per pound sterling), without deduction for any Japanese taxes, present or future, when held by other than residents of Japan. Coupon notes in denomination of $1,000.

Redeemable at the option of the company as a whole or in part, on any interest date upon 45 days' notice, at par and accrued interest, Guaranty Trust Co. of New York, trustee.

The accompanying letter from Mr. K. Kambe, president of the company, has been summarized by him as follows:

BUSINESS AND TERRITORY

Tokyo Electric Light Co. (Ltd.), established in 1886, is the largest electric power and light company in Japan.

Its operations, retail and wholesale, are within an area of approximately 9,375 square miles extending across the principal island of the empire and including Tokyo, the capital and largest city, Yokohama, and other important industrial and commercial centers. This area has a population of more than 9,000,000.

PROPERTIES

The company's fixed property, by reason of its wide geographical distribution (particularly as to hydroelectric generating facilities), suffered damage in the earthquake of September, 1923, to the extent of only about 10 per cent of its book value. By far the greater part of the damage has been repaired, the new equipment being, in many cases, of larger capacity and more efficient design than that which was destroyed.

The rapidity of the company's recovery is indicated by the fact that six months after the earthquake it was selling more electrical energy than it was in the month preceding the disturbance, and has since shown a substantial increase.

The company owns electric generating stations with an aggregate installed capacity of 280,757 kilowatts, of which more than 90 per cent is hydroelectric.

The company has contracts on favorable terms for 210,500 kilowatts additional output, of which 100,000 kilowatts is from companies in which the company has a large investment and 50,000 kilowatts is from the Great Consolidated (Daido) Electric Power Co. (Ltd.). The company is now increasing its capacity by 102,932 kilowatts, chiefly through the construction of six new generating stations.

CAPITALIZATION

(To be outstanding upon completion of this financing)

3-year 6 per cent gold notes (this issue)	$24,000,000
6 per cent sterling bonds due 1948 (unsecured)	17,519,400
Debentures issued in Japan	7,950,000
Total funded debt	49,469,400
Paid-in capital stock	[1] 114,325,000
Total capitalization	163,794,400

None of the company's debt is secured by mortgage. Of its total capitalization, paid-in capital stock comprises 69 per cent and total funded debt to be outstanding upon completion of this financing only 31 per cent.

VALUATION

The present depreciated value of the company's physical properties alone (exclusive of intangibles, working capital, and a large amount of investments), as appraised by Stone & Webster (Inc.), amounts to more than twice the total amount of funded debt to be outstanding upon completion of this financing.

PURPOSE OF ISSUE

The unpaid installments of $14,675,000 on the company's capital stock are to be called for payment, to be made on or before November 30, 1925. The proceeds of this payment on stock and of these notes are to be used to pay the company's entire existing bank indebtedness and to provide funds for its construction program.

[1] In addition, unpaid installments of $14,675,000 on subscribed capital stock of the company are to be called for payment, as hereinafter set forth.

PROVISIONS OF ISSUE

These notes are to be issued under an indenture which will provide that so long as any of the notes are outstanding the company shall not pledge or mortgage any of its assets (except by purchase-money mortgages), and shall not at any time issue funded debt of any character which will increase its total outstanding funded debt to an amount exceeding two-thirds of its then paid-in capital stock.

Earnings, as certified to by Messrs. Harold Bell, Taylor, Bird & Co., chartered accountants

12 months ended Nov. 30	Gross operating earnings	Operating expenses, maintenance, taxes, and depreciation	Gross income (including other income) available for interest
1918	$5,531,185	$2,889,352	$2,905,815
1919	6,870,613	3,983,594	3,185,803
1920	9,030,798	5,249,168	4,187,553
1921	14,316,063	8,127,987	6,738,956
1922	19,814,779	10,505,353	10,388,272
1923	19,331,044	10,756,951	10,426,877
1924	20,660,160	10,945,345	11,072,076
12 months ended May 31, 1925	22,940,766	12,833,049	11,724,175

For the 12 months ended May 31, 1925, gross income available for interest, after deduction of $1,100,850 for depreciation, amounted to more than three and three fourths times the $3,007,969 annual interest requirements of total funded debt presently to be outstanding.

DIVIDENDS AND EQUITY

The company has never failed to pay a dividend in any of the 39 years of its existence, and for the past 25 years has paid 8 per cent or more in each year, the dividends in the 12 months ended May 31, 1925, amounting to 10½ per cent.

Its stock is held by more than 22,000 persons and, at present quotations, has an indicated aggregate market value of approximately $120,000,000.

Conversions from Japanese to American currency have been made, in the case of earnings, interest charges and market quotations, at 41 cents per yen, approximately the present rate of exchange, and in all other cases at 50 cents per yen, parity being 49.85 cents per yen. All conversions from British to American currency have been made at parity, $4.8665 per pound sterling.

It is expected that application will be made to list these notes on the New York Stock Exchange; 98⅞ and interest, to yield over 6.40 per cent.

When, as, and if issued and received by us, subject to approval of counsel. It is expected that interim receipts of Guaranty Trust Co. of New York will be ready for delivery on or about August 11, 1925. All legal matters pertaining to this issue will be passed upon for the bankers by Messrs. Davis, Polk, Wardwell, Gardiner and Reed, of New York, and by Dr. S. Kishi, of Tokyo, and for the company by Mr. M. Okazaki, of Tokyo.

GUARANTY CO. OF NEW YORK.
DILLON, READ & CO.
LEE, HIGGINSON & CO.
HARRIS, FORBES & CO.

TOKYO ELECTRIC LIGHT CO., (Ltd.).
(TOKYO DENTO KABUSHIKI KAISHA)
Tokyo, Japan, August 3, 1925.

GUARANTY CO. OF NEW YORK.

GENTLEMEN: In connection with the $24,000,000 3-year 6 per cent gold notes presently to be issued by the Tokyo Electric Light Co. (Ltd.), I take pleasure in giving you this letter of information. In it conversions from Japanese to American currency have been made, in the case of earnings, interest charges and market quotations, at 41 cents per yen, approximately the present rate of exchange, and in all other cases at 50 cents per yen, parity being 49.85 cents per yen. All conversions from British to American currency have been made at parity, $4.8665 per pound sterling.

HISTORY AND BUSINESS

Tokyo Electric Light Co. (Ltd.), is the largest electric power and light company in Japan and one of the largest in the world. Only six companies in the United States had in 1924 a larger output of generated and purchased power than the Tokyo Electric Light Co. (Ltd.).

The company was established in July, 1886, with an authorized capital of $100,000 and originally supplied only the business section of Tokyo with current for lighting purposes. It now has paid-in capital stock in the amount of $114,325,000, and its operations, retail and wholesale, are within an area of approximately 9,375 square miles extending across the principal island of the empire. This area has a population of more than 9,000,000.

In the course of its growth, it has purchased the properties of seven companies and has merged with itself thirteen other companies.

In addition to its electric business, the company owns and operates certain artificial gas plants and electric railways, approximately 2 per cent of its gross operating earnings being derived from these sources.

TERRITORY

The territory served at retail is one of the most populous and important industrial sections of Japan, comprising an area of 2,100 square miles with a population of approximately 5,800,000, and including Tokyo, the capital and largest city, Yokohama, which is one of the principal seaports, and other important industrial and commercial centers.

In addition the company supplies electrical energy to other companies which serve a total population of approximately 3,400,000 in an area of 7,275 square miles, located mainly north and west of Tokyo.

On April 30, 1925, the company had 1,129,984 electric customers, or approximately one for every five persons in the territory served at retail.

Most of the industrial enterprises in the territory use electrically driven machinery. The company's revenue from the sale of electrical energy for power and other large-scale uses (exclusive of sales to other public utility companies) is approximately as large as its revenue from lighting. That the demand for its electric output is well diversified is shown by the tabulation below.

Six months ended November 30, 1924:	Percentage of electric revenue
Power—	
Public utility companies	8.6
Textile mills	4.9
Paper factories	3.7
Chemical and fertilizer works	1.5
Government railways, etc	1.3
Iron and steel foundries	1.3
Flour mills	1.2
Miscellaneous power	30.4
	52.9
Lighting	47.1
Total	100.0

PROPERTIES

The company's fixed property, by reason of its wide geographical distribution (particularly as to hydroelectric generating facilities), suffered damage in the earthquake of September, 1923, to the extent of only about 10 per cent of its book value. By far the greater part of the damage has been repaired, the new equipment being, in many cases, of larger capacity and more efficient design than that which was destroyed.

The rapidity of the company's recovery is indicated by the fact that six months after the earthquake it was selling more electrical energy than it was in the month preceding the disturbance, and has since shown a substantial increase.

The company owns electric generating stations having an aggregate installed capacity of 280,757 kilowatts, of which more than 90 per cent is hydroelectric. Of these stations the more important are:

Hydroelectric plants	River	Head	Capacity
		Feet	*Kilowatts*
Inawashiro No. 1	Nippashi	352	37,329
Inawashiro No. 2	do	229	26,664
Iwamuro	Tone	524	14,400
Kamikuya	do	383	15,984
Komatsu	do	375	15,360
Yuzawa	Shinano	991	10,500
Komahashi	Katsura	345	18,720
Shishidome	do	470	22,400
Yamura	do	374	19,200
Yatsuzawa	do	389	36,960
Steam plant			
Kanagawa			18,000

Most of the company's hydroelectric plants are designed to use only the normal flow of the rivers on which they are located. Due to the comparative steadiness of this normal flow and the fact that these plants are distributed over seven distinct watersheds, the company is enabled to operate with only a relatively small amount of reserve steam capacity.

Of the generating equipment in the company's principal electric stations, approximately 50 per cent is of American manufacture.

In addition to its own generating capacity, the company has contracts on favorable terms for 210,500 kilowatts additional output, of which 100,000 kilowatts is from companies in which the company has a large investment and 50,000 kilowatts is from the Great Consolidated (Daido) Electric Power Co. (Ltd.). None of these contracts expires prior to the maturity of these notes.

To care for the rapid growth of its business, the company is now increasing its generating capacity by 102,932 kilowatts, by adding 4,000 kilowatts to one of its existing stations and by constructing six new stations which are to have an initial installed generating capacity totaling 98,932 kilowatts.

The company owns in addition many undeveloped water-power sites, and is planning the construction of more than 125,000-kilowatt additional capacity during the next three years.

The company's properties also include substations with an aggregate capacity of 1,275,800 kilovolt amperes, 2,454 circuit-miles of high-tension transmission lines, and extensive distributing systems, including 556 miles of underground wire.

WATER RIGHTS AND FRANCHISES

None of the company's important water rights or franchises for the generation and sale of power expires prior to the maturity of these notes. All such rights in Japan are granted under the authority of the Imperial Government, which has general supervisory power over electric companies and reserves the inherent sovereign right to extend or revoke under certain conditions grants made to such companies.

MANAGEMENT

The directorate of the company is composed of prominent and successful business men, most of whom are residents of the territory served. The operation of the property is in the hands of skilled engineers, many of whom received their technical training in the United States and are familiar with the most modern practices of public utility operation.

CAPITALIZATION

(To be outstanding upon completion of this financing)

3-year 6 per cent gold notes (this issue)	$24,000,000
6 per cent sterling bonds due 1948 (unsecured)	17,519,400
Debentures issued in Japan	7,950,000
Total funded debt	49,469,400
Paid-in capital stock	[1] 114,325,000
Total capitalization	163,794,400

None of the company's debt is secured by mortgage. Of its total capitalization, paid-in capital stock comprises 69 per cent and total funded debt to be outstanding upon completion of this financing only 31 per cent.

VALUATION

The present depreciated value of the company's physical properties alone (exclusive of intangibles, working capital and a large amount of investments, principally in companies from which it purchases power), as appraised by Stone & Webster (Inc.), amounts to more than twice the total amount of funded debt to be outstanding upon completion of this financing.

PURPOSE OF ISSUE

The unpaid installments of $14,675,000 on the company's capital stock are to be called for payment, to be made on or before November 30, 1925. The proceeds of this payment on stock and of these notes are to be used to pay the company's entire existing bank indebtedness and to provide funds for its construction program.

PROVISIONS OF ISSUE

These notes are to be issued under an indenture which will provide, among other things, that so long as any of the notes are outstanding the company shall not pledge or mortgage any of its assets (except by purchase-money mortgages), and shall not at any time issue funded debt of any character which will increase its total outstanding funded debt to an amount exceeding two-thirds of its then paid-in capital stock.

Earnings, as certified to by Messrs. Harold Bell, Taylor, Bird & Co., chartered accountants

12 months ended Nov. 30	Gross operating earnings	Operating expenses, maintenance, taxes, and depreciation	Gross income (including other income) available for interest
1918	$5,531,185	$2,889,352	$2,905,815
1919	6,870,613	3,983,594	3,185,803
1920	9,030,798	5,249,168	4,187,553
1921	14,316,063	8,127,987	6,738,956
1922	19,814,779	10,505,353	10,388,272
1923	19,331,044	10,756,951	10,426,877
1924	20,660,160	10,945,345	11,072,076
12 months ended May 31, 1925	22,940,766	12,833,049	11,724,175

For the 12 months ended May 31, 1925, gross income available for interest, after deduction of $1,100,850 for depreciation, amounted to more than 3¾ times the $3,007,969 annual interest requirements of total funded debt presently to be outstanding.

[1] In addition, unpaid installments of $14,675,000 on subscribed capital stock of the company are to be called for payment as hereinafter set forth.

DIVIDENDS AND EQUITY

The company has never failed to pay a dividend in any of the 39 years of its existence, and for the past 25 years has paid 8 per cent or more in each year, the dividends in the twelve months ended May 31, 1925, amounting to 10½ per cent.

Its stock is held by more than 22,000 persons and, at present quotations, has an indicated aggregate market value of approximately $120,000,000.

GENERAL

The company has played an important part in the transition of Japan to its present industrial position. In a territory not rich in fuel resources, it has, by harnessing the water powers of the interior and transmitting their energy to large centers of population on the seaboard, made possible the establishment of vast manufacturing and commercial enterprises. With its large amount of generating facilities, its widespread network of transmission lines, and its many important sites for future hydroelectric development, it is strongly entrenched to serve the continuing economic growth of this territory.

Very truly yours,

K. KAMBE, *President.*

SEVENTY MILLION DOLLARS TOKYO ELECTRIC LIGHT CO., (LIMITED), FIRST MORTGAGE GOLD BONDS, 6 PER CENT DOLLAR SERIES DUE 1935, THE MITSUI BANK, LIMITED, TOKYO, TRUSTEE GUARANTY TRUST CO., OF NEW YORK, FISCAL AGENT

Simultaneous offerings are being made of £4,500,000 6 per cent sterling series in England by Lazard Brothers & Co. (Ltd.), and The Whitehall Trust (Ltd.), and ¥60,000,000 6 per cent yen series in Japan by the Mitsui Bank (Ltd.) and the Yasuda Bank (Ltd.) the aggregate principal amount of all three series being equivalent, at parity of exchange, to $121,809,250. Sinking fund for the purchase and/or redemption of bonds of this series of $1,120,000 per annum.

The accompanying letter from Mr. Shohachi Wakao, president of the company, is summarized by him as follows:

BUSINESS AND TERRITORY

Tokyo Electric Light Co. (Ltd.) (Tokyo Dento Kabushiki Kaisha), established in 1886, is the largest electric power and light company in Japan and one of the largest in the world. Its position of leadership has been recently strengthened by a merger with Tokyo Electric Power Co., Limited, the only company conducting important competitive operations within the company's territory. This consolidation not only makes possible important operating economies, but also gives the enlarged company the benefit of additional managerial experience and financial support.

The company serves an area of approximately 11,395 square miles extending practically across the principal island of the empire and including Tokyo, Yokohama, and other important industrial and commercial centers. This area has a rapidly growing population now in excess of 12,900,000.

PROPERTIES

The company owns 101 electric generating stations, with an aggregate installed capacity of 652,016 kilowatts, of which approximately 75 per cent is hydroelectric. In addition it is increasing the installed capacity of one of its steam generating stations by 25,000 kilowatts. Other property in operation or under

The company owns 101 electric generating stations, with an aggregate installed

transformer capacity, and approximately 19,000 route-miles of transmission and distribution lines.

The company has contracts for the purchase of 275,240 kilowatts additional output, of which 202,320 kilowatts is from companies in which it has a stock interest.

Capitalization to be outstanding with the public upon completion of present financing

First mortgage bonds:	
6 per cent dollar series due 1953	$70,000,000
6 per cent sterling series due 1953	21,899,250
6 per cent yen series due 1953	29,910,000
Debentures issued in Japan (unsecured, maturing 1930 to 1938)	66,425,125
Total funded debt	188,234,375
Paid-in capital stock	200,916,835
Total capitalization	389,151,210

Of the foregoing capitalization, first mortgage bonds comprise 31 per cent, unsecured debentures 17 per cent, and paid-in capital stock 52 per cent.

PURPOSE OF ISSUE

The present financing provides for the payment of all existing bank loans and $11,519,400 of funded debt and for additional capital expenditures.

SECURITY

These bonds will be secured, in the opinion of counsel, by a direct first mortgage lien on all fixed electric property now owned by the company. In addition the company covenants to subject to the direct lien of the mortgage securing the bonds, all electric and artificial gas property hereafter acquired by it constituting an integral part of the then mortgaged property.

The depreciated replacement value of the company's fixed property alone (exclusive of intangibles, working capital and investments), as estimated by Stone & Webster, (Inc.), is in excess of twice the total amount of first mortgage bonds presently to be outstanding.

Other than for refunding purposes, additional bonds may be issued (*a*) to the extent of the equivalent of $15,453,500 without restriction as to additional property, and (*b*) for not more than 60 per cent of future net property additions, provided, in the latter case, net earnings before depreciation are at least two and one-half times interest charges on all prior liens (if any) and on all first mortgage bonds outstanding and proposed to be issued, all as defined in the indenture.

Earnings, including earnings of Tokyo Electric Power Co. (Ltd.), for last three years and all as certified to by Messrs. Deloitte, Plender, Griffiths & Co., and Messrs. Harold Bell, Taylor, Bird & Co.

12 months ended Nov. 30	Gross operating earnings	Operating expenses, maintenance, and taxes	Total income (including other income) available for interest
1924	$20,819,601	$9,713,371	$11,398,440
1925	27,532,627	14,290,129	13,767,315
1926	40,486,130	20,790,274	20,891,885
1927	45,344,701	24,157,861	22,657,051

Total income before depreciation for 12 months ended November 30, 1927, as shown above, amounted to over three times annual interest charges of $7,308,555 on the total amount of first mortgage bonds presently to be outstanding.

DIVIDENDS AND EQUITY

The company has paid dividends on its capital stock in each of the 42 years since its establishment.

At present prices the indicated aggregate market value of the company's unsecured debentures and capital stock is approximately $250,000,000, or more than twice the amount of the first mortgage bonds.

Application will be made to list these bonds on the New York Stock Exchange.

Conversions from Japanese and British currency to American currency above have been made at rates outlined in the president's letter.

To be dated June 15, 1928. To mature June 15, 1953. Interest payable June 15 and December 15. Principal and interest payable at the principal office of Guaranty Trust Co. of New York in gold coin of the United States of America of or equal to the standard of weight and fineness existing on June 15, 1928, or, at the option of the holder, in London at Lazard Bros. & Co. (Ltd.), in sterling at the rate of $4.8665 per pound sterling, without deduction for any Japanese taxes, present or future, when held by others than residents of Japan. Coupon bonds in the denomination of $1,000.

Redeemable as a whole or in part, at the option of the company, on any interest date upon 60 days' notice, at 100 per cent and accrued interest; 90½ and accrued interest, to yield about 6.80 per cent.

The company's 3-year 6 per cent gold notes due August 1, 1928, will be accepted in payment for the above bonds on a 4½ per cent interest yield basis.

When, as and if issued and received by us and subject to the approval of counsel. All legal details will be passed upon for the bankers by Messrs. Davis, Polk, Wardwell, Gardiner & Reed and Messrs. Sullivan and Cromwell, of New York, except as to matters of Japanese law which will be passed on by Dr. S. Kishi, of Tokyo; and for the company by Messrs. Webb, Patterson & Hadley, of New York, and by Dr. G. Matsmoto and Mr. Shigetaka Hozumi, of Tokyo. It is expected that interim receipts of Guaranty Trust Co. of New York will be ready for delivery on or about June 15, 1928.

Dillon, Read & Co.; Blyth, Witter & Co.; the Union Trust Co. of Pittsburgh; Halsey, Stuart & Co. (Inc.); J. & W. Seligman & Co.; Stone & Webster & Blodget (Inc.); Edward B. Smith & Co.; E. H. Rollins & Sons; Illinois Merchants Trust Co.; the Union Trust Co., Cleveland; Guaranty Co. of New York; Lee, Higginson & Co.; Bonbright & Co. (Inc.); Mellon National Bank, Pittsburgh; Hayden, Stone & Co.; International Acceptance Bank (Inc.); Field, Glore & Co.; J. G. White & Co. (Inc.); Continental National Co.; the Mitsui Bank (Ltd.); Harris, Forbes & Co.; Bankers Trust Co., New York; the First National Corporation, of Boston; Brown Bros. & Co.; H. M. Byllesby & Co. (Inc.); W. A. Harriman & Co. (Inc.); W. C. Langley & Co.; Hemphill, Noyes & Co.; First Trust & Savings Bank, Chicago; Otis & Co.

TOKYO ELECTRIC LIGHT CO. (LTD.),
(Tokyo Dento Kabushiki Kaisha)
Tokyo, Japan, May 28, 1928.

GUARANTY CO. OF NEW YORK,
New York City.

GENTLEMEN: In connection with the $70,000,000 first mortgage gold bonds, 6 per cent dollar series due 1953, presently to be issued by Tokyo Electric Light Co. (Ltd.), I take pleasure in giving you this letter of information. In it conversions from Japanese to American currency have been made, in the case of earnings, at 41 cents per yen in 1924 and 1925, and 47 cents per yen in 1926 and 1927, which were approximately the average rates of exchange prevailing in those years. In the case of replacement value of property, conversion has ben made at 47⅞ cents per yen, which was the rate prevailing on April 2, 1928, the date as of which the property valuation was made; and in the case of market values of securities, at 46 cents per yen, which is approximately the present rate. In all other cases conversions have been made at parity, 49.85 cents per yen. All conversions from British to American currency have been made at parity, $4.8665 per pound sterling.

HISTORY AND BUSINESS

Tokyo Electric Light Co. (Ltd.), (Tokyo Dento Kabushiki Kaisha), is the largest electric power and light company in Japan and one of the largest in the world. Its position of leadership has been recently strengthened by a merger with Tokyo Electric Power Co. (Ltd.), the only company conducting important competitive operations within the company's territory. The company holds a position of national importance in modern industrialized Japan, the continued progress of which is largely dependent upon the electric power industry.

Tokyo Electric Light Co. (Ltd.), was established in July, 1886, with an authorized capital of $99,700, and originally supplied only the business section of Tokyo with electricity for lighting purposes. It now has paid-in capital stock, outstanding with the public, in the amount of $200,910,835, and its operations, retail and wholesale, are within an area of approximately 11,395 square miles extending practically across the principal island of the Empire. This area has a rapidly growing population now in excess of 12,900,000, or about one-fifth of the entire population of Japan proper.

TERRITORY

The territory served included Toyo, the capital of the Empire; Yokohama, the second largest seaport; the great industrial districts in the Tokyo-Yokohama area and other important industrial and commercial centers, and in addition, a large agricultural territory.

On November 30, 1927, the properties now owned by the company served 2,141,546 electric customers, or approximately one for every six persons in the territory supplied at retail.

Most of the industrial enterprises in the territory use electrically driven machinery. The company's revenue from the sale of electric energy for power and other large-scale uses is approximately as large as its revenue from lighting. The demand for its electric output is well diversified as the tabulation below indicates:

Percentage of electric revenues, 12 months ended November 30, 1927

	Per cent
Power:	
Public-utility companies	7.5
Imperial Government and municipalities	6.6
Textiles mills	3.4
Paper mills	2.4
Engineering and machinery manufacturing	1.7
Iron and steel foundries	1.5
Chemical and fertilizer works	1.3
Shipbuilding and dockyards	1.2
Flour mills and foodstuffs	1.2
Office buildings	1.0
Miscellaneous power	18.9
	46.7
Lighting	53.3
Total	100.0

PROPERTIES

The company's fixed property, by reason of its wide geographical distribution particularly as to hydroelectric generating facilities, is favorably situated from the standpoint of the diversification of earthquake risk. This was demonstrated in the earthquake of September, 1923, when the company's properties, then less widely distributed than they are to-day, suffered damage to the extent of only about 10 per cent of their book value.

The company owns 101 electric generating stations, with an aggregate installed capacity of 652,016 kilowatts, of which approximately 75 per cent is hydroelectric. In addition it is increasing the installed capacity of one of its steam generating stations by 25,000 kilowatts. Other property in operation or under construction include 236 substations with 2,530,000 kilovolt amperes installed transformer capacity, and approximately 19,000 route miles of transmission and distribution lines, of which 729 miles are underground.

The company has contracts for the purchase of 275,240-kilowatt additional output, of which 202.320 kilowatts is from companies in which it has a stock interest.

The company also owns valuable undeveloped water-power sites with an estimated potential capacity in excess of 300,000 kilowatts.

Some of the important generating stations of the company are:

Hydroelectric plants	River	Effective head	Installed capacity
		Feet	*Kilowatts*
Inawashiro No. 1	Nippashi	354	41,985
Inawashiro No. 2	do	299	30,000
Inawashiro No. 3	do	134	17,544
Inawashiro No. 4	do	208	27,285
Iwamuro	Tone	524	16,200
Kamikuya	do	383	17,982
Komatsu	do	375	15,360
Komahashi	Katsura	345	21,060
Shishidome	do	470	22,400
Yamura	do	374	19,200
Yatsuzawa	do	385	43,100
Hayakawa No. 1	Hayakawa	734	25,600
Ryushima	Sai	432	23,400
Tashirogawa No. 1	Tashiro	1,152	16,000
Tashirogawa No. 2	do	1,625	20,800
Yuzawa	Kiyotsu	991	14,000

Steam plants:	Installed capacity (kilowatts)
Tsurumi	70,000
Senju	50,000
Kanagawa	21,500

Of the generating equipment in the company's electric stations, approximately 60 per cent is of American manufacture.

MANAGEMENT

The directorate of the company is composed of prominent and successful business men, most of whom are residents of the territory served. The consolidation with the Tokyo Electric Power Co. (Ltd.), not only makes possible important operating economies, but also gives the company the benefit of additional managerial experience and financial support.

PURPOSE OF ISSUE

The present financing provides for the payment of all existing bank loans and $41,519,400 of outstanding funded debt, including $24,000,000 6 per cent notes due August 1, 1928, and for additional capital expenditures.

CAPITALIZATION

To be outstanding with the public upon completion of present financing.

First mortgage bonds:	
6 per cent dollar series due 1953	$70,000,000
6 per cent sterling series due 1953	21,899,250
6 per cent yen series due 1953	29,910,000
Debentures issued in Japan (unsecured, mauring 1930 to 1938)	66,425,125
Total funded debt	188,234,375
Paid-in capital stock	200,916,835
Total capitalization	389,151,210

Of the foregoing capitalization, first mortgage bonds comprise 31 per cent, unsecured debentures 17 per cent, and paid-in capital stock 52 per cent.

VALUATION

The depreciated replacement value of the company's fixed properties alone (exclusive of intangibles, working capital, and investments), as estimated by Stone & Webster (Inc.), is in excess of twice the total amount of first mortgage bonds presently to be outstanding.

WATER RIGHTS AND FRANCHISES

All of the company's water rights and franchises for the generation and sale of power extend beyond the maturity of these bonds. All such rights in Japan are granted under the authority of the Imperial Government, which has general supervisory power over electric companies and reserves the inherent sovereign right to extend or revoke under certain conditions grants made to such companies.

SECURITY

These bonds, together with the sterling and yen series, will be secured, in the opinion of counsel, by a direct first mortgage lien on all fixed electric property now owned by the company. In addition the company covenants to subject to the direct lien of the mortgage securing the bonds, all electric and artificial gas property hereafter acquired by it constituting an integral part of the then mortgaged property.

Water rights and franchises can not be mortgaged under the laws of Japan, but the company will deposit with the trustee assignments in blank of all water rights and franchises now held or hereafter acquired by it, relating to the mortgaged property, and pursuant to law in case of enforcement of the mortgage these rights and franchises may be transferred with the mortgaged property.

The Imperial Japanese Government has been advised of the mortgaging of these properties to secure these bonds, and has given formal assurance that if the properties are purchased by the Imperial Government or by municipalities, the rights of the bondholders will be recognized.

PROVISIONS OF THE INDENTURE

The indenture under which these bonds are to be issued will provide, among other things, that additional bonds, of other series having such interest rates, maturity dates and other provisions as may be established from time to time, may be issued:

1. Par for par to refund bonds of any series previously issued under the mortgage and not retired by sinking fund.
2. For a total principal amount equivalent to $15,453.500 without restriction as to additional property.
3. For a principal amount which, together with any prior liens outstanding on property additions, shall not exceed 60 per cent of future net property additions.
4. Par for par to refund prior liens on property previously made the basis for the issuance of bonds.

Provided, with respect to all bonds proposed to be issued under (3) that net earnings of the mortgaged property before depreciation are at least 2½ times interest charges on all prior liens (if any) and all first mortgage bonds outstanding and proposed to be issued, all as defined in the indenture.

No property subject to prior liens shall be made the basis for the issuance of additional bonds if the total prior liens on all property theretofore or thereby made the basis for the issuance of bonds would exceed 15 per cent of the amount of all bonds outstanding and applied for.

At intervals of four years beginning in 1932 the mortgaged property is to be inspected by an independent engineer appointed by a fiscal agent for an outstanding series of bonds as provided in the indenture. If such engineer (or a board of arbitration constituted as provided in the indenture) reports that the property is not in satisfactory condition for economic operation and if within the succeeding two years another report is not filed by such engineer or another engineer appointed in the same manner or by a board of arbitration stating that the property has been fully restored to satisfactory condition for economic operation, the company agrees that it will not thereafter pay any dividends on its common stock (except dividends payable in common stock) until such a report has been filed or until cash equal to the estimated cost of remedying the deficiencies has been deposited with the trustee.

With the consent of the holders of 75 per cent of the bonds outstanding under the indenture (not including any bonds held by the company), the company may make changes in the indenture, provided such changes do not in any way modify the terms of payment of principal and interest of any of the bonds issued under the indenture, or provide for the creation of any lien ranking prior to or equal with the bonds issued under the indenture and not permitted by the terms thereof.

SINKING FUND

The company agrees than on February 15 of each year, beginning in 1929, it will pay to the fiscal agent of each of the series presently to be outstanding an amount in cash equal to 1.6 per cent of the total issued amount of such series, to be applied to the purchase and/or redemption of bonds of such series.

Earnings

[Including the earnings of the former Tokyo Electric Power Co. (Ltd.) for last three years, and all as certified to by Messrs. Deloitte, Plender, Griffiths & Co., and Messrs. Harold Bell, Taylor, Bird & Co.]

12 months ended Nov. 30	Gross operating earnings	Operating expenses, maintenance, and taxes	Total income (including other income) available for interest
1924	$20,819,601	$9,713,371	$11,398,440
1925	27,532,627	14,290,129	13,757,315
1926	40,486,136	20,790,274	20,891,885
1927	45,344,701	24,157,861	22,657,051

Total income before depreciation for the 12 months ended November 30, 1927, as shown above, amounted to more than three times annual interest charges of $7,308,555 on the total amount of first mortgage bonds presently to be outstanding.

DIVIDENDS AND EQUITY

The company has paid dividends on its capital stock in each of the 42 years since its establishment.

Stockholders of the company number more than 58,000. At present prices the indicated aggregate market value of the company's unsecured debentures and capital stock is approximately $250,000,000, or more than twice the amount of the first mortgage bonds.

GENERAL

Tokyo Electric Light Co. (Ltd.), has played an important part in the transition of Japan to its present position of industrial supremacy in the Far East. In a territory not rich in fuel resources, the company has, by harnessing the water powers of the mountainous interior and transmitting their energy to large centers of population on the seaboard, made possible the establishment of large manufacturing and commercial enterprises. With adequate generating facilities, a widespread network of transmission lines, and many important sites for future hydroelectric development, it is strongly entrenched to serve the economic growth of this territory.

The company will make application to list the bonds of the 6 per cent dollar series due 1953 on the New York Stock Exchange.

Very truly yours,

SHOHACHI WAKAO, *President.*

$30,000,000 KINGDOM OF NORWAY 35-YEAR 5 PER CENT SINKING FUND EXTERNAL LOAN GOLD BONDS

To be dated March 15, 1928. To mature March 15, 1963.

Cumulative sinking fund, commencing in 1933, to retire the entire issue by maturity. Guaranty Trust Co. of New York, fiscal agent for the loan.

The following information has been furnished us by the Royal Finance Department and the Royal Statistical Department of the Kingdom of Norway:

GENERAL

These bonds are to be the direct obligation of the Kingdom of Norway, which pledges its full faith and credit for the payment of principal, interest, and sinking fund. The loan contract will provide that if the Government shall sell, offer for public subscription, or in any manner dispose of any bonds or loan secured by lien on any revenue or asset of the Kingdom, the bonds of this loan shall be secured equally and ratably with such bonds or loan. There are at present no loans outstanding which are so secured.

The proceeds of this issue are to be used in consolidating short-term indebtedness of the Government.

No default of principal or interest has ever taken place on a Norwegian National Government loan. The high credit of the Government is indicated by the fact that from 1886, the date of the earliest external loan now outstanding, to the outbreak of the World War, the net cost to the Government of its various loans ranged from 3.10 per cent to 4.11 per cent.

DEBT AND RESOURCES

The total national debt, after giving effect to this financing, will amount to 1,704,857,000 kroner ($456,751,676) compared with 1,731,600,000 kroner ($464,069,000) as of June 30, 1925. As against this, the Government owns properties valued in excess of $360,000,000, most of which are revenue-producing, such as railroads, telegraph and telephone lines, forests, mines, and hydroelectric plants. The Government owns and operates 1,940 miles out of about 2,160 miles of railroads in the Kingdom. The Government's telegraph and telephone lines are in excess of 21,000 miles in length. These services are self-sustaining and collectively show an operating profit before interest on the Government's investment.

REVENUES AND EXPENDITURES

The revenues of the Government are derived principally from property and income taxes, excise duties, customs receipts, and State-owned properties. For the year ended June 30, 1927, total revenues, exclusive of loan proceeds, were $96,843,063, being $770,197 in excess of total expenditures, exclusive of those for capital account. The total expenditures for capital account during the year were $12,673,430. The budget for the year ended June 30, 1928, estimates total revenues, exclusive of loan proceeds, at $101,458,636 and total expenditures, exclusive of those for capital account, at $97,361,180. The total expenditures for capital account are estimated at $13,349,619.

WEALTH AND INDUSTRIES

The national wealth of Norway is estimated at $3,350,000,000. The principal industries are shipping, lumbering, fishing, electrochemical and electrometallurgical manufacturing, wood pulp and paper manufacturing, and hydroelectric power production. It is estimated that the hydroelectric resources of Norway amount to 15,000,000 horsepower of which 1,500,000 horsepower have been developed, largely for use in the electrochemical, electrometallurgical, and allied lines. During the past two years several important Norwegian industrial companies have obtained foreign capital, the inflow of which is expected to result in rapid expansion of these industries and a development of broader markets. Among the foreign countries which have acquired an interest in Norwegian industries are the Aluminum Co. of America, the National Lead Co., and the German Dye Trust (I. G. Farbenindustrie).

The merchant marine of Norway aggregates nearly 3,000,000 gross registered tons. It ranks seventh in size in the world and represents the highest per capita tonnage owned in any country. It is thoroughly modern, about one-fourth of the tonnage consisting of Diesel motor-driven vessels. The gross earnings of the Norwegian merchant fleet are estimated at $112,560,000 for 1927, a sum greater than the national budget.

FOREIGN TRADE

The foreign trade of Norway for the past five years amounted to an annual average of $143 per capita, almost double the per capita foreign trade of the United States during the same period. Exports for 1927 were $183,312,000 and imports $263,712,000, the excess of imports being equalized by various invisible items, the most important of which is earnings of the merchant marine.

SINKING FUND

The entire issue is to be retired by maturity through the operation of a cumulative sinking fund beginning September 15, 1933, payable semiannually. Sinking-fund payments are to be used to call bonds by lot at par and accrued interest, but the Government may acquire bonds by purchase and tender them at par in payment of the sinking-fund installments.

CURRENCY AND EXCHANGE

The Norwegian krone, with a gold parity of 26.8 cents, has appreciated steadily since 1924 and was quoted on March 3, 1928, at 26.64 cents, or substantially at par of exchange. All conversions of Norwegian kroner into dollars have been made at par of exchange.

Application will be made to list these bonds on the New York Stock Exchange.

Interest payable March 15 and September 15. Principal and interest payable in New York at the principal office of Guaranty Trust Co. of New York in United States gold coin of or equal to the standard of weight and fineness existing on March 15, 1928, without deduction for or on account of any present or future taxes or duties imposed or levied by or within the Kingdom or Norway or by or within any political subdivision or taxing authority thereof; but the foregoing shall not be construed as exempting bonds from taxation when in hands of subjects or residents of the Kingdom of Norway otherwise subject to taxation thereon in Norway. Coupon bonds in denomination of $1,000. Redeemable in whole or in part on March 15, 1933, or on any interest date thereafter, on 30 days' notice, at 100 per cent and accrued interest. Ninety-seven and one-half and interest, to yield over 5.15 per cent.

When, as, and if issued and received by us and subject to approval of counsel. All legal details pertaining to this issue will be passed upon by Messrs. Davis, Polk, Wardwell, Gardiner & Reed except questions of Norwegian law, which will be passed upon by Mr. Alexander Nansen, Oslo. It is expected that temporary bonds will be ready for delivery on or about April --, 1931.

GUARANTY CO. OF NEW YORK, THE FIRST NATIONAL CORPORATION OF BOSTON, ILLINOIS MERCHANTS TRUST CO., THE UNION TRUST CO. OF CLEVELAND, DILLON, READ & CO., THE UNION TRUST CO. OF PITTSBURGH, CONTINENTAL NATIONAL CO., OLD COLONY CORPORATION.

$5,171,000 CITY OF MONTEVIDEO (REPUBLIC OF URUGUAY) "EMPRESTITO RAMBLA SUR" (SOUTHERN BOULEVARD LOAN) EXTERNAL SINKING FUND 6 PER CENT GOLD BONDS, SERIES A

A substantial amount of this loan has been withdrawn for offering in England, Holland, Switzerland, and Germany.

To be dated November 1, 1926. To mature November 1, 1959.

Cumulative sinking fund of 1 per cent per annum, payable semiannually, beginning May 1, 1927, sufficient to retire entire issue at or before maturity by purchase at or below 100 per cent and accrued interest or by redemption by lot at 100 per cent and accrued interest on 30 days' notice. Any balance of pledged taxes and proceeds from sale of properties accruing from date of loan after payment of interest and 1 per cent sinking fund on all series will be applied as extraordinary sinking fund after November 1, 1930, in such amounts as the city may elect except that there shall not remain unapplied a sum greater than one year's interest and sinking fund on bonds of series A and any future series. Guaranty Trust Co. of New York, payaing agent.

The following statement is made with the official approval of the Administrative Council of Montevideo by Juan P. Fabini, president of the administrative council:

SECURITY

These bonds are to be direct obligations of the city of Montevideo, which pledges its full faith and credit for their payment. They are authorized by official decrees 721, 759, and 856 and are a first series of total authorized amount of $9,307,800. They are to be secured pro rata with bonds of any subsequent series by specific charges on revenues derived from increased land taxes on properties adjoining the improvements to be made out of the proceeds of the loan, and by funds realized from sale of expropriated buildings and unused lands after completion of the project. Revenues to be derived from increased land taxes are estimated by the city at more than $600,000 per annum.

The taxes and receipts exclusively assigned to this loan are to be deposited with the Banco de la Republica Oriental del Uruguay (the National Bank) in the city of Montevideo in a special account and are to be disposed of exclusively for the service of interest and of both ordinary and extraordinary amortization of the bonds outstanding.

SINKING

From funds so deposited there will be transmitted semiannually to the paying agent of series A bonds the sum necessary for service of interest and 1 per cent cumulative sinking fund and to the respective paying agents of any future series the amounts necessary for interest and sinking fund of such future series. After November 1, 1930, such semiannual payments shall be increased from any balance of funds so deposited with the Banco de la Republica in such amounts as the city may elect provided that the amount remaining after each payment for interest and sinking fund shall not exceed the amount necessary for service for one year of interest and 1 per cent sinking fund of series A bonds and any future series thus accelerating the retirement of the bonds.

PURPOSE OF ISSUE

Proceeds of the bonds are to be applied toward the extension of an existing seacoast boulevard through a valuable section of Montevideo, the construction of an esplanade on part of the area covered, and an extensive beach development, including reclamation of about 45 acres of land, together with widening of numerous adjoining streets reaching the center of the city. These improvements are expected to add materially to the value of adjacent properties.

A nonpolitical honorary commission, representing both the city and National Government, will have complete supervision of construction and finances.

MONTEVIDEO

Montevideo, with a population of 425,000, is the capital and largest city of Uruguay and is the political, social and economic center of the country. It is the center of the meat and wool industries, which represent Uruguay's most important products, and an important railroad and shipping terminus. Excellent deep-water harbor facilities, owned and operated by the National Government, have been provided at a cost of more than $24,500,000. Founded in 1726 the city is located at the mouth of the La Plata River about 100 miles from Buenos Aires. Its even temperature and natural and cultivated beauty have caused it to become one of the most popular summer resorts in South America.

DEBT AND PROPERTY

By National law, the city of Montevideo, in contracting loans for public works, must create new taxes or sources of revenues adequate to meet the interest and sinking fund charges on new debt.

The total debt of the city of Montevideo including this issue is $18,000,000. City-owned properties, according to official estimates, represent $40,000,000. Included in the city-owned property are productive enterprises which contributed more than $1,442,000 of the total city revenues of $5,266,000 for the fiscal year 1924–1925.

The assessed value of real estate in the municipality of Montevideo on December 31, 1924, amounted to $471,000,000 with an estimated actual value of $556,000,000. The debt ratio is less than 4 per cent of assessed valuation, and the per capita debt is approximately $43.

The city of Montevideo has paid interest on its funded indebtedness regularly since the debt settlement in 1901 incident to the depression following the Baring crisis. Following the outbreak of the World War the Uruguayan Government and city of Montevideo in agreement with the English bondholders suspended sinking fund payments until 1922 when such payments were resumed.

REVENUES AND EXPENDITURES

The ordinary budget is balanced. During last six years there was an excess of about $2,000,000 extraordinary expenditures over and above extraordinary receipts as a consequence of new public works construction. The floating debt is now reduced to $1,100,000, it being the aim of the municipality to work systematically for its total reduction.

It is expected that application will be made to list these bonds on the New York Stock Exchange.

Total bonds authorized under loan $9,307,800. Presently to be issued, 6 per cent series A (this issue), $5,171,000. Interest payable May 1 and November 1. Principal and interest payable at principal office of Guaranty Trust Co. of New York, in United States gold coin of or equal to standard of weight and fineness existing on November 1, 1926, without deduction for any taxes, present or future, imposed by the city of Montevideo, by the Republic of Uruguay, or by any taxing authority thereof or therein. Coupon bonds in denomination of $1,000, 93¼ and interest, to yield about 6½ per cent.

When, as, and if issued and received by us and subject to issue as planned. All legal details in connection with this issue are being passed on by Messrs. Davis, Polk, Wardwell, Gardiner & Reed, except questions of Uruguayan law which will be passed on by Senor Abadie Santos of Montevideo. It is expected that interim or trust receipts of the Guaranty Trust Co. of New York will be ready for delivery on or about December 15, 1926.

NOTE.—All conversions of pesos into United States currency have been made at $1 per peso which is approximately the current rate of exchange. The gold parity of the peso is $1.0342.

GUARANTY CO. OF NEW YORK.

The CHAIRMAN. The committee will recess until 2 o'clock this afternoon.

(Whereupon, at 12 o'clock noon, a recess was taken until 2 o'clock p. m.)

AFTER RECESS

The committee resumed at 2 o'clock p. m., at the expiration of the recess.

The CHAIRMAN. The committee will come to order. Mr. Stralem, if you will come forward and be sworn: You do solemnly swear that the evidence you are about to give in the hearing being held by this committee, will be the truth, the whole truth, and nothing but the truth, so help you God.

Mr. STRALEM. I do.

The CHAIRMAN. Just take a seat at the table there opposite the committee reporter.

TESTIMONY OF CASIMIR I. STRALEM, A PARTNER IN THE FIRM OF HALLGARTEN & CO., NEW YORK CITY

(The witness was duly sworn by the chairman of the committee.)

The CHAIRMAN. Mr. Stralem, whom do you represent?

Mr. STRALEM. Hallgarten & Co.

The CHAIRMAN. Located in New York?

Mr. STRALEM. Yes, sir.

The CHAIRMAN. Engaged in what business?

Mr. STRALEM. Banking and brokerage.

The CHAIRMAN. You may go ahead, Senator Johnson.

Senator JOHNSON. Did I understand you to say that you represent Hallgarten & Co?

Mr. STRALEM. Yes, sir; I am a partner in Hallgarten & Co.

Senator JOHNSON. And you have been a partner of Hallgarten & Co. for how long?

Mr. STRALEM. Since 1903 or 1904.

Senator JOHNSON. And Hallgarten & Co. has continued as a copartnership during that time?

Mr. STRALEM. All the time since 1850.

Senator JOHNSON. How many members are there in the firm of Hallgarten & Co.?

Mr. STRALEM. Shall I count them?

Senator JOHNSON. If you please.

Mr. STRALEM. Seven.

Senator JOHNSON. You have been engaged in the business of buying and selling securities?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. And you have been engaged in that business for how long a period of time?

Mr. STRALEM. Ever since the firm's existence.

Senator JOHNSON. Have you during the past 10 years purchased any foreign securities?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. And then sold them to the American people?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. Have you a list of those securities which you have purchased and sold?

Mr. STRALEM. I have a list, but I can give you first a résumé if you so desire.

Senator JOHNSON. All right.

Mr. STRALEM. The total amount that we have issued, either as leaders or co-leaders amounts to $314,716,500.

The CHAIRMAN. During what length of time?

Mr. STRALEM. Since 1920, when the first was issued. Of that amount $74,770,000, or 23.75 per cent of the total, have been redeemed.

Senator SHORTRIDGE. Have been what?

Mr. STRALEM. Redeemed or paid off either by sinking fund or by total retirement. And I might add, by way of total retirement $60,134,500, or 80.43 per cent; and by means of sinking fund $14,635,500, or 19.57 per cent. Of the total amount of, in round numbers, $314,000,000, there were bought in Canada, South America, or Europe, in foreign countries, $76,278,000, or 24.23 per cent of the total.

Senator JOHNSON. Have you a list there in detail?

Mr. STRALEM. We have lists in detail, but these are not quite exactly in the way you want them, but we can correct them for you.

Senator JOHNSON. That may be all right. I will be glad if you will permit me to examine them and ask you some questions respecting them.

Mr. STRALEM. Here are two statements. One is for issues of $5,000,000 and under an dthe other is for issues of $5,000,000 and over.

The CHAIRMAN. Were you associated with other bond concerns?

Mr. STRALEM. I might say in order to avoid duplication that as leaders or coleaders in the $314,000,000 our own participation was $65,451,000, or about 21 per cent.

Senator JOHNSON. Are there any of these that have defaulted?

Mr. STRALEM. Yes, sir. And I might say while we are on the subject that here is another list that you may be interested in.

Senator JOHNSON. Are those the defaults?

Mr. STRALEM. No; this is the geographical distribution.

The CHAIRMAN. I should like to have that put in the record right here.

Geographical distribution

	Issued	Outstanding	Percentage
Europe:			
Switzerland	\$6,000,000	None.	
Germany	3,000,000	None.	
Italy	7,400,000	\$4,777,500	
Hungary	2,700,000	2,643,000	
Estonia	4,000,000	3,848,000	
	23,100,000	11,268,500	48.787
Total redeemed		11,831,500	51.22
		23,100,000	
South America:			
Argentina	75,835,500	39,399,000	
Chile	77,200,000	71,826.500	
Colombia	91,000,000	72,613,500	
Uruguay	47,581,000	44,839,000	
	291,616,500	228,678,000	78.42
Total redeemed		62,938,500	21.42
		291,616,500	

Senator JOHNSON. You have just handed me a statement of distribution along geographical lines from which it appears that they have been made in Italy, Hungary, Estonia, and so far as South America is concerned, in Argentina, Chile, Colombia and Uruguay. Is that right?

Mr. STRALEM. There must be some in Germany.

Senator JOHNSON. Yes, you have \$3,000,000 here in Germany but none are outstanding.

Mr. STRALEM. Oh, yes. None are outstanding now.

Senator JOHNSON. So that this list now covers in Europe, Italy, Hungary and Estonia; and in South America, Argentina, Chile, Colombia and Uruguay.

Mr. STRALEM. Yes, sir.

Senator JOHNSON. And you show original loans in Switzerland of \$6,000,000 and Germany of \$3,000,000, but none are now outstanding.

Mr. STRALEM. That is correct.

Senator JOHNSON. Now, of those loans that you have made, which of them, if any, have defaulted?

Mr. STRALEM. The Republic of Chile loan, and the municipality of Medellin in Colombia.

Senator SHORTRIDGE. Where is that?

Mr. STRALEM. It is the municipality of Medellin in the Republic of Colombia.

The CHAIRMAN. What were the amounts of those loans?

Mr. STRALEM. The amount outstanding at the moment of the Republic of Chile loan is \$66,051,000, and the amount outstanding at the moment of the municipality of Medellin loan is \$11,022,000.

The CHAIRMAN. Did your company loan $66,000,000 to Chile?

Mr. STRALEM. Yes, along with others.

The CHAIRMAN. That was the whole loan?

Mr. STRALEM. No, the whole loan was a little bigger than that. There have been some bonds called by the sinking fund. The net amount of the issue now outstanding is $66,051,000.

Senator SHORTRIDGE. And there is default in the payment of interest?

Mr. STRALEM. There is default in the payment of interest and sinking fund.

Senator SHORTRIDGE. When did that default occur?

Mr. STRALEM. In August of 1931.

Senator SHORTRIDGE. Did you concern have $66,000,000 of these bonds?

Mr. STRALEM. No, sir. They were distributed to the public by different houses. They were issued in 1927 and 1928.

Senator SHORTRIDGE. What amount is in the hands of the public to-day?

Mr. STRALEM. The amount I mentioned is to-day in the hands of the public.

Senator JOHNSON. You were speaking of Chilean bonds. You may proceed.

Mr. STRALEM. There were $42,500,000 of bonds issued by the Republic of Chile in 1926, and $27,500,000 in 1927. The total therefore was $70,000,000. But is has been reduced until today it is $66,051,000.

Senator JOHNSON. And when did they default?

Mr. STRALEM. Last year. And I should explain that their default was due entirely to the condition of the leading industries of that country, which are copper and nitrates. It is through the sales of copper and nitrates that they get the foreign exchange with which they are able to pay interest. And I think this default is due in great extent to general conditions in those two industries throughout the world.

Senator JOHNSON. Well now——

Senator SHORTRIDGE (interposing). And through no disposition on the part of the Republic of Chile to cancel or ignore its legal liability?

Mr. STRALEM. Oh, no. Nothing of that kind whatsoever.

Senator JOHNSON. Well now, is there default in both loans to Chile?

Mr. STRALEM. There is default in both loans to Chile. And I think some other interests have issued some loans to Chile which are in default.

Senator JOHNSON. Do you know the purpose for which the $42.500,000 was issued?

Mr. STRALEM. I think you have it on that detailed sheet.

Senator JOHNSON. You have a notation here:

> For construction of roads, sanitary works, certain internal debts, and repayment of other current indebtedness of the Republic.

Is that the purpose for which the first loan was made?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. Do you know anything about the details of these particular items?

Mr. STRALEM. I could not give them to you.

Senator JOHNSON. Do you know anything about the matter of the construction of roads in Chile?

Mr. STRALEM. I could not give you an answer to that.

Senator JOHNSON. Are you aware of the fact that in many instances where loans were obtained, presumably for improvements of that sort, that vast sums were spent for the construction of roads and the like, but were never applied to the purpose?

Mr. STRALEM. I have heard so, but as to the truth of it I can not say.

Senator JOHNSON. How far did you pursue your inquiries as to the purposes of this loan?

Mr. STRALEM. We knew that it was to be applied to those purposes, but there is no possible way in which we could follow it out once we had paid the money over to the Government. The Government would not listen to us, or at least they would give us general answers, but we could not follow the money out to see how it was spent exactly. We had to rely on the good faith of the Government, and that good faith I do not doubt.

Senator JOHNSON. But prior to the making of the loan and prior to offering to the people of this country of these bonds how much of an investigation did you make?

Mr. STRALEM. Well, the investigation that we made was this: We never enter into negotiations for any loan without first trying to get as full information as possible, either through the Department of Commerce by means of bulletins, Mr. Jones was talking about here this morning, and for which we subscribe and which we get; through direct appeals to the Department of Commerce; through consular reports; through handbooks published in these various countries, and checking these handbooks with the reports issued by the Department of Commerce; and as far as we possibly can get the records of the countries involved during past years.

Senator JOHNSON. Did you make any applications to the State Department in reference to this loan?

Mr. STRALEM. We always do and always got the same negative answer that other people got.

Senator JOHNSON. Did you make any inquiry of them as to the possibilities of a loan to Chile?

Mr. STRALEM. No, sir.

Senator JOHNSON. Were you familiar at the time your Chilean loans were made with the letter that had been written concerning German loans to the Secretary of State?

Mr. STRALEM. I never heard of it until you read it here this morning.

Senator JOHNSON. I never did either, so we are on a parity there. Didn't you learn from the Department of Commerce that those in charge of affairs there believed Chile to be overborrowed?

Mr. STRALEM. Those loans were made in 1926 and 1927.

Senator JOHNSON. I know that.

Mr. STRALEM. And, as I understood this morning, the report made by the first gentleman who testified, Mr. Corliss, was made in 1930, that it was overborrowed.

Senator JOHNSON. That was only one that he made. But in 1926 they began their studies and if you made inquiries of the Department of Commerce you must have learned something of that opinion.

Mr. STRALEM. I do not think at that time they had that opinion. But quite naturally I can not answer for them.

Senator JOHNSON. Did you personally attend to the investigations made for the house of Hallgarten & Co.?

Mr. STRALEM. No, sir; but our office did.

Senator JOHNSON. By means of correspondence?

Mr. STRALEM. My associate here, Mr. Peyser, attended to some of it.

Senator JOHNSON. By inquiry at the Department of Commerce?

Mr. STRALEM. By inquiry at the Department of Commerce, and by a study of these bulletins that Mr. Jones referred to, particularly that made by Mr. McQueen, which was noncommittal at the time about the borrowing capacity of Chile. In fact, that study indicated that Chile was in a favorable condition.

Senator JOHNSON. Did that relate to nitrates?

Mr. STRALEM. It touched on them, as I recall it.

Senator JOHNSON. Do you know anything about any concession given for nitrates in Chile?

Mr. STRALEM. Do you mean to us?

Senator JOHNSON. Oh, no; not to you.

Mr. STRALEM. Oh, I have heard about that, but all that I heard was what I read in the newspapers and in handbooks at different times as to the formation of that company.

Senator JOHNSON. Of what company?

Mr. STRALEM. I think it is called the Cosach Co. that holds all nitrate concessions for the Government.

Senator JOHNSON. Whose company is it?

Mr. STRALEM. I don't know. I think the Government is part owner, but I do not know that of my own knowledge, so I do not like to try to testify about it.

Senator JOHNSON. I want only what you know of your own knowledge, of course. Did you know of any American concern that held a concession in Chile?

Mr. STRALEM. Only what I have seen in the newspapers. I know there is the Chile Copper Corporation owned by Americans and which has mines down there, and I believe some Americans—but I don't know who—have some nitrate properties. I have not investigated it, and don't know. I am talking really from hearsay.

Senator JOHNSON. Did you know whether any of this particular loan was to be applied to the nitrate industry at all?

Mr. STRALEM. Not of my own knowledge.

Senator JOHNSON. You had no knowledge of that?

Mr. STRALEM. No, sir.

Senator JOHNSON. You made no investigations to ascertain it?

Mr. STRALEM. We had no reason to investigate it.

Senator JOHNSON. Did you know anything about any English companies there engaged in nitrates?

Mr. STRALEM. Just in the same general way as I would know about American companies.

Senator JOHNSON. Did you know whether or not any part of your loan was to be applied to rehabilitating them?

Mr. STRALEM. Not that I know of.

Senator JOHNSON. And you don't know whether that was done ultimately or not?

Mr. STRALEM. No.

Senator JOHNSON. And you don't know whether that was intended or not?

Mr. STRALEM. I don't know. I can only tell you what the Government officials told us or our representatives.

Senator JOHNSON. You, of course, have the original contract that was made with you in relation to that loan?

Mr. STRALEM. I have not got it here.

Senator JOHNSON. Would you either give the original or a copy of it to the committee reporter to insert in the record?

Mr. STRALEM. I would rather furnish a copy of it.

Senator JOHNSON. Well, that is all that I ask. Please do that.

Mr. STRALEM. And also the fiscal agreement that goes with it, it there was one?

Senator JOHNSON. Then there was in this instance of a loan to Chile a fiscal agreement, was there?

Mr. STRALEM. I believe so, and if there was I will send it to you.

Senator JOHNSON. You will give it to the committee reporter to insert in the record.

Mr. STRALEM. Yes, sir.

(A copy of the bond sale agreement between Hallgarten & Co. and the Republic of Chile, and a fiscal agreement, if there was one, will be furnished for the record, and when furnished will be inserted at this place and printed.)

Senator JOHNSON. Do you know whether or not there was a bond sale contract in connection with it?

Mr. STRALEM. I can not tell you exactly without referring to the records. There were two different agreements, a bond sale agreement and a fiscal agency agreement; and if there was only one agreement then it covered both branches, and if there were two agreements, one covered the branch in regard to the bonds, and the other covered the branch in regard to the fiscal agency.

Senator JOHNSON. Do you know whether in either of these contracts there was any provision in relation to the profits or the gross receipts that might accrue from the sale of the bonds?

Mr. STRALEM. I do not quite understand your question.

Senator JOHNSON. Was there anything in either contract in relation to any division of the receipts you might have from the sale of the bonds either as profits or otherwise?

Mr. STRALEM. A division with whom?

Senator JOHNSON. I don't know.

Mr. STRALEM. Not that I know of.

Senator JOHNSON. That is the question I am asking you.

Mr. STRALEM. I do not know of any.

Senator JOHNSON. Well, you would know if there was one, wouldn't you?

Mr. STRALEM. Well, this is six years old and I am telling you what my memory of it is to-day.

Senator JOHNSON. The gentleman sitting by your side, you told me, had taken some of these matters up.

Mr. STRALEM. But he would not have that knowledge.

Senator JOHNSON. He had taken the matter up with the Commerce Department. Can you name any individual in the Commerce Department that you interviewed?

Mr. PEYSER. No. I did not interview the Commerce Department directly. One of my associates did. But we secured all available published information that they had.

Senator JOHNSON. Would that apply to both loans?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. Did you purchase outright these bonds?

Mr. STRALEM. Yes.

Senator JOHNSON. And your statement shows the purchase price in the first instance, of the $42,500,000 worth of Republic of Chile bonds, was 89.13.

Mr. STRALEM. Yes, sir. And we had three-eights by way of expenses, which made the gross price, if you want it, 89.51, as the cost of the bonds.

Senator JOHNSON. What do you mean by three-eights expenses?

Mr. STRALEM. The expenses of our lawyers in Santiago and here to prepare documents.

Senator JOHNSON. Did any part of the three-eights go to anybody other than lawyers?

Mr. STRALEM. Not that I know of.

Senator JOHNSON. But you would know if it did, would you not?

Mr. STRALEM. Well, I do not know what the lawyers did with their money.

Senator JOHNSON. I would not presume to ask you what the lawyers did with their money, but I mean so far as you know, did it go to anybody else?

Mr. STRALEM. So far as we know, it went to the lawyers. And there is the possibility, although I do not know and I would have to refresh my memory for that, and would be able to let you know later, that some of it might have gone to some agent we might have had down there.

Senator JOHNSON. Well, that is what I want to know.

Mr. STRALEM. I can not answer that question now.

Senator JOHNSON. Did you have an agent in Chile?

Mr. STRALEM. It was a local banking firm by the name of Tanner & Co.

Senator JOHNSON. Purely a banking firm?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. Do you know whether anything went to them?

Mr. STRALEM. Well, I am pretty sure, from the fact of their being in the banking business, that something stayed with them.

Senator JOHNSON. Well, I feel very certain on that point, too. So there is another thing that you and I will not disagree upon. It shows here that 89.13 was the purchase price. And under the column "Banking group of syndicate" you have 90. Do you mean that you disposed of these bonds to them at 90?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. Now you have a heading "Selling price and concessions to distributors." What does that mean?

Mr. STRALEM. The public paid 93¼ less 2¾ per cent.

Senator JOHNSON. Your profit being $31,700.

Mr. STRALEM. Our own profit being $31,700, and the total profit of the group, including Hallgarten & Co., Kissel, Kinnicutt & Co., and Halsey, Stuart & Co. being $210,000.

The CHAIRMAN. Is that your gross profit?

Mr. STRALEM. Again I should like to check those figures before I give you the gross and net, but I imagine that was the net figure.

The CHAIRMAN. Just what do you mean by "selling price and concessions to distributors"?

Mr. STRALEM. For instance, we form a very large group, which includes people from Maine to California and from Washington to Florida, for the purpose of distributing these bonds. There will be some house in Florida or in Maine who will get these bonds at 93¼ and who will take small amounts and who will get a commission of 2¾ per cent on such bonds as they sell. Those people who get the bonds at 90 are people who take bigger amounts and who take a liability besides, while the men who get them at 93¾ take no liability of any kind. All that they do is, attempt to sell these bonds. If they sell them they get the commission. If they do not sell them they do not have any bonds on hand.

Senator JOHNSON. Have you any of these bonds on hand now?

Mr. STRALEM. No, sir.

Senator JOHNSON. Take the next one: $27,500,000, 6 per cent external sinking fund gold bonds, issued February, 1927, and due February, 1961. Those you bought at 87.13 and sold at 93¼.

Mr. STRALEM. At the same price as the other bonds.

Senator JOHNSON. And you had a profit in that case of $128,000.

Mr. STRALEM. Yes, sir.

Senator JOHNSON. And the profit of those interested in that smaller issue was $858,000, is that correct?

Mr. STRALEM. It is correct according to those figures.

Senator JOHNSON. Well, why was your profit on the smaller issue so much greater than the profit on the larger issue?

Mr. STRALEM. On account of the spread between the price at which we bought them and the price at which we were able to form a banking group. You will see that one was purchased at 89.13, while the other was purchased at 87.13, and the price to the banking group or syndicate in one case was 90 and in the other 90½. So the spread was a little bigger.

Senator JOHNSON. Do you have your own distributing agents?

Mr. STRALEM. Yes, we have, but it is nothing like some of the larger distributing houses. We have never had more than 30 or 40 men employed in that department.

Senator JOHNSON. So that the number of distributors in these two issues would be rather limited?

Mr. STRALEM. You can see that there are quite a number of other houses interested with us in that group, and probably there may have been 300 or 400 or 500 distributors, but I don't know. They were quite large syndicates and for quite large amounts.

Senator JOHNSON. The next issue that you have is Colombia——

Senator SHORTRIDGE (interposing). Let me ask a question right there: Do I understand you to say that both of these Chilean issues your house bought outright?

Mr. STRALEM. Yes; that group bought outright. We were not alone. We would not attempt to take a $42,000,000 liability alone. We were not strong enough for that.

Senator SHORTRIDGE. But the group bought the bonds outright?

Mr. STRALEM. Yes; it was not an option but an outright purchase.

Senator SHORTRIDGE. You bought and paid for them?

Mr. STRALEM. Yes, sir.

Senator SHORTRIDGE. And then sold the bonds in the manner that you have mentioned?

Mr. STRALEM. Yes, sir. Payment may have taken place simultaneously with the sale or previously, I don't know. Anyway, we were liable for the money.

Senator SHORTRIDGE. You were liable for these sums of money?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. Are these bonds of Chile on the market now?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. What are they quoted at?

Mr. STRALEM. Somewhere around 15.

Senator SHORTRIDGE. Do you mean 15 cents on the dollar?

Mr. STRALEM. Yes, sir. I see here it is 13.

Senator JOHNSON. You have none of the second issue on hand?

Mr. STRALEM. No, sir. We had some on hand at one time but took our loss and got out.

Senator JOHNSON. You sold them out?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. How long ago?

Mr. STRALEM. I could not tell you.

Senator JOHNSON. I should like to know.

Mr. STRALEM. I will look it up.

Senator JOHNSON. How long ago did that default take place?

Mr. STRALEM. Last August.

Senator JOHNSON. Only last August?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. Did you dispose of your bonds before August of 1931?

Mr. STRALEM. I suppose so.

Senator SHORTRIDGE. Had they fallen materially before the default?

Mr. STRALEM. I would have to look that up in order to answer.

Senator SHORTRIDGE. From your general knowledge can not you tell us?

Mr. STRALEM. Yes, I suppose they started to go down as soon as nitrates and the nitrate exchange started to be against Chile. I would say, in a general way, yes, they started to go down probably the year before, in 1930.

Senator SHORTRIDGE. And they have fallen more rapidly since the default?

Mr. STRALEM. Oh, decidedly. But I could not tell you now what the price was at the time of default. You see very often rumors of default come into the market weeks before an actual default happens, and the minute those rumors start circulating it affects the market for the loan.

Senator SHORTRIDGE. Affects the market price of the bonds?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. Now we will take the next issue: The Republic of Colombia, $9,000,000 issue of the municipality of Medellin. You bought them at 89⅛ and sold them at 90¼, and your profit was $19,000: is that correct.

Mr. STRALEM. Yes; that is correct. It is taken from our records.

Senator JOHNSON. Did you have with the municipality of Medellin an agreement first in respect to the sale of the loan?

Mr. STRALEM. We bought the bonds outright.

Senator JOHNSON. Was there any bond sale agreement then between the city of Medellin and yourself?

Mr. STRALEM. I can only repeat about that what I said in regard to the others: There may have been two agreements or only one agreement, but whatever we have we will furnish.

Senator JOHNSON. Whatever agreements you may have had with the municipality of Medellin, whether one or two, you will furnish it or them?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. Is the municipality of Medellin in default now?

Mr. STRALEM. Yes, sir; but not of its own volition, but on account of the National Government of Columbia having passed a decree preventing them from buying the exchange. That issue of bonds was made for the purpose of extending the municipally owned hydroelectric plant and steel railways, and so forth, of the city of Medellin.

Senator JOHNSON. Yes; but it was also made for the retirement of certain indebtedness.

Mr. STRALEM. It was made for the retirement of about $2,750,000 of external 8 per cent bonds; payment of entire funded internal debt and addition, improvements, extensions, public works, tramway, sewer, and paving purposes. We get reports from the city of Medellin, and I have one here but I don't know whether you want it put in the record or not. We get these reports every month, of what the enterprises of the municipality bring in. They send in these reports to us, and we have never seen any indication of an intention not to pay. On the contrary they have shown that they were willing and glad to pay if allowed to do so, that they had the dollars in bank, but that the Government prevented them from paying.

Senator JOHNSON. That is, you mean the National Government?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. Prevented them from remitting.

Mr. STRALEM. Yes, sir.

Senator JOHNSON. And that was because of the exchange, you say?

Mr. STRALEM. Yes, sir; would not allow them to buy the exchange.

Senator JOHNSON. Is this the notice that you sent to the purchasers of the bonds?

Mr. STRALEM. I think it is. It states the facts that I have just given you.

Senator SHORTRIDGE. Is that in regard to the default?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. I will read it [reading:]

(Notice to holders of municipality of Medellin, 25-year external 7 per cent secured gold bonds of 1926; external 6½ per cent gold bonds of 1928)

The undersigned regret to announce that, notwithstanding their repeated demands, funds for the payment of the interest due December 1, 1931, on the bonds of the above issues have not been received, although, as they have been informed, the funds have been deposited in Colombia.

The following message, translated by the undersigned, was received today:

"Municipality duly deposited funds for the service of 7 per cent and 6½ per cent bonds. Deposit was made in dollars at bank agreed upon as depository under contract. But due to abnormal circumstances which we have communicated to you said bank has not obtained authority for transfer to fiscal agents in New York. Municipality has made efforts to procure remittance and will continue to do so for it is a case of mere delay in issuing the permit according to communication from the control board."

LUIS MESA VILLA,
President of Council.

The undersigned are continuing their efforts on behalf of the bondholders.

As to the 7 per cent bonds, Hallgarten & Co., fiscal agents.

As to the 6½ per cent bonds, Hallgarten & Co.; Kissel, Kinnicutt & Co., fiscal agents.

DECEMBER 1, 1931.

Mr. STRALEM. And this is the way we get information from the municipality of Medellin.

Senator JOHNSON. This other statement you show me I take it is a financial statement of the municipality.

Mr. STRALEM. Not of the municipality but of the properties on which we have a mortgage. And I might say that their receipts were larger in 1931 than in 1930. And they did not have enough money to finish the job they were doing and so they borrowed a million dollars from their own citizens. That shows the good faith of that municipality.

Senator JOHNSON. But the fact remains that they have not paid.

Mr. STRALEM. Yes, sir; due to the action of the national government.

Senator JOHNSON. It appears that they had the money with which to pay.

Mr. STRALEM. Yes, sir.

Senator SHORTRIDGE. But were prevented from doing it by some action of the national government?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. Did you make inquiry as to why the national government interferred with the municipality or the corporations?

Mr. STRALEM. I can only imagine that it was because they wanted the exchange for themselves; because they are taking it to pay the interest on their national bonds.

Senator SHORTRIDGE. Have they defaulted on their national Government bonds?

Mr. STRALEM. No. They were due on the 1st of January and we are paying the coupons at this moment. We have no reason to believe that these bonds are not going to be paid, that they are not going to continue paying them. There is no indication whatsoever that they will not continue to pay, and yet these bonds are selling at 27 cents on the dollar.

Senator JOHNSON. That is, do you mean the bonds of the municipality of Medellin?

Mr. STRALEM. No, sir; the bonds of the national government.

Senator JOHNSON. What are the bonds of the municipality of Medellin quoted at?

Mr. STRALEM. Somewhere between 10 and 15.

Senator SHORTRIDGE. Senator Johnson, let me develop a matter right there: Mr. Stralem, you say that the municipality of Medellin still has money on deposit with which to pay the interest which was due last December.

Mr. STRALEM. So we are told and believe.

Senator SHORTRIDGE. But that is has been prevented from making the payment because of the action of the national government.

Mr. STRALEM. By a decree issued by the national government controlling the exchange.

Senator SHORTRIDGE. And under their system of laws as you understand them they have that power?

Mr. STRALEM. They seem to have it because we did not get the money.

Senator SHORTRIDGE. That is a curious situation to us.

Senator JOHNSON. The next on your list are: Republic of Colombia, $10,000,000 external gold notes of 1927, which have been redeemed, have they not?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. They were purchased by you on a 5 per cent basis?

Mr. STRALEM. Yes, sir; and sold by us on a 5½ per cent basis, less one-sixteenth, which is a profit that is practically nil.

Senator JOHNSON. The next one is a $25,000,000 Republic of Colombia 6 per cent external sinking fund gold bonds loan, issued September 1927 and due January 1961.

Mr. STRALEM. Yes, sir.

Senator JOHNSON. You have here a purchase price of 91.18, and a banking group or syndicate at 89½.

Mr. STBALEM. Yes, sir; showing that we took a loss.

Senator JOHNSON. You took a loss there?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. Why?

Mr. STRALEM. Because probably between the time when we bought the bonds and the time we were able to sell them the money market or other markets had changed and so we sold them at a loss.

Senator JOHNSON. Do you know what that loan was for?

Mr. STRALEM. For extension and unification of railroad systems, development of port works, canal, and repayment of foregoing short-term loan.

Senator JOHNSON. Did these loans of yours to Colombia have anything to do with those of the National City Bank?

Mr. STRALEM. No, sir.

Senator JOHNSON. Their dealings were entirely separate and distinct from yours?

Mr. STRALEM. Entirely.

Senator JOHNSON. Did you have anything to do at any time, and by you I mean your house or any of your associates, with legislation by Colombia?

Mr. STRALEM. Nothing whatever.

Senator JOHNSON. Did you have anything to do, and by you I mean your house or you in conjunction with any of your associates, with petroleum concessions in Colombia?

Mr. STRALEM. Not in Colombia.
Senator JOHNSON. Nothing at all?
Mr. STRALEM. No, sir.
Senator JOHNSON. Did you know anything about those?
Mr. STRALEM. I have heard about the Barco concession, but about the details I know nothing.
Senator JOHNSON. In view of these Colombia loans of your own, didn't you take any opportunity to ascertain?
Mr. STRALEM. We could not. All that we could get was—well, we knew that there was a Barco concession that had been in existence for a long time, and we heard after we had made the loan that the Barco concession was going to be canceled.
Senator JOHNSON. And it was canceled?
Mr. STRALEM. I believe it was canceled and that it has been restored.
Senator JOHNSON. And then it was restored?
Mr. STRALEM. I believe so.
Senator JOHNSON. Do you know whether any loans were made at that time?
Mr. STRALEM. I do not know.
Senator JOHNSON. Didn't you follow up that situation?
Mr. STRALEM. I followed the situation, and I know the loan was made, and I know that the Barco concession was restored.
Senator JOHNSON. That is exactly what I am asking you.
Mr. STRALEM. But I do not know whether one had anything to do with the other.
Senator JOHNSON. But it is one of those singular coincidences where a loan was made and the Barco concession was restored.
Mr. STRALEM. The world is full of these coincidences.
Senator JOHNSON. Who had that loan when the coincidence occurred?
Mr. STRALEM. If you will fix the date of it.
Senator JOHNSON. Well, you know that the National City people had it.
Mr. STRALEM. Well, they had the latest loan.
Senator JOHNSON. Now, I think you will pardon me for insistence upon these matters. Here you had a $25,000,000 loan to the Republic of Colombia upon which you were taking a loss, and I will go into that in a minute, and you had one for $35,000,000 in 1928. Now, those are fairly big enterprises for you, are they not?
Mr. STRALEM. They were.
Senator JOHNSON. Well now, didn't you follow up what was transpiring in the Republic of Colombia?
Mr. STRALEM. Yes, sir; we were trying to follow it.
Senator JOHNSON. And you did follow it, didn't you?
Mr. STRALEM. Yes, sir.
Senator JOHNSON. And didn't you get such information as you could?
Mr. STRALEM. Certainly.
Senator JOHNSON. And didn't you know what happened?
Mr. STRALEM. All that I can remember at this date—well, we had nothing to do with oil, and we had nothing to do with the Barco concession, and we had nothing to do with the short-time loans

except the one you see there that preceded the other loan. We did not know who it belonged to at the time, but I think the Gulf Oil, perhaps. I think at that time there was some fight about the Barco concession, and about lines of the Barco concession.

Senator JOHNSON. That is, you mean the line between Venezeula and Colombia?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. You knew there was some difficulty in respect to that?

Mr. STRALEM. Yes, sir; but it was after our loan.

Senator JOHNSON. Did Mr. Olaya see you possibly when you had these loans out?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. And who was Mr. Olaya?

Mr. STRALEM. He was the minister from and is now the President of the Republic of Colombia.

Senator JOHNSON. He was then the minister to the United States and afterwards became the President of the Republic of Colombia.

Mr. STRALEM. Yes, sir.

Senator JOHNSON. He saw you about these loans after you had made them?

Mr. STRALEM. Yes, sir; he came to New York and signed for them.

Senator JOHNSON. Didn't you then investigate as best you could what the situation was with regard to your loans?

Mr. STRALEM. At that time I do not think there was any situation, as far as I can remember. As far as I can remember, I do not know that there was a situation in regard to the Barco concession.

Senator JOHNSON. When did you take your loss on the $25,000,000 loan?

Mr. STRALEM. I would have to look it up. I do not know the date.

Senator JOHNSON. The issue was September, 1927.

Mr. STRALEM. The first one in March, 1927.

Senator JOHNSON. I am speaking of the loss.

Mr. STRALEM. September, 1927.

Senator JOHNSON. That is when you took the issue of $25,000,000?

Mr. STRALEM. Yes.

Senator JOHNSON. When did the loss accrue to you?

Mr. STRALEM. Probably within three weeks of that, I imagine.

Senator SHORTRIDGE. How much of a loss?

Mr. STRALEM. The total loss for the different members of the group was $514,000. Our own personal loss was $104,000.

Senator JOHNSON. Didn't you pursue that in the slightest degree with Mr. Olaya?

Mr. STRALEM. I can not remember at this date. I would like to refresh my memory about it.

Senator JOHNSON. I would be very glad if you would refresh your memory, because it seems to me a natural thing, when you had these bonds that had been a loss to you, and then in March, 1928, only a short time afterwards, you took another bond issue from these people, that you would have pursued, with Mr. Olaya, who was minister to this country, and acting for Colombia, the whole situation, to ascertain the facts.

Mr. STRALEM. The facts, as far as I can remember—I would prefer to refresh my memory, and then, if you will allow me, I can give you a report on it. Can I do that?

Senator JOHNSON. Yes. If you do not feel that you can speak accurately now, I do not ask you to do that.

Mr. STRALEM. Can I send it to you by mail?

Senator JOHNSON. Surely. Send it to the chairman of the committee by mail, if you will, but I want to know what you did, and what you learned, that is, of your own knowledge, with respect to those loans. I call your attention again to the fact that you had a $25,000,000 external sinking fund loan, gold bonds, issued September, 1927, upon which you assert that you took a loss of $104,000, and that your associates took a total loss of $514,000.

Mr. STRALEM. Inclusive of ours.

Senator JOHNSON. Including you own. All right. Now, I call your attention to the fact that six months afterwards, you took another bond issue of Colombia for $35,000,000, $10,000,000 more, external sinking fund gold bonds, 6 per cent, and those you sold and made a profit yourself of $67,500, your associates making a profit of $332,500. I ask you whether or not, with this bond issue of 1928, with the loss that you had taken in 1927, you did, either in the interim between September, 1927, and March, 1928, or thereafter, being constantly and continually in touch with Olaya, who was not only representing Colombia, but subsequently its President, make investigations in respect to these bond issues?

Mr. STRALEM. We certainly did; and the fact that the second issue was sold at 95 to the public, and the first at 92½, would seem to me to indicate that the credit of Colombia must have gotten better. It may have been due to money market conditions that we could not sell the bonds at a profit, and for no other reason The money market may have eased off between September, 1927, and March, 1928, which allowed us to sell practically the same bonds, six months apart, at 2½ points higher.

Senator JOHNSON. That may all be, but it was not a common thing for you to take a loss of $100,000 on a bond issue, was it?

Mr. STRALEM. It has become so.

Senator JOHNSON. It has become so, I imagine, since we have developed that none of us have any particular financial sense; but prior to October, 1929, when the great crash came, it was an uncommon thing for you to take a loss, was it not, in a bond purchase of $100,000?

Mr. STRALEM. Yes. I admit that.

Senator JOHNSON. That being the case, I am trying to pursue my inquiry to ascertain what you did and what you learned.

Mr. STRALEM. I will try to find out exactly.

Senator JOHNSON. And just what Mr. Olaya said. Were you paid out of some other bond issue?

Mr. STRALEM. No.

Senator JOHNSON. Were you paid out of some short-term credits?

Mr. STRALEM. No.

Senator JOHNSON. Were you paid anything?

Mr. STRALEM. Nothing except profit on second bond issue.

Senator SHORTRIDGE. What is that?

Mr. STRALEM. The law passed by the Congress of Colombia was for a loan of $60,000,000, and those two, the $25,000,000 and the $35,000,000, make the $60,000,000 authorized under that law. At the time of the first issue, the credit of Colombia was not well known in the United States, and we probably overbid, in view of that fact, and we had to take a loss to sell the bonds. Those bonds must have gone up after the sale, because we were able to sell the second bonds, six months later, at a higher price than the first ones, and the credit of Colombia being better known at that time; probably allowed the sale to be made.

Senator JOHNSON. Let us take the first one, $10,000,000 external gold notes of 1927, issued March, 1927, due August, 1927.

Mr. STRALEM. Yes, a 3-month loan, is it not, or a 5-month loan?

Senator JOHNSON. Exactly. To have taken it on the basis you did, the credit of Colombia must have been pretty good, you thought, isn't that true?

Mr. STRALEM. It may have been very good with the banks.

Senator JOHNSON. Yes.

Mr. STRALEM. But the issuing credit of Colombia——

Senator JOHNSON. You think it may have failed between then and September?

Mr. STRALEM. No. The credit with a bank is not the same thing as the issuing credit with the public. The public may not know anything about Colombia, or it may. In this instance, it looks as if the banks knew of the value of Colombian credit, and were willing to advance money. We sold it at a small profit to people who are willing to take a short issue. The people who buy a short issue are not the same people as those who buy a long issue. Different classes of people deal in those two classes of securities. I may want to have a long-time investment——

Senator JOHNSON. Do you know when Olaya became President of Colombia?

Mr. STRALEM. I imagine it must be a year and a half ago that he took office.

Senator JOHNSON. But you do recall that during the period of these particular loans, you were in communication with him?

Mr. STRALEM. Oh, yes.

Senator JOHNSON. Did you have any written communications with him?

Mr. STRALEM. I could not tell you. I imagine so. I am not sure of it. I would prefer looking it up before answering definitely.

Senator JOHNSON. Did you make any inquiry concerning these issues from the Department of Commerce?

Mr. STRALEM. There is not an issue, I believe, that we have made, where we did not try to find out, either from the Department of Commerce or through other sources, all the information that we could before entering into negotiations.

Senator JOHNSON. Is there any arrangement as to the repayment of your loss at all?

Mr. STRALEM. No, sir. The loss was ours.

Senator JOHNSON. You just accepted that. In March, 1928, the $35,000,000 was apparently for railway and highway construction, is that correct?

Mr. STRALEM. That is correct.

Senator JOHNSON. Is that like the highway construction that we have heard of, that occurred so often in Latin America?

Mr. STRALEM. No. I believe the Colombian people are pretty——

Senator JOHNSON. You think they built their highways?

Mr. STRALEM. I think they built their highways. I do not think they built enough of them.

Senator JOHNSON. That is, they did not issue enough bonds to build enough of them.

Mr. STRALEM. No, sir. I think they still need more development of that type.

Senator JOHNSON. Were there any other purposes?

Mr. STRALEM. Railways, ports, and so forth.

Senator JOHNSON. Railway and highway construction?

Mr. STRALEM. Railway and highway construction.

Senator JOHNSON. Any other purposes?

Mr. STRALEM. No other purposes.

Senator JOHNSON. For each of these loans concerning which I have interrogated you, you will hand, will you not, to the reporter the prospectus that you issued to the American public?

Mr. STRALEM. Yes.

Senator JOHNSON. The next one is the Republic of Uruguay, $30,000,000, 6 per cent, external sinking fund gold bonds. By the way, was your house the house that received the portions of the sinking fund?

Mr. STRALEM. Sinking fund agents; yes, sir.

Senator JOHNSON. Do you know what that particular indebtedness was incurred for?

Mr. STRALEM. Refunding of existing debts, sanitary works, railways, ports, roads, and schools.

Senator JOHNSON. There was a spread there of about 5.

Mr. STRALEM. Yes, approximately; between 4½ and 5, from beginning to end.

Senator JOHNSON. Your purchase price was 91.53; your selling price 96½; is that correct?

Mr. STRALEM. That is correct.

Senator JOHNSON. The entire syndicate there made $178,500.

Mr. STRALEM. The originating syndicate.

Senator JOHNSON. The originating syndicate. And you say your part was $26,800?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. You had the same sort of contracts for that particular indebtedness that you have had for the others?

Mr. STRALEM. Yes, sir.

Senator JOHNSON. We would like them, too, if you please. Now, the next one is Republic of Uruguay, $17,581,000, 6 per cent, external sinking fund gold bonds. The purchase price was 95.02; selling price, 98. You have your profit as $16,700, and of the original syndicate, $62,500. Is that correct?

Mr. STRALEM. Yes, sir. I might say here that, as I remember, the $7,000,000 that were taken by other people were taken by the National Bank of Uruguay.

Senator SHORTRIDGE. What is the date of those?

Mr. STRALEM. May, 1930.

Senator JOHNSON. What are those bonds worth now?

Mr. STRALEM. They are selling around 25, and they are paying their interest.

Senator JOHNSON. Both issues?

Mr. STRALEM. Both paying their interest.

Senator JOHNSON. Both issues about 25?

Mr. STRALEM. Yes.

Senator JOHNSON. You will furnish the contracts as to them, with your testimony?

Mr. STRALEM. I take it for granted you want all of them.

Senator JOHNSON. Yes, if you please. I want all of those.

How about these Argentine loans that you made? Are they in perfectly good shape at the present time? I think two of them have been redeemed, have they not?

Mr. STRALEM. Two of them have been redeemed, and we have to-day, with the First National Corporation of Boston, $41,000,000. Those are also paying their interest.

Senator JOHNSON. Can you give me any reason why the Government of Colombia should deflect the remittance of these municipalities on the bonds that have been issued by the municipalities?

Mr. STRALEM. No, sir. I can not, unless they needed it for themselves, and preferred to pay their own. That is the only reason I can think of, and it is not a very good reason.

Senator JOHNSON. Did you have any part in the Peru loan?

Mr. STRALEM. No.

Senator JOHNSON. Did you have any part in any of the Bolivia loans?

Mr. STRALEM. We may have had an interest in the distributing syndicate, but we had no direct interest. We never had any negotiations with Bolivia: not since 1922.

Mr. PEYSER. You are referring to the time since 1922?

Senator JOHNSON. Yes.

Mr. STRALEM. I do not know whether we have had before.

Senator JOHNSON. Then, you have had, since 1922, no interest in either Bolivia or Peru?

Mr. PEYSER. No.

Mr. STRALEM. Except possibly as distributors under somebody else's syndicate.

Senator JOHNSON. Can you recall?

Mr. PEYSER. No; we have not.

Senator JOHNSON. I thought you said you had not. You have not, even as distributors?

Mr. STRALEM. We may have. I do not know.

Senator JOHNSON. Do you know, Mr. Peyser?

Mr. PEYSER. As distributors, we would simply be salesmen.

Senator JOHNSON. But you do not recall whether——

Mr. STRALEM. As distributors we would have no direct contact with the Government, and nothing to do with the contracts.

Senator JOHNSON. Pardon me just a moment, and then I will not disturb you, probably, longer. You know nothing about any concessions that have been granted by any of these countries?

Mr. STRALEM. No, sir.

Senator JOHNSON. You have had nothing, either directly, to do with any such concession?

Mr. STRALEM. No, sir.

Senator JOHNSON. You know nothing about the petroleum laws that were passed by Colombia?

Mr. STRALEM. We had nothing to do with it.

Senator JOHNSON. You know nothing of them, except what you have heard of late?

Mr. STRALEM. That is all.

Senator JOHNSON. In 1930, did you know that President Olaya was dealing with the National City Bank?

Mr. STRALEM. We heard of it.

Senator JOHNSON. Do you know anything about the contracts that were entered into at that time?

Mr. STRALEM. Nothing at all. We were not a party to it in any way, shape, or manner, and we did not advance any money under the National City Bank to the Government.

Senator JOHNSON. Inasmuch as you held certain bonds, I thought you might be familiar with the terms of the contracts then executed.

Mr. STRALEM. No, sir.

Senator JOHNSON. You are not familiar with that at all.

Mr. STRALEM. No, sir.

Senator JOHNSON. Have you had anything to do with Cuban loans?

Mr. STRALEM. No, sir.

Senator JOHNSON. Either for sugar corporations or otherwise?

Mr. STRALEM. No, sir.

Senator JOHNSON. That is all.

The CHAIRMAN. You may be excused, then.

Foreign loans issued by Hallgarten & Co. and associates

Participants	Amount	Country	Redeemed	Purchase price	Expenses (about)	Banking group or syndicate
		ESTONIA				
Hallgarten & Co.; William R. Compton Co.; S. W. Straus & Co.	$4,000,000	Republic of Estonia banking and currency reform 7 per cent loan of 1927; issued June, 1927; due July, 1967.	$152,000	89¼	*Per cent* 1	90¼
		GERMANY				
Hallgarten & Co.; Halsey, Stuart & Co. (Inc.); Goldman, Sachs & Co.; Lehman Bros.; J. & W. Seligman & Co.	3,000,000	Berlin City Electric Co. 6½ per cent notes; issued February, 1926; due 1928-29.	3,000,000	[1] 96.169 [2] 94.4865	---------- ½	---------- ----------
		HUNGARY				
Hallgarten & Co.; William R. Compton Co.; Banca Commerciale Italiana Trust Co.	2,700,000	Hungarian Italian Bank (Ltd.) 7½ per cent 35-year sinking fund mortgage gold bonds; issued October, 1928; due October, 1963.	57,000	91½	¾	----------
		ITALY				
Hallgarten & Co.; Halsey, Stuart & Co. (Inc.)	5,000,000	Isarco Hydro Electric Co. 1st mortgage 25-year 7 per cent sinking fund gold bonds; issued May, 1927.	222,500	88	⅝	----------
Hallgarten & Co.; Lehman Bros., Freeman & Co.; Lawrence Stern & Co. (Inc.), Chicago.	2,400,000	Lloyd Sabaudo, first mortgage 7 per cent marine equipment serial gold bonds; issued March, 1926; due serially, 1930, 1941.	2,400,000	91	¾	93.33
		CHILE				
		City of Santiago				
Hallgarten & Co.; Kissel, Kinnicutt & Co.	1,000,000	1-year 6 per cent external gold notes; issued January, 1927; due January, 1928.	1,000,000	100	----------	----------
Hallgarten & Co.; Kissel, Kinnicutt & Co.; Brown Bros. & Co.; E. H. Rollins & Sons, Grace National Bank.	4,000,000	21-year 7 per cent external sinking fund gold bonds; issued January, 1928; due January, 1949.	400,000	96.30	½	----------
Hallgarten & Co.; Kissel, Kinnicutt & Co.	2,200,000	7 per cent external sinking fund gold bonds; issued May, 1930; due May, 1961.	24,500	92	¼	----------

[1] $1,000,000.
[2] $2,000,000.

Foreign loans issued by Hallgarten & Co. and associates—Continued

Participants	Amount	Country	Redeemed	Purchase price	Expenses (about)	Banking group or syndicate
		COLOMBIA			Per cent	
Hallgarten & Co.; Kissel, Kinnicutt & Co.; Halsey, Stuart & Co.; Lehman Bros.; Wm. R. Compton Co.; Cassatt & Co.; National Bank of Commerce in New York.	$3,000,000	Department of Cundinamarca 20-year external 7 per cent secured sinking fund gold bonds; issued December, 1926; due December, 1946.	$3,000,000	88⅞	1	---------
Hallgarten & Co.; Kissel, Kinnicutt & Co.; Halsey, Stuart & Co.; Lehman Bros.; Cassatt & Co.; William R. Compton Co.; National Bank of Commerce in New York.	3,000,000	Agricultural Mortgage Bank guaranteed 21-year 7 per cent sinking fund gold bonds; issued January, 1927; due January, 1947.	373,000	92.025	1¼	---------
Hallgarten & Co.; Kissel, Kinnicutt & Co.; Halsey, Stuart & Co.; Lehman Bros.; Wm. R. Compton Co.; National Bank of Commerce in New York.	3,000,000	Mortgage Bank of Bogota 20-year 7 per cent sinking fund gold bonds; issued May, 1927; due May, 1947.	384,500	88¾	1½	92¼
Hallgarten & Co.; Kissel, Kinnicutt & Co.; Halsey, Stuart & Co.; Lehman Bros.; Cassatt & Co.; William R. Compton Co.; National Bank of Commerce in New York.	3,000,000	Municipality of Medellin external 7 per cent secured gold bonds of 1926; issued December, 1926; due December, 1951.	356,000	85	.80	---------
	36,300,000		11,369,500			
		SWITZERLAND				
Hallgarten & Co.; Blair & Co. (Inc.); Halsey, Stuart & Co.	6,000,000	City of Zurich; 8 per cent 25-year sinking fund gold bonds; issued October, 1920; due October, 1945.	6,000,000	93½	¾	95½
		ARGENTINA				
		Province of Buenos Aires				
First National Corporation of Boston; White, Weld & Co.; Hallgarten & Co.; Kissel, Kinnicutt & Co.; Halsey, Stuart & Co. (Inc.); Lehman Bros.; Cassatt & Co.; Graham, Parsons & Co.; Wm. R. Compton Co.	24,121,000	7 per cent external sinking fund gold bonds; consolidation loan of 1926, issued December, 1926; due June, 1957.	21,121,000	87	1⅛	91
	10,613,500	7 per cent external sinking fund gold bonds; consolidation loan of 1926; issued May, 1927; due May, 1958.	10,613,500	88½	1¾	92¼
First National Corporation of Boston; Hallgarten & Co.; Kissel, Kinnicutt & Co.; Halsey, Stuart & Co. (Inc.); Lehman Bros.; Cassatt & Co.; Graham, Parsons & Co.; Hornblower & Weeks; Wm. R. Compton Co.	41,101,000	6 per cent refunding external sinking fund gold bonds; issued March, 1928; due March, 1961.	1,702,000	92.41	¼	93½
		CHILE				
		Republic of Chile				
Hallgarten & Co.; Kissel, Kinnicutt & Co.; Halsey, Stuart & Co. (Inc.); Lehman Bros.; J. Henry Schroder Banking Corporation; National Bank of Commerce; William R. Compton Co.; Cassatt & Co.; Continental & Commercial Co.; Northern Trust Co.; Guardian Detroit Co. (Inc.).	42,500,000	6 per cent external sinking fund gold bonds; issued October, 1926; due April, 1960.	2,384,000	89.13	⅜	90
	27,500,000	6 per cent external sinking fund gold bonds; issued February, 1927; due February, 1961.	1,565,000	87.13	¼	90½

		COLOMBIA				
Hallgarten & Co.; Kissel, Kinnicutt & Co.; Halsey, Stuart & Co.; Cassatt & Co.; William R. Compton Co.; National Bank of Commerce; Lehman Bros.	9,000,000	Municipality of Medellin external 6½ per cent gold bonds of 1928; issued June, 1928; due December, 1954.	622,000	89⅛	⅛	90¼
		Republic of Colombia				
Hallgarten & Co.; Kissel, Kinnicutt & Co.; Halsey, Stuart & Co. (Inc.); Lehman Bros.; Cassatt & Co.; William R. Compton Co.; National Bank of Commerce; The Northern Trust Co.	10,000,000	External gold notes of 1927; issued March, 1927; due August, 1927.	10,000,000	[1]		
	25,000,000	6 per cent external sinking fund gold bonds; issued September, 1927; due January, 1961.	1,828,500	91.18	⅜	89½
	35,000,000	6 per cent external sinking func gold bonds of 1928; issued March, 1928; due October, 1961.	1,822,500	91.30	⅜	92⅝
		URUGUAY				
Hallgarten & Co.; Halsey, Stuart & Co. (Inc.); Lehman Bros.; Cassatt & Co.; Kissel, Kinnicutt & Co.; Ames, Emerich & Co.; National Bank of Commerce; National Republic Co.; Chicago Guardian Detroit Co. (Inc.); Anglo-London-Paris Co., Frisco; The Shawmut Corporation of Boston; Northern Trust Co., Chicago; Mississippi Valley Trust Co., St. Louis; Minnesota Loan & Trust Co., Minneapolis; Bank of Italy, Frisco; Amsterdamsche Bank, Amsterdam (Holland); Northwestern Trust Co., St. Paul.	30,000,000	Republic of Uruguay 6 per cent external sinking-fund gold bonds, issued May, 1926; due May, 1960.	2,305,500	91.53	½	92⅝
	17,581,000	Republic of Uruguay 6 per cent external sinking-fund gold bonds, issued May, 1930; due May, 1964.	436,500	95.02	[2]	—[3] 95.02 —[4] 9[illegible]⅝
Hallgarten & Co.; Halsey, Stuart & Co. (Inc.); Cassatt & Co.; Kissel, Kinnicutt & Co. (Inc.); Ames, Emerich & Co. (Inc.); Banc Northwest Co., Minneapolis; Mississippi Valley Co., St. Louis; Guardian Detroit Co. (Inc.); Northern Trust Co., Chicago; the National Republic Co., Chicago; National Bankitaly Co., Frisco; the Shawmut Corporation of Boston; Commercial National Bank & Trust Co. of New York.; First Wisconsin Co., Milwaukee.	278,416,500		63,400,500			

[1] 5 per cent basis (97.9167 per cent).
[2] Expenses covered by borrowers.
[3] $7,240,000.
[4] $10,341,000.

Foreign loans issued by Hallgarten & Co. and associates—Continued

Participants	Selling price and concessions to distributors	Hallgarten's participation	Hallgarten's profit	Purpose of issue
Hallgarten & Co.; William R. Compton Co.; S. W. Straus & Co.	94 less 3	29¼ per cent ($1,170,000)		For purpose of repaying Bank of Estonia portion of long-term industrial loans; loans so repaid taken over by Government and to provide working capital for newly created mortgage institution.
Hallgarten & Co.; Halsey, Stuart & Co. (Inc.); Goldman, Sachs & Co.; Lehman Bros.; J. & W. Seligman & Co.	99 less 1 98½ less 1¼	20 per cent ($600,000)	$11,700 ($58,500)	For construction of additional generating capacity.
Hallgarten & Co.; William R. Compton Co.; Banca Commerciale Italiana Trust Co.	98¾ less 3	45 per cent ($1,215,000)	$42,500 ($94,500)	For reimbursing the bank for heretofore acquired first mortgage.
ITALY				
Hallgarten & Co.; Halsey, Stuart & Co. (Inc.)	93½ less 2¾	50 per cent ($2,500,000)	$53,000 ($106,000)	For construction of hydroelectric plant.
Hallgarten & Co.; Lehman Bros., Freeman & Co.; Lawrence Stern & Co. (Inc.), Chicago.	98.33 less 2½	38¾ per cent ($930,000)	$14,700 ($37,900)	For construction of new large steamer.
CHILE				
City of Santiago				
Hallgarten & Co.; Kissel, Kinnicutt & Co.	5½ per cent discount less ¾ per cent.	50 per cent ($500,000)	$1,250 ($2,500)	For repayment of floating debt, chiefly incurred for purchase or construction of public works.
Hallgarten & Co.; Kissel, Kinnicutt & Co.; Brown Bros. & Co.; E. H. Rollins & Sons, Grace National Bank.	100¼ less 1¾	20 per cent ($800,000)	$13,600 ($68,000)	For retiring of all internal and external debt and public improvement.
Hallgarten & Co.; Kissel, Kinnicutt & Co.	96½ less 2¾	50 per cent ($1,100,000)	$16,500 ($33,000)	For public improvement and for retirement of floating indebtedness.
Hallgarten & Co.; Kissel, Kinnicutt & Co.; Halsey, Stuart & Co.; Lehman Bros.; Wm. R. Compton Co.; Cassatt & Co.; National Bank of Commerce in New York.	94¾ less 2½	17 per cent ($510,000)	$12,100 ($71,250)	For railroad construction.
Hallgarten & Co.; Kissel, Kinnicutt & Co.; Halsey, Stuart & Co.; Lehman Bros.; Cassatt & Co.; William R. Compton Co.; National Bank of Commerce in New York.	97¾ less 2½	20⅝ per cent ($68,750)	$12,200 ($59,200)	To provide funds for mortgage loan operations.
Hallgarten & Co.; Kissel, Kinnicutt & Co.; Halsey, Stuart & Co.; Lehman Bros.; Wm. R. Compton Co.; National Bank of Commerce in New York.	95½ less 2¾	28 per cent ($840,000)	$16,800 ($60,000)	For retirement of outstanding bonds and for new mortgage loan operations.
Hallgarten & Co.; Kissel, Kinnicutt & Co.; Halsey, Stuart & Co.; Lehman Bros.; Cassatt & Co.; William R. Compton Co.; National Bank of Commerce in New York.	93¼ less 2½	26⅔ per cent ($800,000)	$39,600 ($148,500)	For development and extension of public utilities.
		$11,683,750	$233,950 ($739,360)	

Hallgarten & Co.; Blair & Co. (Inc.); Halsey, Stuart & Co.	99½ less 1½	43¾ per cent ($2,625,000)	$32,800 ($75,000)	Principally to refund existing indebtedness.
First National Corporation of Boston; White, Weld & Co.; Hallgarten & Co.; Kissel, Kinnicutt & Co.; Halsey, Stuart & Co. (Inc.); Lehman Bros.; Cassatt & Co.; Graham, Parsons & Co.; Wm. R. Compton Co.	94¾ less 2¾	15 per cent ($3,618,150)	$104,000 ($693,400)	Liquidation of the floating and short-term debt of the Province.
	95 less 2¼	20 per cent ($2,123,700)	$42,400 ($212,000)	For completing liquidation of the floating and short-term indebtedness of the Province.
First National Corporation of Boston; Hallgarten & Co.; Kissel, Kinnicutt & Co.; Halsey, Stuart & Co. (Inc.); Lehman Bros.; Cassatt & Co.; Graham, Parsons & Co.; Hornblower & Weeks; Wm. R. Compton Co.	96½ less 2½	22½ per cent ($9,247,770)	$77,700 ($345,000)	For redemption of the above two issues and an issue of external 10-year 7 per cent notes.
Hallgarten & Co.; Kissel, Kinnicutt & Co.; Halsey, Stuart & Co. (Inc.); Lehman Bros.; J. Henry Schroder Banking Corporation; National Bank of Commerce; William R. Compton Co.; Cassatt & Co.; Continental & Commercial Co.; Northern Trust Co.; Guardian Detroit Co. (Inc.).	93¼ less 2¾	14.926 per cent ($6,343,550)	31,700 ($210,000)	For construction of roads, sanitary works, certain internal debt and repayment of other current indebtedness of Republic.
	93¼ less 2	14.926 per cent ($[illegible],100,500)	128,000 ($858,000)	For public works, port facilities, sanitation, water supply, and retirement of certain existing obligations.
Hallgarten & Co.; Kissel, Kinnicutt & Co.; Halsey, Stuart & Co.; Cassatt & Co.; William R. Compton Co.; National Bank of Commerce; Lehman Bros.	93¼ less 2½	26⅜ per cent ($2,399,300)	19,000 ($71,000)	For retirement of about two and three fourths million external 8 per cent bonds, payment of entire funded internal debt and additions improvements, extensions, public works, tramway, sewer, and paving purposes.
	5½ per cent basis less ⅛ per cent.	20⅛ per cent ($2,012,500)	3,600 ($18,000)	For certain public works.
Hallgarten & Co.; Kissel, Kinnicutt & Co.; Halsey, Stuart & Co. (Inc.); Lehman Bros.; Cassatt & Co.; William R. Compton Co.; National Bank of Commerce; The Northern Trust Co.	92½ less 2½	20.30 per cent ($5,075,000)	[5] 104,000 (154,000 Loss).	For extension and unification of railroad systems, development of port works, canal, and repayment of foregoing short-term loan.
	95 less 1⅞	20,30 per cent ($2,105,000)	67,500 ($332,500)	For railway and highway construction.
Hallgarten & Co.; Halsey, Stuart & Co. (Inc.); Lehman Bros.; Cassatt & Co.; Kissel, Kinnicutt & Co.; Ames, Emerich & Co.; National Bank of Commerce; National Republic Co.; Chicago Guardian Detroit Co. (Inc.); Anglo-London-Paris Co., Frisco; the Shawmut Corporation of Boston; Northern Trust Co., Chicago, Mississippi Valley Trust Co., St. Louis; Minnesota Loan & Trust Co., Minneapolis; Bank of Italy, Frisco; Amsterdamsche Bank, Amsterdam (Holland); Northwestern Trust Co., St. Paul.	96½ less 3	15 per cent ($4,500,000)	$26,800 ($178,500)	For refunding of certain existing debt, sanitary works, railways, ports, roads, school, etc.
	98 less 2	23¾ per cent ($4,712,900)	$16,700 ($62,500)	For construction and improvement of railroads, ports, and other public works and for refunding of certain existing debt incurred for like purposes.
Hallgarten & Co.; Halsey, Stuart & Co. (Inc.); Cassatt & Co.; Kissel, Kinnicutt & Co.; Ames, Emerich & Co. (Inc.); Banc Northwest Co., Minneapolis; Mississippi Valley Co., St. Louis; Guardian Detroit Co. (Inc.); Northern Trust Co., Chicago; the National Republic Co., Chicago; National Bankitaly Co.; Frisco; the Shawmut Corporation of Boston; Commercial National Bank & Trust Co. of New York; First Wisconsin Co., Milwaukee.		$53,867,270	Total... $540,200 Less loss.. 104,000 436,200 Total.. 3,055,900 Less loss.. 514,000 [5] 541,900	

[2] Expenses covered by borrowers.

[5] Loss.

HALLGARTEN & CO.,
New York, January 11, 1932.

The Hon. REED SMOOT,
United States Senate Office Building,
Washington, D. C.

SIR. Referring to my testimony before the Committee on Finance of the United States Senate, relative to the sale of foreign bonds or securities in the United States, I take pleasure in covering below one or two points upon which the committee desired information that I was not at the time in a position to supply.

With reference to the inquiry concerning the disposal of Chilean bonds by my firm, held for its own account, I wish to advise that these were disposed of during the months of September, October, and November, 1927. I might add that this action on our part was not in any way prompted by lack of confidence in the issues, but came about as a result of the appointment of other interests as official fiscal agents of the republic in this country. There seemed, therefore, to be no point in our continuing to have part of our working capital tied up in a situation where the door to future business was closed.

It was asked whether there were any communications with Doctor Olaya, the then Minister of Colombia at Washington, with reference to the loss made by the issuers on the first long-term issue of $25,000,000 Republic of Colombia bonds and if my firm made any suggestions to him for a compensation to us in any form whatsoever to make good such loss. I have carefully gone over this matter and find that Doctor Olaya had at no time anything to do with any terms arranged between the Government of Colombia and my firm, with respect to this or the following loan of $35,000,000. In all loan arrangements in which we were interested he acted only when advised by his Government to proceed to New York in order to affix necessary signatures to contracts, temporary notes, definitive bonds, etc., and I can say that he has never been approached by us in any way to obtain an amelioration of terms or any other advantage to make good our loss on the first issue.

This letter, and the various documents which I am forwarding under separate cover to the clerk of your committee, will, I believe, complete my testimony. Should anything further be required of my firm or me, please do not hesitate to let me know.

I wish to express my appreciation of the courtesy extended to me during the hearing, and remain, dear sir,

Respectfully,

C. I. WALENE.

$30,000,000 REPUBLIC OF URUGUAY 6 PER CENT EXTERNAL SINKING FUND GOLD BONDS

Dated May 1, 1926. Interest payable May 1 and November 1. Due May 1, 1960.

As a cumulative sinking fund, the Republic of Uruguay agrees to pay semiannually, beginning November 1, 1926, the sum of $150,000. Sinking fund payments, including interest on bonds held for the sinking fund, shall be applied on interest dates to acquire, at their principal amount, bonds called by lot on twenty days' published notice. The Republic of Uruguay reserves the right to increase the amount of any Sinking Fund payment, and to tender bonds in lieu of cash if purchased below par.

SINKING FUND CALCULATED TO REDEEM THE ENTIRE ISSUE AT OR BEFORE MATURITY

Coupon bonds in denominations of $1,000 and $500 registerable as to principal Principal and interest payable in United States gold coin of the present standard of weight and fineness, in New York City at the office of Hallgarten & Co., and in Chicago at the office of Halsey, Stuart & Co. (Inc.), and in Amsterdam at the Amsterdamsche Bank, without deduction for any Uruguayan taxes present or future. Hallgarten & Co., and Halsey, Stuart & Co., (Inc.), fiscal agents.

A substantial amount of these bonds has been withdrawn for sale simultaneously in Holland by the Amsterdamsche Bank, which will act as subfiscal agent in Europe, and further substantial amounts have been sold in other European countries.

The following statement has been authorized by His Excellency Ricardo Cosio, Minister of Finance of the Republic af Uruguay:

Obligation.—These bonds constitute the direct obliagtion of the Republic of Uruguay. The Republic agrees that if in the future it shall issue or dispose of any bonds or loan secured on specific revenues or assets, these bonds shall be equally and ratably secured therewith; but this provision shall not apply to the creation of specific charges on new enterprises to secure obligations issued to finance their acquisition or construction, or to the pledge of local taxes which may be created in order to furnish funds for the construction of new roads, railroads, or bridges.

Purpose.—The proceeds of the loan are to be used for the refunding of certain existing debt, and for sanitary works, railways, ports, roads, agricultural promotion, schools, and other public buildings.

General.—Uruguay has an area of 72,153 square miles, being slightly larger than the States of New York, Vermont, Massachusetts, and Connecticut combined. It is the most densely populated country in South America, having about 1,678,000 inhabitants. Montevido, the capital, is one of the principal seaports of that continent. In proportion to area, Uruguay stands first in South America in railway mileage, and in the Western Hemisphere is exceeded in this respect only by the United States and Cuba.

The importance assigned to education by the Rpublic is shown by the fact that last year nearly one-fourth of the governmental expenditures aside from debt service was made for this purpose.

The economic development of the country has been sound. The chief industry has been the raising of live stock and the preparation and exportation of animal products. There has been a considerable agricultural development as well, and since 1900 the number of factories has more than doubled. The country has had a favorable trade balance for the past two years, approximate figures for 1925 being: Imports, $97,000,000; exports, $101,670,000.

Revenues.—The Government's revenues are largely derived from customs duties, supplemented by direct taxation on property, excise taxes, and receipts from Government-owned properties. For the fiscal year ended June 30, 1925, the Government presented a balanced budget, with revenues larger than expenditures.

Financial position.—The excellent financial position of the country is indicated by the fact that its currency sells at substantially its gold parity of $1.0342 to the peso. The ratio of gold reserve to gold note circulation is one of the highest in the world, being at present over 100 per cent.

Uruguay enjoys a high credit standing throughout the world. Prior to the World War all of its external loans were issued in Europe, and at present there are listed on the London Stock Exchange £22,453,312 of its bonds, bearing 3½ and 5 per cent coupon rates. Foreign capital invested in Uruguay is substantial, and a number of American and European banks and industrial corporations have branches and plants there.

The national public debt upon completion of this financing will amount to about $216,817,000, of which approximately $154,000,000 is external. This debt largely represents investments in productive enterprises under control of the State, including banks, railways, public utilities, port works, etc., which showed substantial profits from operations in 1924, and are estimated to have a value of over $152,000,000 or approximately the amount of the external debt. The national wealth is officially estimated at $2,597,000,000 or over $1,547 per capita, this being nearly 12 times the per capita debt. Upon completion of this financing, the Republic will have no floating debt.

All dollar conversions in this statement have been made at the rate of $1.03 per Uruguayan gold peso.

The Republic has agreed to make applications to list these bonds on the New York Stock Exchange.

These bonds are offered when as and if issued and accepted by us and subject to the approval of counsel. We reserve the right to reject subscriptions in whole or in part, to allot less than the amount applied for and to close the subscription books at any time without notice. Temporary bonds or interim receipts of the National Bank of Commerce in New York deliverable in the first instance. Price 96 ½ and interest, to yield about 6.25 per cent.

$42,500,000 Republic of Chile 6 Per Cent External Sinking Fund Gold Bonds

Dated October 1, 1926. Interest payable April 1 and October 1. Due April 1, 1960.

Principal and interest payable in New York City at the office of either of the fiscal agents, Kissel, Kinnicutt & Co., or Hallgarten & Co., in United States gold coin of the present standard of weight and fineness; or at the option of the holder in London at the office of the subfiscal agent, J. Henry Schroder & Co., in sterling at exchange rate of $4.8665 to the pound sterling, without deduction for any Chilean taxes, present or future. Coupon bonds in denominations of $1,000 and $500, registerable as to principal only. Redeemable only through the sinking fund on April 1, 1927, or on any interest date thereafter at face amount on not less than 10 days' notice.

A cumulative sinking fund of 1 per cent per annum is provided for, to operate semiannually through purchase of bonds at or below face amount or if not so obtainable then by call of bonds by lot at face amount. The Republic reserves the right to increase the amount of any sinking fund payment, and to tender bonds in lieu of cash.

Sinking fund calculated to redeem the the entire issue at or before maturity.

A substantial amount of these bonds has been withdrawn for sale in Great Britain, Holland, Switzerland, Sweden, and Canada.

KISSEL, KINNICUTT & CO. AND HALLGARTEN & CO., FISCAL AGENTS

The following has been authorized by his excellency, Don Lautaro Rosas, Minister of Finance of the Republic of Chile:

Obligation.—These bonds will be the direct obligation of the Republic of Chile and principal and interest will be payable in time of peace or war irrespective of the nationality of the holder. The fiscal agency agreement will provide that if in the future the Republic shall issue or dispose of any bonds or loan secured on specific revenues or assets, these bonds shall be equally and ratably secured therewith.

Purpose.—The proceeds of this loan will be used for the construction of roads and sanitary works, for the retirement of certain existing internal debt, and to provide funds for the payment of current indebtedness of the Republic (including the $10,000,000 5 per cent notes due February 25, 1927) to the end that at December 31, 1926, all floating debt shall have been paid or provided for.

Natural resources.—Chile has an area of 290,000 square miles, which is greater than the combined areas of Germany and Italy. It is the second largest producer of copper in the world and the only country in the world producing natural nitrate. The total value of all mineral products for the year 1925 was $225,192,660. The resources of Chile have been developed largely with foreign capital, it being estimated that over $1,000,000,000 of foreign capital is invested in the country, of which approximately $300,000,000 is American. Agriculture is one of the most important of the country's industries, Chile being self-sustaining in this respect. In the diversity of its developed mineral and agricultural resources, Chile compares very favorably with the leading nations of the world.

Revenues.—The budget for 1927 aggregates in round figures $117,000,000 and will be submitted to Congress entirely balanced.

For the years 1922 to 1925, inclusive, total revenues, exclusive of receipts from loans or from the sale of capital assets, amounted to $282,554,089, while total ordinary expenditures amounted to $323,644,195. Included in the above figure of ordinary expenditures was over $41,000,000 for amortization of external debt alone, or practically the entire amount by which the expenditures exceeded the revenues.

Debt.—Official records disclose that there has been no delay or default in interest payment on external debt for over 84 years. By agreement with the bondholders, amortization was deferred from 1880 to 1884 on account of conditions arising from the War of 1879. Between 1885 and 1914, Chile placed loans in London and on the Continent for a total principal amount of £46,662,638 ($227,083,728) which were offered to the public on an average yield to maturity of approximately 5.04 per cent.

The present total debt of the Republic, including this issue and all guaranteed obligations, aggregates about $288,000,000, of which approximately $90,000,000 consists of guaranteed obligations for railroad companies, the Mortgage Bank, workmen's dwellings, irrigation projects, and municipal loans. Government owned properties have an estimated value of approximately $650,000,000, which is over twice the total debt. On July 1, 1923, the total national wealth of the country was estimated at over $3,372,000,000, equivalent to over $855 per capita. The per capita wealth in 1923 was approximately twelve times the present per capita debt.

Foreign trade.—Average annual exports for the six years ended 1925 were $201,306,523, while annual imports averaged $132,247,024, an average annual favorable balance of over $69,000,000. The United States occupies the first place in the foreign trade of Chile, both as to exports and imports.

Monetary system.—By legislation enacted last year upon recommendations of a commission of American experts, the country has established a financial structure providing a stable currency. The peso now has a gold parity equal to $0.12166 United States currency and is currently quoted at substantially this rate.

The Republic has agreed to make application to list these bonds on the New York Stock Exchange.

These bonds are offered when, as, and if issued and accepted by us and subject to the approval of counsel, Messrs. Sullivan & Cromwell and Messrs. Chadbourne, Hunt, Jaeckel & Brown, New York City, who as to questions of Chilean law will consult with Messrs. Claro & Co., Santiago, of the Chilean bar. We reserve the right to reject subscriptions in whole or in part, to allot less than the amount applied for and to close the subscription books at any time without notice. Temporary bonds or interim receipts of the National Bank of Commerce of New York deliverable in the first instance. Price 93¼ and interest, to yield about 6.5 per cent.

Republic of Chile

Situated between the Andes Mountains and the Pacific Ocean, Chile has an area of 290,000 square miles, nearly equaling that of all the states of this country touching the Atlantic Ocean except Florida. The population was estimated to be 3,940,000 on January 1, 1926. The capital is Santiago, with an estimated population of over 500,000. The principal port is Valparaiso, the largest city on the west coast of South America. The major part of the country is in the Temperate Zone.

NATURAL RESOURCES

Chile commenced to produce copper in 1601, and at present ranks second among copper-producing countries. During 1925 production amounted to approximately 562,544,552 pounds, being nearly double that for 1922. Some of the most important copper properties are controlled by American capital, and these are as well among the lowest cost producers in the world.

Chile is the only country producing nitrate of soda ("nitrates") in a natural state, the known deposits being estimated to be sufficient to supply the world demand for the next 200 years. Production for the year 1925 was 2,519,965 metric tons (1 metric ton=2,204 pounds).

The Coquimbo district in the central part of the country contains deposits of iron ore estimated at 1,000,000,000 tons. Production has considerably increased in recent years, totaling 1,234,092 metric tons in 1925.

Chile is one of the few South American countries possessing coal, and the industry has been developed further than in any other country on that continent. The output in 1925 was 1,440,425 metric tons.

Iodine from Chile supplies the greater part of the world's consumption of this valuable drug, which is a by-product of the nitrate trade. The most important borax deposits in the world are located in Chile. Other mineral products include gold, silver, sulphur, salt, and lead.

The total value of all mineral products for the year 1925 was $225,192,660.

Agriculture is one of the most important of the country's industries, Chile being self-sustaining. There are probably 95,000,000 acres of arable land, a very small proportion of which is tilled. About 2,500,000 acres are irrigated artificially. The principal crop is wheat, the production of which is in excess of domestic needs. The grape industry has reached substantial proportions. Stock raising has become an important industry in Chile, especially in the southern regions where there are large ranches devoted to the raising of cattle and sheep. Livestock in 1924 included some 1,995,538 cattle, 373,270 horses, 4,569,166 sheep, 525,106 goats, and 263,330 pigs.

The forest lands of Chile cover approximately 10,000,000 acres of the total area. Oak, Chilean mahogany, laurel, ash, pine, and other varieties of wood, hard and soft, are found.

The resources of Chile have been developed largely with foreign capital, it being estimated that over $1,000,000,000 of foreign capital is invested in the country, of which approximately $300,000,000 is American.

REVENUES

For the past four years total ordinary revenues and expenditures of the Republic have been as follows:

	Revenues	Expenditures
1925	$87,303,038	$95,937,879
1924	76,352,724	80,064,383
1923	70,343,872	77,066,962
1922	48,554,455	70,574,971

The foregoing figures of revenues do not include any receipts from loans or from the sale of capital assets. The figures of expenditures, however, include total service of debt, including amortization. The reduced income of 1922 was due to the crisis in the nitrate industry produced by the after-war stocks. Amortization of external debt alone in the 4-year period amounted to over $41,000,000, or practically the entire amount by which expenditures exceeded revenues.

Sixty per cent of the revenue of the Government in 1918 was derived from the export tax on nitrates, whereas the present national budget is dependent on that particular item only to the extent of 23 per cent of the total receipts of the Government. This change has been brought about largely by the establishment of new sources of taxation and revenue.

The budget for 1927 aggregates in round figures $117,000,000 and will be submitted to Congress entirely balanced.

DEBT

Official records disclose that there has been no delay or default in interest payment on external debt for over 84 years. By agreement with the Bondholders, amortization was deferred from 1880 to 1884 on account of conditions arising from the War of 1879. Between 1885 and 1914, Chile placed 24 loans in London and on the Continent for a total principal amount of £46,662,638 ($227,083,728) which, with the exception of a small loan of £149,000 ($725,108) issue in 1892 at 6%, bore interest at from 4½ to 5 per cent. These loans, including 6 per cent loan, were offered to the public at an average yield to maturity of 5.04 per cent. The present total debt of the Republic, including this issue and all guaranteed obligations, aggregates about $288,000,000, of which $90,000,000 consists of guaranteed obligations for railway companies, the Mortgage Bank, workmen's dwellings, irrigation projects and municipal loans. The proceeds of the national borrowings have been utilized chiefly in the acquisition and construction of railways, port works, and other public property. Chile is well provided with railways, the total length of all lines being approximately 6,213 miles, of which Government-owned lines comprise about 58 per cent. Operations of the Government-owned lines since 1922 have shown a profit in each year. The Government also owns real estate, telegraph lines and other properties. Government-owned properties have an estimated value of approximately $650,000,000, which is over twice the total debt.

The provinces and subdivisions of Chile are not autonomous and, together with the cities, are under the supervision of the Central Government. There are no provincial loans outstanding. On July 1, 1923, the total national wealth of the country was estimated at over $3,372,000,000, equivalent to over $855 per capita. The per capita wealth in 1923 was approximately twelve times the present per capita debt.

FOREIGN TRADE

Chile is a mining and agricultural country. Its mineral products are largely raw materials for essential industries. Exports consist of nitrates and by-products of the nitrate industry, and of copper, borax, and wool. The imports consist chiefly of various kinds of manufactured articles and mining equipment. Average annual exports for the six years ended 1925 were $201,306,523, while annual imports averaged $132,247,024, an average annual favorable balance of $69,000,000.

The United States occupies the first place in the foreign trade of Chile, as to both exports and imports. Imports from the United States in 1925 were $41,303,570 while exports to the United States totaled $89,055,120.

MONETARY SYSTEM

In 1925 the Government of Chile invited a commission of American experts, headed by Prof. E. W. Kemmerer, to make a complete survey of the fiscal, currency, and banking systems of the country and to suggest a plan for their reorganization. As a result of the recommendations of this commission the Chilean Government adopted comprehensive legislation, which stabilized the currency, established a central reserve bank, reorganized the banking law, and reformed the entire banking system.

Note circulation and reserves as of May 14, 1926, stood as follows:

Government Currency notes	$33, 275, 464
Central Bank of Chile notes	17, 878, 314
Total	51, 153, 778
Gold reserves held abroad	32, 755, 147
Gold reserves in Central Bank of Chile	21, 509, 193
Total	54, 264, 340
Less drafts in transit and deposits	4, 526, 871
	49, 737, 469
Plus drafts remitted to be credited in account	2, 546, 809
Net gold reserves against currency notes	52, 284, 278

The peso now has a gold parity equal to $0.12166 United States currency, and is currently quoted at substantially this rate.

SAVINGS BANKS

For over 40 years there has existed a national savings bank, originally established in the capital. The scope of its operations has gradually been extended, so that deposits which in 1900 were approximately 3,600,000 pesos were in 1913 over 93,000,000 pesos, in 1918 over 200,000,000 pesos, and in 1924 over 440,000,000 pesos. This growth was due not only to increase in average deposits, but also to a considerable increase in the number of depositors themselves, these growing from 701, 000 in 1916 to 1, 332, 000 in 1924.

$27,500,000 Republic of Chile 6 Per Cent External Sinking-Fund Gold Bonds

Dated February 1, 1927. Interest payable February 1 and August 1. Due February 1, 1961.

Principal and interest payable in New York City at the office of either of the fiscal agents, Kissel, Kinnicutt & Co., and Hallgarten & Co., in United States gold coin of the present standard of weight and fineness; or at the option of the holder in London at the office of the sub-fiscal agent, J. Henry Schroder & Co., in sterling at exchange rate of $4.8665 to the pound sterling; without deduction for any Chilean taxes, present or future. Coupon bonds in denominations of $1,000 and $500, registerable as to principal only. Redeemable only through the sinking fund on August 1, 1927, or on any interest date thereafter at face amount on not less than 10 days' notice.

A cumulative sinking fund of 1 per cent per annum is provided for, to operate semiannually through purchase of bonds at or below face amount or if not so obtainable then by call of bonds by lot at face amount. The Republic reserves the right to increase the amount of any sinking-fund payment, and to tender bonds in lieu of cash.

Sinking fund calculated to redeem the entire issue at or before maturity.

A substantial amount of these bonds has been placed in Europe, including $1,500,000 of bonds which are being offered in Amsterdam by Pierson & Co., Nederlandsche Handel-Maatschappij, Mendelssohn & Co., Amsterdam, Proehl & Gutmann, and Vermeer & Co.

Kissel, Kinnicutt & Co. and Hallgarten & Co., fiscal agents; National Bank of Commerce in New York, registrar.

The following has been authorized by His Excellency, Don Alberto Edwards, Minister of Finance of the Republic of Chile:

Obligation.—These bonds will be the direct obligation of the Republic of Chile and principal and interest will be payable in time of peace or war irrespective of the nationality of the holder. The bonds will provide that if in the future the Republic shall issue or dispose of any bonds or loan secured on specific revenues or assets, these bonds shall be equally and ratably secured therewith.

Purpose.—The proceeds of this loan will be used for public works, including additional port facilities, sanitation, and water supply, and for the retirement of certain existing obligations.

Natural resources.—Chile has an area of 290,000 square miles, which is greater than the combined areas of Germany and Italy. It is the second largest producer of copper in the world and the only country in the world producing natural nitrate. The total value of all mineral products for the year 1925 was $225,192,660. The resources of Chile have been developed largely with foreign capital, it being estimated that over $1,000,000,000 of foreign capital is invested in the country, of which over $300,000,000 is American. Agriculture is one of the most important of the country's industries, Chile being self-sustaining in this respect. In the diversity of its developed mineral and agricultural resources Chile compares very favorably with the leading nations of the world.

Revenues.—The budget for 1927 aggregates in round figures $117,000,000 and has been submitted to congress entirely balanced.

For the years 1922 to 1925, inclusive, total revenues, exclusive of receipts from loans or from the sale of capital assets, amounted to $282,554,089, while total ordinary expenditures amounted to $323,644,195. Included in the above figure of ordinary expenditures was over $41,000,000 for amortization of external debt alone, or practically the entire amount by which the expenditures exceeded the revenues.

Debts.—Official records disclose that there has been no default in interest payment on external debt for over 84 years. By agreement with the bondholders, amortization was deferred from 1880 to 1884 on account of conditions arising from the War of 1879. Between 1885 and 1914 Chile placed loans in London and on the Continent for a total principal amount of £46,662,638 ($227,083,728) which were offered to the public on an average yield to maturity of approximately 5.04 per cent.

The total debt of the Republic as of December 31, 1926, including all guaranteed obligations, and including this issue but excepting obligations to be retired thereby, aggregates about $327,255,007, of which approximately $96,734,274 consists of guaranteed obligations for railroad companies, the Mortgage Bank, workmen's dwellings, irrigation projects, and municipal loans. Government-owned properties have an estimated value of approximately $650,000,000, which is about twice the total debt. On July 1, 1923, the total national wealth of the country was estimated at over $3,372,000,000, equivalent to over $855 per capita. The national wealth in 1923 was therefore over ten times the total debt as of the end of 1926, including this issue.

Foreign Trade.—Average annual exports for the six years ended 1925 were $201,306,523 while annual imports averaged $132,247,024, an average annual favorable balance of over $69,000,000. The United States occupies the first place in the foreign trade of Chile, both as to exports and imports.

Monetary system.—By legislation enacted in 1925 upon recommendations of a commission of American experts the country has established a financial structure providing a stable currency. The peso has a gold parity equal to $0.12166 United States currency and is currently quoted at substantially this rate.

The Republic has agreed to make application to list these bonds on the New York Stock Exchange.

These bonds are offered when, as, and if issued and accepted by us and subject to the approval of the counsel, Messrs. Sullivan & Cromwell and Messrs. Chadbourne, Hunt, Jaeckel & Brown, New York City, who as to questions of Chilean law will consult with Messrs. Claro & Co., Santiago, of the Chilean bar. We reserve the right to reject subscriptions in whole or in part, to allot less than the amount applied for and to close the subscription books at any time without notice. Temporary bonds or interim receipts of the National Bank of Commerce in New York deliverable in the first instance.

Price, 93¼ and interest, to yield about 6.50 per cent.

$25,000,000 Republic of Colombia 6 Per Cent External Sinking Fund Gold Bonds

Dated July 1, 1927. Interest payable January and July 1. Due January 1, 1961.

A substantial amount of these bonds has been placed in Europe, including bonds which are being offered in Amsterdam by Pierson & Co., Nederlansche Handel-Maatschappij & Co. Amsterdam, and Vermeer & Co.

Principal and interest payable in New York City at the office of either of the fiscal agents, Hallgarten & Co., or Kissel, Kinnicutt & Co., in United States gold coin of the present standard of weight and fineness, without deduction for any Colombian taxes, present or future. Coupon bonds in denominations of $1,000 and $500, registerable as to principal only. Redeemable on any interest date, at face amount on not less than 20 days' notice.

Sinking fund calculated to retire the whole issue at or before maturity.

Hallgarten & Co. and Kissel, Kinnicutt & Co., fiscal agents; National Bank of Commerce in New York, registrar.

The following has been authorized by His Excellency, Dr. Esteban Jaramillo, Minister of Finance and Public Credit of the Republic of Colombia:

Colombia, adjoining, the Isthmus of Panama, and with an area greater than the combined areas of France and Germany, is the South American country nearest to the great centers of population and trade in the Eastern and Western Hemispheres. Under a stable government for over 20 years, Colombia's progress and development have been notable.

Colombia's national debt, which in 1922 was $46,948,000, had been reduced by June 30, 1926, to $23,407,000, a reduction of $23,541,000, or over 50 per cent. On completion of this financing, total national debt, both internal and external, will approximate $46,000,000. This is equivalent to about $6 per capita, which is among the lowest for any of the countries of the world, and compares with estimated figures for Argentina of $100 and for Uruguay of $125. When compared with an estimated wealth per capita of over $750, with the volume of its foreign trade and its annual income, it can be seen that the debt of the Republic is indeed small.

This unusual situation is largely explained by the substantial annual surpluses of ordinary revenues over ordinary expenditures shown in the following table:

	Revenues	Expenditures	Surplus
1923	$32,425,591	$21,440,345	$10,985,246
1924	32,576,680	23,179,928	9,396,752
1925	45,005,038	29,874,067	15,130,971
1926	54,163,088	46,372,006	7,791,082

In the years 1922 to 1926 the Repubic has spent over $57,000,000 upon railroad construction and other public works.

In addition to the surplus of ordinary revenues, the Republic has also received, under a treaty with the United States, $25,000,000, which has been devoted entirely to public works and constructive enterprises, including $6,000,000 initial capital for the Bank of the Republic and the Agricultural Mortgage Bank.

International trade has more than doubled from 1922 to 1926, amounting in the latter year to over $218,000,000.

At June 30, 1927, the gold reserves of the Bank of the Republic (the bank of issue) were approximately 100 per cent of its notes in circulation. The Colombian peso, with a gold parity of $0.9733, is at present quoted at a premium, being the only South American currency, except that of Argentina, of which this can be said.

The country has vast resources of coal, petroleum, gold, platinum, copper, iron, and other minerals, and is the world's chief source of supply of emeralds. The possession of these resources, especially coal and petroleum (still largely unexploited), is of especial importance in view of the proximity of the country's ports to the Panama Canal.

Colombia is the world's second largest coffee producer, and the largest producer of "mild" coffee, which commands a premium over Brazilian grades. Bananas, tobacco, cotton, and sugar are grown, while the production of livestock is an important and growing industry.

American companies have large investments in the mining, oil, fruit, and livestock industries of Columbia, total American investments there being estimated at over $200,000,000.

In 1922 Colombia, recognizing its paramount need of an adequate, unified transportation system, enacted legislation to meet the situation, in pursuance of which thorough studies have been made with the assistance of eminent international engineers. As a result, the proceeds of this loan are to be used in accordance with a comprehensive plan for the extension and unification of existing railroad systems, for the development of port works and the deepening and canalization of rivers, as well as for the repayment of a short term loan of $10,000,000 granted this year, the proceeds of which were used for the same purposes. The present Government-owned railroads have reported operating profits in each of the past six years, the figure increasing from less than $900,000 in 1921 to over $3,000,000 in 1926.

These bonds constitute the direct obligation of the Republic of Colombia, secured by its full faith and credit. The Republic agrees, among other things, that if while any bonds of the present loan are outstanding, it shall secure any obligations by a lien or charge upon any national income or revenues, the bonds of this loan shall be secured in like form, equally and ratably with such obligations.

All conversions of pesos into dollars in the foregoing have been made at parity of exchange.

The Republic has agreed to make application to list these bonds on the New York Stock Exchange.

These bonds are offered for subscription, subject to allotment. We reserve the right to reject subscriptions in whole or in part, to allot less than the amount applied for, and to close the subscription books at any time without notice. Interim receipts of National Bank of Commerce in New York will be deliverable in the first instance. Legal matters subject to approval of Messrs. Sullivan & Cromwell, New York City, and, as to questions of Colombian law, of Dr. Pedro M. Carreno, Bogota, Colombia.

Price, 92½ and interest, to yield over 6.55 per cent.

REPUBLIC OF COLOMBIA,
Bogota, September 2, 1927.

HALLGARTEN & CO.,
KISSEL, KINNICUTT & CO.,
New York.

GENTLEMEN: With reference to your purchase of $25,000,000 6% external sinking fund gold bonds of the Republic of Colombia, I take pleasure in giving you the following information:

Obligation.—These bonds constitute the direct obligation of the Republic of Colombia, which pledges its full faith and credit for the due and punctual payment of principal, interest, and sinking fund. The Republic agrees, among other things, that if while any bonds of the present loan are outstanding, it shall secure any obligations, existing or future, by a lien or charge upon any national income or revenues, then in every such case the bonds of this loan shall be secured in like form, and equally and ratably with such obligations.

Purpose.—The proceeds of this loan are to be used chiefly for the extension and unification of existing railroad systems; and for the development of port works and the deepening and canalization of rivers, as well as for the repayment of a short-term loan of $10,000,000 granted this year, the proceeds of which were also applied to the foregoing purposes.

Revenues.—Revenues and expenditures in recent years have been as follows:

	1923	1924	1925	1926
Revenues:				
Ordinary	$32,425,591	$32,576,680	$45,005,038	$54,163,088
Extraordinary	9,947,126	6,221,316	5,137,196	5,000,000
Total	42,372,717	38,797,996	50,142,234	59,163,088
Expenditures:				
Ordinary	21,440,345	23,179,928	29,874,067	46,372,006
Extraordinary	18,596,454	15,903,207	17,907,753	18,036,481
Total	40,036,799	39,083,135	47,781,820	64,408,487

Extraordinary expenditures included amounts spent upon railroads and other public works, the furnishing of original capital of $5,000,000 for the Bank of the Republic and of $1,000,000 for the Agricultural Mortgage Bank, and repayment of national debt. The extraordinary revenues referred to consisted chiefly of treaty payments aggregating $25,000,000 made by the United States Government during the above period.

Debt.—At June 30, 1922, the total debt of the Republic, both internal and external, was equivalent to $46,948,000, but this had been reduced at June 30, 1926, to $23,407,000, a decrease of over 50 per cent. After giving effect to the issuance of these bonds, the national debt amounts to approximately $46,000,000, or $6 per capita, as compared with estimated national wealth of over $750.

Description of issue.—These $25,000,000 6 per cent external sinking fund gold bonds of the Republic of Colombia will be dated July 1, 1927, will mature January 1, 1961, and will bear interest at the rate of 6 per cent per annum payable semiannually on January 1 and July 1. They will be in coupon form in denominations of $1,000 and $500, and will be registerable as to principal only. The bonds will provide that principal, interest, and sinking fund are to be payable in New York City at the office of either of the fiscal agents, Hallgarten & Co. or Kissel, Kinnicutt & Co., in United States gold coin of the standard of weight and fineness existing on July 1, 1927: in time of war as well as in time of peace, irrespective of the nationality of the holder and whether or not the holder is a citizen of a friendly or hostile state; and without deduction for any Colombian national, departmental, or municipal taxes, present or future.

Sinking fund.—A cumulative sinking fund of 1 per cent per annum is provided for, to operate semiannually through purchase of bonds at or below face amount, or if not so obtainable, then by call of bonds by lot at face amount. The Republic reserves the right to increase the amount of any sinking fund payment, and to tender bonds in lieu of cash. All bonds retired through the sinking fund shall be canceled.

Commerce.—The foreign trade of the country has shown a steady increase, the figures for recent years having been as follows:

	Imports	Exports
1922	$42,969,272	$51,323,547
1923	59,475,343	58,648,306
1924	50,950,225	83,429,199
1925	83,538,064	82,110,879
1926	109,729,749	109,043,863

The small excess of imports over exports in the latest years was chiefly due to heavy imports of material for construction purposes.

Resources.—Colombia has a population estimated at over 7,800,000, and an area of over 475,000 square miles (more than the combined areas of France and Germany). Adjoining on the south the Isthmus of Panama, it has a coast line both on the Caribbean Sea and the Pacific Ocean, and occupies geographically the most favorable position for international trade of any South American country. In view of its proximity to the Panama Canal and its possession of great reserves of oil and coal (as yet largely unexploited) it seems destined to occupy an increasingly important position.

Although located in the Tropical Zone, Colombia enjoys a variety of climates, chiefly dependent upon altitude. A large part of the interio of the country enjoys an even, temperate climate, the cities of Bogota and Medellin, with their surrounding dictricts, being conspicuous examples. The country as a whole is healthy, the death rate comparing favorably with that for other South American as well as European countries.

The country's chief industries at present are agricultural, Colombia being the second largest producer of coffee, and the chief producer of "mild coffee," which commands a premium in price over the Brazilian grades. Bananas, tobacco, cotton, and sugar are grown, while the production of livestock is an important and growing industry.

Colombia is an important producer of gold and platinum and at present the chief source of the world's supply of emeralds. Petroleum is assuming a steadily increasing importance both as a source of national wealth and national revenue, due to the construction of pipe-line facilities from the established fields in the interior to the coast. The Government controls both the large salt mines in the interior and the marine supply, the revenues therefrom being substantial. Coal, copper, iron, sulphur, tin, and many other minerals are also found in Colombia, and only await the development of proper transportation facilities for their economical exploitation. During recent years various industries have been created in Colombia for the supply of home markets, factories having been established in Bogota, Medellin, Barranquilla, and many other centers.

American companies have large investments on the mining, oil, fruit, and livestock industries of Colombia, total American investments there being estimated at over $200,000,000.

TRANSPORTATION

While large sums have been spent upon the construction of railroads throughout the country, these constitute for the most part unconnected lines, so that the interior of the country has been dependent upon the use of river transportation in large measure for its international trade.

In 1922 Colombia, recognizing its paramount need of an adequate, unified transportation system, enacted legislation to meet the situation, in pursuance of which thorough studies have been made with the assistance of eminent international engineers. As a result, the proceeds of this loan are to be used in accordance with a comprehensive plan for the extension and unification of existing railroad systems, for the development of port works and the deepening and canalization of rivers, as well as for the repayment of a short-term loan of $10,000,000 granted this year, the proceeds of which were used for the same purposes. The present Government-owned rairoads have reported operating profits in each of the past six years, the figure increasing from less than $900,000 in 1921 to over $3,000,000 in 1926.

Among outstanding objectives are the connection of Bogota (capital and largest city) with the Pacific Coast by direct rail transportation; the extension of lines from Bogota to the north to a connection with an existing line reaching the Lower Magdalena at Puerto Wilches in the vicinity of the existing large petroleum developments; and the deepening and canalization of the outlets of the Magdalena to permit direct shipments to Barranquilla, now reached by rail from the coast.

MONETARY SYSTEM

At the request of the Colombian Government, an American Financial Commission, headed by Dr. Edwin W. Kemmerer, made a report in 1923 upon the fiscal and banking situation, as a result of which the country has established a financial structure upon the lines of the Federal Reserve System of the United States. The Bank of the Republic, to which reference has already been made, is the sole bank of issue, and its metallic reserves at June 30, 1927, amounted to approximately 100 per cent of its notes in circulation. The Colombian peso, which has a gold parity of $.9733, is currently quoted slightly above this figure. The Argentine peso is the only other South American currency of which the same can be said.

The Republic of Colombia has agreed to make application to list these bonds on the New York Stock Exchange.

All conversions of pesos into dollars in the foregoing have been made at parity of exchange.

Very truly yours,

ESTEBAN JARAMILLO,
Minister of Finance and Public Credit of the Republic of Colombia.

$41,101,000 PROVINCE OF BUENOS AIRES (ARGENTINE REPUBLIC) 6 PER CENT REFUNDING EXTERNAL SINKING FUND GOLD BONDS

To be dated March 1, 1928. To mature March 1, 1961.

Cumulative sinking fund calculated sufficient to redeem entire issue by maturity, operating semiannually by call at par. Over $17,500,000 of these bonds have been placed in Canada, Europe, and South America, including a public offering in Holland by Pierson & Co., Nederlandsche Handel-Maatschappij, Mendelssohn & Co., Amsterdam, Proehl & Gutmann and Vermeer & Co.

Interest payable March 1 and September 1. Principal and interest payable at the office of Hallgarten & Co. or of Kissel, Kinnicutt & Co., fiscal agents, in New York City, in United States gold coin of the present standard of weight and fineness, or at the option of the holder, in London, at the office of Erlangers, subfiscal agents, in sterling at the exchange rate of $4.8665 to the pound, without deduction for any Argentine national, provincial, or other taxes present or future. Coupon bonds in denominations of $1,000 and $500, registerable as to principal only. Redeemable on any interest date at par on not less than 25 days' published notice.

The Province covenants to apply as extraordinary sinking fund 25 per cent of any surplus of revenues at the end of each fiscal year. The Province reserves the right to increase any sinking fund installment either (*a*) by payments in cash for redemption of bonds at par or (*b*) by surrender of bonds for retirement.

HALLGARTEN & CO. AND KISSEL, KINNICUTT & CO., FISCAL AGENTS; THE FIRST NATIONAL BANK OF BOSTON, AUTHENTICATING AGENT

The following information (transmitted by cable) is furnished by Dr. Francisco Ratto, Minister of finance of the Province:

Province of Buenos Aires.—The Province of Buenos Aires is the largest and most important Province of the Argentine Republic. It has an area of 117,700 square miles, greater than the combined areas of the New England States and the State of New York, and a population in excess of 3,000,000, or about one-fourth of the entire population of the Argentine. The Province ranks first in population, in agricultural, stock raising, and industrial development, and in railroad mileage. A separate Federal district (analogous to the District of Columbia, United States of America), containing the city of Buenos Aires, capital of the Argentine Republic, adjoins the Province, its population of 2,000,000 providing a permanent and important market for food and other products of the Province.

Purpose of issue.—The proceeds of this issue of bonds will be applied to the total redemption of the following outstanding issues: External 10-year 7 per cent secured sinking fund gold notes, dated January 1, 1926; 7 per cent external sinking fund gold bonds, consolidation loan of 1926, dated December 1, 1926; and 7 per cent external sinking fund gold bonds, consolidation loan of 1926, dated May 1, 1927. Said issues will be called for redemption on their next interest dates. This refunding operation will result in an immediate and appreciable saving in service charges on the provincial funded debt. This issue of bonds is authorized by law No. 3944 of the Province of Buenos Aires of November 2, 1927.

Security.—These bonds are the direct obligation of the Province of Buenos Aires, which pledges its full faith and credit for the due and punctual payment of principal, interest, and sinking fund. In addition, upon the redemption of the aforesaid three loans, these bonds will be specifically secured by a charge and lien on the real estate and inheritance taxes as well as the renta general portions of the commerce and industry tax and of the license tax on alcoholic beverages, tobacco, and playing cards, subject only to prior charges amounting annually to not more than 12,366,000 paper pesos ($5,250,000.)

After deducting these annual prior charges from the combined calculated revenues from said taxes for the fiscal year ending February 29, 1928, the remainder is equivalent to more than nine times the annual service charges on the present issue. During the three fiscal years ended February 28, 1927, revenues from said taxes available for the annual service of these bonds averaged more than five and one-half times service requirements. If for any fiscal year the annual revenues from said taxes available for the service of these bonds should be less than five times the annual service charges, the Province covenants that at the request of the fiscal agents it will pledge receipts from other taxes in an amount sufficient to offset such deficiency.

Finances.—Revenues of the Province have increased greatly in recent years, having risen from $30,950,000 in 1920 to $43,069,000 for the fiscal year ended February 28, 1927, and to $45,458,000 during the current fiscal year to February 10, 1928. Although aggregate ordinary expenditures for the five years ended February 28, 1927, exceeded ordinary revenues, the average annual deficit for such years was less than $2,600,000.

The total funded debt of the Province upon completion of this financing will not exceed $256,500,000, or less than $86 per capita, and the total wealth of the Province is estimated at over $6,000,000,000.

All conversions of Argentine pesos into United States dollars have been made at par of exchange. Argentine currency is on an unrestricted gold basis and the peso is now quoted slightly above dollar parity.

Application will be made to list these bonds on the New York Stock Exchange.

These bonds are offered when, as and if issued and accepted by us and subject to the approval of counsel, Messrs. Sullivan & Cromwell of New York City, who as to questions of Argentine law will consult with Dr. Benjamin Garcia Victoria, Buenos Aires. We reserve the right to reject subscriptions in whole or in part, to allot less than the amount applied for and to close the subscription books at any time without notice. Temporary bonds or interim receipts deliverable in the first instance at the office of Hallgarten & Co., 44 Pine Street, New York City. Price 96½ and interest, to yield over 6¼ per cent to maturity.

The above named 7 per cent bonds and/or notes, to be called for redemption, will be accepted in payment for the new bonds on a 4½ per cent discount basis, computed on the respective redemption prices, provided notice of the amount of such bonds and/or notes to be tendered in payment is received by Hallgarten & Co., 44 Pine Street, New York City, not less than five days prior to the date fixed for delivery of and payment for the new bonds.

$35,000,000 Republic of Colombia 6 Per Cent External Sinking Fund Gold Bonds of 1928

To be dated April 1, 1928. Interest payable April 1 and October 1. To mature October 1, 1961.

Cumulative sinking fund calculated to retire the whole issue at or before maturity.

A substantial amount of these bonds has been placed in Canada and Europe.

Principal and interest payable in New York City, at the office of either of the fiscal agents, Hallgarten & Co., and Kissel, Kinnicutt & Co., in United States gold coin of the present standard of weight and fineness, or at the option of the holder, in London, at the head office of Westminster Bank (Ltd.), subfiscal agent, in sterling at the exchange rate of $4.8665 to the pound, without deduction for any Colombian taxes, present or future. Coupon bonds in denominations of $1,000 and $500, registering as to principal only. Redeemable on any interest date at face amount on not less than 20 days' notice.

A cumulative sinking fund of 1 per cent per annum is provided for, to operate semiannually through purchase of bonds at or below face amount, or if not so obtainable then by call of bonds by lot at face amount. The Republic reserves the right to increase the amount of any sinking fund payment, and to tender bonds in lieu of cash.

HALLGARTEN & CO. AND KISSEL, KINNICUTT & CO., FISCAL AGENTS; NATIONAL BANK OF COMMERCE IN NEW YORK, REGISTRAR

The following information has been furnished by His Excellency, Dr. Esteban Jaramillo, Minister of Finance and Public Credit of the Republic of Colombia:

Colombia.—The Republic of Colombia adjoins the Isthmus of Panama and has a coast line both on the Caribbean Sea and the Pacific Ocean. It has an area of over 475,000 square miles (more than that of all the States on the Atlantic Seaboard from Maine to Florida) and a present estimated population of over 7,800,000. The country is rich in natural resources, both agricultural and mineral. American companies have large investments in the mining, oil, fruit, and livestock industries, total American investments in Colombia being estimated at approximately $220,000,000.

Obligation.—These bonds will constitute the direct obligation of the Republic of Colombia, secured by its full faith and credit. The Republic agrees, among other things, that if while any bonds of the present loan are outstanding it shall secure any loan by a lien or charge upon any national income or revenues, the bonds of this loan shall be secured in like form, equally and ratably with such loan.

Purpose.—The proceeds of this issue will be devoted to railroad and highway construction purposes, pursuant to Law 102 of 1922 and Laws 12 and 106 of 1927, authorizing this issue.

Revenues.—Ordinary revenues and ordinary expenditures in recent years have been as follows:

	Ordinary revenues	Ordinary expenditures
1923	$32,425,591	$21,440,428
1924	32,576,680	23,179,367
1925	45,005,038	29,874,906
1926	54,163,088	46,372,064
1927	60,639,694	48,923,065

In the period 1922 to 1926 the Republic also received treaty payments from the United States in the total amount of $25,000,000. During the same period the Republic, in addition to ordinary expenditures, decreased its national debt by more than $23,500,000, invested $6,000,000 initial capital in the Bank of the Republic and the Agricultural Mortgage Bank, and spent over $57,000,000 upon railroad construction and other public works.

While, as above shown, there was in 1927 a balance of ordinary revenues over ordinary expenditures, the outlay in that year for railroads and other public works was over $32,000,000 and exceeded by approximately $3,000,000 such balance of ordinary revenues and the proceeds of the $25,000,000 loan of 1927 applicable to such purposes during that year.

Debt.—Colombia's national debt, both internal and external, upon completion of this financing will approximate $80,440,000. This is equivalent to less than $11 per capita, which is among the lowest for any of the countries of the world, and compares with estimated figures for Argentina of $109 and for Uruguay of $125.

Foreign Trade.—The foreign trade of the country has shown a steady increase, the figures for recent years having been as follows:

	Imports	Exports
1922	$42,969,272	$51,323,547
1923	59,475,343	58,648,305
1924	50,950,225	83,429,199
1925	83,538,054	82,110,879
1926	109,729,749	109,043,863
1927	121,817,550	124,324,088

Monetary system.—The Bank of the Republic, organized along the lines of the Federal Reserve System, is the sole bank of issue. On March 1, 1928, its gold reserves were 106.95 per cent of its notes in circulation. The Colombian peso, with a gold parity of $0.9733, is now quoted at a slight premium.

All conversions of pesos into dollars in the foregoing have been made at parity of exchange.

The Republic has agreed to make application to list these bonds on the New York Stock Exchange.

These bonds are offered when, as, and if issued and accepted by us and subject to the approval of counsel, Messrs. Sullivan & Cromwell of New York City, who as to questions of Colombian law will consult with Dr. Pedro M. Carreno, Bogota, Colombia. We reserve the right to reject subscriptions in whole or in part to allot less than the amount applied for and to close the subscription books at any time without notice. Temporary bonds or interim receipts deliverable in the first instance at the office of Hallgarten & Co., 44 Pine Street, New York City. Price 95 and interest, to yield over 6.35 per cent to maturity.

$9,000,000 MUNICIPALITY OF MEDELLIN (DEPARTMENT OF ANTIOQUIA, REPUBLIC OF COLOMBIA) EXTERNAL 6½ PER CENT GOLD BONDS OF 1928

Dated June 1, 1928. Due December 1, 1954.

Cumulative sinking fund calculated to retire all of the bonds at or before maturity.

Total authorized $13,000,000. To be presently issued, $9,000,000. Interest payable semiannually June 1 and December 1. Coupon bonds in denominations of $1,000 and $500, registerable as to principal only. Principal and interest payable in New York City, at the office of either of the fiscal agents, Hallgarten & Co. and Kissel, Kinnicutt & Co., in United States gold coin of the present standard of weight and fineness, free of all present or future Colombian taxes.

A cumulative sinking fund is provided for, to operate semiannually through purchase of bonds at or below face amount, or if not so obtainable then by drawing of bonds by lot at face amount on 20 days' published notice. The municipality reserves the right to increase the amount of any sinking fund payment.

HALLGARTEN & CO. AND KISSEL, KINNICUTT & CO., FISCAL AGENTS; NATIONAL BANK OF COMMERCE IN NEW YORK, REGISTRAR

The following is based upon information furnished by the Municipality of Medellin:

Municipality of Medellin.—Medellin is the capital of Antioquia, the largest department of the Republic of Colombia. It has a population of about 120,000, and is one of the chief manufacturing cities of Colombia as well as the commercial center of a large territory. Colombia is the world's second largest producer of coffee, and the chief producer of "mild" coffee, which commands a premium in world markets. Medellin is the chief market and shipping center for most of this. The City is located at an altitude of 5,000 feet, with an even, temperate climate throughout the year. The municipality has never defaulted in the payment of principal or interest on any of its obligations.

Obligation.—These bonds will constitute the direct obligation of the municipality of Medellin, secured by its full faith and credit. The municipality has agreed, among other things, that if while any of the bonds of the present loan are outstanding, it shall mortgage any properties or pledge any revenues to secure any future loan, the present loan shall have a lien or mortgage on the same properties and revenues prior to the lien or mortgage of such future loan.

Purpose.—The proceeds of this loan are to be used for the retirement on October 1, 1928, of the $2,726,000 outstanding amount of the municipality's 25-year external 8 per cent secured gold bonds, for the payment of the entire outstanding funded internal indebtedness of the municipality (approximately $1,700,000), for additions, improvements and extensions to the municipal hydroelectric and tramway properties, and for sewer and paving purposes. That portion of the proceeds devoted to public works will be largely revenue producing.

Revenues and expenditures.—Ordinary revenues and expenditures of the municipality for the past five years have been as follows:

	Revenues	Expenditures
1923	$1,919,541	$1,598,004
1924	1,805,423	1,472,825
1925	2,301,418	1,671,807
1926	2,046,951	1,997,192
1927	2,729,845	2,387,423

In the year 1927 the revenues from public works amounted to over 48 per cent of the total revenues, showing an increase during the period from 1923 to 1927 of 133 per cent.

Financial position.—Upon completion of this financing, the present bonds, together with $2,902,000 outstanding face amount of the 25-year external 7 per cent loan of 1926, will constitute the entire funded debt of the municipality. Municipal property is valued at over $9,850,000, this being exclusive of values to be created out of the proceeds of this loan. Taxable property has an assessed valuation of approximately $90,000,000.

Colombia.—The Republic of Colombia has for many years enjoyed a stable government, and its finances are in sound condition. Colombia's national debt, both internal and external, approximates $80,440,000. This is equivalent to less than $11 per capita, which is among the lowest for any of the countries of the world. The national revenue increased from $21,292,000 in 1922 to $60,639,000 in 1927. The Bank of the Republic, organized along the lines of the Federal Reserve System, is the sole bank of issue. On June 1, 1928, its gold reserves were 104.48 per cent of its notes in circulation. The Colombian peso, with a gold parity of $.9733, is now quoted at a slight premium.

All conversions of pesos into dollars have been made at parity of exchange.

The municipality has agreed to make application to list these bonds on the New York Stock Exchange.

These bonds are offered, when, as and if issued and accepted by us, and subject to approval of counsel, Messrs. Curtis, Mallet-Prevost Colt & Mosle. New York City, and Dr. Pedro M. Carreño, of Bogota, Colombia. We reserve the right to reject subscriptions in whole or in part, to allot less than the amount applied for and to close the subscription books at any time without notice. Temporary bonds or interim receipts deliverable in the first instance at the office of Hallgarten & Co., 44 Pine Street, New York City. Price 93¼ and interest, to yield over 7.05 per cent to maturity.

The above-named external 8 per cent bonds which the municipality has agreed to retire on October 1, 1928, at 105 per cent and accrued interest will be accepted in payment for the new bonds on a 5 per cent discount basis, computed on their redemption price, provided notice of the amount of such bonds to be tendered in payment is received by Hallgarten & Co., 44 Pine Street, New York City, not less than five days prior to the date fixed for delivery of and payment for the new bonds.

$17,581,000 Republic of Uruguay 6 Per Cent External Sinking-Fund Gold Bonds Public Works Loan

Over $9,000,000 of these bonds have been sold in Uruguay, Europe, and Canada.

Dated May 1, 1930. Interest payable May 1 and November 1. Due May 1, 1964.

The Republic covenants to provide a cumulative sinking fund of 1 per cent per annum, to operate semiannually through the redemption of bonds by lot at par on interest dates with 20 days' notice, the Republic being permitted to tender at their purchase price, in lieu of cash for the sinking fund, bonds purchased at less than par. The Republic reserves the right to increase the amount of any sinking-fund installment.

Sinking fund calculated to retire the whole issue at or before maturity.

Coupon bonds in denominations of $1,000 and $500, registerable as to principal. Principal and interest payable in United States gold coin of the present standard of weight and fineness in New York City at the office of Hallgarten &

Co. and in Chicago at the office of Halsey, Stuart & Co. (Inc.), without deduction for any Uruguayan taxes, present or future. Principal and interest also collectible in Montevideo at the Bureau of Public Debt of the Republic.

HALLGARTEN & CO. AND HALSEY, STUART & CO. (INC.), FISCAL AGENTS

The following statement has been authorized by His Excellency Javier Mendivil, Minister of Finance of the Republic of Uruguay, under date of May 7, 1930:

Obligation.—These bonds constitute the direct obligation of the Republic of Uruguay. The Republic agrees that if in the future it shall issue or dispose of any bonds or loan secured on specific revenues or assets, these bonds shall be equally and ratably secured therewith; but this provision shall not apply to the creation of specific charges on new enterprises to secure obligations issued to finance their acquisition or construction, to the pledge of local taxes which may be created in order to furnish funds for the construction of new roads, railroads, or bridges.

Purpose.—The proceeds of the loan are to be used for the construction and improvement of roads, ports, and other public works, and for the refunding of certain existing debt incurred for like purposes.

General.—Uruguay has an area of 72,153 square miles, being slightly larger than the States of New York, Vermont, Massachusetts, and Connecticut combined. It is the most densely populated country of South America, having about 1,850,000 inhabitants, practically all of European stock. Montevideo, the capital, with a population of 470,000, is one of the principal seaports of that continent. In proportion to area, Uruguay stands first in South America in railway mileage, and in the Western Hemisphere is surpassed in this respect only by the United States and Cuba.

The economic development of the country has been sound. The chief industry has been the raising of live stock and the preparation and exportation of animal products, but there has been a considerable agricultural and industrial development as well.

Revenues.—The Government's revenues are largely derived from customs duties, supplemented by direct taxation on property, excise taxes, and receipts from Government-owned properties. Revenues exceeded expenditures for the four fiscal years ended June 30, 1929.

Financial Position.—Uruguay enjoys a high credit standing throughout the world. Prior to the World War all of its external loans were issued in Europe, and at present there are listed on the London Stock Exchange approximately £20,000,000 of its bonds, bearing 3½ and 5 per cent coupon rates. Foreign capital invested in Uruguay is substantial, and a number of American and European banks and industrial and public utility corporations have branches and plants in the country.

The national public debt upon completion of this financing will amount to about $244,000,000, of which approximately $156,000,000 is external. This debt largely represents investments in productive enterprises under control of the State, including banks, railways, public utilities, and port works, which showed substantial profits from operations in the last fiscal year and are estimated to have a value substantially in excess of the amount of the external debt. The national wealth is estimated at $3,000,000,000 or over $1,620 per capita, this being approximately twelve times the per capita debt.

All dollar conversions in this statement have been made at par of exchange, namely, $1.0342 per Uruguayan peso. The current rate of exchange is approximately $0.925 per peso. Uruguayan law requires a gold reserve of 40 per cent for the outstanding gold notes and demand deposit liabilities of the Bank of the Republic. The ratio on March 31 of this year was over 63 per cent. The gold holdings of the bank on such date amounted to more than 105 per cent of the gold notes in circulation, or more than 89 per cent of the total note circulation of the bank.

The Republic has agreed to make application to list these bonds on the New York Stock Exchange.

These bonds are offered when, as, and if issued and accepted by us and subject to the approval of counsel. We reserve the right to reject subscriptions in whole or in part, to allot less than the amount applied for, and to close the subscription books at any time without notice. Temporary bonds or interim receipts deliverable in the first instance at the office of Hallgarten & Co., 44 Pine Street, New York City. Price 98 and interest, to yield about 6.15 per cent.

LOAN AGREEMENT OF THE REPÚBLICA ORIENTAL DEL URUGUAY (REPUBLIC OF URUGUAY) AND HALLGARTEN & CO., APRIL 19, 1926

[Translation]

LOAN AGREEMENT

The national council of administration of the República Oriental del Uruguay, represented in this act by its President, Dr. Don Luís Alberto de Herrera, by the Secretary of State for the department of the treasury, Don Ricardo Cosio, and by the secretary of the national council of administration, Don Manuel V. Rodriguez, in the name of and on behalf of the República Oriental del Uruguay, duly authorized by law enacted by the legislative power, promulgated on the 18 day of April, 1926, of the one part, hereinafter called "the Republic"; and Hallgarten & Co., a copartnership domiciled in New York, United States of America, represented in this act by its special attorney in fact, Don Camilo Carrizosa, according to power of attorney dated the 1st day of April, 1926, executed in the city of New York, United States of America, communicated by cable of April 2, 1926, sent by the consul general of the Republic in New York to the minister of foreign affairs of the Republic of Montevideo, of the other part, hereinafter called "the bankers".

Whereas, the bankers have bid for the purchase of $30,000,000 principal amount of 34-year 6 per cent external sinking fund gold bonds of the Republic, payable in gold coin of the United States of America; and

Whereas said bid of the bankers was subject to acceptance by the national council of administration of the republic, and has been so accepted, and was subject to the further condition that it should be ratified by the General assembly of the Republic within 10 days after such acceptance, such ratification to include authority to the executive of the Republic to enter into a definitive loan contract; and

Whereas the bid so accepted has been so ratified by the general assembly and the executive of the republic and the bankers have agreed that said definitive loan contract shall be made in the form of this agreement;

Now, therefore, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, the Republic and the bankers agree as follows:

First. The Republic agrees forthwith to create and sell to the bankers, and the bankers agree to purchase, upon the terms and conditions of this agreement, an issue of $30,000,000 principal amount of its 34-year 6 per cent external sinking-fund gold bonds (hereinafter called the "bonds"). The bonds shall be dated May 1, 1926, and mature May 1, 1960, shall bear interest at 6 per cent per annum, payable semiannually on November 1 and May 1 in each year, and shall be amortized by maturity as hereinafter provided by semiannual sinking-fund payments of one-half of 1 per cent of the maximum total amount of bonds. Bonds purchased at less than par and accrued interest may be tendered for the sinking fund in lieu of cash of a principal amount equal to the purchase price thereof, excluding accrued interest. Bonds acquired through operation of the sinking fund shall not be canceled but shall be held by the fiscal agents hereinafter mentioned and interest payable thereon shall, as received, be added to and form part of the current sinking-fund payment. The amount of any sinking-fund payment may be increased at the option of the Republic. Bonds shall not be redeemable before maturity except through the operation of the sinking fund.

Second.[1] Principal, interest, and sinking-fund payments in respect of all bonds shall be made in New York, at the office of the fiscal agents in United States gold coin of the weight and fineness existing May 1, 1926. All such payments shall be made without deduction for any present or future taxes of the Republic of Uruguay or any department, municipality, or other authority thereof, and shall be made in time of war as well as of peace irrespective of the nationality of the holder.

Third. The amounts required for interest payments shall be deposited with the fiscal agents in New York 10 days prior to the interest payment dates and the bonds and/or cash for the service of the semiannual sinking-fund payments, including any extraordinary sinking-fund payments and interest on bonds in the sinking fund, at least 30 days prior to each interest date.

[1] On p. 9 article 2 is repeated, rectifying certain omissions.

Fourth. The fiscal agents shall apply sinking-fund moneys to the acquisition of the bonds at par, exclusive of accrued interest, on the next succeeding interest date. If the Republic should desire to increase the fixed semiannual sinking-fund payments, it shall notify the fiscal agents by cable at least two months prior to each interest date, specifying the amount of cash and/or bonds, acquired by the Republic, by which such fixed semiannual sinking-fund payment is to be increased, and also specifying the price paid for and the principal amount of such bonds. Whenever the amounts in the sinking fund, including fixed and extraordinary sinking-fund payments in cash, shall not be equivalent to the total amount of bonds outstanding, there shall be held by and under the direction of the fiscal agents a drawing by lot of the bonds to be acquired for the sinking fund, at which a representative of the Republic may be present. Such drawing shall be held at least 25 days before the interest payment date. After the drawing has been held, the fiscal agents shall give notice to the holders of the bonds so drawn, by publication of such notice not less than once a week for two successive weeks in a daily newspaper of general circulation published in the English language in the Borough of Manhattan, city of New York, United States of America, to be selected by the fiscal agents. Such publication may be made upon any day of the week and in any such newspaper, but the first publication shall be made not less than 20 days prior to the date fixed for payment for the bonds drawn. Such notice shall state, in case of the purchase of the total amount of bonds outstanding, that the Republic has determined to purchase them and in case the purchase is to be of less than the entire amount of bonds outstanding the notice shall also state the particular amount and numbers of the bonds to be purchased. The notice shall further state that the bonds mentioned therein are to be paid for at the office or offices specified by the fiscal agents and that after said interest payment date such bonds shall cease to bear interest for the benefit of their respective holders, but shall bear interest for the benefit of the sinking fund. Similar notice shall be sent by the fiscal agents through the mails, postage prepaid, at least 20 days prior to the date fixed for such purchase of bonds, to the owners of all registered bonds so to be purchased, to their respective addresses appearing on the registry brooks; provided, however, that such mailing shall not be a condition precedent to such purchase and failure so to mail any such notice shall not effect the validity of the proceedings for such purchase of the bonds. On the date so specified for such purchase the holder of the bond or bonds so to be purchased shall surrender the same to the fiscal agents with all coupons maturing after such purchase date on which they are to be so acquired, and upon such surrender the fiscal agents shall pay to the holder of said bond or bonds out of the funds available for that purpose the amount payable to him in respect of such acquisition of his bonds. Interest on all bonds so called for purchase for the sinking fund shall after said purchase date cease to accrue to the holders thereof, but shall accrue to the benefit of and be paid to the sinking fund; and except for sinking-fund purposes all coupons appertaining to such bonds for interest subsequent to said date shall be null and void.

Fifth. If the Republic shall, after April 6, 1926, secure any debt now or hereafter existing, by specific lien or charge upon any of its present or future assets or revenues, the bonds shall ipso facto share in such lien or charge equally and ratably with such other debt. The provisions of this article shall not be construed as applying to any mortgage which the Republic may create upon new works of industrial or public utility, purchased or authorized by the Republic after April 6, 1926, as security for bonds or other obligations which the Republic may issue for the purchase or construction of said works, nor as applying to any local tax which may be created in order to furnish funds for the construction of new roads, railroads, or bridges.

Sixth. The permanent bonds shall be bearer coupon bonds, registerable as to principal only, in denominations of $1,000 and $500, in the quantities that the bankers shall elect, and steel engraved and otherwise in form conforming to the requirements of the New York Stock Exchange. Pending delivery of the permanent bonds, the bankers will accept a single temporary printed bond or temporary printed bonds without coupons for the entire principal amount purchased, exchangeable for permanent bonds before October 1, 1926. The bonds shall be signed by a duly authorized representative or duly authorized representatives of the Republic and authenticated by certification of the fiscal agents or some financial institution selected by them. Such authentication shall be conclusive and the only evidence that the bond so certified has been duly issued under this agreement. The bonds shall be registerable as to principal at such place in the city of New York as the fiscal agents from time to time designate, and the Republic shall cause to be kept at such place books for the registration and transfer of the bonds. After registration has been made and noted on any bond, no transfer thereof shall be valid unless made upon the registration books by the registered owner, in person or by his attorney duly authorized in writing, and similarly noted on the bond; but the same may be discharged from registration by being, in like manner, transferred to bearer, and thereby shall become transferable by delivery, and such bond may again, from time to time, be registered or transferred to bearer as before. Such registration shall not affect the negotiability of the coupons and every such coupon shall continue to be transferable by delivery only and shall remain payable to bearer and payment thereof to bearer shall fully discharge the Republic and the fiscal agents in respect of the interest therein mentioned, whether the bond to which it appertains be registered or not.

In case any bond and any coupon thereto appertaining shall be mutilated or destroyed or lost or stolen, the Republic in its discretion may issue and at its request there shall be authenticated a new bond of like tenor and denomination in exchange and substitution for and upon surrender and cancellation of the mutilated bond and its coupons, or in lieu of or substitution for the bond and its coupons so destroyed or lost or stolen. The applicant for such substituted bond and coupons shall furnish satisfactory evidence of the destruction or loss or theft of the bond and its coupons so destroyed or lost or stolen and indemnity, satisfactory to the fiscal agents.

Seventh. The bonds shall be a direct obligation of the Republic, which pledges its good faith and credit for the punctual payment of principal, interest, and sinking fund for the fulfillment of the terms thereof and hereof.

Eighth. The Republic will, as and when requested by the bankers, apply for the listing of the bonds on the New York Stock Exchange and any other stock exchange requested by the bankers, and will provide any information and cause to be signed by its representatives any application or other documents required in that connection in conformity with the rules of such exchanges.

Ninth. The Republic will immediately furnish all information with reference to the Republic and its finances as is customarily supplied in similar issues and as may be requested by the bankers to facilitate the public offering and sale of the bonds.

Tenth. The Republic shall pay the expenses of the fiscal agents and those in connection with the registration of bonds and also the cost of notices relating to the service of the debt, with respect both to interest and sinking fund; and shall pay all the preliminary expenses of the issue, including the printing of temporary bonds and the interim receipts which the bankers may issue, as well as the cost of engraving definitive bonds, authentication expenses, and cost of listing on the New York Stock Exchange and any other exchange, and legal expenses. It is understood that the expenses relating to the preparation, execution, and authentication of the bonds and the listing thereof on the New York Stock Exchange and any other exchange shall not exceed $50,000. The fiscal agents are authorized to attend to all these matters on behalf of the Republic.

Eleventh. The fiscal agents shall be entitled to represent the holders of the bonds in all matters.

Twelfth. Hallgarten & Co., and Halsey, Stuart & Co. (Inc.), shall be the fiscal agents for the bonds and the loan represented thereby. The fiscal agents may treat all moneys deposited with them or their representatives as general deposits, and shall allow interest on dollar funds at a rate 2 per cent below the current New York Federal Reserve Bank rate for 90 days' prime bankers acceptances; provided, however, that in any case the rate of interest on such funds shall not be less than 2 per cent per annum. The Republic shall pay the fiscal agents a commission of one-eighth of 1 per cent on all amounts received and disbursed in the payment of interest on bonds other than bonds held in the sinking fund and one-quarter of 1 per cent of the principal amount of all bonds paid or acquired for the sinking fund. These payments shall be made concurrently with the amounts or deliveries of bonds for sinking fund, giving rise to the right to compensation.

Thirteenth. Except for these bonds, the Republic shall not issue, offer or sell any obligations payable in foreign currency until four months after the execution of this contract.

Fourteenth. The purchase price of the bonds shall be 91.53 per cent of their principal amount and shall be payable by the bankers in New York on or after May 1, 1926, against delivery in New York of a temporary printed bond or bonds (exchangeable on or before October 1, 1926, for definitive engraved coupon bonds) for the entire principal amount purchased, such delivery and payment to be made upon such date within 20 days from the date of this contract as the Republic may determine on 5 days' notice to the bankers. Such payment shall be made by depositing the purchase price with such bank or banks in New York City as may be designated for that purpose by the Republic of Uruguay. In the event that the Republic desires to and does leave on deposit for its account, or that of the Banco de la Republica Oriental del Uruguay, with the National Bank of Commerce in New York for six months following the purchase, $15,000,000 of the proceeds of the bonds, at interest at 2½ per cent, then the bankers will pay an additional one-quarter of 1 per cent for the bonds.

In the event that payment for the bonds is made subsequent to May 1, 1926, the bankers shall pay to the Republic an additional amount equal to interest at the rate of 6 per cent per annum on the principal amount of bonds for the period between May 1, 1926, and the date of payment.

Fifteenth. All bonds tendered to the bankers pursuant hereto shall be validly issued obligations of the República Oriental del Uruguay in accordance with the constitution and laws of said Republic. The text of the bonds, and all the proceedings taken with respect to the issue of the bonds, in order that they may be valid obligations, shall be carried out in form fulfilling the conditions necessary in the opinion of the bankers, who may, without cost to the Republic, consult their counsel; and the Republic will furnish to the bankers before the date fixed for the delivery of the temporary bonds the necessary documents which the bankers or their counsel may request.

In witness whereof, there are signed by the persons first above named, two counterparts of like tenor in the city of Montevideo, on 19th day of April, 1926.

At this point there is repeated article second in order to correct omissions which occurred in transcribing the same; said article should read as follows:

Art. 2. Principal, interest, and sinking-fund payments in respect of all bonds shall be made in New York and/or Chicago, at the office of the fiscal agents in United States gold coin of the weight and fineness existing May 1, 1926, or in like coin in Amsterdam at the office of the Amsterdamsche Bank, subfiscal agent, it being understood that the Republic will deal only with the fiscal agents and that they will send to said bank the available funds necessary for such service. All such payments shall be made without deduction for any present or future taxes of the Republic of Uruguay or any department, municipality or other authority thereof, and shall be made in time of war as well as of peace irrespective of the nationality of the holder.

Manuel V. Rodriguez,
Luís A. de Herrera,
Ricardo Cosio,
Secretario.
C. Carrizosa.

Enrique Pittaluga, notary of the Government, certifies that the signatures which appear at the end of the foregoing document have been placed thereon in my presence by the president of the national council of administration, Dr. Luís Alberto de Herrera, by the Secretary of State for the Department of Treasury, Don Ricardo Cosio, by the secretary of said council, Don Manuel V. Rodriguez, and by the representatives of the firm Hallgarten & Co., Don Camilo Carrizosa, all being persons known to me, to which I certify.

And by virtue of the provisions of the Superior Decree of yesterday, I make this Certificate which I seal, stamp and sign in Montevideo on the 19th of April, 1926.

Enrique Pittaluga,
Notary of the Government.

(Seal reading: "Notarial office of the Government and the Treasury")

Authentic:

J. Varela,
Minister of Uruguay.

(Seal reading: "Legation of Uruguay, Washington, D. C.")

No. 10983

UNITED STATES OF AMERICA,
DEPARTMENT OF STATE.

To all to whom these presents shall come, Greeting:

I certify that J. Varela, whose name is subscribed to the paper hereto annexed, is duly accredited to this Government as envoy extraordinary and minister plenipotentiary of Uruguay.[1]

In testimony whereof I, Frank B. Kellogg, Secretary of State, have hereunto caused the seal of the Department of State to be affixed and my name subscribed by the chief clerk of the said department, in the District of Columbia, this 14th day of June, 1926.

FRANK B. KELLOGG,
Secretary of State.
By E. J. AYERS,
Chief Clerk.

(Seal reading: "Department of State, United States of America")

[English translation]

LOAN AGREEMENT

The National Council of Administration of the República Oriental del Uruguay, represented in this act by its president, Dr. Baltasar Brum, by the Secretary of State for the Department of the Treasury, Dr. Javier Mendivil and by the secretary of the national council of administration, Mr. Manuel V. Rodriguez in the name of and on behalf of the República Oriental del Uruguay, duly authorized by laws enacted by the legislative power, promulgated on the 19th day of October, 1928, and the 25th day of April, 1930, of the one part, hereinafter called the Republic; and Hallgarten & Co., a copartnership domiciled in New York, United States of America, represented in this act by its special attorney in fact, Dr. Blas Vidal, according to power of attorney dated the 7th of April, 1930, executed in the city of New York, United States of America, of the other part, hereinafter called the bankers.

Whereas, the Republic desires to sell an issue of $17,581,000 of external bonds under the law of October 19, 1928, authorizing the issue of public debt for highways and waterways and under the law of April 25, 1930, further regulating the issue of such public debt; and the bankers desire to purchase said issue of bonds of the Republic; and

Whereas, the two series of such public debt for 10,000,000 pesos and 7,000,000 pesos, respectively, in the equivalent in dollars, which are authorized by the law of April 25, 1930, may be issued at one time and as one loan of the total amount of $17,581,000, that is, the equivalent in dollars of 17,000,000 pesos, by reason of the fact that the equivalent in dollars of 7,000,000 pesos of such loan will be placed with the Bank of the Republic, in accordance with the said law of April 25, 1930.

Now, therefore, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, the Republic and the bankers agree as follows:

First. The Republic agrees forthwith to create and sell to the bankers, and the bankers agree to purchase, upon the terms and conditions of this agreement, an issue of $17,581,000 principal amount of its 6 per cent external sinking fund gold bonds, public works loan hereinafter called the bonds. The bonds shall be dated May 1, 1930, and mature May 1, 1964, shall bear interest at the rate of 6 per cent per annum, payable semiannually, and shall have the benefit of a cumulative sinking fund of 1 per cent per annum operating semiannually through the redemption of bonds by lot at par on interest dates with 20 days' notice, the Republic being permitted to tender for retirement any bonds purchased at less than par in lieu of cash for the sinking fund in an amount equal to the purchase price of the bonds so tendered. The Republic shall have the right to increase the amount of any sinking fund installment but the bonds shall not be redeemable before maturity except through the operation of the sinking fund. Principal and interest of the bonds shall be payable in United States gold coin of the standard of weight and fineness existing on May 1, 1930, in the cities of New York and Chicago, United States of America, and the principal as well as interest shall be collectible in Montevideo, Republic of

[1] For the contents of the annexed document the department assumes no responsibility.

Uruguay. Principal and interest of the bonds shall be paid in time of war as well as in time of peace and without deduction for any Uruguayan taxes. The bonds shall be issued under a fiscal agency agreement with Hallgarten & Co. and Halsey, Stuart & Co. (Inc.), as fiscal agents, in form agreed upon between the Republic and the bankers, which agreement shall contain an article providing that if the Republic shall hereafter secure any debt, now or hereafter existing, by specific lien or charge upon any of its present or future assets or revenues, the bonds shall ipso facto share in such lien or charge equally and ratably with such other debt; provided that the provisions of such article shall not be construed as applying to any mortgage which the Republic may create upon new works of industrial or public utility hereafter purchased or authorized by the Republic as security for bonds or other obligations which the Republic may issue for the purchase or construction of said works, nor as applying to any local tax which may be created in order to furnish funds for the construction of new roads, railroads, or bridges.

Second. The purchase price of the bonds shall be 95.02 per cent of their principal amount, plus interest accrued thereon to the date of payment, and shall be payable on or after May 20, 1930, against delivery in New York of a temporary printed bond or bonds (exchangeable on or before September 15, 1930, for definitive engraved coupon bonds) for the entire principal amount purchased, such delivery and payment to be made upon such date within twenty days from the date of this contract as the Republic may determine on five days' notice to the bankers. The payment of the purchase price shall be made in the following manner: The bankers will credit the Republic in dollars with an amount equal to the purchase price of $10,341,000 principal amount of the bonds The purchase price of the remainder of the bonds shall be paid by the Bank of the Republic.

Third. The Republic will, as and when requested by the bankers, apply for the listing of the bonds on the New York Stock Exchange and any other stock exchange requested by the bankers, and will provide any information and cause to be signed by its representatives any application or other documents required in that connection in conformity with the rules of such exchanges.

Fourth. The Republic will immediately furnish all such information with reference to the Republic and its finances as is customarily supplied in similar issues and as may be requested by the bankers to facilitate the public offering and sale of the bonds.

Fifth. Except for these bonds, the Republic shall not issue, guarantee, offer, or sell any obligations payable in foreign currency until six months after the execution of this contract.

Sixth. The Republic shall pay all the preliminary expenses of the issue, including the printing of temporary bonds and the interim receipts which may be issued, as well as the cost of engraving definitive bonds, authentication expenses, and cost of listing on the New York Stock Exchange and any other exchange, and legal expenses. It is understood that the expense relating to the preparation, execution, and authentication of the bonds and the listing thereof on the New York Stock Exchange and any other exchange shall not exceed $28,900. The fiscal agents shall attend to all these matters on behalf of the Republic.

Seventh. All bonds tendered to the bankers pursuant hereto shall be validly issued obligations of the República Oriental del Uruguay in accordance with the constitution and laws of said Republic. The text of the bonds, and all the proceedings taken with respect to the issue of the bonds, in order that they may be valid obligations, shall be carried out in form fulfilling the conditions necessary in the opinion of the bankers, who may, without cost to the Republic, consult their counsel; and the Republic will furnish to the bankers before the date fixed for the delivery of the temporary bonds the necessary documents which the bankers or their counsel may request.

In witness whereof, there are signed by the persons first above named, two counterparts of like tenor in the city of Montevideo, on the 7th day of May, 1930.

BALTASAR BRUM.
JAVIER MENDIVIL.
MANUEL V. RODRIGUEZ.
BLAS VIDAL.

I, Luis Mattianda, notary of the treasury of the República Oriental del Uruguay, certify that the signatures affixed to the foregoing document were made by the following persons: President of the National Council of Administration, Dr. Baltasar Brum; Secretary of State for the Department of the Treasury, Dr. Javier Mendivil; and the secretary of the above-mentioned council, Mr. Manuel V. Rodriguez, on behalf of the State; and Dr. Blas Vidal, as special attorney in fact of Hallgarten & Co.; all these persons by me known And in accordance with the provisions of the decree of the executive power dated yesterday, I hereby sign, stamp, and seal this certification, in Montevideo, on the 7th day of May of the year 1930.

LUIS MATTIANDA.
[Seal of the notary of the treasury department]

By the minister:

J. ALBERTO SOSA,
Section Chief.

MONTEVIDEO, *May 7, 1930.*

Ministry of Foreign Affairs of the República Oriental del Uruguay.

SECRETARY'S OFFICE.

The legality of the signature of Mr. J. Alberto Sosa, section chief of the ministry of public instruction, is hereby recognized.

No. 1068. MONTEVIDEO, *May 7, 11930.*

DANIEL ALLENDE.

By the director of sections.

REPUBLIC OF URUGUAY, CITY OF MONTEVIDEO,
Consulate of the United States of America, ss:

I, Prescott Childs, vice consul of the United States of America at the port of Montevideo, Republic of Uruguay, duly commissioned and qualified, do hereby certify that Daniel Allende, whose true signature and official seal are, respectively, subscribed and affixed to the foregoing certificate, was, on the 7th day of May, 1930, the day of the date thereof, acting director of sections of the ministry of foreign affairs, duly commissioned and qualified, to whose official acts faith and credit are due.

In witness whereof I have hereunto set my hand and the seal of the consulate at Montevideo, this 7th day of May, 1930.

PRESCOTT CHILDS
Vice Consul of the United States of America.

LOAN AGREEMENT OF THE REPUBLIC OF CHILE AND KISSEL, KINNICUTT & CO. AND HALLGARTEN & CO., DATED OCTOBER 18, 1926

Agreement dated October 18, 1926, made in the city of New York, United States of America, between the Republic of Chile (hereinafter called the "Republic"), represented by its ambassador to the United States of America, Don Miguel Cruchaga Tocornal, thereunto duly authorized by a decree of the President of the said Republic dated the 14th day of October, 1926, and pursuant to the authority vested in the said President, party of the first part, and Kissel, Kinnicutt & Co. and Hallgarten & Co., each a partnership having a principal office in the city of New York, United States of America (together hereinafter called the "Bankers"), parties of the second part.

The parties hereto agree as follows:

First. The Republic agrees to forthwith create and to sell to the bankers and the bankers agree to purchase, upon the terms and conditions of this agreement, $42,500,000 face amount of bonds (hereinafter called the "bonds") payable in gold coin of the United States of America, or, at the option of the holder, in English pounds sterling at the fixed rate of exchange of 4.8665 United States of America gold dollars per pound sterling; said bonds being described in the fiscal agency agreement between the parties hereto, executed simultaneously herewith, a copy of which is hereto annexed marked "Schedule A." The purchase price for said bonds shall be a sum equal to 89.13 per cent of the face amount of said bonds and the interest accrued on the bonds from their date to the date of the payment of the purchase price.

Second. Said purchase price shall be paid in New York funds against simultaneous delivery in New York of temporary bonds for the $42,500,000 of said issue. The Republic agrees to make delivery of such temporary bonds to the bankers on October 25, 1926, or on a date not more than 10 days thereafter, to be fixed by the Republic, in either case on at least five days' cable notice to the bankers of the date of such delivery. The Republic shall contemporaneously with such notice to the bankers cause temporary bonds representing the said issue in such denominations as the bankers shall specify to be executed in the manner provided in the fiscal agency agreement; and the Republic hereby directs the fiscal agents to cause such bonds to be authenticated and delivered to the bankers against payment of said purchase price. The bankers shall make payment of such purchase price to the fiscal agents for the account of the Republic, after first deducting therefrom the amount of the estimated expenses of the issue—namely, the cost of printing, engraving, execution, and authentication of the temporary and definitive bonds and interim receipts, the cost of listing the bonds on the New York Stock Exchange, and any other exchanges, and all other customary expenses in connection with this issue, and also allowance for stamp taxes of 1 per cent on maximum of $4,000,000 or equivalent in pounds of bonds offered by bankers in Holland.

Third. The bankers as fiscal agents will pay to the Republic interest at the rate of 6.43 per cent per annum on any part of the proceeds of the issue which the Republic may keep on deposit with them during the first three months after payment of the purchase price, and thereafter at a rate to be agreed upon between the Republic and the bankers.

Fourth. The Republic hereby grants the bankers an option to purchase from it at any time on or before March 1, 1927, all or part of $27,500,000 of additional bonds, payable in like gold dollars or pounds sterling, authorized under the laws referred to in the fiscal agency agreement hereto annexed, at the price of 91.13 per cent of the face amount of such bonds so purchased and accrued interest thereon. Any such purchase shall be under terms and conditions substantially the same as those provided for in this agreement and said fiscal agency agreement, except as to purchase price. The Republic shall pay the stamp taxes on any such additional bonds publicly offered in Europe. Such option may be exercised as to part of such issue only in one or more lots of not less than $5,000,000 face amount of bonds.

Fifth. The Republic agrees that it will not before March 1, 1927, without the written consent of the bankers, authorize, issue, or guarantee any external loan other than the $42,500,000 of bonds referred to in this agreement.

Sixth. The bankers shall be under no obligation or duty to the bondholders in respect of the application by the Republic of the proceeds of the bonds purchased hereunder.

Seventh. All bonds delivered to the bankers hereunder shall be the validly issued obligations of the Republic, in accordance with the constitution and laws of said Republic. The form and text of the bonds, and the proceedings taken in respect to the issuance of the bonds, in order that they may be valid obligations, shall be carried out in such manner as to fulfill the terms of this agreement and of the fiscal agency agreement, hereto annexed, and all such proceedings shall be with the approval of such counsel as the bankers may, without cost to the Republic, consult and the Republic shall furnish to the bankers, their representatives and counsel, before the date fixed for the payment of the purchase price, all information necessary for the purpose of obtaining such approval.

Eighth. Any notice to be given to either of the parties shall be given in the same manner provided for in the case of the parties to the said fiscal agency agreement. All agreements of the Republic set forth in said fiscal agency agreement shall be deemed to have been made also with the bankers as parties to this agreement.

Ninth. This agreement shall inure to the benefit of and be binding upon the Republic on the one hand, and Kissel, Kinnicutt & Co. and Hallgarten & Co., and their respective successors in business, on the other hand.

In witness whereof, the above-mentioned parties have executed this agreement in triplicate in the manner hereinabove recited.

REPUBLIC OF CHILE,
By MIGUEL CRUCHAGA TOCORNAL,
Ambassador of the Republic of Chile to the United States of America.

KISSEL, KINNICUTT & CO.,
By WILLIAM FERGUSON,
A General Partner.

HALLGARTEN & CO.
By WILL O. SMITH,
A General Partner.

STATE OF NEW YORK,
County of New York, ss:

On the 18th day of October, 1926, before me personally appeared Miguel Cruchaga Tocornal, to me known and known to me to be the person who is described in and who executed the foregoing instrument as ambassador of the Republic of Chile to the United States of America, and he acknowledged to me that he executed the same as such ambassador, thereunto duly authorized on behalf of said Republic of Chile, as its act and deed.

[SEAL.] LAURENCE ALDEN CROBLY.

STATE OF NEW YORK,
County of New York, ss:

On this 18th day of October, 1926, before me personally appeared William Ferguson, to me known to be a member of the firm of Kissel, Kinnicutt & Co., and the person described in and who executed the foregoing instrument in the firm name of Kissel, Kinnicutt & Co., and acknowledged that he executed the same as the act and deed of said firm of Kissel, Kinnicutt & Co.

[SEAL.] LAURENCE ALDEN CROBLY.

STATE OF NEW YORK,
County of New York, ss:

On this 18th day of October, 1926, before me personally appeared Max Horwitz, to me known to be a member of the firm of Hallgarten & Co., and the person described in and who executed the foregoing instrument in the firm name of Hallgarten & Co., and acknowledged that he executed the same as the act and deed of said firm of Hallgarten & Co.

LAURENCE ALDEN CROSBY.

SCHEDULE A

Agreement, dated October 18 1926, made in the city of New York, United States of America, between Republic of Chile (hereinafter called the Republic) represented by its ambassador to the United States of America, Don Miguel Cruchaga Tocornal, thereunto duly authorized by a decree of the President of the said Republic dated the 14th day of October, 1926, and pursuant to the authority vested in the said President, party of the first part, and Kissel, Kinnicutt & Co., and Hallgarten & Co., each a partnership having a principal office in the city of New York, United States of America (together hereinafter called the bankers), parties of the second part.

In consideration of the mutual promises herein contained, the parties hereto agree as follows:

ARTICLE I.—*Authorization and purpose of bond issue*

First. The Republic makes the following representations and agreements:

1. Under the following laws of the Republic. No. 3835, promulgated January 23, 1922, No. 3849, promulgated February 21, 1922, and No. 4087, promulgated September 16, 1926, the President of the Republic is validly authorized to cause to be issued bonds of the Republic (in addition to any such bonds heretofore issued in pursuance of said laws or any of them) of the aggregate face amount of not less than $42,500,000 in gold coin of the United States of America or its equivalent in English pounds sterling at $4.8665 per pound and upon the terms and conditions contemplated in this agreement (the bonds so contemplated being herein referred to as the bonds).

2. The President of the Republic is duly authorized to issue and sell bonds for a sum less than the face amount and interest accrued to the date of payment therefor and upon such other terms and conditions not inconsistent with said laws as he deems convenient; and he has authority to delegate to the said Ambassador the execution of this and other necessary agreements in connection with the issue of the said bonds.

3. Upon the execution of this agreement on behalf of the Republic by said ambassador the same will be the valid and legally binding obligation of the Republic, without any necessity for further action or approval by any other Chilean authority; and the bonds (and the coupons thereto attached) when

issued under this agreement will be the valid and legally binding obligations of the Republic according to the terms of said bonds and coupons and of this agreement.

4. The proceeds of the bonds will be used by the Republic for the purposes set forth in said laws; and the fiscal agents shall be under no obligation or duty whatsoever to the bondholders in respect of the application by the Republic of the proceeds of the bonds.

ARTICLE II.—*The bonds*

Second. The bonds shall be known as Republic of Chile 6 per cent external sinking fund gold bonds; shall be dated October 1, 1926; shall mature April 1, 1960; and shall bear interest at 6 per cent per annum payable semi-annually. The aggregate principal amount of said bonds shall be $42,500,000 in gold coin of the United States of America or, at the option of the holder, its equivalent in English pounds sterling at $4.8665 per pound. For the amortization of the bonds, the Republic will provide a cumulative sinking fund of 1 per cent per annum payable in semi-annual installments beginning March 15, 1927, each equal to one-half of 1 per cent of said maximum total amount of the bonds plus a sum equal to six months' interest on all bonds redeemed or otherwise retired, which sinking fund payments shall be applied to the redemption of said bonds as hereinafter provided. All bonds not previously redeemed or retired through operation of the sinking fund shall be due and payable on April 1, 1960. Bonds purchased by the Republic at prices not exceeding their face value and accrued interest may be surrendered to the sinking fund in lieu of cash as hereinafter provided. The Republic, at its option, may increase the amount of any sinking fund payment.

Third. All payments of interest and principal including principal of bonds called for the sinking fund shall be made in gold coin of the United States of America of or equal to the standard of weight and fineness existing on October 1, 1926, or, at the option of the holder in English pounds sterling at the rate of $4.8665 per pound sterling. All payments of principal and interest shall be made at the offices of the fiscal agents in the United States of America or in the case of sterling payments at the offices in Great Britain of J. Henry Schroder & Co., subfiscal agents.

Fourth. The bonds shall constitute the direct external obligation of the Republic, and the Republic hereby pledges its full faith and credit for the due and punctual payment of principal and interest and of all amounts required for the service of the loan, in time of war as well as in time of peace, irrespective of the nationality of any holder of the bonds, and for due performance by the Republic of all its obligations set forth herein and in the bonds.

Fifth. Principal, interest, and sinking fund shall be paid by the Republic without deduction for any taxes or imposts of whatsoever nature now or hereafter levied by the Republic or any political subdivision thereof or other Chilean authority, and the Republic agrees to assume any such taxes which may be imposed upon the bonds or the owners thereof on account of such ownership.

Sixth. If after October 1, 1926, any debt, external or internal of the Republic, now or hereafter existing, shall be or become secured by specific lien or charge upon any of its present or future assets or revenues, these bonds shall share in such lien or charge equally and ratably with such other debt and the Republic will take such action as may be requisite to give effect hereto.

ARTICLE III.—*Formal provisions concerning bonds*

Seventh. The bonds shall be in denominations of $1,000 and $500 and their respective equivalents in English pounds sterling at the rate of $4.8665 per pound, in such proportions and numbered in such manner as the fiscal agents may determine.

Eighth. The bonds shall be bearer coupon bonds, registerable as to principal only, at such agency or agencies as the fiscal agents from time to time designate, at which the Republic shall maintain books for the registration and transfer of the bonds. Every bond shall be transferable by delivery, unless registered as to principal in the name of the owner upon the registration books. After such registration, no transfer shall be valid unless made on said books by the registered owner, in person or by attorney duly authorized in writing, and similarly noted on the bond; but any bond may be discharged from registration by being in like manner tranferred to bearer, and thereupon shall become transferable by delivery; and such bond may again, from time to time, be registered or transferred to bearer as before. Such registration shall not affect the negotiability of the coupons, and every coupon shall continue to be transferable by delivery only, and shall remain payable to bearer, and payment thereof to bearer shall fully discharge the Republic and the fiscal agents in respect to the interest therein mentioned, whether the bonds to which such coupon appertains be registered or not. As to every bond registered as to principal, the person in whose name the same is registered shall for all purposes (except the payment of interest represented by the coupons) be deemed the owner thereof, and payment of or on account of the principal shall be made to or upon the order of such registered holder. The Republic and the fiscal agents may treat the bearer of any bond not registered, and the bearer of any coupon for interest on any bond, whether such bond be registered or not, as the absolute owner of such bonds or of such coupon for the purpose of receiving payment thereof and for all other purposes, any notice to the contrary notwithstanding.

Ninth. In case any bond or coupon shall be mutilated, destroyed, lost, or stolen, the Republic shall issue, and the fiscal agents shall cause to be authenticated and delivered, a new bond or coupon or like tenor and denomination, in exchange and substitution for and upon surrender and cancellation of such mutilated bond (with its coupons, if any), or coupon, or in lieu of and substitution for the Bond (with is coupons, if any), or coupon, so destroyed, lost, or stolen. The applicant for such substituted bond or coupon shall furnish evidence fo the destruction, loss, or theft of the bond (with its coupons, if any), or coupon, so destroyed, lost or stolen, and indemnity; satisfactory in each case to the fiscal agents.

Tenth. The bonds shall be signed in the city of New York. They shall bear the facsimile signature of the Chilean Ambassador in Washington and the manual counter signature of the Consul General of Chile in the United States of America and shall also be sealed with the seal of the Chilean Republic. The coupons shall also bear the facsimile signature of said ambassador. No bond shall be valid for any purpose unless the same shall first be authenticated by a certificate endorsed thereon by the fiscal agents, or some financial institution selected by them; and such authentication shall be conclusive evidence, and the only evidence, that the bond so authenticated has been duly issued hereunder. The fiscal agents are hereby instructed by the Republic to authenticate or cause to be authenicated $42,500,000 principal amount of bonds, and to deliver the same in accordance with instructions from the Republic.

Eleventh. The text of the bonds and coupons shall be in English and shall be in the form customary in the city of New York. In accordance with the custom of the New York Stock Exchange the bonds shall contain a provision whereby the Republic certifies and declares that all acts, conditions, and things required to be done and performed and to have happened precedent to and in the creation of the loan and the issue of the bonds thereof, have been done and performed and have happened in due and strict compliance with the constitution and laws of the Republic.

Twelfth. The definitive bonds shall be engraved in New York in such form as to comply with the requirements of the New York Stock Exchange. Pending the engraving and execution of definitive bonds, the Republic shall execute and deliver to the fiscal agents for authentication temporary printed bonds, in such denominations as the fiscal agents may request, and substantially of the tenor of the bonds herein described, but without coupons or with not more than one coupon, and with such omissions, insertions, and variations as the fiscal agents may approve. If the temporary bonds are issued without coupons, payment of interest shall be made only upon presentation of each temporary bond for notation of each such payment thereon. The temporary bonds may, but need not bear the engraved facsimile signature above mentioned or the seal of the Republic and the coupons, if any, shall bear the facsimile signature of said Chilean Ambassador or some other duly authorized representative of the Republic. The form of the temporary and definitive bonds shall in all respects comply with the regulations of the New York Stock Exchange. Subject to such regulations as the fiscal agents may prescribe, temporary bonds shall be exchangeable, without cost to the holder, upon surrender and cancellation, for the same aggregate principal amount of definitive bonds. The Republic will cause definitive bonds to be prepared, executed, and delivered to the fiscal agents as promptly as possible for the purpose of making such exchanges. The fiscal agents shall have charge, on behalf of the Republic, of all matters in regard to the preparation of the temporary and definitive bonds.

ARTICLE IV.—*Services of the Loan.*

Thirteenth. The amount required for the semiannual service of the loan represented by the $42,500,000 principal amount of bonds to be issued hereunder, exclusive of the sums payable by the Republic to the fiscal agents for their compensation and expenses, consists in each case of a uniform amount of $1,487,500 comprising:

(*a*) The semiannual sinking fund payment, consisting of the amount of $212,500 being one-half of 1 per cent of the total amount of the loan, plus an amount equal to six months' interest on all bonds redeemed or otherwise retired through the operation of the sinking fund prior to the next semiannual interest date; and

(*b*) The semiannual interest payment, consisting of an amount equal to six months' interest on all bonds not redeemed or otherwise retired prior to the next semiannual interest date.

Said semiannual sinking fund payment is calculated to retire the entire issue of the bonds not later than maturity.

Fourteenth. Each such aggregate fixed sum necessary for the semiannual service of the loan shall be paid as follows:

(*a*) At least 15 days prior to each semiannual interest payment date, the Republic shall pay the semiannual sinking fund payment in gold coin of the United States of America to the fiscal agents at their offices in New York City or, if and to the extent, that the fiscal agents shall previously request, in English pounds sterling to the subfiscal agents at London. In lieu of making all or any part of any sinking fund payment in cash, the Republic may deliver to the fiscal agents for surrender to the sinking fund, any bonds, with all unmatured coupons attached, purchased by the Republic at a price not exceeding par, exclusive of accrued interest and commissions, accompanied by certificates of the Republic stating at what prices such bonds were so purchased, and such bonds shall be accepted in lieu of cash in an amount equal to the purchase price (exclusive of accrued interest and commissions) plus the amount of the coupon due on said next interest date.

(*b*) At least ten days prior to each semiannual interest payment date the Republic shall pay the semiannual interest payment in gold coin of the United States to the fiscal agents at their offices in New York City, or, if and to the extent that the fiscal agents shall previously request, in English pounds sterling to the subfiscal agents at London.

Fifteenth. Except as hereinafter provided, upon the receipt of each such semiannual sinking fund payment, the fiscal agents shall apply that part of the same paid in cash to the redemption of bonds on the next semiannual interest payment date; *Provided, however,* That if such moneys shall amount to less than $5,000, such sum may be carried forward and added to the next sinking fund payment. Such redemption shall be effected in the following manner: The particular bonds to be redeemed on each occasion shall be determined by lot by drawings conducted by the fiscal agents in New York at which a representative of the Republic may be present if the Republic so requests. Drawings shall be held not later than the twelfth day immediately preceding the next semiannual interest payment date. Notice of such redemption shall be published at least twice in one or more newspapers of general circulation in New York City selected in each instance by the fiscal agents, and shall also be given and published in such manner, either in New York or elsewhere, as the fiscal agents may prescribe. The first publication shall be made at least 10 days immediately preceding the next semiannual interest-payment date. Such notice shall state the numbers of the bonds to be redeemed (unless all outstanding bonds are to be redeemed), the date (which shall be the next semiannual interest payment date) and the places in New York City and London (which shall be designated by the fiscal agents) for surrender and payment. On the date and at the place so specified, the holder of each bond thus called for redemption shall surrender the same, with all coupons maturing after such date. Upon such surrender, the fiscal agents or the London subfiscal agents shall cause to be paid to the holder of each such bond, out of the funds provided for that purpose by the Republic, the principal amount of such bond. Any bond thus called for redemption and not so surrendered shall cease to bear interest after said redemption date, and all coupons for subsequent interest shall be void.

Sixteenth. All bonds tendered for or redeemed by the sinking fund, and the coupons thereto appertaining, shall be canceled and returned to the Republic, and no bonds shall be issued in lieu thereof.

Seventeenth. The Republic, at its option, may increase the amount of any semiannual sinking fund payment. In that event it shall notify the fiscal agents at least 60 days prior to the next succeeding interest date, specifying the amount by which such semiannual sinking fund payment is to be increased; and shall pay the entire sinking fund payment as so increased at least 30 days prior to such interest date.

Whenever any semiannual sinking fund payment, whether increased or not, is made wholly or partly in cash to the fiscal agents prior to the fifteenth day preceding the next semiannual interest payment date, the Republic may instruct them to apply such cash at any time prior to the fifteenth day preceding the next semiannual interest payment date, to the purchase of bonds for the account of the Republic, at the lowest prices obtainable in the judgment of the fiscal agents, not exceeding principal amount exclusive of accrued interest. All bonds so purchased shall be surrendered and credited to the sinking fund as hereinbefore provided. Any such cash remaining unexpended in the hands of the fiscal agents on the fifteenth day of preceding the next semiannual interest payment date shall be applied to the redemption of bonds for the sinking fund as above provided. The bonds shall not be redeemable except through the sinking fund.

Eighteenth. Nothing in this agreement contained shall be construed to impose any obligation on the fiscal agents or the London subfiscal agents to redeem any bonds or to make any payments of principal or interest or otherwise with respect to the bonds or the interest coupons, except out of funds previously received from the Republic for such purpose.

Nineteenth. With each semiannual sinking fund and/or interest payment, the Republic shall pay, in United States of America gold coin, to the fiscal agents in New York City a sum sufficient to pay the compensation payable to the fiscal agents with respect thereto.

ARTICLE V.—*The fiscal agents*

Twentieth. The Republic hereby appoints Kissel, Kinnicutt & Co. and Hallgarten & Co., and their respective successors in business (subject to the approval by the Republic of such successors), the fiscal agents for all purposes relating to the bonds and the service of the loan represented thereby; and said firms hereby accept such fiscal agency, subject to the provisions of this agreement. Such appointment shall continue while any of the bonds remain outstanding, unless sooner terminated as hereinafter provided.

Twenty-first. The Republic hereby consents that the fiscal agents may represent the holders of the bonds in all matters, but this provision shall not impose any trust or duty in favor of the bondholders upon the fiscal agents or either of them.

Twenty-second. As compensation for their services hereunder, the fiscal agents shall receive from the Republic one-eighth of 1 per cent of all amounts paid on account of interest on bonds, and one-eighth of 1 per cent on the face amount of all bonds redeemed for the sinking fund or otherwise retired or paid. The fiscal agents shall be entitled also to receive the usual brokerage commission on all bonds purchased by them for account of the Republic for surrender to the sinking fund or otherwise.

Twenty-third. The Republic shall pay the usual charges for registering, the expenses in connection with the redemption of bonds, including publication of notice, and all other expenses incurred by the fiscal agents in good faith in connection with their agency. Such payments shall be made with interest at 5 per cent upon the rendering of an account in reasonable detail to the Republic. Any such account shall be considered accepted by the Republic unless objection thereto be made by the Republic in writing and received by the fiscal agents within 90 days from the mailing of the account in question.

Twenty-fourth. The Republic may pay any service moneys payable to the fiscal agents in pursuance of this agreement, to the fiscal agents jointly, or to either of them. The fiscal agents and the London subfiscal agents may arrange between themselves as to the proportions in which such moneys or any other sums shall be held on deposit by them respectively for the account of the Republic.

Twenty-fifth. The Republic shall at all times indemnify and protect each of the fiscal agents and the London subfiscal agents against all claims, demands, and actions which may be instituted in behalf of any bondholder, whether in respect of moneys at any time in the hands of the fiscal agents or otherwise, subject only to the responsibility expressed in paragraph 26 hereof.

Twenty-sixth. Each of the fiscal agents and the London subfiscal agents shall be answerable to the Republic or to the bondholders only for its own failure to exercise good faith or for gross negligence. Neither of the fiscal agents nor the London subfiscal agents shall be responsible to the Republic or to the bondholders for any sums paid to or deposited with others nor for the act or omission of others. The fiscal agents, or either of them, or the London subfiscal agents, may consult counsel in regard to their duties under this agreement, and shall be fully protected in relying and acting upon the advice of counsel of recognized standing selected by them or any of them.

Twenty-seventh. The fiscal agents may designate any financial institutions of good standing in the city of New York or elsewhere as the registrars of the bonds. The fiscal agents may appoint financial institutions to authenticate the bonds as hereinbefore provided as agents for both of them, or each of them may appoint agents to act in its own behalf for such purpose. In both cases the fiscal agents shall submit such appointments for the approval of the Republic.

Twenty-eighth. The fiscal agents may appoint (on their responsibility, unless such appointment be approved by the Republic) one or more additional subfiscal agents in the United States of America or Europe as paying agents for the principal and interest of the bonds and with whom the fiscal agents may deposit funds of the Republic designated for the payment of principal or interest on the bonds and whose names may appear on the bonds and coupons; it being understood that payments other than in United States of America dollars or pounds sterling made at the offices of such subfiscal agents other than those in the United States of America or Great Britain shall be made in any other currency only at the then current buying rate for dollars or sterling. The fiscal agents and subfiscal agents may make such arrangements between themselves as they may deem appropriate for the interchange of funds and for the drawing by one fiscal agents or subfiscal agent against funds of the Republic held by another fiscal agent or subfiscal agent and in general for facilitating the payment of bonds and coupons which may be presented to any of them. The Republic shall be credited or debited as the case may be with any net profit or net loss or cost which may result from the conversion of dollars to pounds or pounds to dollars in connection with the remittance or exchange of funds necessary for service payments. The compensation of all subfiscal agents shall be paid by the fiscal agents.

Twenty-ninth. Either of the fiscal agents or the London subfiscal agents may act in reliance upon any instructions or advices, received by cable or otherwise as purporting to come from the Minister of Finance of the Republic or from the Chilean ambassador in the United States of America, or from the Chilean minister in Great Britain, or in default of these, from the chargé d'affaires in either country, and shall incur no responsibility by so doing.

Thirtieth: Either of the fiscal agents or the London subfiscal agents may at any time resign from the agency by giving notice of such intention to the Republic, specifying the date on which such resignation shall become effective, provided that such notice shall not be less than 30 days, unless the Republic agrees to accept less notice. Upon the resignation or failure to act from any cause of either of the fiscal agents hereunder, the remaining fiscal agent shall act as sole fiscal agent, and may exercise all powers of the fiscal agents. Upon the resignation, or failure to act from any cause, of both of the fiscal agents, the financial institution which shall theretofore have been designated for the registration of bonds in the city of New York shall act as sole fiscal agent. In the event that at any time there shall be no fiscal agent in office, the Republic shall provide at least one fiscal agent in the city of New York to attend to the services of the loan. Upon the resignation or failure to act of the London subfiscal agents the fiscal agents may, with the consent of the Republic, appoint their successors.

Thirty-first. Neither of the fiscal agents nor the London sub fiscal agents shall incur any liability whatsoever to the Republic or to the bondholders or to anyone else, in acting in reliance upon any bond, coupon or other instrument believed to be genuine.

Thirty-second. All moneys received by either of the fiscal agents for the service of the loan may be held until paid out in accordance with the terms of this agreement, as a general deposit, and the fiscal agents agree to pay interest at a rate 2 per cent below the discount rate fixed by the New York Federal Reserve Bank.

Thirty-third. Either of the fiscal agents or the London subfiscal agents may purchase or otherwise deal in any of the bonds, with the same rights as though not acting as such.

ARTICLE VI.—MISCELLANEOUS PROVISIONS

Thirty-fourth: Any notices, requests or instructions or orders for the payment of money or the delivery of securities which may be required to be given by one party to the other, shall be deemed suffiient (unless herein otherwise expressly provided), if given in writing in English as follows:

(a) If from the fiscal agents to the Republic, over the signature of either of the fiscal agents by any member of the firm, delivered to the Chilean ambassador in Washington, or by cable addressed to the minister of the Treasury of the Republic, provided that a copy of such cable is delivered on the day it is sent or on the following business day at the Chilean Embassy in Washington.

(b) If from the Republic to the fiscal agents, then by delivery at the office of either of the fiscal agents in New York either over the signature of the Chilean ambassador in Washington, or by cable addressed to either of the fiscal agents at its office in the city of New York by any duly authorized official of the Republic and confirmed in writing to the fiscal agents by the Chilean ambassador in Washington.

Thirty-fifth. In case the Republic should be unable to make the payments herein contemplated in New York City, an account of a state of war or otherwise, the Republic shall deposit all such payments in a bank designated by the fiscal agents in any neutral country.

Thirty-sixth. At the request of the fiscal agents made at any time, the Republic will furnish all information and sign all applications and other documents necessary or suitable for procuring the listing of the bonds upon the New York Stock Exchange and/or any other like institution.

Thirty-seventh. In compliance with any reasonable request made by the fiscal agents at any time, the Republic will furnish them will all information in regard to its revenues, expenses, financial affairs and general conditions.

Thirty-eighth. This agreement shall inure to the benefit of and be binding on the Republic on the one hand, and on the other hand Kissel, Kinnicutt & Co. and Hallgarten & Co., and their respective successors in business as fiscal agents of the bonds.

In witness whereof, the above mentioned parties have executed this agreement in triplicate in the manner hereinabove recited.

REPUBLIC OF CHILE,
By MIGUEL CHUCHAGA TOCORNAL
Ambassador of the Republic of Chile to the United States of America.
KISSEL, KINNICUTT & CO.,
By WILLIAM FERGUSON,
A General Partner.
HALLGARTEN & CO.,
By M. HONURTZ.
A General Partner.

STATE OF NEW YORK,
County of New York, ss:

On the 18th day of October, 1926, before me personally appeared Miguel Chuchaga Tocornal, to me known and known to me to be the person who is described in and who executed the foregoing instrument as Ambassador of the Republic of Chile to the United States of America, and he acknowledged to me that he executed the same as such ambassador, thereunto duly authorized on behalf of said Republic of Chile, as its act and deed.

[SEAL.] LAURENCE ALDEN CROSBY
Notary Public, Westchester County

Certificate filed in New York County, N. Y., county clerk's No. 478, registration No. 8364. Commission expires March 30, 1928.

STATE OF NEW YORK,
County of New York, ss:

On this 18th day of October, 1926, before me personally appeared William Ferguson, to me known to be a member of the firm of Kissel, Kinnicutt & Co., and the person described in and who executed the foregoing instrument in the firm name of Kissel, Kinnicutt & Co., and acknowledged that he executed the same as the act and deed of said firm of Kissel, Kinnicutt & Co.

[SEAL.] LAURENCE ALDEN CROSBY,
Notary Public, Westchester County.

Certificate filed in New York County, N. Y., county clerk's No. 478, registration

---

STATE OF NEW YORK,
County of New York, ss:

On this 18th day of October, 1926, before me personally appeared Max Horwitz, to me known to be a member of the firm of Hallgarten & Co., and the person described in and who executed the foregoing instrument in the firm name of Hallgarten & Co., and acknowledged that he executed the same as the act and deed of said firm of Hallgarten & Co.

[SEAL.] LAURENCE ALDEN CROSBY,
Notary Public, Westchester County.

Certificate filed in New York County, N. Y., county clerk's No. 478 registration No. 8364. Commission expires March 30, 1928.

Agreement dated January 11, 1927, made in the city of New York, United States of America, between the Republic of Chile (hereinafter called the "Republic"), represented by its chargé d' affairs ad interim at Washington, D. C., Don Federico Agacio-B., thereunto duly authorized by the President of the said Republic and pursuant to the authority vested in the said President, party of the first part, and Kissel, Kinnicutt & Co. and Hallgarten & Co., each a partnership having a principal office in the city of New York, United States of America (together hereinafter called the "Bankers"), parties of the second part, Witnesseth:

Whereas by agreement of even date herewith between the parties hereto, the Bankers have agreed to make an advance to the Republic against its note for $25,000,000 face amount upon the terms and conditions specified in said agreement and note, and it is provided therein that the Republic will not issue any other external obligations without applying the proceeds towards the payment of said note; and

Whereas by agreement dated October 18, 1926 between the parties hereto, the Republic granted an option to the Bankers to purchase on or before March 1, 1927, all or part of $27,500,000 face amount of bonds, more particularly described in said agreement of October 18, 1926, upon the terms and conditions therein specified,

Now therefore, the parties hereto agree as follows:

First. The Republic represents and agrees that under law No. 3835, promulgated January 23, 1922, No. 3849, promulgated February 21, 1922 and No. 4087, promulgated September 16, 1926, of the Republic, the President of the Republic is validly authorized to cause to be issued and sold bonds of the Republic (in addition to all bonds or other obligations heretofore issued under said laws or any of them) of the aggregate face amount of not less than $27,500,000 in gold coin of the United States of America or its equivalent in English pounds sterling at $4.8665 per pound and upon the terms and conditions contemplated by this agreement (the bonds so contemplated being hereinafter referred to as the "Bonds"); that the said President has authority to delegate to the said chargé d'affairs the execution of this and other necessary documents and directions in connection with the issue and delivery of said bonds; and that upon the execution of this agreement on behalf of the Republic by said chargé d'affairs the same will be the valid and legally binding obligation of the Republic, without any necessity for further action or approval by any other Chilean authority.

Second. Upon the terms and conditions herein specified, the Republic agrees to extend, and hereby does extend, the said option of the bankers to and including January 5, 1928, and the bankers hereby agree to exercise said option on or before said date. The bankers may exercise said option at one time, or from time to time, in one or more lots of not less than $5,000,000 face amount of bonds: *Provided, however,* That said option shall in any event be exercised as to the entire $27,500,000 face amount of bonds on or before January 5, 1928.

Third. The price for the bonds to be purchased under the option shall be 91.13 per cent of the face amount of bonds taken up under such option, plus accrued interest thereon; *Provided, however,* That if all the $27,500,000 of bonds are delivered and paid for on or before February 28, 1927, the bankers shall contemporaneously pay to the Republic an additional amount equal to $400,000 less interest at 6 per cent per annum on $25,000,000 from the time of the advance by the bankers above referred to, to the time of payment for the bonds to be taken up under said option, and less the estimated amount of the expenses provided for in paragraph 7 hereof. In the event that the option is exercised prior to February 28, 1927, as to less than the entire amount of said bonds, the amount of such additional payment to be made by the bankers shall be such proportion of such additional amount as the amount of the bonds so taken up before February 28, 1927, bears to the total of $27,500,000 of bonds.

Fourth. At the time of the payment by the bankers for any of the bonds covered by the option, the bankers, at their election, may in payment of the purchase price for any of said bonds, credit or cause to be credited the amount of such purchase price against the face amount of said note of the Republic for $25,000,000, until said note shall have been paid in full. In the event that or to the extent that such credit shall not be so made, the Republic agrees that, at the time of the payment for any of the bonds, it will, until such note has been paid in full, deposit with the bankers, the cash proceeds of such bonds, to be applied to the payment of the note.

Fifth. Prior to delivery of any bonds pursuant to the exercise of the option, there shall be executed the appropriate fiscal agency and/or other agreements in form approved by counsel for the bankers, it being understood that the terms and conditions of such agreements shall be substantially similar to those contained in the said agreements dated October 18, 1926, and the provisions of said agreements and of the bonds to be issued thereunder shall comply with the regulations of the New York Stock Exchange. In order to distinguish the bonds from those already issued under said agreements of October 18, 1926, the bonds shall bear a date not earlier than January 1, 1927.

Sixth. The Republic agrees that without the written consent of the bankers it will not authorize, issue or guarantee any external loan (other than pursuant to the exercise of the option by the bankers) from the date of this agreement until a date six months after the date of delivery of bonds to the bankers, pursuant to the complete exercise of their option.

Seventh. The Republic will pay the cost of the issue of any bonds pursuant to the exercise of the bankers' option hereunder, namely, the cost of printing, engraving, execution and authentication of the temporary and definitive bonds and interim receipts, the cost of listing bonds on the New York Stock Exchange and any other exchanges, the stamp taxes on any of such bonds publicly offered in Europe, all other customary expenses in connection with the issue, and the expenses with respect to said advance to be paid by the Republic in accordance with the said agreement of even date herewith, to the extent that the expenses of said advance shall not have been previously paid.

Eighth. All bonds delivered pursuant to any exercise by the bankers of the option hereunder shall be the validly issued obligations of the Republic in accordance with the constitution and laws of said Republic and all other legal requirements. The form and text of the bonds, and the proceedings taken in respect of the issuance thereof, in order that they may be valid obligations, shall be carried on in such manner as to fulfill the terms of the appropriate agreements relating thereto, and all such proceedings shall be with the approval of such counsel as the bankers may consult.

Ninth. Any notice to be given to either of the parties shall be given in the same manner provided for in the fiscal agency agreement of October 18, 1926, between the parties thereto.

Tenth. This agreement shall inure to the benefit of and be binding on the Republic on the one hand, and on Kissel, Kinnicutt & Co. and Hallgarten & Co. and their respective successors in business, on the other hand.

In witness whereof the parties above mentioned have executed this agreement in triplicate in the manner hereinafter recited.

REPUBLIC OF CHILE,
By FEDERICO AGACIO-B.,
Charge d'Affaires ad interim of the Republic of Chile at Washington, D. C.

KISSELL, KINNICUTT & CO.,
By WILLIAM FERGUSON,
A General Partner.

HALLGARTEN & CO.,
By MAURICE NEWTON,
A General Partner.

EMBAJADA DE CHILE,
Washington, D. C.

STATE OF NEW YORK,
County of New York, ss:

On the 11th day of January, 1927, before me personally appeared Fredrico Agacio-B., to me known and known to me to be the person who is described in and who executed the foregoing instrument as Chargé d'Affaires ad interim of the Republic of Chile at Washington, D. C., and he acknowledged to me that he executed the same as such Chargé d'Affaires, thereunto duly authorized on behalf of said Republic of Chile, as its act and deed.

[SEAL]

LAURENCE ALDEN CROSBY,
Notary Public, Westchester County.

Certificate filed in New York County, New York County Clerk's No. 478, Register No. 8364. Commission expires March 30, 1928.

STATE OF NEW YORK,
County of New York, ss:

On this 11th day of January, 1927, before me personally appeared William Ferguson, to me known to be a member of the firm of Kissel, Kinnicutt & Co., and the other person described in and who executed the foregoing instrument in the firm name of Kissell, Kinnicutt & Co., and acknowledged that he executed

[SEAL]

LAURENCE ALDEN CROSBY,
Notary Public, Westchester County.

Certificate filed in New York County, New York County Clerk's No. 478, Register No. 8364. Commission expires March 30, 1928.

STATE OF NEW YORK,
County of New York, ss:

On this 11th day of January, 1927, before me personally appeared Maurice Newton, to me known to be a member of the firm of Hallgarten & Co., and the person described in and who executed the foregoing instrument in the firm name of Hallgarten & Co., and acknowledged that he executed the same as the

[SEAL]

LAURENCE ALDEN CROSBY,
Notary Public, Westchester County.

Certificate filed in New York County, New York County Clerk's No. 478, Register No. 8364. Commission expires March 30, 1928.

REPUBLIC OF COLOMBIA—SECOND NOTARY OF THE CIRCUIT OF BOGOTA; CARRERA 6A. NOS. 241 D AND 241 E. TELEPHONE NO. 50–77

FIRST COPY OF DEED NO. 2295 OF JULY 29, 1927. CONTRACT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF COLOMBIA, AND HALLGARTEN & CO. AND KISSEL, KINNICUTT & CO.

RAFAEL ANDRADE S., *Second Notary.*

[Translation]

No. 2295. In the city of Bogotá, Department of Cundinamarca, Republic of Colombia, July 29, 1927, before me, Rafael Andrade S., second notary of this circuit, and the documentary witnesses, Messrs. Marco T. Luñiga, Roberto Guzman C., males, of more than 21 years of age, residents of this city, of good reputation, and in whom there exists no legal impediment, appeared Dr. Esteban Jaramillo, male, of full age, and resident of this city, actually Minister of Finance and Public Credit of the Republic of Colombia, to whose official character I, the notary, certify, and Dr. Pedro M. Careño, male, of full age, and of the same residence, both of whom I know personally, and they said:

That the first of the appearing parties acts in this proceeding in his capacity above expressed as Minister of Finance and Public Credit, and in the name and on behalf of the Government of the Republic of Colombia, and the second of the appearing parties acts in the name and on behalf of Messrs. Hallgarten & Co., and Kissel, Kinnicutt & Co., general partnerships having their domicile in the city of New York, United States of America. That the Government of the Republic of Colombia and said firms made a contract for the purchase of bonds of the face amount of $25,000,000 of the United States of America, and a fiscal agency contract relating to the same bonds, both of which contracts, with the favorable report of the council of State and of the National Board of Loans, were published in the Diario Oficial No. 20542 of the 14th of the current month of July, and was supplemented in accordance with the opinion of the Council of State and of the National Board of Loans, as expressed in the additional agreement published in the Diario Oficial No. 20549 of the 22d of the same month of July. That said contracts with said additions have been approved to-day by the executive power, after favorable opinion of the council of ministers and after publication 15 days previously in the Diario Oficial, all in accordance with Law 102 of 1922. That said contracts, once the aforesaid formulas are fulfilled, are to be raised to a public deed and legally recorded for account of the Republic, as stipulated in clause 10 of the bond purchase contract, and in article 4 chapter 6 of the fiscal agency contract. That in fulfillment of said stipulation, the declaring parties, by means of the present instruments, raise to a public deed the above mentioned contracts, which, with the above indicated additions read textually as follows:

Contracts for the purchase of bonds and fiscal agency, made by the National Government with Hallgarten & Co. and Kissel, Kinnicutt & Co., of New York.

The undersigned, Manuel A. Alvarado, secretary of the Department of Finance and Public Credit, duly authorized by the most excellent President of the Republic, Dr. Miguel Abadia Mendez, and by the Minister of Finance and Public Credit, Dr. Esteban Jaramillo, in the name of the Republic of Colombia, of the one part, hereinafter called the Republic, and Hallgarten & Co., and Kissel, Kinnicutt & Co., partnerships domiciled in the city of New York, United States of America, hereinafter called the bankers, represented herein by Dr. Pedro M. Carreno, duly authorized for the purpose, of the other part, have agreed as follows:

First. The Republic agrees forthwith to create and to sell to the bankers, and the bankers agree to purchase from the Republic, upon the terms and conditions of this agreement, $25,000,000 of the United States of America, in face amount of bonds (hereinafter called the bonds), described in the fiscal agency agreement between the Republic and said Hallgarten & Co., and Kissel, Kinnicutt & Co., executed simultaneously herewith, a copy of which is hereto annexed. The purchase price of said bonds shall be a sum equal to 91.18 per cent of said face amount of said bonds and the interest accrued on said bonds to the date of payment of the purchase price. If the bankers make the initial public offering at a retail selling price in excess of 95½ per cent and accrued interest, the purchase price shall be increased by one-half of such excess.

Second. Said purchase price shall be paid in New York funds upon such date within 15 days from the date of the final approval of this agreement and said fiscal agency agreement in accordance with Law 102 of 1922, as the Republic shall specify on five days' notice to the bankers, against simultaneous delivery of temporary bond or bonds for said face amount. Such payment and delivery shall be made at the office of Hallgarten & Co. in the city of New York, immediately after the final approval of said agreements. The Republic will instruct the Minister of the Republic of Colombia to the United States of America (or in his absence the Chargé d'affaires) to execute on behalf of the Republic a temporary bond or bonds representing the said $25,000,000 face amount of bonds and to deliver the same to the fiscal agents; and the Comptroller General of the Republic will authorize the Consul General of the Republic, or the acting consul, in New York to countersign said bond or bonds prior to such delivery; and the Republic will also authorize said fiscal agents to cause such bond or bonds to be delivered to the bankers against payment of such purchase price to the fiscal agents for the account of the Republic. Such payment by the bankers to the fiscal agents shall be made after first deducting therefrom the sum of $40,000 to be retained by the bankers on account of expenses, including the cost of printing, engraving, execution and authentication of temporary and definitive bonds and interim receipts, and the expenses of listing the bonds on the New York Stock Exchange and other exchanges.

The Republic may request the fiscal agents to leave all or part of the purchase price on deposit with the bankers for the account of the Republic, and the bankers agree to pay the Republic interest on any such deposit at the rate of 3 per cent per annum, provided, however, that such deposit shall not be withdrawn by the Republic in whole or in part on less than 10 days' notice. The Republic declares that the proceeds of the bonds will be withdrawn by it in accordance with the provisions of Law 102 of 1922, and especially article 8 thereof, but without responsibility on the fiscal agents or the bankers with respect to fulfillment of said provisions. The Republic authorizes the fiscal agents and the bankers to act in accordance with any instructions from the Minister or chargé d'affaires of the Republic at Washington, D. C., with respect to withdrawal of such proceeds.

Third. The Republic agrees that it will not issue or offer for sale any external loan or obligation simultaneously with this agreement or until four months after the date of delivery of the temporary bonds, except with the written consent of the bankers.

Fourth. The Republic will immediately furnish to the bankers an official statement and information with reference to the Republic and its finances, as may be requested by the bankers and customary to facilitate the sale of the bonds. The Republic will also furnish the data and execute the documents necessary for the purpose of listing the bonds on the New York Stock Exchange and other exchanges.

Fifth. The obligation of the bankers to purchase the bonds is subject to the legality of the issue, and of the agreements and the bonds being established to the satisfaction of their counsel, for which purpose the Republic will take all necessary legal steps and furnish the necessary data; and is also subject to there not having occurred at or before the time of delivery of the temporary bonds any political, financial, or economic event of a character which, in the judgment of the bankers, would make the sale of the bonds to the public impractical or inorpportune, or unfavorable to the excellent credit of the Republic abroad.

Sixth. The bankers shall be under no obligation or duty to the bondholders in respect to the application by the Republic of the proceeds of the bonds purchased hereunder.

Seventh. All notices and other communications to be given under this agreement shall be considered sufficiently given if given in the manner provided in the fiscal agency agreement.

Eighth. Whenever the Republic shall desire to issue additional bonds of those authorized by said Law 102 of 1922, up to a total, including this issue, of $60,000,000 face amount or equivalent, it will enter into negotiations with the bankers for the sale of such bonds to them before entering into negotiations for the sale thereof to other parties. In case the Republic obtains any bona fide offer for any such additional bonds on equal or better terms, and expressed in writing, the Republic shall give the bankers an option on said terms for 15 days, and in case the bankers fail to accept such terms within said 15 days, the Republic shall be at liberty to dispose of the bonds elsewhere. Should the bankers purchase such additional bonds, the same shall be executed, authenticated and delivered in the same manner as in the case of the $25,000,000 of bonds subject to this agreement. The face amount of any additional issue or issues to be made by the Republic up to said total of $60,000,000 shall be at least $5,000,000 in each issue.

Ninth. Any deposit by the Republic with the bankers hereunder may be treated as a general deposit and divided by the bankers among themselves in such proportions as they desire, and each of the bankers shall be answerable to the Republic only for the amount of the deposit with them, plus the stipulated interest thereon.

Tenth. As soon as this agreement shall have been finally approved, in accordance with said Law 102 of 1922, it will be raised to the form of a notarial instrument and recorded with the necessary legal formalities at the expense of the Republic. All stamp or stamped paper and other Colombian taxes on this agreement and the fiscal agency agreement or with respect to the bonds shall be paid by the Republic.

Eleventh. The bankers renounce commencing any diplomatic claim with reference to the obligations and rights arising from this contract except in case of denial of justice and agree that there shall not exist any such denial, in conformity of article 42 of Law 110 of 1912 relating to the fiscal code of the Republic, provided that they are granted the remedies and rights of action which, in conformity with the Colombian laws, may be used before the Judicial Power.

Twelfth. This agreement requires for its validity the favorable report of the Council of State, of the National Board of Loans, and the approval of the executive power, after favorable opinion by the council of ministers and after publication 15 days previously in the Diario Official.

Thirteenth. This agreement shall inure to the benefit of and be binding upon the Republic on the one hand and Hallgarten & Co. and Kissel, Kinnicutt & Co., and their respective successors in business on the other hand, in witness whereof it is signed in Bogota, in three counterparts of the same tenor, the 30th of June, 1927.

MANUEL A. ALVARADO.
PEDRO S. CARRENO.

FISCAL AGENCY CONTRACT

The undersigned, Manuel A. Alvarado, secretary of the department of finance and public credit, duly authorized by the Most Excellent President of the Republic, Dr. Miguel Abadia Mandez, and by the minister of finance and public credit, Dr. Esteban Jaramillo, in the name of the Republic of Colombia, of the one part, hereinafter called "the Republic," and Hallgarten & Co. and Kissell, Kinnicutt & Co., partnerships domiciled in the city of New York, United States of America, represented in this act by their special attorney in fact, Dr. Pedro M. Carreno, hereinafter called "the fiscal agents," of the other part, in consideration of the mutual promises contained in this instrument have agreed as follows:

CHAPTER 1. Authorization and purpose of bond issue.

ARTICLE 1. The Republic makes the following declarations:

(a) That by Law 102 of 1922 duly enacted on December 14, 1922, the executive power is validly authorized to contract a loan or loans, and for that purpose to issue bonds of the Republic of the aggregate face amount of up to $100,000,000 in gold coin of the United States of America, or £20,000,000 English pounds sterling upon the terms and conditions and secured as in this agreement set forth, and sell such bonds upon such terms and conditions not inconsistent with said Law as the executive power deems convenient.

(b) This agreement requires the favorable report of the council of state, of the national board of loans, and also the approval of the executive power after favorable opinion by the council of ministers, after publication 15 days previously in the diario official all as provided in said law. After said formalities have been duly fulfilled, this agreement will be the valid obligation of the Republic in accordance with its terms; and the bonds (and the coupons thereto attached), when issued under this agreement, will be the valid obligations of the Republic according to their respective terms.

(c) The Republic will use the proceeds of the bonds, in accordance with said law 102 for purposes specified in chapter 3 hereof. The fiscal agents shall be under no duty or obligation in respect of the application of such proceeds.

CHAPTER 2. THE BONDS

ARTICLE 1. The bonds covered by this agreement shall be known as "Republic of Colombia 6 per cent external sinking fund gold bonds"; shall be dated July 1, 1927; shall mature January 1, 1961, and shall bear interest at the rate of 6 per cent per annum, payable semiannually.

ART. 2. The aggregate principal amount of said bonds (hereinafter called the "bonds" shall not exceed $25,000,000 in gold coin of the United States of America.

ART. 3. All payments of interest and principal, including principal of bonds called for the sinking fund, shall be made in gold coin of the United States of America of or equal to the standard of weight and fineness existing on July 1, 1927. Such payments shall be made at the offices of the fiscal agents in the United States of America.

ART. 4. Principal, interest, and sinking fund shall be paid by the Republic, in time of war as well as in time of peace, irrespective of the nationality of the bondholder, or coupon holder, and whether or not the bondholder, or coupon holder, is a citizen of a friendly or a hostile state, and without requiring any declaration as to the citizenship or residence of such holder, or as to the length of time such holder has been in possession of such bond or coupon; and without deduction for any taxes or imports of whatsoever nature, now or hereafter levied by the Republic or any department, municipality or other subdivision thereof or therein, or by any Colombian national, departmental, municipal, or other authority; the Republic agreeing to assume any such taxes which may be imposed upon the bonds or the coupons thereto appertaining, or the owners thereof on account of such ownership. The Republic agrees that all stamp or stamped paper and other taxes of the Republic or any subdivision thereof upon this agreement or the bonds or the issue thereof shall be for its account.

ART. 5. All bonds not previously retired through operation of the sinking fund shall be due and payable on January 1, 1961.

ART. 6. The definitive bonds shall be of the face amounts of $1,000 and $500, in such proportions as the fiscal agents may determine.

ART. 7. The definitive bonds shall be bearer coupon bonds, registerable as to principal only, at such financial institution or institutions as the fiscal agents from time to time designate, at which the Republic shall cause to be maintained books for the registration and transfer of the bonds.

ART. 8. Every bond shall be transferable by delivery, unless registered as to principal in the name of the owner upon the registration books. After such registration, no transfer shall be valid unless made on said books by the registered owner, or by attorney duly authorized in writing, and noted on the bond. But any bond may be discharged from registration by being in like manner transferred to bearer, and thereupon shall become transferable by delivery; and such bond may again, from time to time, be registered or transferred to bearer as before. Such registration shall not affect the negotiability of the coupons, and every coupon shall always continue to be transferable by delivery, and shall remain payable to bearer, and payment thereof to bearer shall fully discharge the Republic and the fiscal agents in respect of the interest therein mentioned, whether the bonds to which such coupons appertain be registered or not.

ART. 9. As to every bond registered as to principal, the person in whose name the same is registered shall for all purposes, except the payment of interest represented by the coupons, be deemed the owner thereof, and payment of or on account of the principal shall be made only to or upon the order of such registered holder.

ART. 10. The Republic, the fiscal agents, the registrar and authenticating agent may treat the bearer of any bond not registered, and the bearer of any coupon for interest on any bond, whether such bond be registered or not, as the absolute owner of such bond or of such coupon for the purpose of receiving payment thereof and for all other purposes, any notice to the contrary notwithstanding. The expenses of registration of bonds shall be paid by the Republic.

ART. 11. In case any bond or coupon shall be mutilated, destroyed, lost or stolen, the Republic shall issue, and the fiscal agents shall cause to be authenticated and delivered, a new bond or coupon of like tenor and denomination, in exchange and substitution for and upon surrender and cancellation of such mutilated bond with its coupons, if any), or coupon, or in lieu of and substitution for the bond (with its coupons, if any) or coupons, so destroyed, lost or stolen. The applicant for such substituted bond or coupon shall furnish evidence of the destruction, loss, or theft of the bond (with its coupons, if any) or coupon, so destroyed, lost, or stolen, and indemnity. The evidence and the indemnity shall be satisfactory to the fiscal agents. The applicant for the substituted bond shall pay the cost of preparation and issue of such substituted bond.

ART. 12. The text of the bonds and coupons shall be in English in form satisfactory to the fiscal agents and in conformity with the requirements of the New York Stock Exchange. If the fiscal agents so request the bonds shall contain a provision whereby the Republic certifies and declares that all acts, conditions, and things required to be done and performed and to have happened precedent to and in the creation and issue of the bonds, have been done and performed and have happened in due and strict compliance with the constitution and laws of the Republic.

ART. 13. Pending the engraving and execution of definitive bonds, the Republic shall execute and deliver to the fiscal agents for authentication one or more temporary printed bonds, in such denominations as the fiscal agents may request and substantially of the tenor of the bonds herein described, but without coupons or with not more than one coupon, and with such provisions as the fiscal agents may approve. Subject to such regulations as the fiscal agents may prescribe, temporary bonds shall be exchangeable without cost to the holder, for the same aggregate amount of definitive bonds. The Republic will cause definitive bonds to be prepared, executed, and delivered to the fiscal agents as promptly as possible for the purpose of making such exchanges.

The fiscal agents shall have charge, on behalf of the Republic, of all matters in regard to the preparation of the temporary and definitive bonds.

ART. 14. The bonds shall be signed in New York City by the minister of the Republic to the United States of America, or in his absence by the chargé d'affaires; and shall be countersigned by the consul general of the Republic in New York, or other representative duly authorized by the comptroller general. In addition to such signature and countersignature, the definitive bonds may bear the written or facsimile signature of the minister of finance and public credit of the Republic, and of the comptroller general of the Republic, and shall bear the seal of the Republic or a facsimile thereof. The coupons on the definitive bonds shall likewise bear such facsimile signature of the minister of finance and public credit and of the comptroller general. The coupons, if any, on the temporary bonds shall bear the facsimile signature of the person who signs such temporary bonds.

ART. 15. The bonds shall be authenticated by the fiscal agents, or some financial institution selected by them. Such authentication shall be conclusive evidence, and the only evidence, that the bonds so authenticated have been duly issued hereunder. All expenses of authentication shall be paid by the Republic.

ART. 16. At the request of the fiscal agents, the Republic will make application for the listing of the bonds on the New York Stock Exchange and any other exchanges, and shall pay the expenses thereof.

CHAPTER 3—SECURITY

ARTICLE 1. The bonds, and the coupons thereto attached, shall constitute the direct obligations of the Republic, which hereby pledges its full faith and credit for the due and punctual payment of principal, interest, and sinking fund, and for due performance by the Republic of all of its obligations set forth herein and in the bonds and coupons.

ART. 2. The Republic represents that the proceeds of the bonds are to be used for the following purposes in accordance with said law 102 of 1922; for the payment and cancellation of the banking loan of not exceeding $10,000,000 made by contract of December 23, 1926, between the Republic and Hallgarten & Co. and Kissel, Kinnicutt & Co.; completion of the Ferrocarril Central del Norte; completion of the Ferrocarril del Pacifico; continuation of the Ferrocarril Troncal de Occidente; for the improvement of the Magdelena River and Bocas de Ceniza and ports. The Republic agrees that if, while any of the bonds of the present loan are outstanding, it shall secure any obligations, existing or future, whether under law 102 of 1922 or any other authorization existing or future, by a lien or charge upon any of the railroads, river or port works, or any part thereof, or upon any income or revenues derived therefrom, or any taxes or charges imposed with respect thereto, or upon any national income or revenues, then in every such case the bonds of this loan shall be secured in like form and equally and ratably with such obligations; and the Republic hereby agrees that it will take such action as may be requisite to give effect hereto.

ART. 3. If for any reasons the obligations of the Republic under this agreement, or under the bonds or coupons, are not complied with the Republic consents and agrees that upon demand of the holders of a majority in principal amount of the outstanding bonds it will immediately pay the entire principal thereof and accrued interest. Any such demand may be transmitted to the Republic through the fiscal agents. The holders of a majority in principal amount of the outstanding bonds may rescind any such demand, without prejudice, however, to again taking such action.

CHAPTER 4—SERVICE OF THE BONDS

ARTICLE 1. The amount required for the semiannual service of the bonds to be issued hereunder, exclusive of the amounts payable by the Republic to the fiscal agents for their compensation, shall consist in each case of uniform amount of $875,000, comprising: (*a*) the semiannual sinking fund installment, consisting of $125,000 (being one-half of 1 per cent of the total face amount of bonds authenticated) plus an amount equal to six months' interest on all bonds redeemed or otherwise retired through the operation of the sinking fund prior to the next succeeding semiannual interest date; and (*b*) The semiannual interest installment, consisting of an amount equal to six months' interest on all bonds redeemed or otherwise retired prior to the next succeeding semiannual interest date.

The semiannual sinking fund installments are calculated to retire the entire issue of the bonds not later than maturity.

ART. 2. The Republic shall place in the hands of the fiscal agents in New York at least 30 days prior to each semiannual interest payment date of the bonds, the entire amount required for the next semiannual service of the bonds, including the compensation of the fiscal agents. All payments shall be made to the fiscal agents, at their offices in New York City, in gold coin of the United States of America. The amounts so deposited with the fiscal agents for the service of the loan shall bear interest at 2 per cent per annum during such 30 days.

ART. 3. The Republic will make monthly deposits in a special account in the Bank of the Republic in Bogota for account of the service of the loan; each such deposit shall be made on the first day of the month and shall be equivalent to one-twelfth of the total amount of the annual service; except that the first deposits will include also the amounts corresponding to the time elapsed since the date of the bonds. In case of difficulties of the treasury or of diminution of revenues, or for any other cause, the Republic will give preference to payment of the service. The Republic undertakes to include in all annual budgets the amount of the annual service.

ART. 4. In lieu of making all or any part of any sinking fund payment in cash, the Republic may deliver to the fiscal agents for surrender to the sinking fund, any bonds, with all unmatured coupons attached, purchased by the Republic at prices not exceeding par (exclusive of accrued interest and commission) accompanied by certificates signed in the name of the Republic stating at what prices such bonds were so purchased, and such bonds shall be accepted in lieu of cash in an amount equal to the purchase price (exclusive of accrued interest and commissions), plus the amount of the coupon due on said next interest date.

ART. 5. Except as hereinafter provided, upon the receipt of each such semiannual sinking fund payment, the fiscal agents shall apply that part of the same paid in cash to the redemption of bonds at their principal amount on the next semiannual interest payment date: *Provided, however,* That if such moneys shall amount to less than $10,000, such sum may be carried forward and added to the next sinking fund payment. Such redemption shall be effected in the following manner: The particular bonds to be redeemed on each occasion shall be determined by lot by drawings conducted by the fiscal agents in New York at which a representative of the Republic may be present if the Republic so requests. Drawings shall be held not later than the twenty-fifth day immediately preceding the next semiannual interest payment date. Notice of such redemption shall be published at least twice in one or more newspapers of general circulation in New York City, selected in each instance by the fiscal agents, and shall also be given and published in such manner, either in New York or elsewhere, as the fiscal agents may prescribe. The first publication shall be made at least 20 days immediately preceding the next semiannual interest payment date. Such notice shall state the numbers of the bonds to be redeemed (unless all outstanding bonds are to be redeemed), the date which shall be the next semiannual interest payment date, and the places (in New York City) which shall be designated by the fiscal agents for surrender and payment. Upon such surrender, on or after such date, the fiscal agents shall cause to be paid to the holder of each such bond so surrendered with all unmatured coupons attached, the principal amount of such bond out of the funds provided for that purpose by the Republic. Any bond thus called for redemption and not so surrendered shall cease to bear interest after said redemption date, and all coupons for subsequent interest shall be void.

ART. 6. All bonds retired through the sinking fund, and the coupons thereto appertaining, shall be canceled and returned to the Republic, and no bonds shall be issued in lieu thereof.

ART. 7. The Republic, at its option, may increase the amount of any semiannual sinking fund payment. In that event it shall notify the fiscal agents at least 60 days prior to the next succeeding interest date, specifying the amount by which such semiannual sinking fund payment is to be increased; and shall pay the entire sinking fund payment as so increased at least 30 days prior to such interest date.

ART. 8. Any sinking fund moneys received by the fiscal agents may be applied by them prior to the twenty-fifth day preceding the next semiannual interest payment date to the purchase of bonds for the account of the Republic at the lowest prices obtainable in the judgment of the fiscal agents, not exceeding principal amount, exclusive of accrued interest and commissions. All bonds so purchased shall be surrendered and credited to the sinking fund as hereinbefore provided in article 4 of this chapter. Any such cash remaining unexpended in the hands of the fiscal agents on the twenty-fifth day preceding the next semiannual interest payment date shall be applied to the redemption of bonds for the sinking fund as above provided.

ART. 9. Nothing in this agreement contained shall impose any obligation on the fiscal agents to redeem or buy any bonds or to make any payments of principal or interest or otherwise with respect to the bonds or the interest coupons, except out of funds previously received from the Republic for such purpose.

ART. 10. The bonds shall not be redeemable except through the sinking fund.

ART. 11. In the event that any bonds or coupons are not presented for payment within 20 years after the respective maturity dates stated in the bonds and coupons, the fiscal agents may return to the Republic any moneys held by them for the payment of such bonds and coupons; and thereafter the holders of such bonds or coupons shall have no right to any claim against the fiscal agents in respect of such payment or moneys.

CHAPTER 5. THE FISCAL AGENTS

ARTICLE 1. The Republic hereby appoints Hallgarten & Co. and Kissel, Kinnicutt & Co. and their respective successors in business, the fiscal agents of the Republic for all purposes relating to the bonds and the service of the loan represented thereby; and said firms hereby accept such fiscal agency, subject to the provisions of this agreement. Such appointment shall continue while any of the bonds remain outstanding, unless sooner terminated as hereinafter provided.

ART. 2. The fiscal agents may make such arrangements between themselves as they may deem appropriate for the interchange of funds and for the drawing by one fiscal agent against funds of the Republic held by the other fiscal agent and in general for facilitating the payment of bonds and coupons which may be presented to any of them. The Republic gives the right to the fiscal agents to appoint subfiscal agents in the United States of America or elsewhere; such appointments to be with the approval of the Republic.

ART. 3. The Republic hereby consents that the fiscal agents may represent the holders of the bonds in all matters, but this provision shall not impose any trust or duty in favor of the bondholders upon the fiscal agents or either of them.

ART. 4. The fiscal agents shall not be under any duty to the bondholders to make any request of the Republic, or to take any action, with respect to the obligations or covenants of the Republic under this agreement unless requested in writing by the holders of at least 25 per cent in principal amount of the outstanding bonds and furnished with indemnity satisfactory to the fiscal agents and unless advised by counsel satisfactory to the fiscal agents that such request or action may be properly made or taken.

ART. 5. As compensation for their services hereunder the fiscal agents shall receive from the Republic one-quarter of 1 per cent of all amounts paid on account of interest on bonds, and one-quarter of 1 per cent on the face amount of all bonds redeemed for the sinking fund or otherwise retired or paid. Such compensation shall be paid concurrently with the installments of service with respect to which it is due. The Republic will also pay the cost of advertisements and other incidental expenses of the fiscal agents in connection with the service of the bonds, but it is understood that the amount of such expenses and the fees for registration of bonds which the Republic is to pay can not exceed $2,250 per annum.

ART. 6. If the fiscal agents pay for the account of the Republic any expenses or amounts payable by the Republic with respect to the bonds, such payments shall be reimbursed by the Republic to the fiscal agents, with interest at 6 per cent per annum, upon the rendering of an account by mail or cable in reasonable detail to the Republic. Any such account shall be considered accepted by the Republic unless objection thereto be made by the Republic in writing or by cable and received by the fiscal agents with 90 days from the mailing, or 30 days from the cabling of the account in question.

ART. 7. The Republic may pay any service moneys payable to the fiscal agents in pursuance of this agreement, to the fiscal agents jointly, or to either of them. The fiscal agents will arrange between themselves as to the proportions in which such moneys or other sums shall be held on deposit by them respectively for the account of the Republic. Neither of the fiscal agents shall be responsible to the Republic or to the bondholders for any sums paid to, deposited with, or held by the other, or any third parties, nor for the act or omission of the other or of any third parties.

ART. 8. The Republic shall at all times indemnify and protect each of the fiscal agents and the subfiscal agents, as well as any institution appointed by the fiscal agents as registrar and/or authenticating agent for the bonds, against all claims, demands, and actions which may be instituted in behalf of any bondholders, or couponholders, whether in respect of moneys at any time in the hands of the fiscal agents or otherwise, subject only to the responsibility expressed in this chapter.

ART. 9. Each of the fiscal agents and subfiscal agents and the bond registrar and authenticating agent shall be answerable to the Republic or to the bondholders only for its own failure to exercise good faith or for gross negligence.

ART. 10. The fiscal agents, or either of them, may consult counsel in regard to their duties under this agreement, and shall be fully protected in relying and acting upon the advice of counsel of recognized standing selected by them or any of them.

ART. 11. Neither of the fiscal agents shall incur any responsibility in acting in reliance upon any authentic instructions or advices, received by cable or otherwise, as purporting to come from the minister of finance and public credit of the Republic or from the minister or chargé d'affaires or consul general of the Republic in the United States of America.

ART. 12. Either of the fiscal agents may at any time resign from the agency by giving notice of such intention to the Republic, specifying the date on which such resignation shall become effective; provided that such notice shall not be less than 30 days, unless the Republic agrees to accept less notice. Upon the resignation or failure to act from any cause of either of the fiscal agents, the remaining fiscal agent shall act as sole fiscal agent, and may exercise all powers of both fiscal agents. Upon the resignation, or failure to act from any cause, of both of the fiscal agents, the fiscal agency shall devolve upon the registrar, if any. If at any time there shall be no fiscal agent in office, the Republic shall provide at least one fiscal agent in the city of New York to attend to the services of the loan.

ART. 13. The fiscal agents, the subfiscal agents, the bond registrar, and the authenticating agent shall not incur any liability whatsoever to the Republic or to the bondholders or to anyone else, in acting in reliance upon any bond, coupon or other instrument which appears to them to be genuine.

ART. 14. All moneys received by either of the fiscal agents for the service of the loan may be held until paid out in accordance with the terms of this agreement, as a general and current deposit, and the fiscal agents agree to pay interest thereon as stipulated in chapter 4. Interest need not be paid by the fiscal agents on moneys held for payment of bonds or coupons due but not presented for payment.

ART. 15. The fiscal agents may purchase or otherwise deal in any of the bonds, with the same rights as though not acting as such.

CHAPTER 6.—MISCELLANEOUS PROVISIONS

ARTICLE 1. Any notice, request, or instruction or order for the payment of money or the delivery of securities which may be required to be given by one party to the other, shall be deemed sufficient unless herein otherwise expressly provided, if given in writing as follows:

(*a*) If from the fiscal agents to the Republic, over the signature of either of the fiscal agents by any member of the firm and if any of the fiscal agents be a corporation, then by the president or a vice president thereof, delivered to the consulate general of the Republic in New York City, or by cable addressed to the minister of finance and public credit of the Republic, provided that a copy of such cable is delivered on the day it is sent or on the following business day to said consulate general.

(*b*) If from the Republic to the fiscal agents, then by delivery at the office of either of the fiscal agents in the city of New York, or by cable addressed to either of the fiscal agents at its office in the city of New York by the minister of finance and public credit of the Republic and confirmed in writing delivered to the fiscal agents by said consulate general of the Republic.

ART. 2. In compliance with any reasonable request made by the fiscal agents at any time, the Republic will furnish them with all information in regard to its revenues, expenses, financial affairs and general condition.

ART. 3. The rights and obligations under this Agreement shall inure to the benefit of and be binding on the Republic on the one hand, and on the other hand Hallgarten & Co., and Kissel, Kinnicutt & Co. and their respective successors in business, as fiscal agents, as well as their respective successors as fiscal agents.

ART. 4. As soon as this agreement shall have been finally approved, in accordance with said Law 102 of 1922, it will be raised to the form of a notarial instrument and recorded with the necessary legal formalities, at the expense of the Republic.

ART. 5. The fiscal agents renounce commencing any diplomatic claim with reference to the obligations and rights arising from this agreement except in case of denial of justice, and agree that there shall not exist such denial, in conformity with article 42 of Law 110 of 1912 relating to the fiscal code of the Republic, providing that there are granted the remedies and rights of action which, in conformity with Colombian laws, may be used before the judicial power.

In witness whereof, there are signed three counterparts of the same tenor, in the city of Bogota, Republic of Colombia, on June 30, 1927.

MANUEL A. ALVARDO.
PEDRO M. CARREÑO.

COUNCIL OF MINISTERS

BOGOTA, *July 29, 1927.*

In a meeting today the honorable council issued favorable report concerning the preceding contract.

GABRIEL ABADÍA MÉNDEZ.
Secretary.

EXECUTIVE POWER

BOGOTA, *July 29, 1927.*

Approved.

MIGUEL ABADÍA MÉNDEZ.
ESTEBAN JARAMILLO,
Minister of Finance and Public Credit.

Agreement additional to the bond purchase and fiscal agency contracts made by the National Government with Hallgarten and Co., and Kissel, Kinnicutt & Co. of New York.

The undersigned to wit: Esteban Jaramillo, in his capacity as minister of finance and public credit, duly authorized by the Most Excellent President of the Republic, Dr. Miguel Abadía Méndez, of the one part, called "the Republic", and of the other part, called "the fiscal agents", Hallgarten & Co., and Kissel, Kinnicutt & Co., partnerships with principal office and domicile in the city of New York, United States of America, represented in this act by Dr. Pedro M. Carreño, thereunto duly authorized, and who also represents them in their character as bankers, according to the corresponding contract, whereas:

First. The honorable council of state approved on the 14th of the current month, the bond purchase and fiscal agency contracts made between the same parties on June 30 last, with the following additions:

(*a*) In article 2 of chapter 3 of the fiscal agency contract, after the words reading "Bocas de Coniza and Ports," add: "The Government, in accord with the National Board of Loans, may alter such use, but always subject to the provisions of Law 102 of 1922."

(*b*) At the end of the same article 2 of chapter 3, add: "With observance of what is provided in the last part of article 6 of Law 102 of 1922."

(*c*) To article 5 of chapter 6 of the fiscal agency contract, add: "All successors in the fiscal agency will make the same declaration as that contained in this article."

Second. The Council of State approved on the 18th instant, the following formula to replace division (*b*) of the resolution of that body of the 14th instant:

(*b*) The last part of article 2 of chapter 3 of the fiscal agency contract will be as follows:

"Whereas, first—article 5 of Law 102 of 1922 authorizes the granting of specific security in favor of the loans which are authorized by said law;

second—article 6 of Law 102 of 1922 and the paragraph thereof indicates the manner in which is to be made the service of the loans contracted by virtue of said law, and authorize the Government to assign other resources to said service; third—no specific guaranty has been assigned to the bonds of the loan which is the subject of this contract; fourth—if hereafter security is given in favor of other loans the bonds subject of this contract would remain in an inferior position, which would be inconsistent with fundamental principles of equity; for the foregoing reasons, the Republic agrees that if, while any of the bonds of the present loan are outstanding, it shall secure any obligations, existing or future, whether under Law 102 of 1922 or any other authorization existing or future, by a lien or charge upon any of the railroads, river works or ports, or any part thereof, or upon any income or revenues derived therefrom, or any taxes or charges imposed with respect thereto, or upon any national income or revenues, then in every such case the bonds of this loan shall be secured in like form and equally and ratably with such obligations; and to that effect the Republic agrees that the bonds which are the subject of this contract shall enjoy the same security as may be granted in the future to any bond or loan."

Third. On the same date, the 14th of July, the National Board of Loans approved said contracts with the following addition: In article 2 of chapter 3 of the fiscal agency contract, and after "Bocas de Ceniza and Ports:" "Including the maritime terminal of Barranquilla."

Fourth. In to-day's meeting the National Board of Loans approved the modification made by the honorable Council of State in the last part of article 2 of chapter 3 of the fiscal agency contract as above expressed.

By virtue thereof, the parties hereby declare that they accept in the name of the entities which they represent, the additions above prescribed to the effect that they may be incorporated in the contracts to which they respectively relate.

This agreement completely takes the place of the additional agreement made by the same parties the 14th instant and published in the Diario Oficial of the same date.

In witness whereof, they sign the present instrument on July 19, 1927, in the city of Bogota.

ESTABAN JARAMILLO,
PEDRO M. CARREÑO.

COUNCIL OF MINISTERS

BOGOTA, *July 29, 1927.*

In meeting to-day the honorable council issued a favorable report regarding the above-additional agreement.

GABRIEL ABADÍA MÉNDEZ,
Secretary, Executive Power.

BOGOTA, *July 29, 1927.*

Approved.

MIGUEL ABADÍA MÉNDEZ.
ESTEBAN JARAMILLO,
The Minister of Finance and Public Credit.

Agreement additional to the bond purchase and fiscal agency contracts made by the National Government with Hallgarten & Co. and Kissel, Kinnicutt & Co. of New York.

The undersigned to wit: Estaban Jaramillo, in his capacity as minister of finance and public credit, duly authorized by the Most Excellent President of the Republic, Dr. Miguel Abadía Méndez, of the one part, called "the Republic," and of the other part called "the fiscal agents," Hallgarten & Co. and Kissel, Kinnicutt & Co., partnerships with principal office and domicile in the city of New York, United States of America, represented in this act by Dr. Pedro M. Carreño, thereunto duly authorized, and who likewise represents them in their capacity as bankers—with reference to the contract for the purchase of bonds in the amount of $25,000,000, signed June 30 last, have agreed to substitute in clause 3 of said contract, in lieu of the words: "of the delivery of the temporary bonds," the following words: "of completion of the public offering of the bonds."

In witness whereof they sign this instrument on July 19, 1927, in the city of Bogota.

ESTABAN JARAMILLO,
PEDRO M. CARREÑO.

COUNCIL OF MINISTERS

BOGOTA, *July 29, 1927.*

In meeting to-day, the honorable council issued a favorable report with reference to the above additional agreement.

GABRIEL ABADÍA MÉNDEZ, *Secretary.*

EXECUTIVE POWER

BOGOTA, *July 29, 1927.*

Approved.

MIGUEL ABADÍA MÉNDEZ.
ESTEBAN JARAMILLO,
Minister of Finance and Public Credit.

At this point the appearing parties state that in writing the fiscal agency contract on stamped paper, there occurred unwittingly two errors, which subsequently appeared in the Diario Oficial, and which are the following:

First. In division (*b*) of article 1 before the word "redeemed" there was left out the word "not." Consequently this word is to be considered as added at the point mentioned and thus correction of the first error is declared made.

Second. In article 8 of chapter 5 it was said: "Any substitution undertaken by the fiscal agents as registrar * * * ." It should have read: "Any institution appointed by the fiscal agents as registrar." Thus the correction of the second error is declared. There are annexed to the protocol copies of the Diarios Oficiales No. 20542 of the 14th of the current month of July, and No. 20549 of the same month, and the original contract and additional agreements with the corresponding approvals of the council of ministers and of the executive power. Likewise there are annexed to the protocol for reproduction in the copies of the present deed, the approval of the Council of State and of the National Board of Loans, which read as follows:

[Copy.]

COUNCIL OF STATE—FULL MEETING

(Presiding councillor: Dr. Vargas Torres)

BOGOTA, *July 14, 1927.*

Apart from these observations, the council considers that the contract is in accordance with the corresponding legal authorizations, and therefore resolves: The Council of State approves the contract made between the Republic of Colombia and Hallgarten & Co. and Kissel, Kinnicutt & Co. with the modifications expressed below:

(*a*) In article 2 of chapter 3 of the fiscal agency contract, after where it says "Bocas de Ceniza and Ports," add: "The Government, in accord with the National Board of Loans, may alter such use but always subject to the provisions of Law 102 of 1922."

(b) At the end of the same article 2 of chapter 3, add: "With observance of what is provided in the last part of article 6 of Law 102 of 1922."

(*c*) To article 5 of chapter 6 of the fiscal agency contract, add: "All successors in the fiscal agency will make the same declaration as that contained in this article."

Be it copied and communicated.

JOSÉ JOAQUIN CASAS.
JOSÉ VARGAS TORRES.
NICASÍO ANZOLA.
RAMÓN CORREA.
ARCADIO CHARRY.
JOSÉ A. VALVERDO, *R.*
CONSTANTINO BARCO.
ANGEL MA. BUÍTRAGO, *M. Secy. pp.*

A true copy.

A. M. VACA,
Secretary of the Ministry of Finance and Public Credit.

COUNCIL OF STATE—FULL MEETING

BOGOTA, *July 18, 1927.*

Presiding councillor, Dr. Nicasio Anzola. Before the council assembled in full meeting on this date, the Minister of Finance and Public Credit appeared with the purpose of asking reconsideration of division (*b*) of the resolution of opinion taken by the Council of State on the 14th instant, with respect to the national loan made with Hallgarten & Co. and Kissel, Kinnicutt & Co. The minister explained the necessity which existed of modifying said division, because the addition proposed by the council to article 2 of chapter 3 of the fiscal agency contract was not accepted by the bankers, and they declared that in such form it was absolutely impossible to sell the bonds of the loan. After detailed consideration of the matter, the council approved the following formula, to replace said division (*b*) of said resolution: "(*b*) The last part of article 2 of chapter 3 of the fiscal agency contract will be as follows: 'Whereas: First, article 5 of Law 102 of 1922 authorizes the granting of specific security in favor of the loans which are authorized by said law; second, article 6 of Law 102 of 1922 and the paragraph thereof indicate the manner in which is to be made the service of the loans contracted by virtue of said law, and authorize the Government to assign other resources to said service; third, no specific guaranty has been assigned to the bonds of the loan which is the subject of this contract; fourth, if hereafter security is given in favor of other loans the bonds subject of this contract would remain in an inferior position, which would be inconsistent with fundamental principles of equity; for the foregoing reasons, the Republic agrees that if, while any of the bonds of the present loan are outstanding, it shall secure any obligations, existing or future, whether under Law 102 of 1922 or any other authorization existing or future, by a lien or charge upon any of the railroads, river works or ports, or any part thereof, or upon any income or revenues derived therefrom, or any taxes or charges imposed with respect thereto, or or upon any national income or revenues, then in every such case the bonds of this loan shall be secured in like form and equally and ratably with such obligations; and to that effect the Republic agrees that the bonds which are the subject of this contract shall enjoy the same security as may be granted in the future to any bond or loan.'"

As the resolution above expressed is not in harmony with what is stated in Division VIII of the preamble of the opinion of July 14, the council rejected said Division VIII and ordered that it be replaced by a statement justifying what has been resolved, in accordance with the ideas expressed in the meeting. Therefore said Division VIII will be as follows: "VIII. In article 2 of chapter 3 of the fiscal agency contract there is made the following declaration: 'The Republic agrees that if, while any of the bonds of the present loan shall be outstanding, it shall secure any obligations existing or future, whether under Law 102 of 1922 or any other authorization, by lien or charge upon any of the railroads or river works or ports, or upon any part thereof, or upon any income or revenues of said railroads or works, or upon any taxes or charges with respect thereto, or upon any national income or revenues, in every such case the bonds of the present loan shall be secured in like form and ratably with such obligations.'"

As above stated, the council has adopted, to replace that declaration, the formula which is above transcribed.

In arriving at this determination, the council has taken into account not only the reasons of equity and national convenience which existed that the bonds of the present issue may not be in a condition of inferiority with respect to those which may be subsequently issued by the nation, but also that said formula maintains perfect harmony with the text and the spirit of law 102 of 1922. What this formula means is in synthesis the following: The Government does not create any specific security whatever to guarantee the bonds of this loan; but if in the future it should give such security to other loans, such security shall proportionately benefit the present bonds. It is true that the Government would not be able to-day to secure the loan with certain fiscal revenues, but if at any time there should be enacted a law authorizing it to pledge such revenues, and by virtue of such authority a new loan be contracted with such security, the bonds which it now issues would be thereby benefited and in equal conditions with those of future issues. It is a conditional security subject to the event that there be enacted a law authorizing the Government to give as security certain revenues. To-day, for example, the law does not permit giving as security funds destined to the ordinary service of the budget, because it considers them indispensable for the life of the public administration, but if to-morrow the legislature authorizes such security, it is because it does not consider such funds indispensable for such purpose. Even on the supposition that there might be some doubt with respect to the interpretation of the law in this sense, it would be in accordance with the rules of sound hermeneutic to interpret it in this case in accordance with equity and national convenience, as it appears evident that without the adoption of the formula approved by the council, it is impossible to place the bonds of the loan.

José Joaquín Casas,
Nicasio Anzola,
Arcadio Charry,
José A. Valverde R.,
Constantine Barco,
Ramón Correa.

With my negative vote, in so far as there are encumbered, even under conditions, the general revenues of the budget, for the reasons expressed in the project of which I am the proposer. With such modification the contract ought to be submitted to the approval of Congress in conformity with the last part of numeral 14 of Article 76 of the constitution.

José Vargas Torres,
Angel Ma. Buitrago,
Secretary pro tempore.

It is a true copy.

A. M. Vaca.
The Secretary of the Ministry of Finance and Public Credit.

Approval by the board of loans of the contract for $60,000,000.

MINUTES NO. 18 OF JULY 14, 1927

Dr. Pedro Juan Navarro addressing the meeting, proposed the following addition to chapter 3, article 2 of the fiscal agency contract, after the word "ports": "including the maritime terminal of Barranquilla. * * *" Thereupon the president of the board placed in discussion the modifications or additions suggested by the honorable council of state. The discussion concluded, they were unanimously approved. The president also submitted to the board the bond purchase and fiscal agency contracts with the modifications introduced by the honorable council of state, and the addition of Doctor Navarro, and the discussion being closed, they were also unanimously approved.

MINUTES NO. 19 OF JULY 19, 1927

The meeting being opened, the minister informed the board that in view of a cable which had been received from the bankers in which they proposed by way of compromise a formula in substitution for division (*b*) of the resolution of opinion made by the honorable council of state, he had requested from this body the adoption of the proposed formula in the first place, as he considered that it did not involve, as one of the honorable councillors maintained, a specific guaranty, and because when carefully studied, it was not in any way opposed to law 102. He stated also that after a long deliberation the council had approved the following formula to replace said division (*b*) of said resolution: "(*b*) The last part or article 2 of chapter 3 of the fiscal agency contract will be as follows: 'Whereas: First, article 5 of law 102 of 1922 authorizes the granting of specific security in favor of the loans which are authorized by said law; second, article 6 of law 102 of 1922 and the paragraph thereof indicate the manner in which is to be made the service of the loans contracted by virtue of said law, and authorize the Government to asign other resources to said service; third, No specific guaranty has been assigned to the bonds of the loan which is the subject of this contract; fourth, If hereafter security is given in favor of other loans the bonds subject of this contract would remain in an inferior position, which would be inconsistent with fundamental principles of equity; for the foreboing reasons, the Republic agrees that if, while any of the bonds of the present loan are outstanding, it shall secure any obligations, existing or future, whether under law 102 of 1922 or any other authorization existing or future, by a lien or charge upon any of the railroads, river works, or ports, or any part thereof, or upon any income or revenues derived therefrom, or any taxes or charges imposed with respect thereto, or upon any national income or revenues, then in every such case the bonds of this loan shall be secured in like form and equally and ratably with such obligations; and to that effect the Republic agrees that the bonds which are the subject of this contract shall enjoy the same security as may be granted in the future to any bond or loan.'" This addition being submitted by the president for consideration, all the members of the board were in accord that really it involved no danger nor illegality, and that it could be accepted with all the more reason as there was at hand the statement of the bankers that it was impossible to sell the bonds without that clause, which Chile, Uruguay and Argentine had accepted in similar cases. Put to discussion, it was unanimously approved.

A true copy of the original.

A. M. VACA,
The Secretary of the Ministry of Finance and Public Credit.

Registration charges are not paid in conformity with what is stipulated and in conformity with the law, in view of the fact that the expenses which this deed may occasion are to be for the account of the Government.

This instrument having been read to the executing parties, and they having been warned of the formality of the registry, they aproved it and sign jointly with said witnesses, in my presence and with me, to which I certify.

ESTEBAN JARAMILLO,
PEDRO M. CABREÑO,
MARCO T. LUÑIGA,
ROBERTO GUSMÁN C.,
RAFAEL ANDRADE S.,
Second Notary.

This is the first and a true copy of its original, which I issue in 33 usuable sheets, and destined for Messrs. Hallgarten & Co. and Kissel, Kinnicutt & Co.

RAFAEL ANDRADE S.,
The Second Notary.

BOGOTÁ, *August 3, 1927.*

Taxes and paper, $17.10, law 52 of 1920.

ANDRADE S.

REPUBLICA OF COLOMBIA,
OFFICE OF THE REGISTRY OF THE CIRCLE,
Bogota, August 10, 1927.

Registered to-day in book No. 2, duplicate page 280, No. 84; taxes $0-40 current exchange.

JOSÉ G. RIAÑO,
The Registrar.

[SEAL.]

JOSE GREGORIO RIAÑO,
Registrar of the Circle.

REPUBLIC OF COLOMBIA,
OFFICE OF THE REGISTRY OF THE CIRCLE,
Bogota, August 11, 1927.

Registered to-day in book 2, page 171, No. 2841, taxes $0.40 current exchange.

JOSÉ G. RIAÑO,
The Registrar.

[SEAL.]

JOSÉ GREGORIO RIAÑO,
Registrar of the Circle.

The undersigned Governor of Cundinamarca certifies that the preceding signatures of Messrs. Rafael Andrade S. and José G. Riaño, second notary and registrar of public documents of this circle, in their order, are authentic.

By the governor:

IGNACIO BARBERI,
The Secretary of Government.

BOGOTA, *August 13, 1927.*

[SEAL.] REPUBLIC OF COLOMBIA. DEPARTMENT OF CUNDINAMARCA.

MINISTRY OF THE GOVERNMENT, SECTION 1,
Bogota, August 16, 1927.

I certify that Dr. Ignacio Barberi fulfilled the duties of secretary of the Government of Cundinamarca the 13th instant, and that his signature placed at the bottom of the preceding certification is authentic.

PABLO EMILIO JURADO,
The Secretary of the Ministry.

MINISTRY OF FOREIGN RELATIONS,
Bogota, August 16, 1927.

No. 2447. The signature of Dr. Pablo Emilio Jurado is legalized. He filled the office of secretary of the ministry of government on the 16th of August, 1927.

VICTOR M. LONDOÑO.
The Secretary.

[SEAL.] MINISTRY OF FOREIGN RELATIONS, SECTION 2.

LEGATION OF THE UNITED STATES OF AMERICA,
Bogota, Colombia, August 16, 1927.

Seen for authentication of the signature of Dr. Victor M. Londoño, secretary of the ministry for foreign affairs of Colombia.

H. FREEMAN MATTHEWS,
Secretary of the Legation of the United States of America.

[STAMP.] LEGATION OF THE UNITED STATES OF AMERICA.
BOGOTA.

BOND PURCHASE AGREEMENT BETWEEN REPUBLIC OF COLOMBIA AND HALLGARTEN & CO. AND KISSEL, KINNICUTT & CO.

[Translation]

The undersigned Esteban Jaramillo, Minister of Finance and Public Credit, duly authorized by His Excellency the President of the Republic, Dr. Miguel Abadia Mendez, on behalf of the Republic of Colombia, hereinafter called "the Republic," of the one part, and Hallgarten & Co. and Kissel, Kinnicutt & Co., partnerships having principal offices and being domiciled in the city of New York, United States of America, hereinafter called "the bankers," represented herein by Dr. Pedro M. Carreno, hereunto duly authorized, of the other part have agreed as follows:

First. The Republic agrees forthwith to create and to sell to the bankers, and the bankers agree to purchase from the Republic, upon the terms and conditions of this agreement, $35,000,000 of the United States of America in face amount of bonds (hereinafter called the "bonds"), described in the fiscal agency agreement between the Republic and said Hallgarten & Co. and Kissel, Kinnicutt & Co., executed simultaneously herewith, a copy of which is hereto annexed. The purchase price of said bonds shall be a sum equal to 91.30 per cent of said face amount of said bonds and the interest accrued on said bonds to the date of the payment of the purchase price. If the bankers make the initial public offering at a retail selling price in excess of 95 per cent and accrued interest, the purchase price shall be increased by one-half of such excess.

Second. Said purchase price shall be paid in New York funds upon such date, within 15 days from the date of the final approval of this agreement and said fiscal agency agreement in accordance with the laws authorizing the issue, as the bankers shall specify on five days' notice to the Minister of Finance of the Republic, against simultaneous delivery of temporary bond or bonds for said face amount. The Republic undertakes that such delivery will be made at the office of Hallgarten & Co. in the city of New York in accordance with this agreement not later than 30 days from the date hereof. The Republic will instruct the minister of the Republic of Colombia to the United States of America (or in his absence the chargé d'affairs) to execute on behalf of the Republic a temporary bond or bonds representing the said $35,000,000 face amount of bonds and to deliver the same to the fiscal agents; and the comptroller general of the Republic will authorize the consul general of the Republic, or the acting consul, in New York to countersign said bond or bonds prior to such delivery; and the Republic will also authorize said fiscal agents to cause such bond or bonds to be authenticated and delivered to the bankers against payment of such purchase price to the fiscal agents for the account of the Republic. Such payment by the bankers to the fiscal agents shall be made after first deducting therefrom the sum of $57,000 to be retained by the bankers in consideration of their assuming the following expenses: The cost of printing, engraving, execution and authentication of temporary and definitive bonds and interim receipts, and the expenses of listing the bonds on the New York Stock Exchange and other exchanges.

The Republic may request the fiscal agents to leave all or part of the purchase price on deposit with the bankers for the account of the Republic, and the bankers hereby agree to pay the Republic interest thereon at the rate of 3 per cent per annum, provided, however, that such deposit shall not be withdrawn by the Republic in whole or in part on less than 10 days' notice. The Republic agrees that it will apply the proceeds of the bonds only in accordance with the provisions of the respective laws authorizing this issue and as provided in the fiscal agency agreement, but neither the fiscal agents or the bankers shall have any responsibility with respect to the fulfillment of the requirements of said laws or with respect to the application of any of the proceeds of the bonds. The Republic authorizes the fiscal agents and the bankers to act in accordance with any instructions from the minister or chargé d'affaires of the Republic at Washington, D. C., with respect to withdrawal of such proceeds.

Third. The Republic agrees that it will not issue or offer for sale any external loan or obligation simultaneously with this agreement or until four months after the date of delivery of the temporary bonds, except with the written consent of the bankers.

Fourth. The Republic will immediately furnish to the bankers such official statement and information with reference to the Republic and its finances and the bonds, signed by the minister of finance, as may be requested by the bankers and customary to facilitate the sale of the bonds. If the bankers request, such statement shall include a detailed statement showing the purposes, including railroads and works, to which the proceeds of the $25,000,000 loan of July, 1927, have been applied, and the amounts thereof spent on such railroads and works, respectively, and the results thereof, and shall also include a detailed statement showing the railroads, works and roads to which the proceeds of the present bonds are to be applied. The Republic will also furnish the data and execute the documents necessary for the purpose of listing the bonds on the New York Stock Exchange, and other exchanges.

Fifth. The obligation of the bankers to purchase the bonds is subject to the legality of the issue, and of the agreements and the bonds being established to the satisfaction of their counsel, for which purpose the Republic will take all necessary legal steps and furnish the necessary data; and is also subject to there not having occurred at or before the time of delivery of the temporary bonds any unforeseen political, financial, economic or market event, change or conditions of a character which, in the judgment of the bankers, would make the sale of the bonds to the public impractical or inopportune, or unfavorable to the excellent credit of the Republic abroad.

Sixth. The bankers shall be under no obligation or duty to the bondholders in respect to the application by the Republic of the proceeds of the bonds purchased hereunder.

Seventh. All notices and other communications to be given under this agreement shall be considered sufficiently given if given in the manner provided in the manner provided in the fiscal agency agreement.

Eighth. In accordance with the contract of June 30, 1927, between the Republic agrees that whenever the Republic shall desire to issue additional bonds of those authorized by Law 102 of 1922, up to a total, including the issue of $25,000,000 of July 1, 1927, and $22,000,000 of the present issue, of $60,000,000 face amount or equivalent, it will enter into negotiations with the bankers for the sale of such bonds to them before entering into negotiations for the sale thereof to other parties. In case the Republic obtains any bona fide offer for any such additional bonds on equal or better terms, and expressed in writing, the Republic shall give the bankers an option on said terms for 15 days, and in case the bankers fail to accept such terms within said 15 days, the Republic shall be at liberty to dispose of the bonds elsewhere. Should the bankers purchase such additional bonds, the same shall be executed, authenticated and delivered in the same manner as in the case of the $25,000,000 of bonds of July 1, 1927. The face amount of any additional issue or issues to be made by the Republic up to said total of $60,000,000 shall be at least $5,000,000 in each such issue.

Ninth. Any deposit by the Republic with the bankers hereunder may be treated as a general deposit and divided by the bankers among themselves in such proportions as they desire, and each of the bankers shall be answerable to the Republic only for the amount of the deposit with them, plus the stipulated interest thereon.

Tenth. As soon as this agreement shall have been finally approved in accordance with the respective laws, it will be raised to the form of a notarial instrument and recorded with the necessary legal formalities at the expense of the Republic. All stamps or stamped paper and other Colombian taxes on this agreement and the fiscal agency agreement or with respect to the bonds shall be paid by the Republic.

Eleventh. The bankers renounce commencing any diplomatic claim with reference to the obligations and rights arising from this contract except in case of denial of justice and agree that there shall not exist any such denial, in conformity with article 42 of law 110 of 1912 relating to the fiscal code of the Republic, provided that they are granted the remedies and rights of action which, in conformity with the Colombian laws may be used before the judicial power.

Twelfth. This agreement shall be subject to the favorable report of the council of state, of the national board of loans, and the approval of the executive power, after favorable opinion by the council of ministers.

Thirteenth. This agreement shall inure to the benefit of and be binding upon the Republic on the one hand and Hallgarten & Co. and Kissel, Kinnicutt & Co., and their respective successors in business on the other hand.

In witness whereof, this agreement is signed in Bogota, in three counterparts of the same tenor on March 22, 1928.

ESTEBAN JARAMILLO.
PEDRO M. CARREÑO.

COUNCIL OF MINISTERS,
Bogota, March 24, 1928.

In meeting to-day, the honorable council issued a favorable decision on the foregoing contract.

GABRIEL ABADIA MENDEZ,
The Secretary.

EXECUTIVE POWER,
Bogota, March 24, 1928.

Approved.

MIGUEL ABADIA MENDEZ,
Minister of Finance and Public Credit.
ESTEBAN JARAMILLO.

[Translation of Spanish text]

Bond purchase contract of the Municipality of Medellin (Republic of Colombia) and Hallgarten & Co. and Kissel, Kinnicutt & Co., bankers, dated June 19, 1928.

No. 1799

In the district of Medellin, department of Antioquia, Republic of Colombia, on the 19th day of June, 1928, before me, Lisandro Restrepo Giraldo, third notary of the circuit of Medellin, and before the witnesses Alejandro Villegas V. and Jesûs Bernal Bravo, males, residents of said circuit, of legal age, in good standing and who are not subject to any disqualification, appeared:

Alfredo Cock A., president of the municipal council of Medellin, Julian Cock A., superintendent of the public municipal enterprises, and Luis Toro Escovar, municipal representative, in the name and on behalf of the Municipality of Medellin, duly authorized by the council of said municipality, party of the first part; and Samuel P. Savage, jr., as special attorney in fact of Hallgarten & Co. and Kissel, Kinnicutt & Co., copartnerships domiciled in the city of New York, United States of America, as bankers, parties of the second part.

All the parties appearing herein are males, residents of this district, of legal age, known to me, and they stated:

Whereas the municipality has to-day entered into a fiscal agency agreement with the parties of the second part as fiscal agents for an external loan in the authorized principal amount of $13,000,000 to be represented by an issue of bonds known as "Municipality of Medellin, Republic of Colombia, 6½ per cent external gold bonds of 1928," of which bonds $9,000,000 principal amount are to be issued immediately and the remaining $4,000,000 may be issued hereafter subject to the conditions and limitations set forth in said fiscal agency agreement, which forms an integral part of this contract, and

Whereas, the municipality represents that said fiscal agency agreement and this contract have been duly authorized by the municipal council of Madellin and approved by the governor of the department of Antioquia and the national executive power, as required by law:

Now, therefore, the parties hereto have agreed as follows:

First. The municipality agree to sell and the bankers agree, subject to the conditions hereinafter stated, to purchase $9,000,000 principal amount of bonds of the municipality to be known as "Municipality of Medellin, Republic of Colombia 6½ per cent external gold bonds of 1928" to be issued in accordance with the provisions of said fiscal agency agreement.

Second. The purchase price of said bonds is $8,021,250 corresponding to the principal amount of the bonds purchased, after the deduction of 10⅞ per cent of said amount as initial discount, to which price shall be added and paid by the bankers interest accrued on the bonds from their date, viz: June 1, 1928, to the date of delivery of temporary bonds and payment therefor as herein provided. In case the initial offering of the bonds to the public shall be at a price, exclusive of accrued interest, greater than 93⅝ per cent, the excess shall be divided equally between the municipality and the bankers.

Third. Delivery of said temporary bonds shall be effected at the office of Hallgarten & Co., New York, upon such date and at such hour within 30 days after the date of the definitive signing of this contract as the bankers may designate, against payment of the purchase price as follows:

(*a*) By depositing with the fiscal agents the sum of $2,877,000, a sum more than sufficient for the redemption on the 1st of October, 1928, of all the outstanding 25-year external 8 per cent secured gold bonds of the municipality, due October 1, 1948 (hereinafter called the "External 8 per cent Bonds");

(*b*) By depositing with the fiscal agents to the order and for account of the municipality the balance of said purchase price, which shall be at the disposal of the municipality pursuant to the provisions of this contract.

The obligation of the bankers to purchase the bonds is subject to the approval by their counsel of the legality of all proceedings in connection with the issue of the bonds.

Fourth. The municipality agrees to call for redemption on October 1, 1928, the whole of its external 8 per cent bonds outstanding, and the municipality agrees to effect such redemption in accordance with the provisions of the instrument of mortgage and pledge dated October 26, 1923, between the municipality and the Equitable Trust Co. of New York as trustee securing said external 8 per cent bonds. The municipality further agrees to comply in all respects with the provisions of said instrument applicable to such redemption so that said issue of bonds shall be wholly paid and redeemed on the 1st day of October, 1928. In order to effect such redemption, the fiscal agents, on behalf of the municipality, shall deposit with the Equitable Trust Co. of New York, as trustee named in said instrument, dated October 26, 1923, the entire sum received by them pursuant to the provisions of paragraph (*a*) of article 3 hereof, but shall not be required to make such deposit until the time prescribed therefor by said instrument, namely, 30 days prior to October 1, 1928, the date fixed for such redemption, and such payment shall be made only in case notice of the redemption of said external 8 per cent bonds shall have been duly given in accordance with the provisions of said instrument dated October 26, 1923. Until depositing said sum with the Equitable Trust Co. of New York, the fiscal agents shall allow interest thereon at the rate of 1 per cent per annum below the rediscount rate of the Federal reserve bank of New York from time to time current. The municipality agrees to utilize the money so deposited with the Equitable Trust Co of New York solely for the redemption on October 1, 1928, of all of the municipality's external 8 per cent bonds due October 1, 1948, and agrees thereupon to take all steps necessary to cancel said bonds and said instrument dated October 26, 1923, and all instruments supplemental thereto and the mortgages and liens thereby created to secure said 8 per cent bonds.

Fifth. The municipality may withdraw the funds constituting the portion of the purchase price of the bonds which is to be credited to the municipality pursuant to paragraph (*b*) of article 3 hereof when and as it requires the same and, at its option, shall apply the same in accordance with the purposes specified in Appendix C annexed to this contract and made a part hereof. Such funds shall be so withdrawn by means of sight drafts signed by the general superintendent of the public municipal enterprises, countersigned by the treasurer of revenues of the district and approved by the president of the council, which shall be done approximately on the dates indicated in said Appendix C and in respective amounts therein stated. The bankers shall be under no obligation or liability to the bondholders in respect to the application of such funds by or on behalf of the municipality.

Sixth. Whenever the municipality shall desire to issue the additional $4,000,000 of bonds of the authorized issue, it will enter into negotiations with the bankers for the sale of such bonds to them before entering into negotiations for the sale thereof to other parties. In case the municipality obtains any bona fide offer from responsible firms for such additional bonds, on equal or better terms and expressed in writing, the municipality shall give the bankers an option on said terms for 15 days, and in case the bankers fail to accept such terms within said 15 days, the municipality shall be at liberty to dispose of the bonds elsewhere. The municipality may in its discretion make an additional issue of $4,000,000 or two issues of $2,000,000.

Seventh. It is an indispensible condition for the effectiveness of this contract that all necessary proceedings shall have been completed and the temporary bonds shall be ready for delivery in New York within 30 days after the definitive signing of this contract. The municipality agrees that it will not issue nor guarantee any other external loan within six months after the delivery of the bonds purchased hereunder without the written consent of the bankers.

Eighth. As and when requested by the bankers, the municipality agrees to make or authorize to be made applications for listing the temporary and definitive bonds on the New York Stock Exchange, signing all papers that may be necessary for that purpose. The municipality agrees to furnish to the bankers all documents which may be deemed desirable to accompany the petitions for listing, and to take such steps as may be necessary in accordance with the requirements of said stock exchange to effect the listing of the bonds. The municipality agrees to pay to the bankers, and authorizes them to deduct from the purchase price of the bonds, the sum of $60,000 for expenses of the issue of the $9,000,000 principal amount of bonds sold as provided in this contract, including legal expenses, cost of cables, and the expenses in connection with the fiscal agency agreement and the preparation of temporary and definitive bonds and listing the bonds on the New York Stock Exchange, in accordance with the provisions contained herein and in said fiscal agency agreement. The bankers will pay any amount by which the expenses above enumerated shall exceed the sum of $60,000, but the municipality will pay any and all notarial fees, stamp taxes, and other taxes to which this contract and said fiscal agency agreement and the temporary and definitive bonds and coupons may be subject in the Republic of Colombia.

Ninth. The party appearing herein, Mr. Samuel P. Savage, jr., in the name of his principals states that he expressly submits in all things relating to this contract for the sale of bonds to the laws of the Republic of Colombia and to the jurisdiction of the judges and courts of said country and renounces the right to institute diplomatic claims in connection with the obligations and rights arising out of this contract, except in case of denial of justice, and agrees that such denial shall not exist, in conformity with article 42 of Law 110 of 1912 relating to the fiscal code of the Republic, when they shall have had available the remedies and rights of action which in conformity with Colombian laws may be employed before the judicial power. All successors in the fiscal agency will make the same declaration as that contained in this article ninth.

Tenth. Since during the time which will elapse between the signing of this contract and the delivery of temporary bonds hereunder there may occur in Colombia, in the United States of America, or elsewhere political, financial or economic events which, in the opinion of the bankers, may affect the market in such manner that they shall consider the offering of the bonds to the public impracticable or inopportune, or otherwise likely to affect adversely the excellent credit which the municipality now enjoys, the bankers reserve the right in any such case to cancel their obligation to purchase bonds hereunder by giving notice by cable to the president of the municipal council and sending a copy thereof to the Consulate General of Colombia in this city of New York.

Eleventh. This contract shall inure to the benefit of and be binding upon the firms of Hallgarten & Co. and Kissel, Kinnicutt & Co., respectively, as such firms shall from time to time be constituted, without reference to any change in membership, as well as to the successors in business of each of said firms.

Appendix C

Allocation of the $9,000,000 loan

Initial discount	$978,750
Special reserve fund	360,000
Loan expenses	60,000
First monthly service payment	60,150
Amortization of 8 per cent loan of 1923	2,877,000
	4,335,900
Amortization of internal debts	1,700,000
Sewers and paving	400,000
Hydroelectric plant	2,000,000
Tramways	300,000
Other developments of public municipal enterprises	264,100
Total	9,000,000

Note.—This allocation is understood to be approximate.

Medellin, *May 29, 1928.*

S. P. Savage, Jr., Esq.,
City.

We hereby advise you that for the purpose of attending to the payment of the public debt, for the large hydroelectric plant, for water works and paving, and for the other improvements to the public municipal enterprises referred to in Appendix C of the bond-purchase contract, the municipality will draw amounts up to $300,000 per month.

The amounts specified in said Appendix C for (*a*) initial discount, (*b*) special reserve fund, (*c*) expenses of the loan, (*d*) first monthly payment, and (*e*) to amortize the 8 per cent loan of 1923, will be drawn in favor of the bankers themselves as soon as the contract has been executed and the temporary bonds delivered.

Very truly yours,

Public Municipal Enterprises,
Julian Cock,
Superintendent General.
Felipe Hoyos,
Administrator General.
Office of the Mayor of Medellin,
Antonio Villa,
Secretary of Public Works.
Fernando Gomez Martinez,
Secretary of Municipal Finance.

The pertinent part of the resolution approving the making of this contract reads as follows: Resolution No. 59 of 1928 (May 31). The Council of Medellin resolves:

Article 1. The draft of contract which has just been copied is hereby approved and should be submitted to the National Government for its approval.

Art. 2. The president of the council, the city attorney and the superintendent of the public municipal enterprises are hereby authorized to execute the public instrument by which this draft of contract shall be given effect.

Art. 3. This resolution shall be in force from the date of its approval.

Given in Medellin May 29, 1928.

Alfredo Cock A.,
President.
José María Betancur B.,
Secretary.

P. S. The above resolution was read at two different sessions and was approved in each one of them.

José M. Betancur B.,
Secretary.

Received May 31, 1928, and sent to proper channels.

Fernando Gomez Martinez.

REPUBLIC OF COLOMBIA, DEPARTMENT OF ANTIOQUIA, MAYOR'S OFFICE,
Medellin, May 31, 1928.

Be it published and carried out.

NICOLAS VELEZ, B., *Mayor.*
FERNANDO GOMEZ MARTINEZ,
Secretary of Finance.

On the same date it was published by proclamation at a place of public assembly.

R. RESTREPO M.

Received at the governor's office on June 2, 1928, and sent to proper chanels.

PEDRO P. PIMIENTA G.,
Chief of the First Section.

GOVERNMENT OF ANTIOQUIA,
OFFICE OF THE SECRETARY OF INTERNAL AFFAIRS, FIRST SECTION,
Medellin, June 5, 1928.

Approved: File one copy and return the other.

PEDRO J. BERRIO,
FRANCISCO DE P. PEREZ,
Secretary of Internal Affairs.

And the parties appearing herein stated:

That the first three acting on behalf of the municipality of Medellin and in the capacities stated, and Mr. Savage on behalf of Hallgarten & Co. and of Kissel, Kinnicutt & Co. of New York, as already stated, by this instrument perfect the contract contained in the draft which has been copied above.

S. P. Savage acts under powers of attorney executed in New York according to the cablegram copied below:

No. 318/21, cablegram. New York 70 323 1,615. Bogota on the 21st.

PRESIDENT MUNICIPAL COUNCIL, *Medellin.*

I beg to inform you that to-day I legalized the following power of attorney:

In the city, county, and State of New York, United States of America, on the 21st day of May, 1928, before me, Joseph Degen, a notary public of said county, and in the presence of the witnesses, residents hereof, of age, qualified to act as such and known to me, Messrs. Clark Armour, and Phillip M. Hayes, there appeared, in the name of the firm of Hallgarten & Co., a banking partnership of this city, its partner Mr. George Merzbach, and in the name of the firm of Kissel, Kinnicutt & Co., a banking partnership of this city, its partner Mr. Samuel L. Fuller. Both are of legal age, bankers, and residents of this city.

They proved to me their authority to act herein by exhibiting to me the respective original of the partnership agreement in force of each of said partnerships from which it appears that the parties appearing herein are, respectively, members of the partnerships in whose name they appear and are empowered to execute documents in the name of said partnerships.

Mr. Merzbach on behalf of Hallgarten & Co. and Mr. Fuller on behalf of Kissel, Kinnicutt & Co. stated that they grant to Mr. Samuel P. Savage, jr., of legal age, married, a resident of Medellin, Republic of Colombia, a special power of attorney in order that he may execute on behalf of Hallgarten & Co. and of Kissel, Kinnicutt & Co., in the city of Medellin, the definite contracts relating to the issue and purchase of bonds of the municipality of Medellin, said contracts to conform to the forms and changes cabled by said firms to the attorney in fact.

In witness whereof and after reading this power of attorney to them the parties hereto ratified its contents and signed with the witnesses above mentioned.

HALLGARTEN & CO.,
By GEORGE MERZBACH,
KISSEL, KINNICUTT & CO.,
By SAMUEL L. FULLER.

Witnesses:
CLARK ARMOUR.
P. A. HAYES.

Before me,

JOSEPH DEGEN, *Notary Public.*
ANDRES GOMEZ H.,
Consul General of Colombia in New York.

The above cablegram, as well as the document which confirms the same, have been protocolized on this date attached to the public instrument preceding this.

The receipt concerning the registry fee, which is added to the protocol at the end of this public instrument, reads as follows:

Administration of Departmental Revenues. No. 1799. Medellin, June 19, 1928. In accordance with art. 14 of Law No. 56 of 1904, no registry fees are charged on a contract by which the municipality of Medellin sells certain bonds of a loan to Hallgarten & Co. and Kissel, Kinnicutt & Co.

GABRIEL BOTERO H., *Manager*.

The parties executing this instrument were advised of their duty to have it registered and they sign it, with the witnesses above mentioned, before me.

The parties hereto delivered to me the draft for the preparation of this instrument.

ALFREDO COCK A.,
JULIAN COCK A.,
LUIS TORO ESCOVAR,
SAMUEL P. SAVAGE, Jr.,
ALEJANDRO VILLEGAS V.,
JESUS BERNAL BVO.,
LISANDRO RESTREPO GIRALDO,
Third Notary.

The above is a first copy. It consists of six sheets of stamped paper and is issued for the bankers.

MEDELLIN, *June 20, 1928*.

LISANDRO RESTREPO GIRALDO,
Third Notary.

The power of attorney under which Mr. Savage acts reads as follows:

In the city, county, and State of New York, United States of America, on the 21st day of May, 1928, before me, Joseph Degen, a notary public of said county, and in the presence of the witnesses, residents hereof, of age, qualified to act as such and known to me, Messrs. Clark Armour and Phillip M. Hayes. There appeared in the name of the firm of Hallgarten & Co., a banking partnership of this city, its partner Mr. George Merzbach, and in the name of the firm of Kissel, Kinnicutt & Co., a banking partnership of this city, its partner Mr. Samuel L. Fuller. Both are of legal age, bankers, and residents of this city.

They proved to me their authority to act herein by exhibiting to me the respective original of the partnership agreement in force of each of said partnerships from which it appears that the parties appearing herein are, respectively, members of the partnerships in whose name they appear and are empowered to execute documents in the name of said partnerships.

Mr. Merzbach on behalf of Hallgarten & Co., and Mr. Fuller on behalf of Kissel Kinnicutt & Co., stated that they grant to Mr. Samuel P. Savage jr., of legal age, married, a resident of Medellin, Republic of Colombia, a special power of attorney in order that he may execute on behalf of Hallgarten & Co., and of Kissel, Kinnicutt & Co., in the city of Medellin, the definite contracts relating to the issue and purchase of bonds of the municipality of Medellin, said contracts to conform to the forms and changes cabled by said firms to the attorney in fact.

In witness whereof and after reading this power of attorney to them the parties hereto ratified its contents and signed with the witnesses above mentioned.

HALLGARTEN & CO.,
By GEORGE MERZBACH,
KISSEL, KINNICUTT & CO.,
By SAMUEL L. FULLER.

Witnesses:
CLARK ARMOUR.
PHILLIP A. HAYES.

Before me,
JOSEPH DEGEN, *Notary Public*.
NEW YORK COUNTY, *May 21, 1928*.

Seal reading: "Joseph Degen, notary public, Kings County; county clerk's No. 3, register's No. 104; certificate filed in New York County, county clerk's

No. 6, register's No. 019; certificate filed in Genesee County; commission expires March 30, 1930."

There is a certificate reading as follows:

"No. 34809, series B. I, William T. Collins, clerk of the county of New York, and also clerk of the supreme court for the said county, the same being a court of record, having a seal, do hereby certify, that, Joseph Degen is a notary public in and for said county, appointed pursuant to the laws of this State; that his term of office commenced on the 31st day of March 1926 and expires on the 30th day of March 1930; and that full faith and credence should be given to all his official acts. I further certify that the signature of said notary public is on file in this office and I verily believe that the signature attached hereto is genuine.

"In testimony whereof I have hereunto set my hand and affixed the seal of the said court and county this 21st day of May, 1928.

"WILLIAM T. COLLINS."

CONSULATE GENERAL OF COLOMBIA, *New York.*

The undersigned consul general of Colombia certifies:

That William T. Collins, who executed the foregoing instrument, was on the date therein set forth, in the lawful discharge of the office of registrar of the county and that the signature and seal appearing on said documents, purporting to be his, are those which he customarily uses in his official acts.

ANDRES GOMEZ H.,
Consul General.

NEW YORK, *May 21, 1928.*

[No. 1144]

DEPARTMENT OF FOREIGN AFFAIRS,
Bogota, June 13, 1928.

The signature of Mr. Andres Gomez H., who acted as consul general of Colombia in New York on May 21, 1928, is hereby legalized.

VICTOR M. LONDOÑO, *Secretary.*

Seal reading: Republic of Colombia, Department of Foreign Affairs. No. 309 for $.20.

MEDELLIN, *June 19, 1928.*

Mr. Jesus Bernal Bravo has paid $20 gold for fees on a special power of attorney executed in the city, county, and State of New York on May 29 last by Hallgarten & Co. and Kissel Kinnicutt & Co. in favor of Samuel P. Savege,, jr.

GABRIEL BOTERO H., *Manager.*

(There is a seal reading: Republic of Colombia. Department of Antioquia, Administration of Revenues, Medellin.)

OFFICE OF REGISTRY OF THE CIRCUIT,
Medellin, June 19, 1928.

Recorded in the book of powers of attorney. Page 271, No. 346. Fees 40 cents.

ANTONIO GOMEZ C.

The above is a first copy of the original documents attached to the protocol. Date first above written.

LISANDRO RESTREPO GIRALDO,
Third Notary.

Fees: Copy $350.
Law 52 of 1920.—L. R. G.

OFFICE OF THE REGISTRY OF THE CIRCUIT,
Medellin, June 22, 1298.

Recorded in volume 2, duplicate pages 227 to 231, No. 110. Fees: $0.40.

ANTONIO GOMEZ C.

FISCAL AGENCY AGREEMENT OF THE REPÚBLICA ORIENTAL DEL URUGUAY (REPUBLIC OF URUGUAY) AND HALLGARTEN & CO. AND HALSEY, STUART & CO. (INC.), APRIL 19, 1926—$30,000,000 6 PER CENT EXTERNAL SINKING FUND GOLD BONDS DATED MAY 1, 1926, AND DUE MAY 1, 1960

[Translation]

FISCAL AGENCY AGREEMENT

The national council of administration of the República Oriental del Uruguay, represented in this act by its President, Dr. Don Luís Alberto de Herrera, by the Secretary of State for the Department of the Treasury, Don Ricardo Cosio, and by the Secretary of the National Council of Administration Don Manuel V. Rodriguez, in the name of and on behalf of the República Oriental del Uruguay, duly authorized by law enacted by the legislative power, promulgated the 18th of April, 1926, of the one part, hereinafter called "the Republic," and Hallgarten & Co. and Halsey, Stuart & Co., (Inc.), the first being a copartnership domiciled in New York, United States of America, and the second, a corporation organized in accordance with the laws of the State of Illinois, United States of America, represented respectively by Don Camilo Carrizosa, according to power of attorney dated the 1st of April, 1926, executed in New York, United States of America, and by Don Alberta Beltrán Hardoy according to power of attorney executed in New York, United States of America, which powers have been deposited in the consulate of the Republic in New York, and communicated by cables sent by the consul general of the Republic in said city to the minister of foreign affairs at Montevideo, on the 2d and 17th of April, 1926 respectively, of the other part, hereinafter called "the bankers."

Whereas, the Republic has by agreement of even date herewith, hereinafter called the "loan agreement," contracted to issue and sell $30,000,000 in principal amount of its 34-year 6 per cent external sinking fund gold bonds," hereinafter called the "bonds," dated May 1, 1926, due May 1, 1960, payable in gold coin of the United States of America;

Whereas the bonds are initially to be in the form of one or more temporary bonds, without coupons, for $30,000,000 aggregate principal amount and the Republic has obligated itself to issue and deliver in exchange for said temporary bond or bonds, definite engraved coupon bonds payable to bearer, registerable as to principal, of an equal aggregate principal amount in denominations of $1,000 and $500;

Whereas it has been provided in the loan agreement and is to be provided in the bonds that said Hallgarten & Co. and Halsey, Stuart & Co. (Inc.) are to be the fiscal agents for the bonds;

Whereas the Republic has appointed said Hallgarten & Co. and Halsey, Stuart & Co. (Inc.), and their future successors, as such fiscal agents, and this agreement has been in all respects authorized and approved by the Republic and by the fiscal agents;

In consideration of the premises, the parties hereto do agree as follows:

First. The Republic hereby appoints Hallgarten & Co. and Halsey, Stuart & Co. (Inc.), and their respective successors, as the fiscal agents of the Republic for all purposes relating to the bonds and the service of the loan evidenced thereby, said agency to continue while any of the bonds are outstanding unless sooner terminated as hereinafter provided.

Second. Said Hallgarten & Co. and Halsey, Stuart & Co. (Inc.), hereinafter collectively referred to as the fiscal agents, hereby accept said appointment.

Third. For the service of the bonds, the Republic shall semiannually pay to the fiscal agents at the principal office of Hallgarten & Co. in the borough of Manhattan, city of New York, the sum of $1,050,000 in gold coin of the United States of America of or equal to the standard of weight and fineness existing May 1, 1926, or the equivalent thereof in New York funds. Of such sum the amount equal to interest next due in respect of outstanding bonds (that is, excluding bonds held in the sinking fund) shall be paid as aforesaid not less than 10 days prior to each interest date; the first payment of that amount shall be made not later than October 20, 1926. The balance, or that is to say, the part corresponding to the sinking fund and interest on bonds held in the sinking fund shall be paid to the fiscal agents, at least 30 days prior to each interest date; the first payment of that amount shall be made not later than October 1, 1926. It is understood, however, that for the sinking fund the Republic may deliver to the fiscal agents, at least 30 days prior to each interest date, bonds, with all unmatured coupons attached, which shall have been purchased by or for account of the Republic at not exceeding par and accrued interest[1] and, in such case, such bonds shall be accepted in lieu of cash in an amount equal to the purchase price of such bonds (less accrued interest) plus the amount of the next due coupon.

In case the bonds tendered by the Republic for the sinking fund shall have been purchased otherwise than through the fiscal agents, the Republic shall simultaneously deliver to the fiscal agents a certificate duly executed on behalf of the Republic stating the price at which the bonds shall have been purchased, which price to render the bonds eligible in lieu of cash, shall not exceed par and accrued interest,[1] as provided in the loan agreement and as heretofore in this article set forth.

Fourth. The fiscal agents shall receive and hold all cash payments made to them, as aforesaid, until required by the loan agreement to apply the same to the respective purposes for which such payments were made. In the event that cash sinking-fund payments shall be in an amount such that it shall be impracticable exactly to exhaust such money by call of bonds, the fiscal agents shall call such principal amount of bonds as shall exhaust, as nearly as may be, the cash sinking-fund m 's available for the purpose and any balance shall be carried forward and added to the next sinking-fund payment.

Fifth. Against surrender of the appropriate coupons, the fiscal agents shall make payment on behalf of the Republic at one or another of their respective offices in the borough of Manhattan, city of New York, out of any funds deposited with them for the service of the loan, of the interest on the bonds, and, after interest on outstanding bonds has been provided for, shall, against surrender of the bonds with all unmatured coupons attached, similarly make payment of the sinking fund acquisition price of bonds called for the sinking fund. The fiscal agents shall cancel the coupons so paid; and shall mark all bonds acquired for the sinking fund "Held for the sinking fund and not transferable." The consul or person in charge of the consulate of the Republic in New York may be present, as representative of the Republic, at the cancellation of the coupons and marking of the bonds. Nothing in this agreement contained shall be construed to impose any obligation on the fiscal agents to purchase any bonds or to make any payments of principal or interest or otherwise with respect to the bonds or the coupons appertaining thereto, except out of funds previously deposited by the Republic with the fiscal agents for such purpose.

Sixth. As soon as the definitive bonds have been engraved and issued the Republic shall furnish to the fiscal agents specimen copies of the $500 and $1,000 denominations of said bonds with the appurtenant coupons attached and also certified specimen signatures of the persons who shall sign said bonds on behalf of the Republic.

Seventh. The Republic hereby authorizes the fiscal agents, or either of them, to authenticate by certification thereof all bonds which may be executed by the Republic and delivered to the fiscal agents for such purpose, and to deliver the bonds so authenticated to or upon the order of the Republic. The Republic further authorizes the fiscal agents, in their discretion, to appoint any financial institution of good standing in the city of New York, satisfactory to the fiscal agents, so to authenticate the bonds, in lieu of the fiscal agents. As provided in the loan agreement the Republic hereby authorizes the fiscal agents to designate a registrar for the bonds and a place in the city of New York at which they may be registered, as to principal only; and likewise authorizes the fiscal agents to exercise such powers and duties with respect to lost, mutilated, destroyed, or stolen bonds as are contemplated by the loan agreement. The fiscal agents are also authorized to appoint as subfiscal agent, the Amsterdamsche Bank of Amsterdam, the Netherlands, and to cause the name of said Amsterdamsche Bank to appear in the bonds and coupons to which this contract and the definitive loan contract refer, it being understood that the Republic shall deal solely with the principal fiscal agents in New York, Hallgarten & Co., and Halsey, Stuart & Co. (Inc.), that payment of the service of the bonds shall be made solely in dollars, and that the necessary funds for such service shall be forwarded to the subagent by said principal fiscal agents in New York.[2]

Eighth. The fiscal agents may represent the holders of the bonds in all matters—without being required to present or have in their possession any of the bonds or the coupons thereto appertaining, but this right shall not be deemed to impose any trust or duty upon the fiscal agents, or either of them.

---

[1] By letters dated May 5, 1926 (see p. 10), the parties have confirmed that, as stated in the bonds and loan agreement, bonds which may be tendered by the Republic for the sinking fund, must have been purchased at less than par and accrued interest.

[2] See page 8 for addition to article 7.

Ninth. As compensation for their services hereunder the fiscal agents shall receive:

(*a*) For services in payment of the interest on the bonds (other than bonds held in the sinking fund) one-eighth of 1 per cent of the amount of interest; and

(*b*) For services in operating the sinking fund and/or paying the principal amount of bonds one-fourth of 1 per cent of the principal amounts of bonds from time to time tendered to or acquired for the sinking fund, or paid. Such compensation shall be paid to the fiscal agents at the time when the funds and/or bonds to be used for any of the aforesaid purposes are to be paid to or delivered to the fiscal agents, and such payments or deliveries shall in each instance be increased by or accompanied by an amount sufficient to pay such compensation. The Republic shall be under no responsibility with reference to the apportionment of compensation as between the fiscal agents, and payments due to the fiscal agents collectively shall be deemed discharged if made to either of the fiscal agents. The fiscal agents shall be entitled to receive the usual brokerage commission on all bonds purchased by them (other than by operation of the sinking fund) for account of the Republic.

Tenth. The fiscal agents shall keep proper accounts of all sums received or expended by them in connection with their agency and will furnish to the Republic details of these accounts, together with copies of the vouchers for all expenditures, at half-yearly intervals and at such other times as the Republic may reasonably request. A detailed account so presented by the fiscal agents shall be considered as accepted by the Republic unless special objection thereto be made by the Republic in writing and received by the fiscal agents within 90 days of the mailing of the accounts in question.

Eleventh. Upon receipt of each semiannual statement rendered as aforesaid the Republic will promptly reimburse to the fiscal agents all sums expended by them in good faith in the execution of any services or duty arising out of this agreement or the loan agreement or in connection with the bonds or the service thereof.

Twelfth. In the exercise of any of their functions hereunder the fiscal agents may employ, appoint, and act through such agents or attorneys as they may think fit and may obtain and rely on the advice of counsel.

Thirteenth. Each of the fiscal agents shall be answerable to the Republic or to the bondholders severally only and only for its own failure to exercise good faith and reasonable care.

Fourteenth. As more fully provided in the loan agreement, in all cases where notice is to be given to the bondholders with respect to the acquisition of bonds or otherwise the fiscal agents shall arrange for the publication of such notice in a daily newspaper of general circulation published in the English language in the borough of Manhattan, city of New York, to be selected by the fiscal agents; and also shall arrange for the mailing of like notice, if any; it being understood that all expenses will be repaid to them by the Republic. Whenever a part of the outstanding bonds are to be acquired for the sinking fund, the numbers of the bonds so to be acquired shall be determined by the fiscal agents by lot.

Fifteenth. The fiscal agents may act in reliance upon any instructions or advices believed by them to be genuine and authorized, received by cable or otherwise purporting to come from the Republic or from any official thereof, and shall be relieved from all responsibility for any acts performed by them in reliance upon any cabled instructions or advices or other communications under due observance of usual precautions.

Sixteenth. The fiscal agents, or either of them, may at any time withdraw or resign from their agency on giving notice to the Republic of such intention on their part, specifying the date on which it is desired such resignation shall become effective, provided that such notice shall be never less than two months unless the Republic agrees to accept less notice. Upon the resignation or failure to act of any fiscal agent hereunder, a successor may be appointed by the Republic provided that any such successor shall be a responsible financial firm or institution having an established place of business in the borough of Manhattan, city of New York, and shall be approved by the remaining fiscal agent, if any. In default of such appointment the remaining fiscal agent, if any, may act as sole fiscal agent, and may exercise all rights and duties of the fiscal agents in connection with the bonds and the service of the loan.

Seventeenth. The Republic will at all times indemnify and hold harmless the fiscal agents and each of them from and against all claims, demands, actions, suits or proceedings whatsoever which may be made, instituted or prosecuted by or on behalf of any holder of any of the bonds or coupons, whether in respect of any moneys at any time in the hands of the fiscal agents or in any wise involving the fiscal agents; subject only to the responsibilities of the fiscal agents, as expressed in article 13 hereof.

Eighteenth. All notices, statements of accounts and other communications of whatever nature to be given or served under the terms of this agreement by the fiscal agents to or upon the Republic shall be sufficiently given or served if sent by registered mail or by cablegram addressed to the minister of finance of the Republic, Montevido, Uruguay.

Nineteenth. This agreement shall run to and bind the Republic, and Hallgarten & Co. and Halsey, Stuart & Co., (Inc.), as now or at any time hereafter constituted and their respective successors in business as fiscal agents of the bonds above mentioned.

In witness whereof, there are signed by the persons first above mentioned, two counterparts of like tenor in the city of Montevideo on the 19th day of April, 1926.

At this point there is added the following as an addition to article 7, omitted in the transcription thereof:

Addition to article 7. The fiscal agents are also authorized to send the appropriate funds to the office of any of them in Chicago for the payment of bonds and coupons at that place.

LUIS DE HERRERA,
RICARDO COSIO,
MANUEL V. RODRIGUEZ,
Secretary.
C. CARRIZOSA,
ALBERTO B. HARDOY.

Enrique Pittaluga, notary of the government, certifies: That the signatures which appear at the end of the foregoing document have been placed thereon in my presence by the President of the National Council of Administration, Dr. Don Luís Alberto de Herrera, by the Secretary of State for the Department of the Treasury, Don Ricardo Cosio, by the Secretary of said Council, Don Manuel V. Rodriguez, by the representative of the firm, Hallgarten & Co., Don Camilio Carrizosa, and by Don Alberto Beltrán Hardoy in the name of and on behalf of the corporation, Halsey, Stuart & Co., (Inc.), all being persons known to me, to which I certify.

And by virtue of the provisions of the superior decree of yesterday, I make this certificate which I seal, stamp and sign in Montevideo on the 19th of April, 1926.

[SEAL.]

ENRIQUE PITTALUGA,
Notary of the Government.

(Notarial office of the Government and the treasury.)
[SEAL.]
(Legation of Uruguay, Washington, D. C.)
Authentic.

J. VARELA,
Minister of Uruguay.

No. 10984

UNITED STATES OF AMERICA,
DEPARTMENT OF STATE.

To all whom these presents shall come, greeting:

I certify that J. Varela, whose name is subscribed to the paper hereto annexed, is duly accredited to this Government as Envoy Extraordinary and Minister Plenipotentiary of Uruguay.[1]

In testimony whereof I, Frank B. Kellogg, Secretary of State, have hereunto caused the seal of the Department of State to be affixed and my name subscribed by the chief clerk of the said department, in the District of Columbia, this 14th day of June, 1926.

[SEAL.]

FRANK B. KELLOGG,
Secretary of State.
By E. J. AYERS,
Chief Clerk.

Department of State United States of America.

---

[1] For the contents of the annexed document the department assumes no responsibility.

MONTEVIDEO, *May 5, 1926.*

Messrs. Camilo Carrizosa, attorney in fact of Hallgarten & Co., and Alberto B. Hardoy, attorney in fact of Halsey, Stuart & Co. (Inc.).

An apparent discrepancy with respect to the price at which the Republic may acquire bonds for the sinking fund exists between the provisions of article 3 of the fiscal agency agreement signed in this city on April 19, 1926, and those of article 2 of the law of April 18, 1926, and article 1 of the loan agreement made April 19, 1926, between the Republic of Uruguay and Hallgarten & Co., in that the fiscal agency agreement states that the bonds acquired by the Republic for the sinking fund must be acquired at prices not exceeding par and accrued interest, while the law and loan agreement state that such bonds must be purchased at less than par.

In order to avoid any doubt on this point, as signatories of the fiscal agency agreement made April 19, 1926, between the Republic and those whom you represent, we hereby state and ask you to confirm that article 3 of said agreement in referring to the bonds which the Republic may acquire for the sinking fund, is to be understood in the sense that such bonds acquired by the Republic must be purchased at less than par and accrued interest.

We are, yours very truly,

LUIS A. DE HERRERA,
RICARDO COSIO,
MANUEL V. RODRIGUEZ,
Secretary.

HALLGARTEN & CO.,
By C. CARRIZOSA,
Attorney-in-fact.

HALSEY, STUART & CO. (INC.),
By ALBERTO B. HARDOY,
Attorney-in-fact.

REPUBLIC OF URUGUAY,
DEPARTMENT OF THE TREASURY.

The undersigned, assistant secretary of state for the department of the treasury, certifies: That the preceding signatures reading C. Carrizosa and Alberto B. Hardoy, are authentic.

In witness whereof, I seal and sign this instrument in Montevideo on the 10th day of May, 1926.

D. BLANCO ACEVEDO,
Assistant Secretary.

The undersigned, director of sections of the ministry of foreign affairs, certifies that the preceding signatures which read Luis A. de Herrera, President of the National Council of Administration, Ricardo Cosio, Secretary of State for the Department of the Treasury, Manuel V. Rodriquez, Secretary of the National Council of Administration, and D. Blanco Acevedo, assistant secretary of state for the department of the treasury, are authentic; in witness whereof the undersigned seals and signs this instrument in Montevideo on the 10th day of May, 1926.

[SEAL.]

FERMIN CARLOS DE YEREGUI,
Director of Sections.

REPUBLIC OF URUGUAY, DEPARTMENT OF MONTEVIDEO,
Consulate of the United States of America, ss:

I, O. Gaylord Marsh, consul of the United States of America at Montevideo, Uruguay, duly commissioned and qualified, do hereby certify that Fermin Carlos de Yeregui, whose signature and seal are affixed to the attached document, was at the time of signing the same director of sections of the ministry for foreign affairs at Montevideo, Uruguay, duly appointed and qualified, and that the aforesaid signature and seal are authentic and as such entitled to full faith and credit.

Witness my hand and official seal affixed at Montevideo, Uruguag, this 11th day of May, 1926.

O. GAYLORD MARSH,
Consul of the United States of America.

[SEAL.]

American consulate, Montevideo, Uruguay, Fee No. 38, service No. 672; fee $2 United States currency equal to $2 Uruguayan currency.

MONTEVIDEO, *May 5, 1926.*

Dr. Don Luis Alberto de Herrera, president of the national council of administration; Mr. Ricardo Cosio, secretary of the treasury of the Republic of Uruguay; Mr. Manuel V. Rodriguez, secretary of the national council of administration; Mr. Camilo Carrizosa, attorney in fact of Hallgarten & Co.; Mr. Alberto B. Hardoy, attorney in fact of Halsey, Stuart & Co. (Inc.)

We hereby acknowledge receipt, and express to you our conformity with the contents of, your esteemed letter of this date which states:

"An apparent discrepancy with respect to the price at which the Republic may acquire bonds for the sinking fund exists between the provisions of article 3 of the fiscal agency agreement signed in this city on April 19, 1926, and those of article 2 of the law of April 18, 1926, and article 1 of the loan agreement made April 19, 1926, between the Republic of Uruguay and Hallgarten and Co., in that the fiscal agency agreement states that the bonds acquired by the Republic for the sinking fund must be acquired at prices not exceeding par and accrued interest, while the law and loan agreement state that such bonds must be purchased at less than par.

"In order to avoid any doubt on this point, as signatories of the fiscal agency agreement made April 19, 1926, between the Republic and those whom you represent, we hereby state and ask you to confirm that article 3 of said agreement in referring to the bonds which the Republic may acquire for the sinking fund is to be understood in the sense that such bonds acquired by the Republic must be purchased at less than par and accrued interest.

We are, yours very truly,

HALSEY, STUART & CO. (INC.)
By ALBERTO B. HARDOY,
Attorney in fact.
HALLGARTEN & CO.
By C. CARRIZOSA,
Attorney in fact.

FISCAL AGENCY AGREEMENT OF THE REPUBLIC OF URUGUAY (REPÚBLICA ORIENTAL DEL URUGUAY) AND HALLGARTEN & CO. AND HALSEY, STUART & CO. (INC.), AS FISCAL AGENTS, MAY 7, 1930—$17,581,000 6 PER CENT EXTERNAL SINKING FUND GOLD BONDS, PUBLIC WORKS LOAN DATED MAY 1, 1930, DUE MAY 1, 1946

REPUBLIC OF URUGUAY,
CITY OF MONTEVIDEO,
Consulate of the United States of America, ss:

I, Prescott Childs, vice consul of the United States of America at the port of Montevideo, Republic of Uruguay, duly commissioned and qualified, do hereby certify that Daniel Allende, whose true signature and official seal are, respectively, subscribed and affixed to the foregoing certificate, was, on the 7th day of May 1930, the day of the date thereof, acting director of sections of the ministry of foreign affairs, duly commissioned and qualified to whose official acts faith and credit are due.

In witness whereof I have hereunto set my hand and the seal of the consulate at Montevideo, this 7th day of May, 1930.

PRESCOTT CHILDS,
Vice Consul of the United States of America.

Service No. 415, fee No. 38; fee $2 United States currency equal to $2.16 Uruguayan currency.

American Consulate, American consular service $2 fee stamp, Montevideo, Uruguay.

[Translation]

FISCAL AGENCY AGREEMENT

The National Council of Administration of the Republic of Uruguay, represented in this act by its President, Dr. Baltasar Brum, by the Secretary of State for the Department of the Treasury, Dr. Javier Mendivil, and by the Secretary of the National Council of Administration, Don Manual V. Rodriguez, in the name of and on behalf of the Republic of Uruguay, duly authorized by laws enacted by the Legislative Power, promulgated the 19th of October, 1928, and the 25th of April, 1930, of one part, hereinafter called the Republic, and

Hallgarten & Co. and Halsey, Stuart & Co., Inc., the first being a co-partnership domiciled in New York, United States of America, and the second, a corporation organized in accordance with the laws of the State of Illinois, United States of America, represented respectively by Dr. Blas Vidal and by Don Alberto Beltran Hardoy, according to powers of attorney, dated April 7, 1930, executed in New York, United States of America, of the other part, hereinafter called the fiscal agents.

Whereas the Republic desires to provide for an issue of $17,581,000 of external bonds under the law of October 19, 1928, authorizing the issue of public debt for highways and waterways under the law of April 25, 1930, further regulating the issue of such public debt; and Hallgarten & Co. and Halsey, Stuart & Co. (Inc.) are willing to act as fiscal agents for such issue of bonds;

In consideration of the premises, the parties hereto do agree as follows:

First. The Republic hereby appoints Hallgarten & Co. and Halsey, Steuart & Co. (Inc.) and their respective successors and parties therefor substituted, as the fiscal agents of the Republic for all purposes relating to the bonds and the service thereof, said agency to continue while any of the bonds are outstanding unless sooner terminated as hereinafter provided.

Second. Said Hallgarten & Co. and Halsey, Stuart & Co. (Inc.), hereinafter collectively referred to as the fiscal agents, hereby accept said appointment.

Third. The bonds, subject of this agreement (hereinafter called the bonds) shall be known as 6 per cent external sinking fund gold bonds, public works loan; shall be dated May 1, 1930; shall mature May 1, 1964; and shall bear interest at the rate of 6 per cent per annum, payable semiannually. The aggregate principal amount of the bonds shall be $17,581,000 United States dollars.

Fourth. The principal of (including the principal of all bonds redeemed through the sinking fund) and the interest on all bonds shall be payable in the borough of Manhattan, the city of New York, at the office of Hallgarten & Co. and in Chicago at the office of Halsey, Stuart & Co. (Inc.), or their respective successors as fiscal agents, in United States gold c in of the standard of weight and fineness existing May 1, 1930. All such payments shall be made without deduction for any present or future taxes of the Republic of Uruguay or any department, municipality, or other authority thereof, and shall be made in time of war as well as of peace irrespective of the nationality of the holder of the bonds. Principal and interest shall also be collectible in Montevideo at the bureau of public debt of the Republic.

Fifth. The permanent bonds shall be: Bearer coupon bonds, registerable as to principal only, in denomination of $1,000 and $500, and steel engraved, and otherwise in form conforming to the requirements of the New York Stock Exchange. Pending preparation of the permanent bonds, the Republic may issue a single temporary printed bond or temporary printed bonds without coupons for the entire principal amount purchased, exchangeable for permanent bonds before September 15, 1930. The bonds shall be signed by the envoy extraordinary and minister plenipotentiary of the Republic to the United States of America or by the chargé d'affaires ad interim of the Republic at Washington, D. C., or by special delegate of the Republic thereunto duly authorized and shall be impressed with the seal of the legation of the Republic at Washington, D. C. The permanent bonds shall also bear the facsimile signatures of the ministro de hacienda and of the contador general of the Republic and the coupons appertaining to the permanent bonds shall bear the facsimile signature of the ministro de hacienda of the Republic. The bonds shall be authenticated by certification of the fiscal agents or some financial institution selected by them. Such authentication shall be conclusive and the only evidence that the bond so authenticated has been duly issued under this agreement.

The bonds shall be registerable as to principal at such place in the city of New York as the fiscal agents from time to time designate; and the Republic shall cause to be kept at such place books for the registration and transfer of the bonds. After registration has been made and noted on any bond, no transfer thereof shall be valid unless made upon the registration books by the registered owner, in person or by his attorney duly authorized in writing, and similarly noted on the bond; but the same may be discharged from registration by being, in like manner, transferred to bearer, and thereby shall become transferable by delivery, and such bond may again, from time to time, be registered or transferred to bearer as before. Such registration shall not affect the coupons and every such coupon shall continue to be transferable by delivery only and shall remain payable to bearer and payment thereof to bearer shall fully discharge the Republic and the fiscal agents in respect of the interest therein mentioned, whether the bond to which it appertains be registered or not.

In case any bond and any coupons thereto appertaining shall be mutilated or destroyed or lost or stolen, the Republic in its discretion may issue and at its request there shall be authenticated a new bond of like tenor and denomination in exchange and substitution for and upon surrender and cancellation of the mutilated bond and its coupons or in lieu of or substitution for the bond and its coupons so destroyed or lost or stolen. The applicant for such substituted bond and coupons shall furnish satisfactory evidence of the destruction or loss or theft of the bond and its coupons so destroyed or lost or stolen and indemnity, satisfactory to the fiscal agents.

Sixth. The bonds shall be a direct obligation of the Republic, which pledges its full faith and credit for the punctual payment of principal, interest, and sinking fund and for the fulfillment of the terms thereof and hereof.

Seventh. If the Republic shall hereafter secure any debt now or hereafter existing, by specific lien or charge upon any of its present or future assets or revenues, the bonds shall ipso facto share in such lien or charge equally and ratably with such other debt. The provisions of this article shall not be construed as applying to any mortgage which the Republic may create upon new works of industrial or public utility, hereafter purchased or authorized by the Republic, as security for bonds or other obligations which the Republic may issue for the purchase or construction of said works, nor as applying to any local tax which may be created in order to furnish funds for the construction of new roads, railroads, or bridges.

Eighth. For the service of the bonds, the Republic shall semiannually pay to the fiscal agents at the principal office of Hallgarten & Co. or its successor as fiscal agent in the borough of Manhattan, city of New York, the sum of $615,355 in gold coin of the United States of America of or equal to the standard of weight and fineness existing May 1, 1930, or the equivlent thereof in New York funds. Of such sum the amount equal to interest next due in respect of outstanding bonds shall be paid as aforesaid not less than 10 days prior to each interest date; the balance, or that is to say, the part constituting the sinking fund, shall be paid to the fiscal agents at least 30 days prior to each interest date; it is understood, however, that for the sinking fund, the Republic may deliver to the fiscal agents, at least 30 days prior to each interest date, bonds of this issue, with all unmatured coupons attached, which shall have been purchased by or for account of the Republic at less than par and accrued interest and, in such case, such bonds shall be accepted by the fiscal agents in lieu of cash in an amount equal to the purchase price of such bonds (less accrued interest) plus the amount of the next due coupon.

In case the bonds tendered by the Republic for the sinkin fund shall have been purchased otherwise than through the fiscal agents, the Republic shall simultaneously deliver to the fiscal agents a certificate duly executed on behalf of the Republic stating the price at which the bonds shall have been purchased, which price to render the bonds eligible in lieu of cash, shall be less than par and accrued interest, as heretofore in this article set forth.

The Republic shall have the right to increase the amount of any sinking fund payment.

Ninth. The fiscal agents shall apply sinking fund moneys to the redemption of the bonds at par, exclusive of accrued interest, on the next succeeding interest date. If the Republic should desire to increase the fixed semiannual sinking fund payments, it shall notify the fiscal agents by cable at least two months, prior to each interest date, specifying the amount of cash and/or bonds acquired by the Republic, by which such fixed semiannual sinking fund payment is to be increased, and also specifying the price paid for and the principal amount of such bonds. Whenever the amounts in the sinking fund, including fixed and extraordinary sinking fund payments in cash, shall not be equivalent to the total amount of bonds outstanding, there shall be held by and under the direction of the fiscal agents a drawing by lot of the said bonds to be redeemed for the sinking fund, at which a representative of the Republic may be present. Such drawing shall be held at least 25 days before the interest payment date. After the drawing has been held, the fiscal agents shall give notice to the holders of the bonds so drawn, by publication of such notice not less than once a week for two successive weeks in a daily newspaper of general circulation published in the English language in the borough of Manhattan, city of New York, United States of America, to be selected by the fiscal agents. Such publication may be made upon any day of the week and in any such newspaper, but the first publication shall be made not less than 20 days prior to the date fixed for redemption of the bonds drawn. Such notice shall state, in case of the redemption of the total amount of bonds outstanding, that the Republic has determined to redeem them and in case the redemption is to be of less than the entire amount of bonds outstanding the notice shall also state the particular amount and numbers of the bonds to be redeemed. The notice shall further state that the bonds mentioned therein are to be paid for at the office or offices specified by the fiscal agents and that after said interest payment date such bonds shall cease to bear interest for the benefit of their respective holders. Similar notice shall be sent by the fiscal agents through the mails, postage prepaid, at least 20 days prior to the date fixed for such redemption of bonds, to the owners of all registered bonds so to be redeemed, to their respective addresses appearing on the registry books; provided, however, that such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of the proceedings for such redempion of the bonds. On the date so specified for such redemption the holder of the bond or bonds so to be redeemed shall surrender the same to the fiscal agents with all coupons maturing after such redemption date on which they are to be so redeemed, and upon such surrender the fiscal agents shall pay to the holder of said bond or bonds out of the funds available for that purpose the amount payable to him in respect of such redemption of his bonds. Interest on all bonds so called for redemption for the sinking fund shall after said redemption date cease to accrue to the holders thereof, and all coupons appertaining to such bonds for interest subsequent to said date shall be null and void.

The bonds shall not be redeemable before maturity except through the operation of the sinking fund.

Tenth. The fiscal agents shall receive and hold all cash payments made to them, as aforesaid, until required by the agreement to apply the same to the respective purposes for which such payments were made. In the event that cash sinking fund payments shall be in an amount such that it shall be impracticable exactly to exhaust such money by call of bonds, the fiscal agents shall call such principal amount of bonds as shall exhaust nearly as may be, the cash sinking fund moneys available for the purpose and any balance shall be carried forward and added to the next sinking fund payment.

Eleventh. Against surrender of the appropriate coupons, the fiscal agents shall make payment on behalf of the Republic at their respective offices in the cities of New York and Chicago as herein provided, out of any funds deposited with them for the service of the loan, of the interest on the bonds and, after interest on outstanding bonds has been provided for, shall, against surrender of the bonds with all unmatured coupons attached, similarly make payment of the sinking fund redemption price of bonds called for the sinking fund. The fiscal agents shall cancel the coupons so paid and the bonds so redeemed through the sinking fund, as well as the bonds tendered by the Republic to the fiscal agents in lieu of cash for the sinking fund; and shall, as directed by the Republic, either return such canceled coupons and bonds to the Republic or cremate the same and deliver a certificate of cremation thereof to the Republic. The consul or person in charge of the consulate of the Republic in New York may be present, as representative of the Republic, at the cancellation of the coupons and the bonds. All bonds and coupons presented to the bureau of public debt of the Republic for collection shall be immediately canceled and delivered to the ministry of finance of the Republic, which shall immediately notify the fiscal agents of the receipt of such bonds and coupons, specifying the numbers thereof. Nothing in this agreement contained shall be construed to impose any obligation on the fiscal agents to redeem any bonds or to make any payments of principal or interest or otherwise with respect to the bonds or the coupons appertaining thereto, except out of funds previously deposited by the Republic with the fiscal agents for such purpose.

Twelfth. The Republic hereby authorizes the fiscal agents, or either of them, to authenticate by certification indorsed thereon all bonds which may be executed by the Republic and delivered to the fiscal agents for such purpose, and to deliver the bonds so authenticated to or upon the order of the Republic.

The Republic further authorizes the fiscal agents, in their discretion, to appoint any financial institution of good standing in the city of New York, satisfactory to the fiscal agents, so to authenticate the bonds, in lieu of the fiscal agents. The Republic hereby authorizes the fiscal agents to designate a registrar for the bonds and a place in the city of New York at which they may be registered, as to principal only; and likewise authorizes the fiscal agents to exercise such powers and duties with respect to lost, mutilated, destroyed, or stolen bonds as are above contemplated.

Thirteenth. The fiscal agents may represent the holders of the bonds in all matters—without being required to present or have in their possession any of the bonds or the coupons thereto appertaining, but this right shall not be deemed to impose any trust or duty upon the fiscal agents or either of them.

Fourteenth. As compensation for their services hereunder the fiscal agents shall receive:

(*a*) For services in connection with the payment of the interest on the bonds, one-eighth of one per cent of the amount of interest; and

(*b*) For services in operating the sinking fund and/or with respect to the payment of the principal of the bonds, one-fourth of one per cent of the principal amounts of bonds from time to time tendered to or redeemed through the sinking fund, or paid.

Such compensation shall be paid to the fiscal agents by the Republic at the time when the funds and/or bonds to be used for any of the aforesaid purposes are to be paid to or delivered to the fiscal agents, and such payments or deliveries shall in each instance be increased by or accompanied by an amount sufficient to pay such compensation. The Republic shall be under no responsibility with reference to the apportionment of compensation as between the fiscal agents, and payments due to the fiscal agents collectively shall be deemed discharged if made to either of the fiscal agents. The fiscal agents shall be entitled to receive the usual brokerage commission on all bonds purchased by them for account of the Republic.

Fifteenth. The fiscal agents may arrange between themselves as to the proportions in which the service moneys or any other sums received from the Republic shall be held on deposit by them respectively for the account of the Republic. The fiscal agents may treat all moneys deposited with them or their representatives as general deposits, and shall allow interest on dollar funds at a rate 2 per cent below the current New York Federal Reserve Bank rate for 90 days' prime bankers' acceptances: *Provided, however*, That in any case the rate of interest on such funds shall not be less than 2 per cent per annum.

Sixteenth. The fiscal agents shall keep proper accounts of all sums received or expended by them in connection with their agency and will furnish to the Republic details of these accounts, together with copies of the vouchers for all expenditures, at half-yearly intervals and at such other times as the Republic may reasonably request. A detailed account so presented by the fiscal agents shall be considered as accepted by the Republic unless special objection thereto be made by the Republic in writing and received by the fiscal agents within 90 days of the mailing of the accounts in question.

Seventeenth. Upon receipt of each semiannual statement rendered as aforesaid the Republic will promptly reimburse to the fiscal agents all sums expended by them in good faith in the execution of any services or duty arising out of this agreement or in connection with the bonds or the service thereof.

Eighteenth. In the exercise of any of their functions hereunder the fiscal agents may employ, appoint, and act through such agents or attorneys as they may think fit and may obtain and rely on the advice of counsel, without additional expense to the Republic.

Nineteenth. Each of the fiscal agents shall be answerable to the Republic or to the bondholders severally only and only for its own failure to exercise good faith and reasonable care.

Twentieth. The fiscal agents may act in reliance upon any instructions or advices believed by them to be genuine and authorized, received by cable or otherwise and purporting to come from the Republic or from any official thereof, and shall be relieved from all responsibility for any acts performed by them in reliance upon any cabled instructions or advices or other communications under due observance of usual precautions.

92928—32—PT 2——58

Twenty-first. The fiscal agents or either of them may at any time withdraw or resign from their agency, on giving notice to the Republic of such intention on their part, specifying the date on which it is desired such resignation shall become effective, provided that such notice shall be never less than two months unless the Republic agrees to accept less notice. Upon the resignation or failure to act of any fiscal agent hereunder, a successor shall be appointed by the Republic, which, in the case of a successor to Hallgarten & Co., or its successor, shall be a responsible financial firm or institution having an established place of business in the Borough of Manhattan, the city of New York, and in the case of a successor to Halsey, Stuart & Co. (Inc.), or its successor, shall be a responsible financial firm or institution having an established place of business in the city of Chicago, provided that any such successor shall be approved by the remaining fiscal agent, if any. Pending such appointment the remaining fiscal agent, if any, may act as sole fiscal agent, and may exercise all rights and duties of the fiscal agents in connection with the bonds and the service of the loan.

Twenty-second. The Republic will at all times indemnify and hold harmless the fiscal agents and each of them from and against all claims, demands, actions, suits, or proceeding whatsoever which may be made, instituted, or prosecuted by or on behalf of any holder of any of the bonds or coupons, whether in respect of any moneys at any time in the hands of the fiscal agents or in any wise involving the fiscal agents: subject only to the responsibilities of the fiscal agents, as expressed in article nineteenth hereof.

Twenty-third. All notices, statements of accounts and other communciations of whatever nature to be given or served under the terms of this agreement by the fiscal agents to or upon the Republic shall be sufficiently given or served if sent by registered mail or by cablegram addressed to the minister of finance of the Republic in Montevideo.

Twenty-fourth. This agreement shall run to and bind the Republic, and Hallgarten & Co. and Halsey, Stuart & Co. (Inc.), as now or at any time hereafter constituted and their respective successors in business as fiscal agents of the bonds above mentioned.

In witness whereof, there are signed by the persons first above named, two counterparts of like tenor in the city of Montevideo, on the 7th day of May, 1930.

Baltasar Brum,
Javier Mendivil,
Manuel V. Rodriguez,
Blas Vidal,
Alberto B. Hardoy.

I, Luis Mattianda, notary of the Treasury Department of the Republic of Uruguay, certify: That the signatures affixed to the foregoing document were made in my presence by the following persons: by the president of the National Council of Administration, Dr. Balthasar Brum; by the Secretary of State for the Department of the Treasury, Dr. Javier Mendivil and the secretary of the above-mentioned council, Mr. Manuel V. Rodriguez, on behalf of the State; and by Dr. Blas Vidal and Don Alberto B. Hardoy, as special attorneys in fact of Hallgarten & Co. and Halsey, Stuart & Co. (Inc.), respectively, all these persons by me known, and in accordance with the provisions of the decree of yesterday, I hereby sign, stamp, and seal this certification, in Montevideo, on the 7th day of May of the year 1930.

Luis Mattianda,
Notarial Office of the Treasury Department.

Ministry of Public Instruction

The signature of the notary of the Treasury Department, Mr. Luis Mattianda, is hereby authenticated.

Montevideo, *May 7, 1930.*
J. Alberto Sosa, *Section Chief,*
(Ministry of Public Instruction),
(For the Minister.)

MINISTRY OF FOREIGN AFFAIRS OF THE REPUBLIC OF URUGUAY, SECRETARIAT

The signature of Mr. J. Alberto Sosa, section chief of the Ministry of Public Instruction, is hereby authenticated. No. 1067, Montevideo, May 7, 1930.

DANIEL ALLENDE,
(For the Director of Sections.)

REPUBLIC OF URUGUAY, CITY OF MONTEVIDEO,
Consulate of the United States of America, ss:

I, Prescott Childs, vice consul of the United States of America at the port of Montevideo, Republic of Uruguay, duly commissioned and qualified, do hereby certify that Daniel Allende, whose true signature and official seal are, respectively, subscribed and affixed to the foregoing certificate, was, on the 7th day of May, 1930, the day of the date thereof, acting director of section of the ministry of foreign affairs, duly commissioned and qualified, to whose official acts faith and credit are due.

In witness whereof I have hereunto set my hand and the seal of the consulate at Montevideo, this 7th day of May, 1930.

PRESCOTT CHILDS,
Vice Consul of the United States of America.

Service No. 415. Fee No. 38. Fee $2 USCy. equal to 2.16 Uru. Cy. (American Consulate, American Consular Service $2, fee stamp, Montevideo, Uruguay.)

FISCAL AGENCY AGREEMENT OF THE REPUBLIC OF CHILE AND KISSEL, KINNICUTT & CO. AND HALLGARTEN & CO., DATED OCTOBER 18TH, 1926

Agreement, dated October 18, 1926, made in the city of New York, United States of America, between Republic of Chile (hereinafter called the Republic) represented by its ambassador to the United States of America, Don Miguel Cruchaga Tocornal thereunto duly authorized by a decree of the President of the said Republic dated the 14th day of October, 1926, and pursuant to the authority vested in the said President, party of the first part, and Kissel, Kinnicutt & Co. and Hallgarten & Co., each a partnership having a principal office in the city of New York, United States of America (together hereinafter called the Bankers), parties of the second part.

In consideration of the mutual promises herein contained, the parties hereto agree as follows:

ARTICLE I. AUTHORIZATION AND PURPOSE OF BOND ISSUE

First. The Republic makes the following representations and agreements:

1. Under the following laws of the Republic, No. 3835, promulgated January 23, 1922, No. 3849, promuglated February 21, 1922, and No. 4087, promulgated September 16, 1926, the President of the Republic is validly authorized to cause to be issued bonds of the Republic (in addition to any such bonds heretofore issued in pursuance of said laws or any of them) of the aggregate face amount of not less than $42,500,000 in gold coin of the United States of America or its equivalent in English pounds sterling at $4.8665 per pound and upon the terms and conditions contemplated in this agreement (the bonds so contemplated being herein referred to as the bonds).

2. The President of the Republic is duly authorized to issue and sell bonds for a sum less than the face amount and interest accrued to the date of payment therefor and upon such other terms and conditions not inconsistent with said laws as he deems convenient; and he has authority to delegate to the said ambassador the execution of this and other necessary agreements in connection with the issue of the said bonds.

3. Upon the execution of this agreement on behalf of the Republic by said ambassador the same will be the valid and legally binding obligation of the Republic, without any necessity for further action or approval by any other Chilean authority, and the bonds (and the coupons thereto attached) when issued under this agreement will be valid and legally binding obligations of the Republic according to the terms of said bonds and coupons and of this agreement.

4. The proceeds of the bonds will be used by the Republic for the purposes set forth in said laws; and the fiscal agents shall be under no obligation or duty whatsoever to the bondholders in respect of the application by the Republic of the proceeds of the bonds.

ARTICLE 2. THE BONDS

Second. The bonds shall be known as Republic of Chile 6 per cent external sinking fund gold bonds; shall be dated October 1, 1926; shall mature April 1, 1960; and shall bear interest at 6 per cent per annum payable semiannually. The aggregate principal amount of said bonds shall be $42,500,000 in gold coin of the United States of America or, at the option of the holder, its equivalent in English pounds sterling at $4.8665 per pound. For the amortization of the bonds, the Republic will provide a cumulative sinking fund of 1 per cent per annum payable in semiannual installments beginning March 15, 1927, each equal to one-half of 1 per cent of said maximum total amount of the bonds plus a sum equal to six months' interest on all bonds redeemed or otherwise retired, which sinking-fund payments shall be applied to the redemption of said bonds as hereinafter provided. All bonds not previously redeemed or retired through operation of the sinking fund shall be due and payable on April 1, 1960. Bonds purchased by the Republic at prices not exceeding their face value and accrued interest may be surrendered to the sinking fund in lieu of cash as hereinafter provided. The Republic, at its option, may increase the amount of any sinking-fund payment.

Third. All payments of interest and principal including principal of bonds called for the sinking fund shall be made in gold coin of the United States of America of or equal to the standard of weight and fineness existing on October 1, 1926, or, at the option of the holder in English pounds sterling at the rate of $4.8665 per pound sterling. All payments of principal and interest shall be made at the offices of the fiscal agents in the United States of America or in the case of sterling payments at the offices in Great Britain of J. Henry Schroder & Co., subfiscal agents.

Fourth. The bonds shall constitute the direct external obligation of the Republic, and the Republic hereby pledges its full faith and credit for the due and punctual payment of principal and interest and of all amounts required for the service of the loan, in time of war as well as in time of peace, irrespective of the nationality of any holder of the bonds, and for due performance by the Republic of all its obligations set forth herein and in the bonds.

Fifth. Principal, interest, and sinking fund shall be paid by the Republic without deduction for any taxes or imposts of whatsoever nature now or hereafter levied by the Republic or any political subdivision thereof or other Chilean authority, and the Republic agrees to assume any such taxes which may be imposed upon the bonds or the owners thereof on account of such ownership.

Sixth. If after October 1, 1926, any debt, external or internal of the Republic, now or hereafter existing, shall be or become secured by specific lien or charge upon any of its present or future assets or revenues, these bonds shall share in such lien or charge equally and ratably with such other debt and the Republic will take such action as may be requisite to give effect hereto.

ARTICLE 3. FORMAL PROVISIONS CONCERNING BONDS

Seventh. The bonds shall be in denominations of $1,000 and $500 and their respective equivalents in English pounds sterling at the rate of $4.8665 per pound, in such proportions and numbered in such manner as the fiscal agents may determine.

Eighth. The bonds shall be bearer coupon bonds, registerable as to principal only, at such agency or agencies as the fiscal agents from time to time designate, at which the Republic shall maintain books for the registration and transfer of the bonds. Every bond shall be transferable by delivery, unless registered as to principal in the name of the owner upon the registration books. After such registration, no transfer shall be valid unless made on said books by the registered owner, in person or by attorney duly authorized in writing, and similarly noted on the bond; but any bond may be discharged from registration by being in like manner transferred to bearer, and thereupon shall become transferable by delivery; and such bond may again, from time to time, be registered or transferred to bearer as before. Such registration shall not affect the negotiability of the coupons, and every coupon shall continue to be transferable by delivery only, and shall remain payable to bearer, and payment thereof to bearer shall fully discharge the Republic and the fiscal agents in respect of the interest therein mentioned, whether the bonds to which such coupon appertains be registered or not. As to every bond registered as to principal, the person in whose name the same is registered shall for all purposes (except the payment of interest represented by the coupons) be deemed the owner thereof, and payment of or on account of the principal shall be made only to or upon the order of such registered holder. The Republic and the fiscal agents may treat the bearer of any bond not registered, and the bearer of any coupon for interest on any bond, whether such bond be registered or not, as the absolute owner of such bond or of such coupon for the purpose of receiving payment thereof and for all other purposes, any notice to the contrary notwithstanding.

Ninth. In case any bond or coupon shall be mutilated, destroyed, lost, or stolen, the Republic shall issue, and the fiscal agents shall cause to be authenticated and delivered, a new bond or coupon of like tenor and denomination, in exchange and substitution for and upon surrender and cancellation of such mutilated bond (with its coupons, if any), or coupon, or in lieu of and substitution for the bond (with its coupons, if any), or coupon, so destroyed, lost, or stolen. The applicant for such substituted bond or coupon shall furnish evidence of the destruction, loss, or theft of the bond (with its coupons, if any), or coupon, so destroyed, lost, or stolen, and indemnity, satisfactory in each case to the fiscal agents.

Tenth. The bonds shall be signed in the city of New York. They shall bear the facsimile signature of the Chilean Ambassador in Washington and the manual counter-signature of the Consul General of Chile in the United States of America and shall also be sealed with the seal of the Chilean Republic. The coupons shall also bear the facsimile signature of said ambassador. No bond shall be valid for any purpose unless the same shall first be authenticated by a certificate indorsed thereon by the fiscal agents, or some financial institution selected by them; and such authentication shall be conclusive evidence, and the only evidence, that the bond so authenticated has been duly issued hereunder. The fiscal agents are hereby instructed by the Republic to authenticate or cause to be authenticated $42,500,000 principal amount of bonds, and to deliver the same in accordance with instructions from the Republic.

Eleventh. The text of the bonds and coupons shall be in English and shall be in the form customary in the city of New York. In accordance with the custom of the New York Stock Exchange the bonds shall contain a provision whereby the Republic certifies and declares that all acts, conditions and things required to be done and performed and to have happened precedent to and in the creation of the loan and the issue of the bonds thereof, have been done and performed and have happened in due and strict compliance with the constitution and laws of the Republic.

Twelfth. The definitive bonds shall be engraved in New York in such form as to comply with the requirements of the New York Stock Exchange. Pending the engraving and execution of definitive bonds, the Republic shall execute and deliver to the fiscal agents for authentication temporary printed bonds, in such denominations as the fiscal agents may request, and substantially of the tenor of the bonds herein described, but without coupons or with not more than one coupon, and with such omissions, insertions and variations as the fiscal agents may approve. If the temporary bonds are issued without coupons, payment of interest shall be made only upon presentation of each temporary bond for notation of each such payment thereon. The temporary bonds may but need not bear the engraved facsimile signature above mentioned or the seal of the Republic and the coupons, if any, shall bear the facsimile signature of said Chilean Ambassador or some other duly authorized representative of the Republic. The form of the temporary and definitive bonds shall in all respects comply with the regulations of the New York Stock Exchange. Subject to such regulations as the fiscal agents may prescribe, temporary bonds shall be exchangeable, without cost to the holder, upon surrender and cancellation, for the same aggregate principal amount of definitive bonds. The Republic will cause definitive bonds to be prepared, executed and delivered to the fiscal agents as promptly as possible for the purpose of making such exchanges. The fiscal agents shall have charge, on behalf of the Republic, of all matters in regard to the preparation of the temporary and definitive bonds.

ARTICLE IV.—*Services of the loan*

Thirteenth. The amount required for the semiannual service of the loan represented by the $42,500,000 principal amount of bonds to be issued hereunder, exclusive of the sums payable by the Republic to the fiscal agents for their compensation and expenses, consists in each case of a uniform amount of $1,487,500 comprising—

(*a*) The semiannual sinking fund payment, consisting of the amount of $212,500 being one-half of 1 per cent of the total amount of the loan, plus an amount equal to six months' interest on all bonds redeemed or otherwise retired through the operation of the sinking fund prior to the next semiannual interest date; and

(*b*) The semiannual interest payment, consisting of an amount equal to six months' interest on all bonds not redeemed or otherwise retired prior to the next semiannual interest date.

Said semiannual sinking fund payment is calculated to retire the entire issue of the bonds not later than maturity.

Fourteenth. Each such aggregate fixed sum necessary for the semi-annual service of the loan shall be paid as follows:

(*a*) At least 15 days prior to each semiannual interest payment date, the Republic shall pay the semiannual sinking fund payment in gold coin of the United States of America to the fiscal agents at their offices in New York City or, if and to the extent, that the fiscal agents shall previously request, in English pounds sterling to the subfiscal agents at London. In lieu of making all or any part of any sinking fund payment in cash, the Republic may deliver to the fiscal agents for surrender to the sinking fund, any bonds, with all unmatured coupons attached, purchased by the Republic at a price not exceeding par, exclusive of accrued interest and commissions, accompanied by certificates of the Republic stating at what prices such bonds were so purchased, and such bonds shall be accepted in lieu of cash in an amount equal to the purchase price (exclusive of accrued interest and commissions) plus the amount of the coupon due on said next interest date.

(*b*) At least 10 days prior to each semiannual interest payment date the Republic shall pay the semi-annual interest payment in gold coin of the United States to the fiscal agents at their offices in New York City, or, if and to the extent that the fiscal agents shall previously request, in English pounds sterling to the subfiscal agents at London.

Fifteenth. Except as hereinafter provided, upon the receipt of each such semiannual sinking fund payment, the fiscal agents shall apply that part of the same paid in cash to the redemption of bonds on the next semiannual interest payment date; provided, however, that if such moneys shall amount to less than $5,000, such sum may be carried forward and added to the next sinking fund payment. Such redemption shall be effected in the following manner: The particular bonds to be redeemed on each occasion shall be determined by lot by drawings conducted by the fiscal agents in New York at which a representative of the Republic may be present if the Republic so requests. Drawings shall be held not later than the twelfth day immediately preceding the next semiannual interest payment date. Notice of such redemption shall be published at least twice in one or more newspapers of general circulation in New York City selected in each instance by the fiscal agents, and shall also be given and published in such manner, either in New York or elsewhere, as the fiscal agents may prescribe. The first publication shall be made at least 10 days immediately preceding the next semiannual interest payment date. Such notice shall state the numbers of the bonds to be redeemed (unless all outstanding bonds are to be redeemed), the date (which shall be the next semiannual interest payment date) and the places in New York City and London (which shall be designated by the fiscal agents) for surrender and payment. On the date and at the place so specified, the holder of each bond thus called for redemption shall surrender the same, with all coupons maturing after such date. Upon such surrender, the fiscal agents or the London subfiscal agents shall cause to be paid to the holder of each such bond, out of the funds provided for that purpose by the Republic, the principal amount of such bond. Any bond thus called for redemption and not so surrendered shall cease to bear interest after said redemption date, and all coupons for subsequent interest shall be void.

Sixteenth. All bonds tendered for or redeemed by the sinking fund, and the coupons thereto appertaining, shall be cancelled and returned to the Republic, and no bonds shall be issued in lieu thereof.

Seventeenth. The Republic, at its option, may increase the amount of any semiannual sinking fund payment. In that event it shall notify the fiscal agents at least 60 days prior to the next succeeding interest date, specifying the amount by which such semiannual sinking fund payment is to be increased; and shall pay the entire sinking fund payment as so increased at least 30 days prior to such interest date.

Whenever any semiannual sinking fund payment, whether increased or not, is made wholly or partly in cash to the fiscal agents prior to the fifteenth day preceding the next semiannual interest payment date, the Republic may instruct them to apply such cash at any time prior to the fifteenth day preceding the next semiannual interest payment date, to the purchase of bonds for the account of the Republic, at the lowest prices obtainable in the judgment of the fiscal agents, not exceeding principal amount exclusive of accrued interest. All bonds so purchased shall be surrendered and credited to the sinking fund as hereinbefore provided. Any such cash remaining unexpended in the hands of the fiscal agents on the fifteenth day preceding the next semiannual interest payment date shall be applied to the redemption of bonds for the sinking fund as above provided. The bonds shall not be redeemable except through the sinking fund.

Eighteenth. Nothing in this agreement contained shall be construed to impose any obligation on the fiscal agents or the London subfiscal agents to redeem any bonds or to make any payments of principal or interest or otherwise with respect to the bonds or the interest coupons, except out of funds previously received from the Republic for such purpose.

Nineteenth. With each semiannual sinking fund and/or interest payment, the Republic shall pay, in United States of America gold coin, to the fiscal agents in New York City a sum sufficient to pay the compensation payable to the fiscal agents with respect thereto.

ARTICLE V.—*The fiscal agents*

Twentieth. The Republic hereby appoints Kissel, Kinnicutt & Co. and Hallgarten & Co., and their respective successors in business (subject to the approval by the Republic of such successors), the fiscal agents for all purposes relating to the bonds and the service of the loan represented thereby; and said firms hereby accept such fiscal agency, subject to the provisions of this agreement. Such appointment shall continue while any of the bonds remain outstanding, unless sooner terminated as hereinafter provided.

Twenty-first. The Republic hereby consents that the fiscal agents may represent the holders of the bonds in all matters, but this provision shall not impose any trust or duty in favor of the bondholders upon the fiscal agents or either of them.

Twenty-second. As compensation for their services hereunder, the fiscal agents shall receive from the Republic one-eighth of 1 per cent of all amounts paid on account of interest on bonds, and one-eighth of 1 per cent on the face amount of all bonds redeemed for the sinking fund or otherwise retired or paid. The fiscal agents shall be entitled also to receive the usual brokerage commission on all bonds purchased by them for account of the Republic for surrender to the sinking fund or otherwise.

Twenty-third. The Republic shall pay the usual charges for registering, the expenses in connection with the redemption of bonds, including publication of notice, and all other expenses incurred by the fiscal agents in good faith in connection with their agency. Such payments shall be made with interest at 5 per cent upon the rendering of an account in reasonable detail to the Republic. Any such account shall be considered accepted by the Republic unless objection thereto be made by the Republic in writing and received by the fiscal agents within 90 days from the mailing of the account in question.

Twenty-fourth. The Republic may pay any service moneys payable to the fiscal agents in pursuance of this agreement, to the fiscal agents jointly, or to either of them. The fiscal agents and the London subfiscal agents may arrange between themselves as to the proportions in which such moneys or any other sums shall be held on deposit by them respectively for the account of the Republic.

Twenty-fifth. The Republic shall at all times indemnify and protect each of the fiscal agents and the London subfiscal agents against all claims, demands and actions which may be instituted in behalf of any bondholder, whether in respect of moneys at any time in the hands of the fiscal agents or otherwise, subject only to the responsibility expressed in paragraph 26 hereof.

Twenty-sixth. Each of the fiscal agents and the London subfiscal agents shall be answerable to the Republic or to the bondholders only for its own failure to exercise good faith or for gross negligence. Neither of the fiscal agents nor the London subfiscal agents shall be responsible to the Republic or to the bondholders for any sums paid to or deposited with others nor for the act or omission of others. The fiscal agents, or either of them, or the London subfiscal agents, may consult counsel in regard to their duties under this agreement, and shall be fully protected in relying and acting upon the advice of counsel of recognized standing selected by them or any of them.

Twenty-seventh. The fiscal agents may designate any financial institutions of good standing in the city of New York or elsewhere as the registrars of the bonds. The fiscal agents may appoint financial institutions to authenticate the bonds as hereinbefore provided as agents for both of them, or each of them may appoint agents to act in its own behalf for such purpose. In both cases the fiscal agents shall submit such appointments for the approval of the Republic.

Twenty-eighth. The fiscal agents may appoint (on their responsibility, unless such appointment be approved by the Republic) one or more additional subfiscal agents in the United States of America or Europe as paying agents for the principal and interest of the bonds and with whom the fiscal agents may deposit funds of the Republic designated for the payment of principal or interest on the bonds and whose names may appear on the bonds and coupons; it being understood that payments other than in United States of America dollars or pounds sterling made at the offices of such subfiscal agents other than those in the United States of America or Great Britain shall be made in any other currency only at the then current buying rate for dollars or sterling. The fiscal agents and subfiscal agents may make such arrangements between themselves as they may deem appropriate for the interchange of funds and for the drawing by one fiscal agent or subfiscal agent against funds of the Republic held by another fiscal agent or subfiscal agent and in general for facilitating the payment of bonds and coupons which may be presented to any of them. The Republic shall be credited or debited as the case may be with any net profit or net loss or cost which may result from the conversion of dollars to pounds or pounds to dollars in connection with the remittance or exchange of funds necessary for service payments. The compensation of all subfiscal agents shall be paid by the fiscal agents.

Twenty-ninth. Either of the fiscal agents or the London subfiscal agents may act in reliance upon any instructions or advices, received by cable or otherwise as purporting to come from the Minister of Finance of the Republic or from the Chilean Ambassador in the United States of America, or from the Chilean Minister in Great Britain, or in default of these, from the chargé d'affaires in either country, and shall incur no responsibility by so doing.

Thirtieth. Either of the fiscal agents or the London subfiscal agents may at any time resign from the agency by giving notice of such intention to the Republic, specifying the date on which such resignation shall become effective, provided that such notice shall not be less than 30 days, unless the Republic agrees to accept less notice. Upon the resignation or failure to act from any cause of either of the fiscal agents hereunder, the remaining fiscal agent shall act as sole fiscal agent and may exercise all powers of the fiscal agents. Upon the resignation or failure to act from any cause, of both of the fiscal agents, the financial institution which shall theretofore have been designated for the resignation of bonds in the city of New York shall act as sole fiscal agent. In the the event that at any time there shall be no fiscal agent in office, the Republic shall provide at least one fiscal agent in the city of New York to attend to the services of the loan. Upon the resignation or failure to act of the London subfiscal agents the fiscal agents may, with the consent of the Republic, appoint their successors.

Thirty-first. Neither of the fiscal agents nor the London subfiscal agents shall incur any liability whatsoever to the Republic or to the bondholders or to anyone else, in acting in reliance upon any bond, coupon, or other instrument believed to be genuine.

Thirty-second. All moneys received by either of the fiscal agents for the service of the loan may be held until paid out in accordance with the terms of this agreement, as a general deposit, and the fiscal agents agree to pay interest at a rate 2 per cent below the discount rate fixed by the New York Federal Reserve Bank.

Thirty-third. Either of the fiscal agents or the London subfiscal agents may purchase or otherwise deal in any of the bonds, with the same rights as though not acting as such.

ARTICLE VI. MISCELLANEOUS PROVISIONS

Thirty-fourth. Any notices, requests or instructions or orders for the payment of money or the delivery of securities which may be required to be given by one party to the other, shall be deemed sufficient (unless herein otherwise expressly provided), if given in writing in English as follows:

(*a*) If from the fiscal agents to the Republic, over the signature of either of the fiscal agents by any member of the firm, delivered to the Chilean ambassador in Washington or by cable addressed to the Minister of the Treasury of the Republic, provided that a copy of such cable is delivered on the day it is sent or on the following business day at the Chilean Embassy in Washington.

(*b*) If from the Republic to the fiscal agents, then by delivery at the office of either of the fiscal agents in New York either over the signature of the Chilean ambassador in Washington, or by cable addressed to either of the fiscal agents at its office in the city of New York by any duly authorized official of the Republic and confirmed in writing to the fiscal agents by the Chilean ambassador in Washington.

Thirty-fifth. In case the Republic should be unable to make the payments herein contemplated in New York City, on account of a state of war or otherwise, the Republic shall deposit all such payments in a bank designated by the fiscal agents in any neutral couuntry.

Thirty-sixth. At the request of the fiscal agents made at any time, the Republic will furnish all information and sign all applications and other documents necessary or suitable for procuring the listing of the bonds upon the New York Stock Exchange and/or any other like institution.

Thirty-seventh. In compliance with any reasonable request made by the fiscal agents at any time, the Republic will furnish them with all information in regard to its revenues, expenses, financial affairs, and general condition.

Thirty-eighth. This agreement shall inure to the benefit of and be binding on the Republic on the one hand, and on the other hand Kissel, Kinnicutt & Co. and Hallgarten & Co., and their respective successors in business as fiscal agents of the bonds.

In witness whereof, the above-mentioned parties have executed this agreement in triplicate in the manner hereinabove recited.

REPUBLIC OF CHILE,
By MIGUEL CRUCHAGA TOCORNAL,
Ambassador of the Republic of Chile to the United States of America.

KISSEL, KINNICUTT & CO.,
By WILLIAM FERGUSON,
A General Partner.

HALLGARTEN & CO.,
By MAX HORWITZ,
A General Partner.

STATE OF NEW YORK,
County of New York, ss:

On the 18th day of October, 1926, before me personally appeared Miguel Cruchaga Tocornal, to me known and kown to me to be the person who is described in and who executed the foregoing instrument as Ambassador of the Republic of Chile to the United States of America, and he acknowledged to me that he executed the same as such ambassador, thereunto duly authorized on behalf of said Republic of Chile, as its act and deed.

[SEAL.] LAURENCE ALDEN CROSBY,
Notary Public, Westchester County.

Certificate filed in New York County, New York County clerk's No. 478, Register No. 8364. Commission expires March 30, 1928.

STATE OF NEW YORK,
County of New York, ss:

On this 18th day of October, 1926, before me personally appeared William Ferguson, to me known to be a member of the firm of Kissel, Kinnicutt & Co., and the person described in and who executed the foregoing instrument in the firm name of Kissel, Kinnicutt & Co., and acknowledged that he executed the same as the act and deed of said firm of Kissel, Kinnicutt & Co.

[SEAL.] LAURENCE ALDEN CROSBY,
Notary Public, Westchester County.

Certificate filed in New York County, New York County Clerk's No. 478. Register No. 8364. Commission expires March 30, 1928.

STATE OF NEW YORK,
County of New York, ss:

On this 18th day of October, 1926, before me personally appeared Max Horwitz, to me known to be a member of the firm of Hallgarten & Co., and the person described in and who executed the foregoing instrument in the firm name of Hallgarten & Co., and acknowledged that he executed the same as the act and deed of said firm of Hallgarten & Co.

[SEAL.] LAURENCE ALDEN CROSBY,
Notary Public, Westchester County.

Certificate filed in New York County, New York County Clerk's No. 478. Register No. 8364. Commission expires March 30, 1928.

FISCAL AGENCY AGREEMENT OF THE REPUBLIC OF CHILE AND KISSEL, KINNICUTT CO. AND HALLGARTEN & CO., DATED FEBRUARY 1, 1927

Agreement, dated February 1, 1927, made in the city of New York, United States of America, between Republic of Chile (hereinafter called the "Republic") represented by its ambassador to the United States of America, Don Miguel Cruchaga Tocornal thereunto duly authorized by a decree of the President of the said Republic, dated the 31st day of January, 1927, and pursuant to the authority vested in the said President, party of the first part, and Kissel, Kinnicutt & Co. and Hallgarten & Co., each a partnership having a principal office in the city of New York, United States of America (together hereinafter called the "Bankers"), parties of the second part.

In consideration of the mutual promises herein contained, the parties hereto agree as follows:

ARTICLE 1. AUTHORIZATION AND PURPOSE OF BOND ISSUE

First: The Republic makes the following representations and agreements:

1. Under the following laws of the Republic, No. 3835, promulgated January 23, 1922, No. 3849, promulgated February 21, 1922, and No. 4087, promulgated September 16, 1926, the President of the Republic is validly authorized to cause to be issued bonds of the Republic (in addition to any such bonds heretofore issued in pursuance of said laws or any of them) of the aggregate face amount of not less than $27,500,000 in gold coin of the United States of America or its equivalent in English pounds sterling at $4.8665 per pound and upon the terms and conditions contemplated in this agreement (the bonds so contemplated in this agreement (being herein referred to as the "bonds").

2. The President of the Republic is duly authorized to issue and sell bonds for a sum less than the face amount and interest accrued to the date of payment therefor and upon such other terms and conditions not inconsistent with said laws as he deems convenient; and he has authority to delegate to the said ambassador, or to the chargé d'affaires ad interim of the Republic at Washington, D. C., the execution of this and other necessary agreements in connection with the issue of the said bonds.

3. Upon the execution of this agreement on behalf of the Republic by said ambassador, or by the chargé d'affaires ad interim of the Republic at Washington, D. C., the same will be the valid and legally binding obligation of the Republic, without any necessity for further action or approval by any other Chilean authority; and the bonds (and the coupons thereto attached) when issued under this agreement will be the valid and legally binding obligations of the Republic according to the terms of said bonds and coupons and of this agreement.

4. The proceeds of the bonds will be used by the Republic for the purposes set forth in said laws; and the fiscal agents shall be under no obligation or duty whatsoever to the bondholders in respect of the application by the Republic of the proceeds of the bonds.

ARTICLE 2. THE BONDS

Second. The bonds shall be known as "Republic of Chile 6 per cent external sinking fund gold bonds"; shall be dated February 1, 1927; shall mature February 1, 1961; and shall bear interest at 6 per cent per annum payable semiannually. The aggregate principal amount of said bonds shall be $27,500,000 in gold coin of the United States of America or, at the option of the holder, its equivalent in English pounds sterling at $4.8665 per pound. For the amortiza tion of the bonds, the Republic will provide a cumulative sinking fund of 1 per cent per annum payable in semiannual installments beginning July 15, 1927, each equal to one-half of 1 per cent of said maximum total amount of the bonds plus a sum equal to six months' interest on all bonds redeemed or otherwise retired, which sinking fund payments shall be applied to the redemption of said bonds as hereinafter provided. All bonds not previously redeemed or retired through operation of the sinking fund shall be due and payable on February 1, 1961. Bonds purchased by the Republic at prices not exceeding their face value and accrued interest may be surrendered to the sinking fund in lieu of cash as hereinafter provided. The Republic, at its option, may increase the amount of any sinking fund payment.

Third. All payments of interest and principal including principal of bonds called for the sinking fund shall be made in gold coin of the United States of America of or equal to the standard of weight and fineness existing on February 1, 1927, or, at the option of the holder in English pounds sterling at the rate of \$4.8665 per pound sterling. All payments of principal and interest shall be made at the offices of the fiscal agents in the United States of America or in the case of sterling payments at the offices in Great Britain of J. Henry Schroder & Co., subfiscal agents.

Fourth. The bonds shall constitute the direct external obligation of the Republic, and the Republic hereby pledges its full faith and credit for the due and punctual payment of principal and interest and of all amounts required for the service of the loan, in time of war as well as in time of peace, irrespective of the nationality of any holder of the bonds, and for due performance by the Republic of all its obligations set forth herein and in the bonds.

Fifth. Principal, interest, and sinking fund shall be paid by the Republic without deduction for any taxes or imposts of whatsoever nature now or hereafter levied by the Republic or any political subdivision thereof or other Chilean authority, and the Republic agrees to assume any such taxes which may be imposed upon the bonds or the owners thereof on account of such ownership.

Sixth. If after February 1, 1927, any debt, external or internal of the Republic, now or hereafter existing, shall be or become secured by specific lien or charge upon any of its present or future assets or revenues, these bonds shall share in such lien or charge equally and ratably with such other debt and the Republic will take such action as may be requ'site to give effect hereto.

ARTICLE 3. FORMAL PROVISIONS CONCERNING BONDS

Seventh. The bonds shall be in denominations of \$1,000 and \$500 and their respective equivalents in English pounds sterling at the rate of \$4.8665 per pound, in such proportions and numbered in such manner as the fiscal agents may determine.

Eighth. The bonds shall be bearer-coupon bonds registerable as to principal only, at such agency or agencies as the fiscal agents from time to designate, at which the Republic shall maintain books for the registration and transfer of the bonds. Every bond shall be transferable by delivery, unless registered as to principal in the name of the owner upon the registration books. After such registration no transfer shall be valid unless made on said books by the registered owner, in person or by attorney duly authorized in writing, and similarly noted on the bond; but any bond may be discharged from registration by being in like manner transferred to bearer, and thereupon shall become transferable by delivery; and such bond may again, from time to time, be registered or transferred to bearer as before. Such registration shall not affect the negotiability of the coupons, and every coupon shall continue to be transferable by delivery only, and shall remain payable to bearer, and payment thereof to bearer shall fully discharge the Republic and the fiscal agents in respect of the interest therein mentioned, whether the bonds to which such coupon appertains be registered or not. As to every bond registered as to principal, the person in whose name the same is registered shall for all purposes (except the payment of interest represented by the coupons) be deemed the owner thereof, and payment of or on account of the principal shall be made only to or upon the order of such registered holder. The Republic and the fiscal agents may treat the bearer of any bond not registered, and the bearer of any coupon for interest on any bond, whether such bond be registered or not, as the absolute owner of such bond or of such coupon for the purpose of receiving payment thereof and for all other purposes, any notice to the contrary notwithstanding.

Ninth. In case any bond or coupon shall be mutilated, destroyed, lost, or stolen, the Republic shall issue, and the fiscal agents shall cause to be authenticated and delivered, a new bond or coupon of like tenor and denomination, in exchange and substitution for and upon surrender and cancellation of such mutilated bond (with its coupons, if any), or coupon, or in lieu of and substitution for the bond (with its coupons, if any), or coupon, so destroyed, lost, or stolen. The applicant for such substituted bond or coupon shall furnish evidence of the destruction, loss, or theft of the bond (with its coupons, if any), or coupon, so destroyed, lost, or stolen, and indemnity, satisfactory in each case to the fiscal agents.

Tenth. The bonds shall be signed in the city of New York. They shall bear the facsimile signature of the Chilean ambassador in Washington or of the chargé d'affaires ad interim of the republic at Washington, D. C., and the manual countersignature of the consul general of Chile in the United States of America and shall also be sealed with the seal of the Chilean Republic. The coupons shall also bear the facsimile signature of said ambassador. No bond shall be valid for any purpose unless the same shall first be authenticated by a certificate indorsed thereon by the fiscal agents, or some financial institution selected by them: and such authentication shall be conclusive evidence, and the only evidence, that the bond so authenticated has been duly issued hereunder. The fiscal agents are hereby instructed by the republic to authenticate or cause to be authenticated $27,500,000 principal amount of bonds and to deliver the same in accordance with instructions from the republic.

Eleventh. The text of the bonds and coupons shall be in English and shall be in the form customary in the city of New York. In accordance with the custom of the New York Stock Exchange, the bonds shall contain a provision whereby the republic certifies and declares that all acts, conditions, and things required to be done and performed and to have happened precedent to and in the creation of the loan and the issue of the bonds thereof, have been done and performed and have happened in due and strict compliance with the constitution and laws of the republic.

Twelfth. The definitive bonds shall be engraved in New York in such form as to comply with the requirements of the New York Stock Exchange. Pending the engraving and execution of definitive bonds, the republic shall execute and deliver to the fiscal agents for authentication temporary printed bonds in such denominations as the fiscal agents may request, and substantially of the tenor of the bonds herein described, but without coupons or with not more than one coupon, and with such omissions, insertions, and variations as the fiscal agents may approve. If the temporary bonds are issued without coupons, payment of interest shall be made only upon presentation of each temporary bond for notation of each such payment thereon. The temporary bonds may but need not bear the engraved facsimile signature above mentioned or the seal of the republic and the coupons, if any, shall bear the facsimile signature of said Chilean ambassador or of the chargé d'affaires ad interim of the republic at Washington, D. C., or some other duly authorized representative of the republic. The form of the temporary and definitive bonds shall in all respects comply with the regulations of the New York Stock Exchange. Subject to such regulations as the fiscal agents may prescribe, temporary bonds shall be exchangeable, without cost to the holder, upon surrender and cancellation, for the same aggregate principal amount of definitive bonds. The republic will cause definitive bonds to be prepared, executed, and delivered to the fiscal agents as promptly as possible for the purpose of making such exchanges. The fiscal agents shall have charge, on behalf of the republic, of all matters in regard to the preparation of the temporary and definitive bonds.

ARTICLE 4. SERVICES OF THE LOAN

Thirteenth. The amount required for the semiannual service of the loan represented by the $27,500,000 principal amount of bonds to be issued hereunder, exclusive of the sums payable by the Republic to the fiscal agents for their compensation and expenses, consists in each case of a uniform amount of $962,500 comprising:

(a) The semiannual sinking-fund payment, consisting of the amount of $137,500, being one-half of 1 per cent of the total amount of the loan, plus an amount equal to six months' interest on all bonds redeemed or otherwise retired through the operation of the sinking fund prior to the next semiannual interest date; and

(b) The semiannual interest payment, consisting of an amount equal to six months' interest on all bonds not redeemed or otherwise retired prior to the next semiannual interest date.

Said semiannual sinking-fund payment is calculated to retire the entire issue of the bonds not later than maturity.

Fourteenth. Each such aggregate fixed sum necessary for the semiannual service of the loan shall be paid as follows:

(a) At least 15 days prior to each semiannual interest payment date the Republic shall pay the semiannual sinking-fund payment in gold coin of the United States of America to the fiscal agents at their offices in New York City or, if and to the extent, that the fiscal agents shall previously request, in English pounds sterling to the subfiscal agents at London. In lieu of making all or any part of any sinking-fund payment in cash, the Republic may deliver to the fiscal agents for surrender to the sinking fund any bonds, with all unmatured coupons attached, purchased by the Republic at a price not exceeding par, exclusive of accrued interest and commissions, accompanied by certificates of the Republic stating at what prices such bonds were so purchased, and such bonds shall be accepted in lieu of cash in an amount equal to the purchase price (exclusive of accrued interest and commissions) plus the amount of the coupon due on said next interest date.

(b) At least 10 days prior to each semiannual interest-payment date the Republic shall pay the semiannual interest payment in gold coin of the United States to the fiscal agents at their offices in New York City, or, if and to the extent that the fiscal agents shall previously request, in English pounds sterling to the subfiscal agents at London.

Fifteenth. Except as hereinafter provided, upon the receipt of each such semiannual sinking-fund payment, the fiscal agents shall apply that part of the same paid in cash to the redemption of bonds on the next semiannual interest-payment date: *Provided, however*, That if such moneys shall amount to less than $5,000, such sum may be carried forward and added to the next sinking-fund payment. Such redemption shall be effected in the following manner: The particular bonds to be redeemed on each occasion shall be determined by lot by drawings conducted by the fiscal agents in New York, at which a representative of the Republic may be present if the Republic so requests. Drawings shall be held not later than the twelfth day immediately preceding the next semiannual interest-payment date. Notice of such redemption shall be published at least twice in one or more newspapers of general circulation in New York City selected in each instance by the fiscal agents, and shall also be given and published in such manner, either in New York or elsewhere, as the fiscal agents may prescribe. The first publication shall be made at least 10 days immediately preceding the next semiannual interest-payment date. Such notice shall state the numbers of the bonds to be redeemed (unless all outstanding bonds are to be redeemed), the date (which shall be the next semiannual interest-payment date), and the places in New York City and London (which shall be designated by the fiscal agents) for surrender and payment. On the date and at the place so specified the holder of each bond thus called for redemption shall surrender the same, with all coupons maturing after such date. Upon such surrender the fiscal agents or the London subfiscal agents shall cause to be paid to the holder of each such bond, out of the funds provided for that purpose by the Republic, the principal amount of such bond. Any bond thus called for redemption and not so surrendered shall cease to bear interest after said redemption date, and all coupons for subsequent interest shall be void.

Sixteenth. All bonds tendered for or redeemed by the sinking fund, and the coupons thereto appertaining, shall be canceled and returned to the Republic, and no bonds shall be issued in lieu thereof.

Seventeenth. The Republic, at its option, may increase the amount of any semiannual sinking-fund payment. In that event it shall notify the fiscal agents at least 60 days prior to the next succeeding interest date, specifying the amount by which such semiannual sinking-fund payment is to be increased, and shall pay the entire sinking-fund payment as so increased at least 30 days prior to such interest date.

Whenever any semiannual sinking-fund payment, whether increased or not, is made wholly or partly in cash to the fiscal agents prior to the fifteenth day preceding the next semiannual interest-payment date, the Republic may instruct them to apply such cash at any time prior to the fifteenth day preceding the next semiannual interest-payment date to the purchase of bonds for the account of the Republic, at the lowest prices obtainable in the judgment of the fiscal agents, not exceeding principal amount exclusive of accrued interest. All bonds so purchased shall be surrendered and credited to the sinking fund as hereinbefore provided. Any such cash remaining unexpended in the hands of the fiscal agents on the fifteenth day preceding the next semiannual interest-payment date shall be applied to the redemption of bonds for the sinking fund as above provided. The bonds shall not be redeemable except through the sinking fund.

Eighteenth. Nothing in this agreement contained shall be construed to impose any obligation on the fiscal agents or the London subfiscal agents to redeem any bonds or to make any payments of principal or interest or otherwise with respect to the bonds or the interest coupons, except out of funds previously received from the Republic for such purpose.

Nineteenth. With each semiannual sinking-fund and/or interest payment the Republic shall pay, in United States of America gold coin, to the fiscal agents in New York City a sum sufficient to pay the compensation payable to the fiscal agents with respect thereto.

ARTICLE 5. THE FISCAL AGENTS

Twentieth. The Republic hereby appoints Kissel, Kinnicutt & Co. and Hallgarten & Co., and their respective successors in business (subject to the approval by the Republic of such successors) the fiscal agents for all purposes relating to the bonds and the service of the loan represented thereby; and said firms hereby accept such fiscal agency, subject to the provisions of this agreement. Such appointment shall continue while any of the bonds remain outstanding unless sooner terminated as hereinafter provided.

Twenty-first. The Republic hereby consents that the fiscal agents may represent the holders of the bonds in all matters, but this provision shall not impose any trust or duty in favor of the bondholders upon the fiscal agents or either of them.

Twenty-second. As compensation for their services hereunder, the fiscal agents shall receive from the Republic one-eighth of 1 per cent of all amounts paid on account of the interest on bonds and one-eighth of 1 per cent on the face amount of all bonds redeemed for the sinking fund or otherwise retired or paid. The fiscal agents shall be entitled also to receive the usual brokerage commission on all bonds purchased by them for account of the Republic for surrender to the sinking fund or otherwise.

Twenty-third. The Republic shall pay the usual charges for registering, the expenses in connection with the redemption of bonds, including publication of notice, and all other expenses incurred by the fiscal agents in good faith in connection with their agency. Such payments shall be made with interest at 5 per cent upon the rendering of an account in reasonable detail to the Republic. Any such account shall be considered accepted by the Republic unless objection thereto be made by the Republic in writing and received by the fiscal agents within 90 days from the mailing of the account in question.

Twenty-fourth. The Republic may pay any service moneys payable to the fiscal agents in pursuance of this agreement to the fiscal agents jointly or to either of them. The fiscal agents and the London subfiscal agents may arrange between themselves as to the proportions in which such moneys or any other sums shall be held on deposit by them respectively for the account of the Republic.

Twenty-fifth. The Republic shall at all times indemnify and protect each of the fiscal agents and the London subfiscal agents against all claims, demands, and actions which may be instituted in behalf of any bondholder, whether in respect of moneys at any time in the hands of the fiscal agents or or otherwise, subject only to the responsibility expressed in paragraph twenty-six hereof.

Twenty-sixth. Each of the fiscal agents and the London subfiscal agents shall be answerable to the Republic or to the bondholders only for its own failure to exercise good faith or for gross negligence. Neither of the fiscal agents nor the London subfiscal agents shall be responsible to the Republic or to the bondholders for any sums paid to or deposited with others nor for the act or omission of others. The fiscal agents, or either of them, or the London subfiscal agents, may consult counsel in regard to their duties under this agreement, and shall be fully protected in relying and acting upon the advice of counsel of recognized standing selected by them or any of them.

Twenty-seventh. The fiscal agents may designate any financial institutions of good standing in the city of New York or elsewhere as the registrars of the bonds. The fiscal agents may appoint financial institutions to authenticate the bonds as hereinbefore provided as agents for both of them, or each of them may appoint agents to act in its own behalf for such purpose. In both cases the fiscal agents shall submit such appointments for the approval of the Republic. Should the fiscal agents designate National Bank of Commerce in New York for either purpose, such appointment is hereby approved by the Republic in advance.

Twenty-eighth. The fiscal agents may appoint (on their responsibility, unless such appointment be approved by the Republic) one or more additional subfiscal agents in the United States of America or Europe as paying agents for the principal and interest of the bonds, and with whom the fiscal agents may deposit funds of the Republic designated for the payment of principal or interest on the bonds, and whose names may appear on the bonds and coupons; it being understood that payments other than in United States of America dollars or pounds sterling made at the offices of such subfiscal agents other than those in the United States of America or Great Britain shall be made in any other currency only at the then current buying rate for dollars or sterling. The fiscal agents and subfiscal agents may make such arrangements between themselves as they may deem appropriate for the interchange of funds and for the drawing by one fiscal agent or subfiscal agent against funds of Republic held by another fiscal agent or subfiscal agent, and in general for facilitating the payment of bonds and coupons which may be presented to any of them. The Republic shall be credited or debited as the case may be with any net profit or net loss or cost which may result from the conversion of dollars to pounds or pounds to dollars in connection with the remittance or exchange of funds necessary for service payments. The compensation of all subfiscal agents shall be paid by the fiscal agents.

Twenty-ninth. Either of the fiscal agents or the London subfiscal agents may act in reliance upon any instructions or advices, received by cable or otherwise, as purporting to come from the Minister of Finance of the Republic, or from the Chilean Ambassador in the United States of America, or from the Chilean Minister in Great Britain, or in default of these, from the chargé d'affaires in either country, and shall incur no responsibility by so doing.

Thirtieth. Either of the fiscal agents or the London subfiscal agents may at any time resign from the agency by giving notice of such intention to the Republic, specifying the date on which such resignation shall become effective, provided that such notice shall not be less than 30 days, unless the Republic agrees to accept less notice. Upon the resignation or failure to act from any cause of either of the fiscal agents hereunder, the remaining fiscal agent shall act as sole fiscal agent, and may exercise all powers of the fiscal agents. Upon the resignation, or failure to act from any cause, of both of the fiscal agents, the financial institution which shall theretofore have been designated for the registration of bonds in the city of New York shall act as sole fiscal agent. In the event that at any time there shall be no fiscal agent in office, the Republic shall provide at least one fiscal agent in the city of New York to attend to the services of the loan. Upon the resignation or failure to act of the London subfiscal agents the fiscal agents may, with the consent of the Republic, appoint their successors.

Thirty-first. Neither of the fiscal agents nor the London subfiscal agents shall incur any liability whatsoever to the Republic or to the bondholders or to anyone else, in acting in reliance upon any bond, coupon, or other instrument believed to be genuine.

Thirty-second. All moneys received by either of the fiscal agents for the service of the loan may be held until paid out in accordance with the terms of this agreement, as a general deposit, and the fiscal agents agree to pay interest at a rate 2 per cent below the discount rate fixed by the New York Federal Reserve Bank.

Thirty-third. Either of the fiscal agents or the London subfiscal agents may purchase or otherwise deal in any of the bonds with the same rights as though not acting as such.

ARTICLE 6. MISCELLANEOUS PROVISIONS

Thirty-fourth. Any notices, requests, or instructions or orders for the payment of money or the delivery of securities which may be required to be given by one party to the other, shall be deemed sufficient (unless herein otherwise expressly provided) if given in writing in English as follows:

(*a*) If from the fiscal agents to the Republic, over the signature of either of the fiscal agents by any member of the firm, delivered to the Chilean ambassador or chargé d'affaires ad interim in Washington, or by cable addressed to the Minister of the Treasury of the Republic, provided that a copy of such cable is delivered on the day it is sent or on the following business day at the Chilean Embassy in Washington.

(*b*) If from the Republic to the fiscal agents, then by delivery at the office of either of the fiscal agents in New York either over the signature of the Chilean ambassador in Washington or of the chargé d'affaires ad interim of the Republic at Washington, D. C., or by cable addressed to either of the fiscal agents at its office in the city of New York by any duly authorized official of the Republic and confirmed in writing to the fiscal agents by the Chilean ambassador or chargé d'affaires ad interim in Washington.

Thirty-fifth. In case the Republic should be unable to make the payments herein contemplated in New York City, on account of a state of war or otherwise, the Republic shall deposit all such payments in a bank designated by the fiscal agents in any neutral country.

Thirty-sixth. At the request of the fiscal agents made at any time, the Republic will furnish all information and sign all applications and other documents necessary or suitable for procuring the listing of the bonds upon the New York Stock Exchange and/or any other like institution.

Thirty-seventh. In compliance with any reasonable request made by the fiscal agents at any time, the Republic will furnish them with all information in regard to its revenues, expenses, financial affairs and general condition.

Thirty-eighth. This agreement shall inure to the benefit of and be binding on the Republic on the one hand, and on the other hand Kissel, Kinnicutt & Co. and Hallgarten & Co., and their respective successors in business as fiscal agents of the bonds.

In witness whereof, the above-mentioned parties have executed this agreement in triplicate in the manner hereinabove recited.

REPUBLIC OF CHILE,
By MIGUEL CRUCHAGA TOCORNAL,
Ambassador of the Republic of Chile to the United States of America.

KISSEL, KINNICUTT & CO.,
By WILLIAM FERGUSON,
A General Partner.

HALLGARTEN & CO.,
By MAURICE NEWTON,
A General Partner.

STATE OF NEW YORK,
County of New York, ss:

On the 1st day of February, 1927, before me personally appeared Miguel Cruchaga Tocornal, to me known and known to me to be the person who is described in and who executed the foregoing instrument as Ambassador of the Republic of Chile to the United States of America, and he acknowledged to me that he executed the same as such ambassador, thereunto duly authorized on behalf of said Republic of Chile, as its act and deed.

[SEAL.]
LAURENCE ALDEN CROSBY,
Notary Public, Westchester County.

Certificate filed in New York County. New York County Clerk's No. 478 register No. 8364. Commission expires March 30, 1928.

STATE OF NEW YORK,
County of New York, ss:

On this 1st day of February, 1927, before me personally appeared William Ferguson, to me known to be a member of the firm or Kissel, Kinnicutt & Co., and the person described in and who executed the foregoing instrument in the firm name of Kissel, Kinnicutt & Co., and acknowledged that he executed the same as the act and deed of said firm of Kissel, Kinnicutt & Co.

[SEAL.]
LAURENCE ALDEN CROSBY,
Notary Public, Westchester County.

Certificate filed in New York County. New York County Clerk's No. 478. Registered No. 8364. Commission expires March 30, 1928.

STATE OF NEW YORK,
County of New York, ss:

On this 1st day of February, 1927, before me personally appeared Maurice Newton, to me known to be a member of the firm of Hallgarten & Co., and the person described in and who executed the foregoing instrument in the firm name of Hallgarten & Co., and acknowledged that he executed the same as the act and deed of said firm of Hallgarten & Co.

[SEAL.]

LAURENCE ALDEN CROSBY,
Notary Public, Westchester County.

Certificate filed in New York County. New York County Clerk's No. 478. Registered No. 8364. Commission expires March 30, 1928.

FISCAL AGENCY CONTRACT OF THE REPUBLIC OF COLOMBIA AND HALLGARTEN & CO. AND KISSEL, KINNICUTT & CO., RELATING TO $25,000,000 6 PER CENT EXTERNAL SINKING FUND GOLD BONDS, DATED JULY 1, 1927, DUE JANUARY 1, 1961

[Translation]

FISCAL AGENCY AGREEMENT, REPUBLIC OF COLOMBIA AND HALLGARTEN & CO., AND KISSEL, KINNICUTT & CO.

(Translation made from text according to deed No. 2295 of July 29, 1927, executed before the second notary of the circuit of Bogota, Rafael Andrade S., by Dr. Esteban Jaramillo, as Minister of Finance of Public Credit of the Republic of Colombia, and Dr. Pedro M. Carreño, in the name of Hallgarten & Co. and Kissel, Kinnicutt & Co. Said deed was registered in the registry of the circle, Bogota, in book No. 2, duplicate, p. 280, No. 84, on August 10, 1927, and in book No. 2, p. 171, No. 2841, August 11, 1927.)

The undersigned, Manuel A. Alvarado, secretary of the department of finance and public credit, duly authorized by the most excellent president of the Republic, Dr. Miguel Abadía Méndez, and by the minister of finance and public credit, Dr. Esteban Jaramillo, in the name of the Republic of Colombia, of the one part, hereinafter called "the Republic," and Hallgarten & Co. and Kissel, Kinnicutt, & Co., partnerships domiciled in the city of New York, United States of America, represented in this act by their special attorney in fact, Dr. Pedro M. Carreño, hereinafter called "the fiscal agents," of the other part, in consideration of the mutual promises contained in this instrument have agreed as follows:

CHAPTER 1. AUTHORIZATION AND PURPOSE OF BOND ISSUE

ARTICLE 1. The Republic makes the following declarations:

(*a*) That by law 102 of 1922 duly enacted on December 14, 1922, the executive power is validly authorized to contract a loan or loans and for that purpose to issue bonds of the Republic, of the aggregate face amount of up to $100,000,000 in gold coin of the United States of America, or £20,000,000 upon the terms and conditions and secured as in this agreement set forth, and sell such bonds upon such terms and conditions not inconsistent with said law as the executive power deems convenient.

(*b*) This agreement requires the favorable report of the council of state, of the national board of loans, and also the approval of the executive power after favorable opinion by the council of ministers, after publication 15 days previously in the Diario Oficial, all as provided in said law. After said formalities have been duly fulfilled, this agreement will be the valid obligation of the Republic in accordance with its terms; and the bonds (and the coupons thereto attached), when issued under this agreement, will be the valid obligations of the Republic according to their respective terms.

(*c*) The Republic will use the proceeds of the bonds, in accordance with said law 102 for purposes specified in chapter 3 hereof. The fiscal agents shall be under no duty or obligation in respect of the application of such proceeds.

CHAPTER 2. THE BONDS

ARTICLE 1. The bonds covered by this agreement shall be known as Republic of Colombia 6 per cent external sinking fund gold bonds; shall be dated July 1, 1927; shall mature January 1, 1961, and shall bear interest at the rate of 6 per cent per annum, payable semiannually.

ART. 2. The aggregate principal amount of said bonds (hereinafter called the "bonds") shall not exceed $25,000,000 in gold coin of the United States of America.

Art. 3. All payments of interest and principal, including principal of bonds called for the sinking fund, shall be made in gold coin of the United States of America of or equal to the standard of weight and fineness existing on July 1, 1927. Such payments shall be made at the offices of the fiscal agents in the United States of America.

Art. 4. Principal, interest, and sinking fund shall be paid by the Republic, in time of war as well as in time of peace, irrespective of the nationality of the bondholder, or coupon holder, and whether or not the bondholder, or coupon holder, is a citizen of a friendly or a hostile state, and without requiring any declaration as to the citizenship or residence of such holder, or as to the length of time such holder has been in possession of such bond or coupon; and without deduction for any taxes or imposts of whatsoever nature, now or hereafter levied by the Republic or any department, municipality, or other subdivision thereof or therein, or by any Colombian national, departmental, municipal, or other authority; the Republic agreeing to assume any such taxes which may be imposed upon the bonds or the coupons thereto appertaining, or the owners thereof on account of such ownership. The Republic agrees that all stamp or stamped paper and other taxes of the Republic or any subdivision thereof upon this agreement or the bonds or the issue thereof shall be for its account.

Art. 5. All bonds not previously retired through operation of the sinking fund shall be due and payable on January 1, 1961.

Art. 6. The definitive bonds shall be of the face amounts of $1,000 and $500, in such proportions as the fiscal agents may determine.

Art. 7. The definitive bonds shall be bearer coupon bonds, registerable as to principal only,. at such financial institution or institutions as the fiscal agents from time to time designate, at which the Republic shall cause to be maintained books for the registration and transfer of the bonds.

Art. 8. Every bond shall be transferable by delivery, unless registered as to principal in the name of the owner upon the registration books. After such registration, no transfer shall be valid unless made on said books by the registered owner, or by attorney duly authorized in writing, and noted on the bond. But any bond may be discharged from registration by being in like manner transferred to bearer, and thereupon shall become transferable by delivery; and such bond may again, from time to time, be registered or transferred to bearer as before. Such registration shall not affect the negotiability of the coupons, and every coupon shall always continue to be transferable by delivery, and shall remain payable to bearer, and payment thereof to bearer shall fully discharge the Republic and the fiscal agents in respect of the interest therein mentioned, whether the bonds to which such coupons appertain be registered or not.

Art. 9. As to every bond registered as to principal the person in whose name the same is registered shall for all purposes, except the payment of interest represented by the coupons, be deemed the owner thereof, and payment of or on account of the principal shall be made only to or upon the order of such registered holder.

Art. 10. The Republic, the fiscal agents, the registrar, and authenticating agent may treat the bearer of any bond not registered, and the bearer of any coupon for interest on any bond, whether such bond be registered or not, as the absolute owner of such bond or of such coupon for the purpose of receiving payment thereof and for all other purposes, any notice to the contrary notwithstanding. The expenses of registration of bonds shall be paid by the Republic.

Art. 11. In case any bond or coupon shall be mutilated, destroyed, lost, or stolen the Republic shall issue, and the fiscal agents shall cause to be authenticated and delivered, a new bond or coupon of like tenor and denomination, in exchange and substitution for and upon surrender and cancellation of such mutilated bond (with its coupons, if any), or coupon, or in lieu of and substitution for the bond (with its coupons, if any) or coupon, so destroyed, lost, or stolen. The applicant for such substituted bond or coupon shall furnish evidence of the destruction, loss, or theft of the bond (with its coupons, if any) or coupon, so destroyed, lost, or stolen, and indemnity. The evidence and the indemnity shall be satisfactory to the fiscal agents. The applicant for the substituted bond shall pay the cost of preparation and issue of such substituted bond.

Art. 12. The text of the bonds and coupons shall be in English in form satisfactory to the fiscal agents and in conformity with the requirements of the New York Stock Exchange. If the fiscal agents so request the bonds shall contain a provision whereby the Republic certifies and declares that all acts, conditions, and things required to be done and performed and to have happened precedent to and in the creation and issue of the bonds, have been done and performed and have happened in due and strict compliance with the constitution and laws of the Republic.

ART. 13. Pending the engraving and execution of definitive bonds, the Republic shall execute and deliver to the fiscal agents for authentication one or more temporary printed bonds, in such denominations as the fiscal agents may request, and substantially of the tenor of the bonds herein described, but without coupons or with not more than one coupon, and with such provisions as the fiscal agents may approve. Subject to such regulations as the fiscal agents may prescribe, temporary bonds shall be exchangeable without cost to the holder, for the same aggregate amount of definitive bonds. The Republic will cause definitive bonds to be prepared, executed, and delivered to the fiscal agents as promptly as possible for the purpose of making such exchanges. The fiscal agents shall have charge, on behalf of the Republic, of all matters in regard to the preparation of the temporary and definitive bonds.

ART. 14. The bonds shall be signed in New York City by the minister of the Republic to the United States of America, or in his absence by the chargé d'affaires, and shall be countersigned by the consul general of the Republic in New York, or other representative duly authorized by the comptroller general. In addition to such signature and countersignatures, the definitive bonds may bear the written or facsimile signature of the minister of finance and public credit of the Republic, and of the comptroller general of the Republic, and shall bear the seal of the Republic or a facsimile thereof. The coupons on the definitive bonds shall likewise bear such facsimile signature of the minister of finance and public credit and of the comptroller general. The coupons, if any, on the temporary bonds shall bear the facsimile signature of the person who signs such temporary bonds.

ART. 15. The bonds shall be authenticated by the fiscal agents, or some financial institution selected by them. Such authentication shall be conclusive evidence, and the only evidence, that the bonds so authenticated have been duly issued hereunder. All expenses of authentication shall be paid by the Republic.

ART. 16. At the request of the fiscal agents, the Republic will make application for the listing of the bonds on the New York Stock Exchange and any other exchanges, and shall pay the expenses thereof.

CHAPTER 3. SECURITY

ARTICLE 1. The bonds, and the coupons thereto attached, shall constitute the direct obligations of the Republic, which hereby pledges its full faith and credit for the due and punctual payment of principal, interest, and sinking fund, and for due performance by the Republic of all of its obligations set forth herein and in the bonds and coupons.

ART. 2. The Republic represents that the proceeds of the bonds are to be used for the following purposes in accordance with said law 102 of 1922; for the payment and cancellation of the banking loan of not exceeding $10,000,000 made by contract of December 23, 1926, between the Republic and Hallgarten & Co. and Kissel, Kinnicutt & Co.; completion of the Ferrocarril Central del Norte; completion of the Ferrocarril del Pacifico; continuation of the Ferrocarril Troncal de Occidente; for the improvement of the Magdelena River, and Bocas de Ceniza and ports, including the maritime terminal of Barranquilla. The Government, in accord with the national board of loans, may alter such use, but always subject to the provisions of law 102 of 1922. Whereas: First, article 5 of law 102 of 1922 authorizes the granting of specific security in favor of the loans which are authorized by said law; second, article 6 of law 102 of 1922 and the paragraph thereof indicate the manner in which is to be made the service of the loans contracted by virtue of said law, and authorize the Government to assign other resources to said service; third, no specific guaranty has been assigned to the bonds of the loan which is the subject of this contract; fourth, if hereafter security is given in favor of other loans, the bonds subject of this contract would remain in an inferior position, which would be inconsistent with fundamental principles of equity; for the foregoing reasons, the Republic agrees that if, while any of the bonds of the present loan are outstanding, it shall secure any obligations, existing or future, whether under law 102 of 1922 or any other authorization, existing or future, by a lien or charge upon any of the railroads, river works, or ports, or any part thereof, or upon any income or revenues derived therefrom, or any taxes or charges imposed with respect thereto, or upon any national income or revenues, then in every such case the bonds of this loan shall be secured in like form and equally and ratably with such obligations; and to that effect the Republic agrees that the bonds which are the subject of this contract shall enjoy the same security as may be granted in the future to any bond or loan.

ART. 3. If for any reasons the obligations of the Republic under this agreement or under the bonds or coupons are not complied with, the Republic consents and agrees that upon demand of the holders of a majority in principal amount of the outstanding bonds it will immediately pay the entire principal thereof and accrued interest. Any such demand may be transmitted to the Republic through the fiscal agents. The holders of a majority in principal amount of the outstanding bonds may rescind any such demand, without prejudice, however, to again taking such action.

CHAPTER 4. SERVICE OF THE BONDS

ARTICLE 1. The amount required for the semiannual service of the bonds to be issued hereunder, exclusive of the amounts payable by the Republic to the fiscal agents for their compensation, shall consist in each case of uniform amount of $875,000, comprising:

(*a*) The semiannual sinking-fund installment, consisting of $125,000 (being one-half of 1 per cent of the total face amount of bonds authenticated) plus an amount equal to six months' interest on all bonds redeemed or otherwise retired through the operation of the sinking fund prior to the next succeeding semiannual interest date; and

(*b*) The semiannual interest installment, consisting of an amount equal to six months' interest on all bonds not redeemed or otherwise retired prior to the next succeeding semiannual interest date.

The semiannual sinking-fund installments are calculated to retire the entire issue of the bonds not later than maturity.

ART. 2. The Republic shall place in the hands of the fiscal agents in New York at least 30 days prior to each semiannual interest payment date of the bonds the entire amount required for the next semiannual service of the bonds, including the compensation of the fiscal agents. All payments shall be made to the fiscal agents, at their offices in New York City, in gold coin of the United States of America. The amounts so deposited with the fiscal agents for the service of the loan shall bear interest at 2 per cent per annum during such 30 days.

ART. 3. The Republic will make monthly deposits in a special account in the bank of the Republic in Bogota for account of the service of the loan; each such deposit shall be made on the 1st day of the month and shall be equivalent to one-twelfth of the total amount of the annual service; except that the first deposit will include also the amount corresponding to the time elapsed since the date of the bonds. In case of difficulties of the treasury or of diminution of revenue, or for any other cause, the Republic will give preference to payment of the service. The Republic undertakes to include in all annual budgets the amount of the annual service.

ART. 4. In lieu of making all or any part of any sinking-fund payments in cash, the Republic may deliver to the fiscal agents for surrender to the sinking fund any bonds, with all unmatured coupons attached, purchased by the Republic at prices not exceeding par (exclusive of accrued interest and commissions), accompanied by certificates signed in the name of the Republic stating at what prices such bonds were so purchased, and such bonds shall be accepted in lieu of cash in an amount equal to the purchase price (exclusive of accrued interest and commissions), plus the amount of the coupon due on said next interest date.

ART. 5. Except as hereinafter provided, upon the receipt of each such semiannual sinking-fund payment, the fiscal agents shall apply that part of the same paid in cash to the redemption of bonds at their principal amount on the next semiannual interest payment date: *Provided, however,* That if such moneys shall amount to less than $10,000, such sum may be carried forward and added to the next sinking-fund payment. Such redemption shall be effected in the following manner: The particular bonds to be redeemed on each occasion shall be determined by lot by drawings conducted by the fiscal agents in New York, at which a representative of the Republic may be present if the Republic so requests. Drawings shall be held not later than the twenty-fifth day immediately preceding the next semiannual interest payment date. Notice of such redemption shall be published at least twice in one or more newspapers of general circulation in New York City selected in each instance by the fiscal agents, and shall also be given and published in such manner, either in New York or elsewhere, as the fiscal agents may prescribe. The first publication shall be made at least 20 days immediately preceding the next semiannual interest payment date. Such notice shall state the numbers of the bonds to be redeemed (unless all outstanding bonds are to be redeemed), the date, which shall be the next semiannual interest payment date, and the places (in New York City) which shall be designated by the fiscal agents for surrender and payment. Upon such surrender on or after such date the fiscal agents shall cause to be paid to the holder of each such bond so surrendered with all unmatured coupons attached, the principal amount of such bond out of the funds provided for that purpose by the Republic. Any bond thus called for redemption and not so surrendered shall cease to bear interest after said redemption date, and all coupons for subsequent interest shall be void.

ART. 6. All bonds retired through the sinking fund and the coupons thereto appertaining shall be canceled and returned to the Republic, and no bonds shall be issued in lieu thereof.

ART. 7. The Republic, at its option, may increase the amount of any semiannual sinking-fund payment. In that event it shall notify the fiscal agent at least 60 days prior to the next succeeding interest date, specifying the amount by which such semiannual sinking-fund payment is to be increased; and shall pay the entire sinking-fund payment as so increased at least 30 days prior to such interest date.

ART. 8. Any sinking fund moneys received by the fiscal agents may be applied by them prior to the twenty-fifth day preceding the next semiannual interest payment date to the purchase of bonds for the account of the Republic at the lowest prices obtainable in the judgment of the fiscal agents, not exceeding principal amount, exclusive of accrued interest and commissions. All bonds so purchased shall be surrendered and credited to the sinking fund as hereinbefore provided in article 4 of this chapter. Any such cash remaining unexpended in the hands of the fiscal agents on the twenty-fifth day preceding the next semiannual interest payment date shall be applied to the redemption of bonds for the sinking fund as above provided.

ART. 9. Nothing in this agreement contained shall impose any obligation on the fiscal agents to redeem or buy any bonds or to make any payments of principal or interest or otherwise with respect to the bonds or the interest coupons, except out of funds previously received from the Republic for such purposes.

ART. 10. The bonds shall not be redeemable except through the sinking fund.

ART. 11. In the event that any bonds or coupons are not presented for payment within 20 years after the respective maturity dates stated in the bonds and coupons, the fiscal agents may return to the Republic any moneys held by them for the payment of such bonds and coupons; and thereafter the holders of such bonds or coupons shall have no right to any claim against the fiscal agents in respect of such payment of such moneys.

CHAPTER 5. THE FISCAL AGENT

ART. 1. The Republic hereby appoints Hallgarten & Co. and Kissel, Kinnicutt & Co. and their respective successors in business, the fiscal agents of the Republic for all purposes relating to the bonds and the service of the loan represented thereby; and said firms hereby accept such fiscal agency, subject to the provisions of this agreement. Such appointment shall continue while any of the bonds remain outstanding, unless sooner terminated as hereinafter provided.

ART. 2. The fiscal agents may make such arrangements between themselves as they may deem appropriate for the interchange of funds and for the drawing by one fiscal agent against funds of the Republic held by the other fiscal agent and in general for facilitating the payment of bonds and coupons which may be presented to any of them. The Republic gives the right to the fiscal agents to appoint subfiscal agents in the United States of America or elsewhere; such appointments to be with the approval of the Republic.

ART. 3. The Republic hereby consents that the fiscal agents may represent the holders of the bonds in all matters, but this provision shall not impose any trust or duty in favor of the bondholders upon the fiscal agents or either of them.

ART. 4. The fiscal agents shall not be under any duty to the bondholders to make any request of the Republic, or to take any action, with respect to the obligations or covenants of the Republic under this agreement unless requested in writing by the holders of at least 25 per cent in principal amount of the outstanding bonds and furnished with indemnity satisfactory to the fiscal agents and unless advised by counsel satisfactory to the fiscal agents that such request or action may be properly made or taken.

ART. 5. As compensation for their services hereunder the fiscal agents shall receive from the Republic one-quarter of 1 per cent of all amounts paid on account of interest on bonds, and one-quarter of 1 per cent on the face amount of all bonds redeemed for the sinking fund or otherwise retired or paid. Such compensation shall be paid concurrently with the installments of service with respect to which it is due. The Republic will also pay the cost of advertisements and other incidental expenses of the fiscal agents in connection with the service of the bonds, but it is understood that the amount of such expenses and the fees for registration of bonds which the Republic is to pay can not exceed $2,250 per annum.

ART. 6. If the fiscal agents pay for the account of the Republic any expenses or amounts payable by the Republic with respect to the bonds, such payments shall be reimbursed by the Republic to the fiscal agents, with interest at 6 per cent per annum, upon the rendering of an account by mail or cable in reasonable detail to the Republic. Any such account shall be considered accepted by the Republic unless objection thereto be made by the Republic in writing or by cable and received by the fiscal agents within 90 days from the mailing or 30 days from the cabling of the account in question.

ART. 7. The Republic may pay any service moneys payable to the fiscal agents in pursuance of this agreement, to the fiscal agents jointly, or to either of them. The fiscal agents will arrange between themselves as to the proportions in which such moneys or other sums shall be held on deposit by them, respectively, for the account of the Republic. Neither of the fiscal agents shall be responsible to the Republic or to the bondholders for any sums paid to, deposited with, or held by the other, or any third parties, nor for the act or omission of the other or of any third parties.

ART. 8. The Republic shall at all times indemnify and protect each of the fiscal agents and the subfiscal agents, as well as any institution appointed by the fiscal agents as registrar and/or authenticating agent for the bonds, against all claims, demands, and actions which may be instituted in behalf of any bondholders, or coupon holders, whether in respect of moneys at any time in the hands of the fiscal agents or otherwise, subject only to the responsibility expressed in this chapter.

ART. 9. Each of the fiscal agents and subfiscal agents and the bond registrar and authenticating agent shall be answerable to the Republic or to the bondholders only for its own failure to exercise good faith or for gross negligence.

ART. 10. The fiscal agents, or either of them, may consult counsel in regard to their duties under this agreement, and shall be fully protected in relying and acting upon the advice of counsel of recognized standing selected by them or any of them.

ART. 11. Neither of the fiscal agents shall incur any responsibility in acting in reliance upon any authentic instructions or advices, received by cable or otherwise, as purporting to come from the minister of finance and public credit of the Republic or from the minister or charge d'affaires or consul general of the Republic in the United States of America.

ART. 12. Either of the fiscal agents may at any time resign from the agency by giving notice of such intention to the Republic, specifying the date on which such resignation shall become effective: provided that such notice shall not be less than 30 days, unless the Republic agrees to accept less notice. Upon the resignation or failure to act from any cause of either of the fiscal agents, the remaining fiscal agent shall act as sole fiscal agent, and may exercise all powers of both fiscal agents. Upon the resignation, or failure to act from any cause, of both of the fiscal agents, the fiscal agency shall devolve upon the registrar if any. If at any time there shall be no fiscal agent in office, the Republic shall provide at least one fiscal agent, in the city of New York to attend to the services of the loan.

ART. 13. The fiscal agents, the subfiscal agents, the bond registrar, and the authenticating agent shall not incur any liability whatsoever to the Republic or to the bondholders or to anyone else, in acting in reliance upon any bond, coupon or other instrument which appears to them to be genuine.

ART. 14. All moneys received by either of the fiscal agents for the service of the loan may be held until paid out in accordance with the terms of this agreement, as a general and current deposit, and the fiscal agents agree to pay interest thereon as stipulated in chapter 4. Interest need not be paid by the fiscal agents on moneys held for payment of bonds or coupons due but not presented for payment.

ART. 15. The fiscal agents may purchase or otherwise deal in any of the bonds, with the same rights as though not acting as such.

CHAPTER 6. MISCELLANEOUS PROVISIONS

ARTICLE 1. Any notice, request or instruction or order for the payment of money or the delivery of securities which may be required to be given by one party to the other, shall be deemed sufficient unless herein otherwise expressly provided, if given in writing as follows:

(*a*) If from the fiscal agents to the Republic, over the signature of either of the fiscal agents by any member of the firm and if any of the fiscal agents be a corporation, then by the president or a vice president thereof, delivered to the consulate general of the Republic in New York City, or by cable addressed to the minister of finance and public credit of the Republic, provided that a copy of such cable is delivered on the day it is sent or on the following business day to said consulate general.

(*b*) If from the Republic to the fiscal agents, then by delivery at the office of either of the fiscal agents in the city of New York, or by cable addressed to either of the fiscal agents at its office in the city of New York by the minister of finance and public credit of the Republic, and confirmed in writing delivered to the fiscal agents by said consulate general of the Republic.

ART. 2. In compliance with any reasonable request made by the fiscal agents at any time, the Republic will furnish them with all information in regard to its revenues, expenses, financial affairs, and general condition.

ART. 3. The rights and obligations under this agreement shall inure to the benefit of and be binding on the Republic, on the one hand, and, on the other hand, Hallgarten & Co., and Kissel, Kinnicutt & Co., and their respective successors in business, as fiscal agents; as well as their respective successors as fiscal agents.

ART. 4. As soon as this agreement shall have been finally approved, in accordance with said law 102 of 1922, it will be raised to the form of a notarial instrument and recorded with the necessary formalities, at the expense of the Republic.

ART. 5. The fiscal agents renounce commencing any diplomatic claim with reference to the obligations and rights arising from this agreement, except in case of denial of justice, and agree that there shall not exist such denial, in conformity with article 42 of law 110 of 1912 relating to the fiscal code of the Republic, providing that there are granted the remedies and rights of action which, in conformity with Colombian laws, may be used before the judicial power. All successors in the fiscal agency will make the same declaration as that contained in this article.

In witness whereof there are signed three counterparts of the same tenor, in the city of Bogota, Republic of Colombia, on June 30, 1927.

MANUEL A. ALVARADO.
PEDRO M. CARREÑO.

N. B.—The contract was signed under date of June 30, 1927. Subsequently, by additional agreement dated July 19, 1927, certain clarifications or additions were made to it, which are incorporated in this translation.

FISCAL AGENCY AGREEMENT OF THE REPUBLIC OF COLOMBIA AND HALLGARTEN & CO. AND KISSEL, KINNICUTT & CO. RELATING TO $35,000,000, 6 PER CENT EXTERNAL SINKING FUND GOLD BONDS OF 1928, DATED APRIL 1, 1928, DUE OCTOBER 1, 1961

TRANSLATION OF FISCAL AGENCY AGREEMENT BETWEEN REPUBLIC OF COLOMBIA AND HALLGARTEN & CO. AND KISSEL, KINNICUT & CO.

The undersigned, Esteban Jaramillo, minister of finance and public credit, duly authorized by his excellency the President of the Republic, Dr. Miguel

Abadia Mendez, on behalf of the Republic of Colombia, hereinafter called "the Republic," of the one part, and Hallgarten & Co. and Kissel, Kinnicutt & Co., both partnerships domiciled in the city of New York, United States of America, represented herein by their special attorney in fact, Dr. Pedro M. Carreño, hereinafter called "the fiscal agents," of the other part, in consideration of the mutual agreements herein contained, have agreed as follows:

CHAPTER 1. AUTHORIZATION AND PURPOSES OF BOND ISSUE

ARTICLE 1. The Republic makes the following declarations and agreements:

(*a*) That by law 102 of 1922, duly enacted on December 14, 1922, the executive power of the Republic is validly authorized to contract a loan or loans and for that purpose to issue bonds of the Republic of the aggregate face amount of up to $100,000,000 in gold coin of the United States of America, or £20,000,000, and there have been heretofore contracted and issued under the authority of said law 102 obligations of the Republic of the aggregate face amount of not exceeding $25,000,000 in gold coin of the United States of America, of which amount there are now outstanding $24,865,000 represented by Republic of Colombia 6 per cent external sinking-fund gold bonds, dated July 1, 1927, due January 1, 1961.

(*b*) That by law 12 of 1927, duly enacted on September 14, 1927, the executive power of the Republic is validly authorized to contract a loan or loans and for that purpose to issue bonds of the Republic up to the aggregate face amount of 12,000,000 Colombian pesos or the equivalent at legal parity in gold coin of United States of America, to wit, $11,679,600, or the equivalent at legal parity in English pounds sterling, to wit, £2,400,000.

(*c*) That by law 106 of 1927, duly enacted on November 26, 1927, the executive power of the Republic is validly authorized to contract a loan or loans and for that purpose to issue bonds of the Republic up to the aggregate face amount of 20,000,000 Colombian gold pesos or the equivalent at legal parity in gold coin of the United States of America, to wit, $19,466,000, or the equivalent at legal parity in English pounds sterling, to wit, £4,000,000.

(*d*) That excepting the issue of bonds subject of this agreement the Republic has not contracted nor issued up to the date hereof any loan or issue of obligations under law 12 or law 106 of 1927.

(*e*) That by said laws 102 of 1922 and 12 and 106 of 1927 the executive power of the Republic is validly authorized to issue bonds of the Republic in accordance with the provisions of this agreement and upon the terms and conditions and secured as in this agreement provided, and to sell such bonds upon such terms and conditions as the executive power deems convenient.

(*f*) That the $35,000,000 aggregate face amount of bonds subject of this agreement are to be issued in accordance with said laws, and the proceeds of said bonds are to be allocated and applied to the purposes of said laws as follows: $22,000,000 face amount of the bonds shall be considered issued under the authority of law 102 of 1922 and the proportion of the total net proceeds of the sale of the bonds corresponding to such face amount will be applied by the Republic to purposes authorized by said law 102, to wit: To the Ferrocarriles del Pacifico, Central del Norte, Troncal de Occidente, channeling of Bocas de Ceniza, improvement of the Magdalena River and ports, including the Maritime Terminal of Barranquilla; $5,000,000 face amount of the bonds shall be considered issued under authority of law 12 of 1927 and the proportion of the total net proceeds of the sale of the bonds corresponding to such face amount shall be applied by the Republic to the construction of the Carare Railroad as provided in said law 12; $8,000,000 face amount of the bonds shall be considered issued under authority of law 106 of 1927 and the proportion of the total net proceeds of the sale of the bonds corresponding to such face amount shall be applied to purposes authorized by said law 106, to wit: To the construction of the following highways: Central del Norte to the Venezuelan frontier, Popayan to Pasto, Caqueza to Villavicencio; Bogotá to Cambao; Dorado to Sonson; Tunja to Carare, Suapaga to Tamara, Cartago to Choco, Puente Nacional to Socorro and Ibague to Armenia; and to subsidize the departmental highways from Cali to Buenaventura and from Medellin to the Atlantic.

(*g*) After approval of this agreement by the council of state and the national board of loans and by the executive power after favorable report by the council of ministers this agreement will be the valid obligation of the Republic in accordance with its terms; and the bonds (and the coupons thereto attached) when issued under this agreement will be the valid obligations of the Republic according to their respective terms.

CHAPTER 2. THE BONDS

ARTICLE 1. The bonds subject of this agreement shall be known as Republic of Colombia 6 per cent external sinking fund gold bonds of 1928; shall be dated April 1, 1928; shall mature October 1, 1961, and shall bear interest at the rate of 6 per cent per annum payable semiannually.

ART. 2. The aggregate principal amount of said bonds (hereinafter called the "bonds") shall not exceed $35,000,000 in gold coin of the United States of America, or the equivalent thereof in English pounds sterling, at the rate of $4.8665 per pound.

ART. 3. All payments of interest and principal, including principal of bonds called for the sinking fund, shall be made in gold coin of the United States of America of or equal to the standard of weight and fineness existing on April 1, 1928, or at the option of the respective holders of bonds or coupons, in English pounds sterling of the gold of standard weight and fineness existing on April 1, 1928, at the rate of $4.8665 per pound sterling. Such payments shall be made at the offices of the fiscal agents in the United States of America, or, in the case of payments to be made in sterling, at the offices of such subfiscal agents or others in Great Britain as the fiscal agents, with the approval of the Republic, may designate.

ART. 4. Principal, interest, and sinking fund shall be paid by the Republic, in time of war as well as in time of peace, irrespective of the nationality of the bondholder or coupon holder and whether or not the bondholder or coupon holder is a citizen of a friendly or a hostile state, and without requiring any declaration as to the citizenship or residence of such holder, or as to the length of time such holder has been in possession of such bond or coupon; and without deduction for any taxes or imposts of whatsoever nature, now or hereafter levied by the Republic or any department, municipality, or other subdivision thereof or therein, or by any Colombian national, departmental, municipal, or other authority; the Republic agreeing to assume any such taxes which may be imposed upon the bonds or the coupons thereto appertaining or the owners thereof on account of such ownership. The Republic agrees that all stamp or stamped paper and other taxes of the Republic or any subdivision thereof upon this agreement or the bonds or issue thereof shall be for its account.

ART. 5. All bonds not previously retired through operation of the sinking fund shall be due and payable on October 1, 1961.

ART. 6. The definitive bonds shall be of the face amounts of $1,000 and $500, in such proportions as the fiscal agents may determine and shall be expressed payable both as to principal and interest at the option of the holder, in English pounds sterling, in Great Britain, at the rate of $4.8665 per pound sterling. At the request of the fiscal agents the bonds shall also contain provisions for collection of principal and interest through Amsterdam and/or elsewhere.

ART. 7. The definitive bonds shall be bearer coupon bonds, registerable as to principal only by one or both of the fiscal agents or by such financial institution or institutions as the fiscal agents may from time to time designate, at which places the Republic shall cause to be maintained books for the registration and transfer of the bonds.

ART. 8. Every bond shall be transferable by delivery, unless registered as to principal in the name of the owner upon the registration books. After such registration no transfer shall be valid unless made on said books by the registered owner or by attorney duly authorized in writing and noted on the bond. But any bond may be discharged from registration by being in like manner transferred to bearer, and thereupon shall become transferable by delivery; and such bond may again, from time to time, be registered or transferred to bearer as before. Such registration shall not affect the negotiability of the coupons, and every coupon shall always continue to be transferable by delivery and shall remain payable to bearer, and payment thereof to bearer shall fully discharge the Republic and the fiscal agents and subfiscal agents in respect of the interest therein mentioned, whether the bonds to which such coupons appertain be registered or not.

ART. 9. As to every bond registered as to principal the person in whose name the same is registered shall for all purposes, except the payment of interest represented by the coupons, be deemed the owner thereof, and payment of or on account of the principal shall be made only to or upon the order of such registered holder.

ART. 10. The Republic, the fiscal agents, the subfiscal agents, the registrar, and authenticating agent may treat the bearer of any bond not registered, and the bearer of any coupon for interest on any bond, whether such bond be registered or not, as the absolute owner of such bond or of such coupon for the purpose of receiving payment thereof and for all other purposes, any notice to the contrary notwithstanding. The expenses of registration of bonds shall be paid by the Republic.

ART. 11. In case any bond or coupon shall be mutilated, destroyed, lost, or stolen the Republic shall issue, and the fiscal agents shall cause to be authenticated and delivered, a new bond or coupon of like tenor and denomination in exchange and substitution for and upon surrender and cancellation of such mutilated bond (with its coupons, if any), or coupon, or in lieu of and substitution for the bond (with its coupons, if any) or coupon so destroyed, lost, or stolen. The applicant for such substituted bond or coupon shall furnish evidence of the destruction, loss, or theft of the bond (with its coupons, if any) or coupon, so destroyed, lost, or stolen, and indemnity satisfactory to the fiscal agents. The evidence and the indemnity shall be satisfactory to the fiscal agents. The applicant for the substituted bond or coupon shall pay the cost of preparation and issue of such substituted bond or coupon.

ART. 12. The text of the bonds and coupons shall be in English in form satisfactory to the fiscal agents and in conformity with the requirements of the New York Stock Exchange. The bonds shall contain a provision whereby the Republic certifies and declares that all acts, conditions, and things required to be done and performed and to have happened precedent to and in the creation and issue of the bonds, have been done and performed and have happened in due and strict compliance with the constitution and laws of the Republic.

ART. 13. Pending the engraving and execution of definitive bonds the Republic shall execute and deliver to the fiscal agents for authentication one or more temporary printed bonds, in such denominations as the fiscal agents may request, and substantially of the tenor of the bonds herein described, but without coupons or with not more than one coupon, and with such provisions as the fiscal agents may approve. Subject to such regulations as the fiscal agents may prescribe, temporary bonds shall be exchangeable without cost to the holder for the same aggregate amount of definitive bonds. The Republic will cause definitive bonds to be prepared, executed, and delivered to the fiscal agents as promptly as possible for the purpose of making such exchanges. The fiscal agents shall have charge, on behalf of the Republic, of all matters in regard to the preparation of the temporary and definitive bonds.

ART. 14. The bonds shall be signed in New York City by the minister of the Republic to the United States of America, or, in his absence, by the chargé d'affaires, or by any other duly authorized representative of the Republic, and shall be countersigned by the consul general or acting consul general of the Republic in New York, or other representative duly authorized by the Comptroller General. In addition to such signature and countersignature, the definitive bonds may bear the written or facsimile signature of the minister of finance and public credit of the Republic, and of the comptroller general of the Republic, and shall bear the seal of the Republic or a facsimile thereof. The coupons on the definitive bonds shall likewise bear such facsimile signature of the minister of finance and public credit and of the comptroller general. The coupons, if any, on the temporary bonds shall bear the facsimile signature of the person who signs such temporary bonds.

ART. 15. The bonds shall be authenticated by one or both of the fiscal agents, or some financial institution selected by them. Such authentication shall be conclusive evidence, and the only evidence that the bonds so authenticated have been duly issued hereunder. All expenses of authentication shall be paid by the Republic.

ART. 16. At the request of the fiscal agents the Republic will make application for the listing of the bonds on the New York Stock Exchange and any other exchanges, and shall pay the expenses thereof.

CHAPTER 3. SECURITY

ARTICLE 1. The bonds, and the coupons thereto attached, shall constitute the direct obligations of the Republic, which hereby pledges its full faith and credit for the due and punctual payment of principal, interest, and sinking fund, and for due performance by the Republic of all of its obligations set forth herein and in the bonds and coupons.

ART. 2. Whereas no specific guaranty has been assigned to the bonds of the loan which is the subject of this contract, and whereas if hereafter security is given in favor of other loans the bonds subject of this contract would remain in an inferior position, which would be inconsistent with fundamental principles of equity, the Republic agrees that if, while any of the bonds of the present loan are outstanding, it shall secure any obligations, existing or future, whether under law 102 of 1922, or law 12 of 1927, or law 106 of 1927, or any other authorization, existing or future, by a lien or charge upon any of the railroads, river works, ports, highways, roads, or any part thereof, or upon any income or revenues derived therefrom, or any taxes or charges imposed with respect thereto, or upon any national income or revenues, then in every such case the bonds of this loan shall be secured in like form and equally and ratably with such obligations, and to that effect the Republic agrees that the bonds which are the subject of this contract shall enjoy the same security as may be granted in the future to any bond or loan.

ART. 3. If for any reasons the obligations of the Republic under this agreement or, under the bonds or coupons, are not complied with the Republic consents and agrees that upon demand of the holders of a majority in principal amount of the outstanding bonds it will immediately pay the entire principal thereof and accrued interest. Any such demand may be transmitted to the Republic through the fiscal agents. The holders of a majority in principal amount of the outstanding bonds may rescind any such demand, without prejudice, however, to again taking such action.

CHAPTER 4. SERVICE OF THE BONDS

ARTICLE 1. The amount required for the semiannual service, in gold coin of the United States of America, of the bonds to be issued hereunder, exclusive of the amounts payable by the Republic to the fiscal agents for their compensation, shall consist in each case of a uniform amount of $1,225,000 comprising:

(a) The semiannual sinking-fund installment, consisting of $175,000 (being one-half of 1 per cent of the total face amount of bonds authenticated), plus an amount equal to six months' interest on all bonds redeemed or otherwise retired through the operation of the sinking fund prior to the next succeeding semiannual interest date; and

(b) The semiannual interest installment, consisting of an amount equal to six months' interest on all bonds not redeemed or otherwise retired prior to the next succeeding semiannual interest date.

The semiannual sinking fund installments are calculated to retire the entire issue of the bonds not later than maturity.

ART. 2. The Republic shall place in the hands of the fiscal agents in New York (or, if and to the extent requested by the fiscal agents, in the hands of the subfiscal agents in Great Britain) at least 30 days prior to each semiannual interest payment date of the bonds, the amount required for the next semiannual service of the bonds, including the compensation of the fiscal agents. All payments shall be made to the fiscal agents, at their offices in New York City, in gold coin of the United States of America or, if and to the extent that the fiscal agents shall previously request, to the subfiscal agents in Great Britain in English pounds sterling. The amount so deposited with the fiscal agents or subfiscal agents for the service of the loan shall bear interest at 2 per cent per annum during such 30 days.

ART. 3. The Republic will make monthly deposits in a special account in the Bank of the Republic in Bogota for account of the service of the loan; each such deposit shall be made on the 1st day of the month and shall be equivalent to one-twelfth of the total amount of the annual service; except that the first deposit shall consist of an amount corresponding to the time elapsed since the date of the bonds. In case of difficulties of the Treasury or of diminution of revenues, or in any other circumstances, the Republic will give preference to payment of the service of its external loans. The Republic undertakes to include in all annual budgets the amount of the annual service of these bonds.

ART. 4. In lieu of making all or any part of any sinking fund payment in cash, the Republic may deliver to the fiscal agents for surrender to the sinking fund, any bonds, with all unmatured coupons attached, purchased by the Republic at prices not exceeding par (exclusive of accrued interest and commissions) accompanied by certificates signed in the name of the Republic stating at what prices such bonds were so purchased, and such bonds shall be accepted in lieu of cash in an amount equal to the purchase price (exclusive of accrued interest and commissions), plus the amount of the coupon due on said next interest date.

ART. 5. Except as hereinafter provided, upon the receipt of each such semiannual sinking-fund payment, the fiscal agents shall apply that part of the same paid in cash to the redemption of bonds at their principal amount on the next semiannual interest payment date: *Provided, however*, That if such moneys shall amount to less than $10,000, such sum may be carried forward and added to the next sinking fund payment. Such redemption shall be effected in the following manner: The particular bonds to be redeemed on each occasion shall be determined by lot of drawings conducted by the fiscal agents in New York at which a representative of the Republic may be present if the Republic so requests. Drawings shall be held not later than the twenty-fifth day immediately preceeding the next semiannual interest-payment date. Notice of such redemption shall be published at least twice in one or more newspapers of general circulation in New York City selected in each instance by the fiscal agents, and shall also be given and published in such manner, either in New York or elsewhere, as the fiscal agents may prescribe. The first publication shall be made at least 20 days immediately preceeding the next semiannual interest-payment date. Such notice shall state the numbers of the bonds to be redeemed (unless all outstanding bonds are to be redeemed), the date, which shall be the next semiannual interest payment date, and the places (in New York City and/or elsewhere) which shall be designated by the fiscal agents for surrender and payment. Upon such surrender, on or after such date, the fiscal agents shall cause to be paid to the holder of each such bond so surrendered with all unmatured coupons attached, the principal amount of such bond out of the funds provided for that purpose by the Republic. Any bond thus called for redemption and not so surrendered shall cease to bear interest after said redemption date, and all coupons for subsequent interest shall be void.

ART. 6. All bonds retired through the sinking fund, and the coupons thereto appertaining, shall be canceled and returned to the Republic, and no bonds shall be issued in lieu thereof.

ART. 7. The Republic, at its option, may increase the amount of any semiannual sinking-fund payment. In that event it shall notify the fiscal agents at least 60 days prior to the next succeeding interest date, specifying the amount by which such semiannual sinking-fund payment is to be increased; and shall pay the entire sinking-fund payment as so increased at least 30 days prior to such interest date.

ART. 8. Any sinking fund moneys received by the fiscal agents may be applied by them prior to the 25th day preceding the next semiannual interest payment date to the purchase of bonds for the account of the Republic at the lowest prices obtainable in the judgment of the fiscal agents, not exceeding principal amount, exclusive of accrued interest and commissions. All bonds so purchased shall be surrendered and credited to the sinking fund as hereinbefore provided in article 4 of this chapter. Any such cash remaining unexpended in the hands of the fiscal agents on the 25th day preceding the next semiannual interest payment date shall be applied to the redemption of bonds for the sinking fund as above provided.

ART. 9. Nothing in this agreement contained shall impose any obligation on the fiscal agents or subfiscal agents to redeem or buy any bonds or to make any payments of principal or interest or otherwise with respect to the bonds or the interest coupons, except out of funds previously received from the Republic for such purpose.

ART. 10. The bonds shall not be redeemable except through the sinking fund.

ART. 11. In the event that any bonds or coupons are not presented for payment within 20 years after the respective maturity dates stated in the bonds and coupons, the fiscal agents or subfiscal agents may return to the Republic any moneys held by them for the payment of such bonds and coupons; and thereafter the holders of such bonds or coupons shall have no right to any claim against the fiscal agents or subfiscal agents in respect of such payment of such moneys.

CHAPTER 5. THE FISCAL AGENTS

ARTICLE 1. The Republic hereby appoints Hallgarten & Co. and Kissel, Kinnicutt & Co. and their respective successors in business, the fiscal agents of the Republic for all purposes relating to the bonds and the service of the loan represented thereby; and said firms hereby accept such fiscal agency, subject to the provisions of this agreement. Such appointment shall continue while any of the bonds remain outstanding, unless sooner terminated as hereinafter provided.

ART. 2. The Republic gives the right to the fiscal agents to appoint one or more subfiscal agents in the United States of America or in Europe, as paying agents for the principal and interest on the bonds and with whom the fiscal agents may deposit or cause to be deposited funds of the Republic for the payment of principal and interest on the bonds and whose names may appear on the bonds and coupons. Any such appointments shall be made with the approval of the Republic. The fiscal agents and subfiscal agents may make such arrangements between themselves as they deem appropriate for the interchange of funds and for the drawing by one fiscal agent or subfiscal agent against funds of the Republic held by another fiscal agent or subfiscal agent and in general for facilitating the payment of bonds and coupons which may be presented to any of them. The Republic shall be credited or debited, as the case may be, with any net profit or loss or cost which may result from the conversion of dollars to pounds sterling or vice versa in connection with the remittance or exchange of funds necessary for service payments.

ART. 3. The Republic hereby consents that the fiscal agents may represent the holders of the bonds in all matters, but this provision shall not impose any trust or duty in favor of the bondholders upon the fiscal agents or either of them.

ART. 4. The fiscal agents shall not be under any duty to the bondholders to make any request of the Republic, or to take any action, with respect to the obligations or covenants of the Republic under this agreement unless requested in writing by the holders of at least 25 per cent in principal amount of the outstanding bonds and furnished with indemnity satisfactory to the fiscal agents and unless advised by counsel satisfactory to the fiscal agents that such request or action may be properly made or taken.

ART. 5. As compensation for their services hereunder the fiscal agents shall receive from the Republic one-quarter of 1 per cent of all amounts paid by the Republic on account of interest on bonds, and one-quarter of 1 per cent on the face amount of all bonds redeemed for the sinking fund or otherwise retired or paid. Such compensation shall be paid concurrently with the instalments of service with respect to which it is due. The fiscal agents undertake to pay any compensation payable to the subfiscal agents for their services as such. The Republic will also pay the cost of advertisements and other incidental expenses of the fiscal agents and subfiscal agents in connection with the service of the bonds, but it is understood that the amount of such expenses and the fees for registration of bonds which the Republic is to pay can not exceed $3,000 per annum.

ART. 6. If the fiscal agents pay for the account of the Republic any expenses or amounts payable by the Republic with respect to the bonds, such payments shall be reimbursed by the Republic to the fiscal agents, with interest at 6 per cent per annum, upon the rendering of an account by mail or cable in reasonable detail to the Republic. Any such account shall be considered accepted by the Republic unless objection thereto be made by the Republic in writing or by cable and received by the fiscal agents within 90 days from the mailing or 30 days from the cabling of the account in question.

ART. 7. The Republic may pay any service moneys payable to the fiscal agents in pursuance of this agreement, to the fiscal agents jointly, or to either of them. The fiscal agents and subfiscal agents will arrange between themselves as to the proportions in which such moneys or other sums shall be held on deposit by them respectively for the account of the Republic. Neither of the fiscal agents nor the subfiscal agents shall be responsible to the Republic or to the bondholders for any sums paid to, deposited with, or held by any other fiscal agent or subfiscal agent or any third parties, nor for the act or omission of any other fiscal agent or subfiscal agent or of any third parties.

ART. 8. The Republic shall at all times indemnify and protect each of the fiscal agents and the subfiscal agents, as well as any institution appointed by the fiscal agents as registrar and/or authenticating agent for the bonds, against al claims, demands and actions which may be instituted in behalf of any bondholders, or coupon holders, whether in respect of moneys at any time in the hands of the fiscal agents or otherwise, subject only the the responsibility expressed in this chapter.

ART. 9. Each of the fiscal agents and subfiscal agents and the bond registrar and authenticating agent shall be answerable to the Republic or to the bondholders only for its own failure to exercise good faith or for gross negligence.

ART. 10. The fiscal agents, or either of them, may consult counsel in regard to their duties under this agreement, and shall be fully protected in relying and acting upon the advice of counsel of recognized standing selected by them or any of them.

ART. 11. Neither of the fiscal agents or subfiscal agents shall incur any responsibility in acting in reliance upon any authentic instructions or advices received by cable or otherwise, as purporting to come from the minister of finance and public credit of the Republic or from the minister or charge d'affaires or consul general of the Republic in the United States of America or Great Britain.

ART. 12. Any of the fiscal agents or subfiscal agents may at any time resign from the agency by giving notice of such intention to the Republic, specifying the date on which such resignation shall become effective; provided that such notice shall not be less than 30 days, unless the Republic agrees to accept less notice. Upon the resignation or failure to act from any cause of either of the fiscal agents, the remaining fiscal agent shall act as sole fiscal agent, and may exercise all powers of both fiscal agents. Upon the resignation, or failure to act from any cause, of both of the fiscal agents, the fiscal agency shall devolve upon the registrar, if any. If at any time there shall be no fiscal agent in office, the Republic shall provide at least one fiscal agent, in the city of New York, to attend to the service of the loan. Upon the resignation or failure to act of any subfiscal agent the fiscal agents may appoint its successor with the approval of the Republic.

ART. 13. The fiscal agents, the subfiscal agents, the bond registrar, and the authenticating agent shall not incur any liability whatsoever to the Republic or to the bondholders or to anyone else, in acting in reliance upon any bond, coupon, or other instrument which appears to them to be genuine.

ART. 14. All moneys received by either of the fiscal agents or subfiscal agents for the service of the loan may be held until paid out in accordance with the terms of this agreement, as a general and current deposit, and the fiscal agents agree to pay interest thereon as stipulated in chapter 4. Interest need not be paid to the Republic on moneys held for payment of bonds or coupons due but not presented for payment.

ART. 15. The fiscal agents or subfiscal agents may purchase or otherwise deal in any of the bonds, with the same rights as though not acting as such.

CHAPTER 6. MISCELLANEOUS PROVISIONS

ARTICLE 1. Any notice, request, or instruction, or order for the payment of money or the delivery of securities which may be required to be given by one party to the other shall be deemed sufficient unless herein otherwise expressly provided if given in writing as follows:

(*a*) If from the fiscal agents to the Republic, over the signature of either of the fiscal agents by any member of the firm, and if any of the fiscal agents be a corporation, then by the president or a vice president thereof, delivered to the consulate general of the Republic in New York City or by cable addressed to the minister of finance and public credit of the Republic, provided that a copy of such cable is delivered on the day it is sent or on the following business day to said consulate general.

(*b*) If from the Republic to the fiscal agents, then by delivery at the office of either of the fiscal agents in the city of New York, or by cable addressed to either of the fiscal agents at its office in the city of New York by the minister of finance and public credit of the Republic and confirmed in writing delivered to the fiscal agents by said consulate general of the Republic.

ART. 2. In compliance with any reasonable request made by the fiscal agents at any time, the Republic will furnish them with all information in regard to its revenues, expenses, financial affairs, and general condition.

ART. 3. The rights and obligations under this agreement shall inure to the benefit of and be binding on the Republic on the one hand and on the other hand Hallgarten & Co. and Kissel, Kinnicutt & Co., and their respective successors in business, as fiscal agents, as well as their respective successors as fiscal agents.

ART. 4. As soon as this agreement shall have been finally approved, in accordance with said laws 102 of 1922, 12 and 106 of 1927, it will be raised to the form of a notarial instrument and recorded with the necessary legal formalities, at the expense of the Republic.

ART. 5. The fiscal agents renounce commencing any diplomatic claim with reference to the obligations and rights arising from this agreement except in case of denial of justice, and agree that there shall not exist such denial, in conformity with article 42 of law 110 of 1912 relating to the fiscal code of the Republic, providing that there are granted the remedies and rights of action which, in conformity with Colombian laws, may be used before the judicial power. All successors in the fiscal agency will make the same declaration as that contained in this article.

In witness whereof there are signed three counterparts of the same tenor in the city of Bogota, Republic of Colombia, on March 22, 1928.

ESTEBAN JARAMILLO.
PEDRO M. CARREÑO.

(The contract was signed in Bogota under date March 22, 1928, and was raised to a public deed by deed No. 1046, dated April 11, 1928, executed before the second notary of the circuit of Bogota, Rafael Andrade S., by Dr. Esteban Jaramillo as Minister of Finance and Public Credit of the Republic of Colombia, and Dr. Pedro M. Carreño in the name of Hallgarten & Co. and Kissel, Kinnicutt & Co.; and said deed was recorded in the registry of the circle, Bogota, in book No. 2, duplicate, page 190, No. 95, April 16, 1928. By deed No. 1207 dated April 23, 1928, executed before the same notary, by the same parties, there were corrected certain typographical errors which occurred in the contract of March 22, 1928, and said deed of rectification was recorded in said registry in book No. 2, page 2, No. 1851, on May 24, 1928.)

[Translation of Spanish Text]

FISCAL AGENCY AGREEMENT OF THE MUNICIPALITY OF MEDELLIN (REPUBLIC OF COLOMBIA) AND HALLGARTEN & CO. AND KISSEL, KINNICUTT & CO., FISCAL AGENTS, DATED JUNE 19, 1928.—"MUNICIPALITY OF MEDELLIN, REPUBLIC OF COLOMBIA, EXTERNAL 6½ PER CENT GOLD BONDS OF 1928"; AUTHORIZED, $13,000,000; ORIGINAL ISSUE, $9,000,000.

NO. 1798

In the district of Medellin, Department of Antioquia, Republic of Colombia, on the 19th day of June, 1928, before me, Lisandro Restrepo Giraldo, third notary public of the circuit of Medellin, and before the witnesses Alejandro Villegas and Jesus Bernal Bravo, males, residents of said circuit, of legal age, in good standing, and who are not subject to any disqualification, appeared: Alfredo Cock A., president of the municipal council of Medellin, Julián Cock A., superintendent of the public municipal enterprises, and Louis Toro Escobar, municipal representative, in the name and on behalf of the municipality of Medellin, duly authorized by the council of said municipality, party of the first part; and S. P. Savage, jr., as special attorney-in-fact of Hallgarten & Co. and Kissel, Kinnicutt & Co., copartnerships domiciled in the city of New York, United States of America, as fiscal agents, parties of the second part.

All the parties appearing herein are males, residents of this district, of legal age, known to me, and they stated:

First. The representatives of the party of the first part are authorized to execute this agreement by virtue of the provisions of article 2 of resolution No. 58 of May 31, 1928, adopted by the municipal council of Medellin, to which resolution further reference shall be made hereinafter. The representative of the parties of the second part acts by virtue of a power of attorney dated May 21 of the current year granted in the city of New York by George Merzbach for Hallgarten & Co. and Samuel L. Fuller for Kissel, Kinnicutt & Co., which power of attorney is annexed to this agreement.

Second. Whereas by resolution No. 54 of 1928 published in the Municipal Chronicle of May 25, 1928, the municipal council of Medellin resolved to contract a loan in the amount of $9,000,000 in the form of external bonds, forming part of an authorized issue of $13,000,000, for the purposes stated in section 6 of article 11[1] of this agreement; therefore the municipality and Hallgarten & Co. and Kissel, Kinnicutt & Co. as fiscal agents, have agreed as follows, it being proper to state that in connection with this loan contract the approval of the executive power has already been obtained, as appears from executive

[1] So in the original. Should read article 2.

resolution No. 59 of June 14, 1928, which was preceded by a favorable report of the Government of Antioquia dated June 6 of this year, all of which documents are annexed to this agreement.

ARTICLE 1. DEFINITION OF TERMS

The following terms used in this agreement shall be taken to have the meaning hereinafter set forth:

1. The word "municipality" shall mean the municipality of Medellin, in the department of Antioquia, in the Republic of Colombia.

2. The term "fiscal agents" shall mean and include not only Hallgarten & Co. and Kissel, Kinnicutt & Co. as each of said firms is now constituted, but also each of said firms as constituted from time to time, and the respective successors in business of said firms and all successors as fiscal agents who shall become fiscal agents in the manner provided in article 10 of this agreement.

3. The term "municipal council" shall mean the municipal council of Medellin.

4. The term "president" shall mean the president of the municipal council. The term "superindentent general" shall mean the superintendent general of the public municipal enterprises.

5. The term "resolution of the council" shall mean a copy of a resolution bearing a certificate of the secretary of the council that such resolution has been duly adopted by the municipal council in accordance with the laws of the Republic of Colombia, and the ordinances of the Department of Antioquia, and has been propertly published and is at the date of such certificate in full force and effect.

6. The terms "written order of the municipality," "written request of the municipality" and "written consent of the municipality," shall mean, respectively, a written order, request, or consent signed by the president of the municipal council and the superintendent general of the public municipal enterprises.

7. The term "ordinary revenues of the municipality" shall mean its revenues derived from taxation, exclusive of the proceeds of any loan or operation of credit.

8. The term "net revenues of the public municipal enterprises" shall mean the revenues remaining after deducting from gross income from all sources except loans or credit operations or sales of plant and equipment, all expenses for operation, repairs, rentals, taxes, and insurance and a reasonable allowance for depreciation.

ARTICLE 2. DECLARATIONS BY THE MUNICIPALITY

For the purposes of this agreement, the municipality declares and certifies:

SECTION 1. That the municipality has at least 120,000 inhabitants.

SEC. 2. That the total debt of the municipality was on May 1, 1928, as follows: External debt, $5,661,000, American gold: internal funded debt, 1,608,256 pesos Colombian gold; internal floating debt, 137,900 pesos Colombian gold.

SEC. 3. That the municipality has never defaulted in the payment of either the principal or the interest or sinking fund service of any of its indebtedness or of its bonds.

SEC. 4. That the gross income, the aperating expenses, and the net earnings expressed in Colombian gold, derived from the public municipal enterprises owned and lawfully operated by the municipality for the years 1923, 1924, 1925, 1926, and 1927 were as stated in Appendix A, annexed to this agreement.

SEC. 5. That the total receipts and total disbursements of the municipality in the years 1923, 1924, 1925, 1926, and 1927 were, in Colombian gold, as stated in Appendix B annexed to this agreement.

SEC. 6. That the purposes for which the present loan is contracted are to provide funds (*a*) for the redemption on October 1, 1928, of all the outstanding external 8 per cent secured gold bonds of the municipality dated October 1, 1923; (*b*) for additions, improvements, betterments, and extensions of and to the public municipal enterprises, for material and equipment therefor, and for sewers and paving in a part of the city; (*c*) for the payment of certain existing internal loans and indebtedness of the municipality; and (*d*) to provide funds for the expenses of this issue of bonds, deposit of the first month's service of the loan with the fiscal agents, to provide for the special reserve fund as specified in section 9 of Article V, and that all of the funds received from the present loan are to be used for said purposes.

SEC. 7. That the municipality, as represented by its municipal council, is fully authorized and empowered by the laws of the Republic of Colombia, the decrees of the government of said Republic and the resolutions adopted by the municipal council as follows:

1. To contract the loan and to issue the bonds as hereinafter provided;
2. To make all the agreements and stipulations herein contained: and
3. To sell the bonds at less than par.

SEC. 8. That all acts conditions, and legal formalities which should have been done or which should have happened or existed prior to the issuance of the bonds have been done, happened, and exist as required by the constitution, laws, and decrees of the Republic of Colombia, the ordinances and decrees of the Department of Antioquia, and the resolutions of the municipality, and in strict accordance therewith.

ARTICLE 3. THE BONDS

SECTION 1. The municipality hereby creates an issue of bonds as herein set forth for the aggregate authorized principal amount of $13,000,000 gold coin of the United States of America, which bonds shall be designated "Municipality of Medellin, Republic of Colombia, external $6\frac{1}{2}$ per cent gold bonds of 1928" (hereinafter called the "bonds").

Nine million dollars principal amount of said bonds shall be issued immediately and are herein sometimes referred to as the "original issue"; the remaining $4,000,000 principal amount of bonds may be issued hereafter as more fully provided in article 4 below and are hereinafter sometimes referred to as the "additional issue" or "additional bonds" or "additional issues."

SEC. 2. The bonds shall be dated June 1, 1928, shall mature on December 1, 1954, and shall bear interest from June 1, 1928, until paid at the rate of 6½ per cent per annum payable semiannually on June 1 and December 1 in each year. Both principal and interest of the bonds shall be payable at the principal office of either of the fiscal agents in the borough of Manhattan, the city of New York, in gold coin of the United States of America of or equal to the standard of weight and fineness existing on June 1, 1928.

Until maturity, the interest on the bonds (except in the case of temporary bonds w thout coupons) shall be payable only on presentation of the interest coupons as they severally mature. When paid, such coupons shall forthwith be canceled and delivered on the written order of the treasurer of revenues. The coupons on bonds registered as to principal shall be payable to the bearer of such coupons in the same manner as coupons on bonds not so registered.

The municipality will deposit with the fiscal agents at their offices in the City of New York, at least 30 days prior to the maturity of the bonds, an amount sufficient to pay at maturity all of the bonds then outstanding.

This instrument and all other documents whether public or private or whether executed in the Republic of Colombia or elsewhere in pursuance hereof, and the bonds, both principal and interest, shall always, in times of war as well as of peace, be exempt from all imposts, contributions, duties, or other taxes now or hereafter levied, imposed, or collected by the municipality, and whether they be on the bonds or on the income derived therefrom or on the holder thereof by reason of his ownership or possession thereof, and whether such holder be a citizen or resident of the Republic of Colombia or of a state friendly or hostile thereto; and the Municipality agrees that all imposts, contributions, duties, or other taxes of like import now or hereafter levied, imposed, or collected by the Government of said Republic or by the department of Antioquia or other taxing authority in Colombia, as well as all notarial, registry, and other expenses connected with the execution and recording of this instrument or of any instrument supplemental hereto or signed pursuant to the provisions hereof, will be assumed and paid by the municipality, to the end that such instruments and the bonds, both principal and interest, shall be at all times free from all imposts, contributions, or other taxes levied, imposed, or collected by any taxing authority in the Republic of Colombia.

SEC. 3. The definitive bonds and the coupons appertaining thereto shall be substantially of the form hereafter in this section set forth. They shall be prepared in both the English and Spanish languages. If there should be any difference between the English and Spanish texts the English text shall prevail.

The definitive bonds and their coupons shall be engraved and shall in all respects conform to the requirements of the New York Stock Exchange for listing. The English text of the bonds shall be substantially as follows:

MUNICIPALITY OF MEDELLIN, REPUBLIC OF COLOMBIA—EXTERNAL 6½ PER CENT GOLD BOND OF 1928 DUE DECEMBER 1, 1954

The municipality of Medellin, in the department of Antioquia, in the Republic of Colombia (hereinafter called "the municipality"), for value received promises to pay to the bearer hereof, or if this bond be registered, to the registered owner hereof, on the first day of December, 1954, in the borough of Manhattan, the City of New York, either at the office of Hallgarten & Co., fiscal agent, or at the office of Kissel, Kinnicutt & Co., fiscal agent, at the option of the bearer or registered owner, the sum of dollars, and to pay interest thereon from June 1, 1928, at the rate of 6½ per cent per annum, semi-annually on June 1 and December 1 in each year, until payment of said principal sum, upon presentation and surrender of the annexed interest coupons as they shall severally mature.

The principal of and interest on this bond, and the payments for the service thereof hereinafter referred to, are payable in gold coin of the United States of America of or equal to the standard of weight and fineness existing June 1, 1928, and shall be paid in time of war as well as of peace, and whether the holder be a citizen or resident of a state friendly or hostile to the Republic of Colombia, without deduction for any impost, contribution, or other taxes or governmental charges now or hereafter levied or collected by or within the Republic of Colombia, whether national, departmental, municipal, or of any other nature whatsoever and whether such taxes or charges be on this bond or on the income derived therefrom or on the holder hereof by reason of his ownership or possession hereof.

This bond is one of an authorized issue of bonds of the municipality limited to the aggregate principal amount of $13,000,000 to be designated "Municipality of Medellin, Republic of Colombia, external 6½ per cent gold bonds of 1928," issued and to be issued by the municipality under and in pursuance of a fiscal agency agreement dated , 1928, between the municipality and Hallgarten & Co. and Kissel, Kinnicutt & Co. as fiscal agents and under authority of municipal ordinances of .

If while any of the bonds remain unpaid the municipality should issue, emit, or guarantee any loan or bonds secured by a mortgage upon any of its properties or by any pledge or right of retention on any of its revenues or funds, or assign any of its revenues or funds as guaranty for any obligation, all bonds of this issue shall have a lien or mortgage on the same properties and revenues prior to the lien or mortgage securing such future plan or bonds or obligation.

As provided in the agreement above mentioned, the municipality will pay to the fiscal agents in the borough of Manhattan, the city of New York, at least 30 days prior to the respective interest payment dates, the sum of $360,000 for service of interest and sinking fund in respect of the original issue of $9,000,000 of bonds, which amount upon the issue of any part of the additional $4,000,000 of bonds as provided in said agreement shall be increased to an amount which, payable semiannually thereafter, in addition to providing for the semiannual interest, will suffice for the redemption of all the bonds at or prior to their maturity at par. The fiscal agents shall apply the sums so received by them in each half year (*a*) to the payment of the next semiannual interest on all bonds then outstanding, and (*b*) the balance as sinking fund to the purchase of bonds at not exceeding par and accrued interest; or if unable to purchase the bonds, then to the redemption of bonds at par by drawing by lot, all as provided in said agreement. The municipality may increase the sinking-fund payments at any time at its election in the manner provided in said agreement.

Notice of redemption through the sinking fund shall be given by publication once a week for three successive weeks in two daily newspapers printed in the English language and published and of general circulation in the borough of Manhattan, the city of New York, the first publication to be made not less than 20 days before the redemption date.

The municipality declares this bond to be its direct liability and obligation, and for the prompt payment of this bond with interest in accordance with the terms hereof the full faith and credit of the municipality are hereby irrevocably pledged.

The municipality recognizes that the fiscal agents and each of them or their respective successors are the general representatives of the holders of the bonds and may institute and carry on for them, in the names of the fiscal agents or either of them, all actions and proceedings, whatever be the grounds thereof, without being required to produce or possess any of the bonds in any court or elsewhere or to prove their agency for or authority from said bondholders to represent them.

In case default as defined in the agreement shall occur, the principal of all the bonds may be declared due or (sic) payable in the manner provided in said agreement.

It is hereby certified and recited by the municipality that all acts, conditions, and things required to be done, to have happened or to exist prior to the issuance of this bond have been done, have happened and exist in due and strict compliance with the constitution, laws and decrees of the Republic of Colombia, the ordinances of the department of Antioquia, and the resolutions of the municipality.

This bond shall pass by delivery unless registered in the name of the owner at the principal office in the borough of Manhattan, the city of New York, of National Bank of Commerce in New York, registrar, such registration being noted hereon by said registrar. After such registration no transfer shall be valid unless made at said office by the registered owner in person or by duly authorized attorney and similarly noted hereon by said registrar; but this bond may be discharged from registration by being in like manner transferred to bearer, and thereupon transferable (sic) by delivery shall be restored; and this bond may again from time to time be registered or transferred to bearer as before.

This bond shall not be valid until it shall have been authenticated by the signature of National Bank of Commerce in New York, as authenticating agent, to the certificate hereon indorsed.

In witness whereof, the municipality of Medellin has caused this bond to be engraved with the facsimile signatures of the President of the municipal council and the treasurer of revenues, and to be signed in its name in the city of New York by the special delegate of the municipality appointed for that purpose, and the seal of the municipality to be impressed or engraved hereon, and the interest coupons bearing the engraved facsimile signature of the treasurer of revenues to be hereunto attached.

Dated, June 1, 1928.

MUNICIPALITY OF MEDELLIN,
By —— ——,
Special Delegate.

—— ——,
President of the Municipal Council.

—— ——,
Treasurer of Revenues.

The English text of the interest coupons shall be substantially as follows:

No. —— $——

On the first day of , unless the bond hereinafter mentioned shall have been called for previous redemption and payment thereof duly provided for, the municipality of Medellin, Republic of Colombia, will upon the surrender of this coupon pay to the bearer hereof, in the borough of Manhattan, the city of New York, at the office of Hallgarten & Co., fiscal agent, or at the office of Kissel, Kinnicutt & Co., fiscal agent, at the option of the bearer, the sum of dollars in gold coin of the United States of America of or equal to the standard of weight and fineness existing June 1, 1928, without deduction for any taxes levied within the Republic of Colombia as specified in the bond hereinafter mentioned, being 6 months' interest then due on municipality of Medellin, Republic of Colombia, external 6½ per cent gold bond of 1928, due December 1, 1954, No. .

—— ——,
Treasurer of Revenues.

SEC. 4. All definitive bonds issued hereunder shall be coupon bonds, shall bear the engraved facsimile signatures of the president of the municipal council and the treasurer of revenues of the municipality and shall be signed in the city of New York by a special delegate of the municipality to be appointed for that purpose. The seal of the municipality shall be impressed or engraved on each of the bonds. In case any officer of the municipality whose facsimile signature shall have been engraved upon any bond shall cease to be such officer of the municipality before such bond shall be actually authenticated and delivered, such bond, nevertheless, may be adopted by the municipality and be authenticated, delivered and issued as though the person whose facsimile signature appears engraved upon such bond had not ceased to be such officer of the municipality. The coupons to be attached to the bonds shall bear the facsimile signature of the present or any future treasurer of revenues of the municipality, and the municipality may adopt and use for that purpose the facsimile signature of any person who shall have been such treasurer of revenues, notwithstanding the fact that he may have ceased to be such treasurer on the date when such bonds shall be actually authenticated and delivered. The bonds shall be delivered to the National Bank of Commerce in New York or other authenticating agent appointed by the fiscal agents.

Only such bonds as shall bear indorsed thereon a certificate duly executed by the authenticating agent in the form hereinafter set forth, shall be valid or be entitled to any benefit hereunder, and such certificate shall be conclusive evidence and the only evidence that the bond bearing the same has been duly authenticated and delivered hereunder. The English text of said certificate shall be as follows:

"This is one of the bonds described in the within mentioned fiscal agency agreement.

NATIONAL BANK OF COMMERCE IN NEW YORK,

——— ———,

Authenticating Agent."

SEC. 5. The bonds shall be of the denominations of $1,000 and $500, and of such respective amounts of each denomination as the fiscal agents may determine. The bonds of the denomination of $1,000 shall be numbered M 1 and consecutively upward, and those of the denomination of $500, D 1 and consecutively upward.

SEC. 6. The municipality agrees to keep at the principal office of the registrar of the bonds in the borough of Manhattan in the city of New York, so long as any of the bonds shall be outstanding, a register for the registration and transfer of bonds, and upon presentation for such purpose the municipality will, as it may prescribe, register therein any of the bonds as to the principal thereof. The bearer of any bond may have the same registered in his name on said book, such registry being noted on the bond, after which no transfer shall be valid unless made on said books by the registered owner in person or by his attorney duly authorized and similarly noted on the bond, but the same may be discharged from registry by being in like manner transferred to bearer, after which it shall be transferable by delivery; but such bond may again from time to time be registered or transferred to bearer as before. Such registration shall not affect the negotiability of the coupons belonging to any bond, but every such coupon shall continue to pass by delivery and shall remain payable to bearer. The authenticating agent is hereby appointed the registrar of the bonds.

SEC. 7. As to any bond registered as to principal, the person in whose name the same shall be registered shall, for all purposes of this agreement, be regarded as the absolute owner thereof, and thereafter payment of the principal of such bond shall be made only to such registered owner, but such registration may be changed as above provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such bonds to the extent of the sum or sums so paid. The municipality, the fiscal agents, and the authenticating agent and registrar may deem and treat the bearer of any bond which shall not at the time be registered, and the bearer of any coupon for interest upon any bond, whether or not such bond shall be registered, as the absolute owner of such bond or coupon for the purpose of receiving payment thereof, and for all other purposes whatsoever, and the fiscal agents and the municipality shall not be affected by any notice to the contrary.

SEC. 8. Until the definitive bonds can be prepared the municipality may issue, and the authenticating agent shall authenticate and deliver, in lieu of such definitive bonds and subject to the same provisions, limitations and conditions, temporary printed bonds of any denomination specified in the written or cabled order directing the authentication and delivery thereof. Such temporary bonds shall be substantially of the tenor of the definitive bonds, but in the English language only, with or without coupons and with or without the facsmile signatures and seal required for definitive bonds, and with appropriate omissions, variations, and insertions as may be required. Such temporary bonds shall be exchangeable for definitive bonds when the same are ready for delivery; and upon surrender for xchange, such tmporary bonds forthwith shall be canceled and cremated by the authenticating agent, and the municipality at its own expense shall issue, and the authenticating agent shall authenticte and deliver in exchange therefor, definitive bonds for the same aggregate principal amount as the temporary bonds surrendered. Until so exchanged, each of said temporary bonds in all respects shall be entitled to the benefit of this instrument as a bond authenticated and delivered hereunder, and in the case of temporary bonds without coupons, the interest thereon when and as payable, shall be paid upon presentation thereof, and notation of such payment shall be indorsed thereon.

The fiscal agents are authorized on behalf and at the expense of the municipality to bring about the preparation of the temporary and definitive bonds, and as soon as the definitive bonds are ready, the municipality will immediately cause said definitive bonds to be signed in the city of New York by a special delegate appointed for such purpose, and to be delivered to the authenticating agent to be exchanged for such temporary bonds.

SEC. 9. In case any bond with the coupons belonging thereto, shall be mutilated or shall be lost or destroyed, then upon the production of such mutilated bond, or upon the receipt of evidence satisfactory to the municipality and the authenticating agent of the loss or destruction of such bond and its coupons, if any, and upon receipt also of indemnity satisfactory to each of them, the municipality shall, in its discretion, issue and thereupon the authenticating agent shall authenticate and deliver, a new bond and coupons in exchange for, and upon cancellation of, the mutilated bond and its coupons, or in lieu of the bond and its coupons so lost or destroyed. The authenticating agent is authorized to authenticate and issue appropriate evidences of indebtedness in substitution for mutilated coupons in accordance with the regulations of the New York Stock Exchange, upon the surrender of such mutilated coupons. The applicant for a substituted bond or coupon shall pay the cost of preparation and issue thereof.

SEC. 10. Any bonds not presented for payment at maturity, or not presented for redemption upon the date designated for such redemption, shall, after the lapse of 30 years from and after the date of maturity or such redemption date, as the case may be, cease to be an obligation of the municipality, and any coupons not presented for payment at maturity shall after the lapse of 20 years thereafter cease to be an obligation of the municipality. The holders of such bonds or coupons shall cease to have any rights whatsoever arising out of this agreement; and the fiscal agents, after the lapse of said respective periods, shall pay over to the municipality any moneys held by them for the payment of such bonds and coupons; and upon presentation to the municipality after the expiration of said period, such bonds and coupons shall be canceled and destroyed.

The municipality hereby renounces the benefit of any law which authorizes it to refuse recognition of said bonds and coupons prior to the expiration of said respective periods; but after said respective periods shall have elapsed, the bonds and coupons shall be of no value whatsoever as evidence of an indebtedness of the municipality. The fiscal agents accept the above concession and renunciation on behalf of the holders of the bonds and coupons. During any such additional period, the bonds shall not bear interest if due provision shall have been made by the municipality for their payment.

SEC. 11. The indebtedness represented by the bonds shall constitute and is hereby declared to be a direct obligation of the municipality, irrespective of any specific security which may hereafter be constituted; and the municipality hereby pledges in the most solemn manner its full faith and credit to the due and punctual payment of the bonds, both principal and interest, and of all amounts required for the service of the bonds, and for the performance of all obligations of the municipality contained in this instrument.

SEC. 12. The municipality agrees that in the bonds it shall be provided, that if while any of the bonds remain unpaid the municipality should issue, emit or guarantee any loan or bonds secured by a mortgage on any of its properties or by any pledge or right to claim on any of its revenues or funds, or assign any of its revenues or funds as guaranty for any obligation, the bonds of this issue shall have a lien or mortgage on the same properties and revenues prior to the lien or mortgage securing such future loan or bonds or obligation.

ARTICLE IV. ISSUE OF BONDS

SECTION 1. The municipality shall forthwith execute $9,000,000 principal amount of bonds constituting the original issue under this agreement and shall deliver the same to National Bank of Commerce in New York, for authentication by it, and the authenticating agent, upon receipt by it of an opinion, which may be in written or cable form, from Colombian counsel approved by the authenticating agent, stating that this agreement has been duly completed, executed, delivered and registered, or that such registration is unnecessary, that all formalities and acts have been performed to make this agreement valid and enforceable according to its terms, and that the bonds provided for herein, when executed, authenticated and delivered will be the binding and enforceable obligations of the municipality and entitled to the benefits provided for in this agreement, shall authenticate and deliver said $9,000,000 principal amount of the bonds as directed by the written or cabled order of the president and the superintendent general. Before authenticating or delivering any bonds, all coupons thereon matured shall be detached and canceled by the authenticating agent.

SEC. 2. The additional $4,000,000 principal amount of bonds to be issued under this agreement may be issued pursuant to resolution of the council at such time as the municipality shall see fit, subject to the provisions and restrictions set forth in this agreement, provided (*a*) that there shall be no default hereunder; (*b*) that the entire $4,000,000 principal amount of additional bonds shall be issued at one time or in two installments of $2,000,000 each; (*c*) that such additional bonds shall not be issued unless the total amount required for the annual service of the entire external and internal debt of the municipality, including the service of such additional bonds then to be issued, shall not exceed an amount equal to 20 per cent of the ordinary revenues of the municipality plus 80 per cent of the net revenues of the public municipal enterprise owned by the municipality during 12 months out of the 15 months preceding the issue of such additional bonds. The amounts required for the annual service of the municipality's debt and the amount of the ordinary revenues of the municipality and of the net revenues of said public municipal enterprises shall be evidenced by official documents signed by the president and by the superintendent general, or by other official documents satisfactory to the fiscal agents; (*d*) that an agreement supplemental to this agreement shall be executed by the municipality and fiscal agents specifying the amount of the semiannual payments for the service of the bonds to be deposited thereafter in accordance with the provisions of section 1 of Article V hereof; (*e*) that due provision shall have been made for paying the additional sums required to be paid to the fiscal agents for account of the service of the additional bonds for the then current six months' period; and that the additional amount for the special reserve fund be paid as provided in section 9 of said Article V. Before authenticating and delivering said $4,000,000 or $2,000,000 principal amount of additional bonds, the authenticating agent shall detach and cancel all matured coupons appertaining thereto.

ARTICLE 5. SERVICE OF THE BONDS, SPECIAL RESERVE FUND

SECTION 1. The municipality shall place in the hands of the fiscal agents in New York, at least 30 days prior to each semiannual interest payment date of the bonds, an amount in gold dollars of the United States of America, equal to the sum of the following: (*a*) such amount as may be required to cover the fees of the fiscal agents; (*b*) the sum of $360,000 for service of interest and sinking fund in respect to the original issue of $9,000,000 of bonds, which amount upon the issuance of any of the additional $4,000,000 of bonds hereunder shall be increased to an amount which, in addition to providing for the semi-annual interest, will suffice for the redemption of all bonds hereunder, at or prior to their maturity at par, said amount to be agreed upon between the municipality and the fiscal agents simultaneously with or prior to the authentication and delivery of such additional bonds.

SEC. 2. In order to carry out the provisions of the preceding section 1, the municipality will pay over to the fiscal agents from the proceeds of the bonds at the time of payment therefor a sum equal to one-twelfth of the annual service on said original issue of bonds. The municipality will thereafter make monthly deposits in a special account in a bank in Medellin chosen by agreement with the fiscal agents for account of the service of the loan; each such deposit shall be made on the last day of the month and shall be equivalent to one-twelfth of the total amount of the annual service. The municipality agrees to cause said depositary bank in Medellin to remit to the fiscal agents at their offices in New York City out of the moneys deposited as aforesaid the full amount deposited in each half year in such manner that said amount shall be received by the fiscal agents not less than 30 days prior to each semiannual interest payment date. The deposit of sums with said depositary bank in Medellin shall not relieve the municipality of any obligation under section 1 of this article except to the extent that such sums are actually received by the fiscal agents.

SEC. 3. All remittances received by the fiscal agents on account of the bond service shall be applied by them as follows: (*a*) To the payment of the next semiannual interest on bonds then outstanding; (*b*) the balance as a sinking fund to the purchase of bonds upon tender or in the open market, or at private sale or upon any exchange or in any one or more of said ways according as the fiscal agents in their uncontrolled discretion shall determine, at the best prices at which they are, in the judgment of the fiscal agents, obtainable, but not in excess of their principal amount and accrued interest; (*c*) if the market price of bonds be above par then the sinking fund shall be applied to retire the bonds by drawings at par, as hereinafter provided.

SEC. 4. If on May 7 or November 7 in any year there shall remain in the sinking fund money sufficient to redeem on the next interest payment date at least $10,000 principal amount of bonds, such money shall be set aside and used by the fiscal agents in the following manner:

The fiscal agents shall draw by lot for redemption at their principal amount and accrued interest on the next interest payment date a number of bonds then outstanding sufficient, as nearly as may be, to exhaust such moneys remaining in the sinking fund. Such drawings shall be made at the office of either of the fiscal agents in the city of New York, or elsewhere as the fiscal agents may designate. Forthwith after every drawing to determine the particular bonds to be redeemed as aforesaid, the fiscal agants shall give notice to the holders of the bonds so drawn by advertisement to be published once a week for three successive weeks in two daily newspapers printed in the English language and published and of general circulation in the borough of Manhattan, the city of New York, to be selected by the fiscal agents; the first publication to be made not less than 20 days before the date fixed for dedemption. Such notice shall specify the numbers of the bonds so drawn for redemption, unless all outstanding bonds are to be redeemed, and shall state that said bonds will be redeemed on the next interest payment date; and shall state the time and place or places for the redemption of the bonds to be redeemed. The fiscal agents shall notify the municipality promptly after each such drawing of the numbers of the bonds which have been drawn for redemption.

SEC. 5. The municipality may at any time increase the amount payable by it to the sinking fund for the purchase or redemption of bonds on any semiannual interest payment date, provided, however, that in the case of such increased payment the amount thereof shall be deposited with the fiscal agents not less than 45 days prior to the interest payment date; and the call for redemption, in case the funds shall not have been exhausted in the purchase of bonds, shall take place and notice be given in the manner provided in section 4 of this article.

SEC. 6. So soon as the fiscal agents shall have drawn any bond by lot for redemption and commenced publication of notice of such redemption pursuant to the provisions of section 4 of this article, the money held by the fiscal agents for the redemption of such bond shall, without further act, be treated as set aside and reserved for the benefit of the holder of such bond and the coupons thereto belonging, and such reservation and such sum shall constitute full payment of the bond and the coupons thereto belonging as between the municipality and the holder thereof. The sum so reserved in the hands of the fiscal agents shall constitute a special trust fund for the benefit of said bond and coupons, but no interest shall accrue on such fund in its favor. Thereupon and thereafter, the holder of such bond and the coupons thereto belonging shall look for payment of such bond and coupons only to the fund so reserved in the hands of the fiscal agents, and in no event to the municipality.

SEC. 7. All bonds and the coupons attached thereto purchased or redeemed through the operation of the sinking fund, shall be canceled by the fiscal agents and delivered to the authenticating agent, who shall cremate the same and deliver to the fiscal agents certificates in duplicate of the cremation of such bonds and coupons; and no bonds shall be issued in lieu thereof or in exchange therefor. This provision shall not prevent the issue of the additional bonds as provided in this agreement, so long as the total aggregate principal amount of the bonds issued hereunder, whether outstanding or redeemed, shall at no time exceed $13,000,000.

SEC. 8. All moneys at any time constituting a part of the sinking fund, except moneys reserved and set aside for the redemption of bonds, pursuant to the provisions of this article 5, shall be held by the fiscal agents for the benefit of the holders of the bonds secured hereby. If for any reason the municipality should fail to make bond service remittances for any period of six months in any year sufficient to pay the installment of interest due at the termination of such six months' period, the fiscal agents may in their uncontrolled discretion, apply any moneys then in the sinking fund, except moneys reserved as aforesaid, to the payment of such interest installments; and upon default in the payment at maturity of the principal of any of said bonds, whether such maturity occurs by declaration or otherwise, any portion of the sinking fund then in the hands of the fiscal agents, except as aforesaid, shall be applied as follows: (1) To the payment of all charges, expenses, liabilities and advances incurred or made by the fiscal agents under this agreement; and (2) to the payment of all amounts then owing upon the bonds for principal and interest, prorata and without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest.

SEC. 9. The municipality will set up from the proceeds of the bonds and maintain at all times on deposit with the fiscal agents in New York, a fund, herein referred to as the "special reserve fund." Said special reserve fund, as originally constituted, shall amount to $360,000 American gold, being an amount equal to six months' service on the original issue of $9,000,000 of bonds. Simultaneously with or prior to the authentication and delivery of the additional $4,000,000 or $2,000,000 of bonds, the municipality shall increase said special reserve fund by paying to the fiscal agents an amount sufficient to make said fund equal to six months' service on the entire eleven or thirteen million dollars of bonds of this issue.

Said special reserve fund shall be applicable to the service of the bonds as hereinafter provided and in case any part thereof shall be so applied, the municipality will forthwith replenish said fund so that at all times during the life of the bonds there shall remain in said special reserve fund an amount equal to six months' service as aforesaid. Said special reserve fund may be applied by the fiscal agents to the bond service in case for any reason the remittances for the service of the bonds required by this agreement should cease in whole or in part, but said special reserve fund is not intended to relieve the municipality of the obligation to make the remittances herein specified.

Upon the moneys held in the special reserve fund interest shall be allowed to the municipality by the fiscal agents at a rate of one-half of 1 per cent below the current New York Federal reserve bank rate, provided, however, that in any case the rate of interest on such moneys shall not be less than 2½ per cent per annum.

Said special reserve fund shall be invested and reinvested from time to time by either of the fiscal agents in their discretion in any one or more of the following securities: 25-year external 7 per cent secured gold bonds of the municipality of 1926; bonds of the Republic of Colombia, or of any department thereof, and any bonds guaranteed by the Republic of Colombia, or any bonds issued by the United States of America. Every such investment shall be entirely at the risk of the municipality and the municipality agrees to make good from time to time immediately upon request of the fiscal agents any deficiency between the amount originally invested in all of said bonds and the aggregate value of such bonds based on the then current market quotations.

Whenever the market value of the bonds representing such special reserve fund shall equal or exceed the amount invested therein, or any deficiency shall have been made good, the net income from such investments, after deducting the usual brokerage commission to the fiscal agents, of one-quarter of 1 per cent of the principal amount of the investments purchased or sold and any expenses incurred by the fiscal agents in connection with said bonds, shall be paid by the fiscal agents semiannually to or upon the order of the municipality. The municipality hereby agrees that every holder of the bonds secured by this agreement by accepting such bonds shall be understood to agree that neither of the fiscal agents shall be responsible for any investment made by the fiscal agents hereunder, nor for their failure to make any investment.

ARTICLE 6. SPECIAL COVENANTS OF THE MUNICIPALITY

The municipality hereby covenants and agrees with the fiscal agents for the benefit of the holders severally and respectively of the bonds, as follows:

SECTION 1. The municipality will duly and punctually pay the principal and interest on every bond issued under this agreement on the dates and at the places and in the manner specified in such bonds or in the appurtenant coupons, according to the true intent and meaning thereof.

SEC. 2. The municipality, at all times, until the final payment of all bonds issued under this agreement, will maintain at the offices of the fiscal agents in the city of New York, an agency where the bonds and coupons may be presented for payment and where all notices and demands in respect of the bonds and coupons under this agreement may be served.

SEC. 3. The municipality agrees that it will cause this agreement to be recorded according to the laws of the Republic of Colombia in the proper registries of public instruments or in such other places and offices as may be provided by law in order to preserve and protect the rights of the fiscal agents and of the holders of the bonds.

SEC. 4. The municipality will furnish to the fiscal agents within two months after the close of each quarter year a full report, signed by the president and by the superintendent general, showing the operations of the public municipal enterprises for such quarter year, which report shall include the statement of net income and the various sources of gross income and of fixed and operating expenses. The municipality will also furnish to the fiscal agents within two months after the close of each fiscal year a similar report signed by the president and by the treasurer of revenues showing the total revenues of the municipality from all sources other than from public municipal enterprises, and the total expenditures of the municipality for all purposes other than for the public municipal enterprises for such fiscal year, and containing also a statement of the debts of the municipality (including absolute and contingent liabilities) with the principal subdivisons thereof, as of the close of such fiscal year. The muncipality as soon as the budget is adopted and approved, will also furnish the fiscal agents with a copy thereof duly certified or authenticated by the president and the secretary of the council.

The municipality will also furnish to the fiscal agents any and all information which they may reasonably request relating to the public municipal enterprises or to the financial condition of the municipality or to the preformance or observance of the terms of this agreement.

The fiscal agents shall be under no duty to inquire into, and shall be under no responsibility whatsoever for, the correctness, truthfulness, accuracy or sufficiency of any such reports required by the provisions of this section to be furnished to them by the municipality, or with respect to any facts, figures or information contained in any of such reports, and the sole duty of the fiscal agents with respect to all of such reports shall be to receive them and keep them on file during a period of two years for inspection by any holder of bonds issued hereunder.

SEC. 5. The municipality will, until the final payment of all of the bonds, include the service of the bonds in the municipal budget in a separate chapter or title devoted to the external debt of the municipality, and the municipality pledges its faith to full compliance with the stipulations herein contained, and binds itself in the most complete and effective manner to give, as soon as this agreement is signed, a general order to the Government office, in accordance with article 1 of ordinance 13 of 1916 (April 8) to pay and remit to the fiscal agents for the purposes of this agreement the amount necessary to provide for the full bond service whenever funds shall not have been provided in due time for said service in whole or in part as provided in this agreement. It is understood that the order to the Government office will be subject to the prior payment of the six units for public education, and to the rights of the holders of the 7 per cent bonds issued pursuant to the contract of December 21, 1926.

SEC. 6. So long as any bonds issued under this agreement shall be outstanding, the municipality agrees that, unless funds sufficient for the redemption of all bonds of this issue shall simultaneously be deposited with the fiscal agents for the sinking fund, the municipality will not issue any external or internal bonds or other evidences of funded debt except when the total amount required for the annual service of the entire external or internal debt of the municipality, including the service of such bonds or evidence of funded debt then to be issued, shall not exceed an amount equal to 20 per cent of the ordinary revenues of the municipality, plus 80 per cent of the net revenues of the public municipal enterprises owned by the municipality during 12 months out of the 15 months preceding the issue of such additional bonds or evidences of funded debt.

ARTICLE 7. REMEDIES

SECTION 1. The following events are hereby called "events of default":

(1) Default in the making of any bond service remittance as required by article 5 of this instrument and the continuance of such default for a period of 30 days.

(2) Default in the payment of the principal of any bond issued hereunder when the same shall become due and payable, whether at maturity, or upon the date fixed for its redemption, or by virtue of declaration made as herein provided, or otherwise.

(3) Default by the municipality in the due performance or observance of any other covenant or condition of this agreement and the continuance of such default for a period of 30 days after written notice of such default to the municipality from the fiscal agents or from the holders of 10 per cent in amount of the bonds issued hereunder and at the time outstanding.

(4) Default by the municipality in the performance of any covenant on its part to be performed in said instrument of mortgage and pledge dated December 21, 1926, in such manner and to such extent that the trustee then acting thereunder shall thereby have the right to declare due and payable the 7 per cent bonds secured by said instrument or to institute proceedings to enforce any rights secured by said instrument dated December 21, 1926.

SEC. 2. In case one or more of the events of default shall happen, the fiscal agents, or either of them, may and, upon the written request of the holders of a majority in amount of the bonds issued hereunder and then outstanding shall, by notice in writing sent by mail to the President and addressed to him at Medellin, Colombia, declare the principal of and interest on all the bonds then outstanding to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable. This provision is subject, however, to the condition that if, at any time after such declaration is made, all arrears of interest upon all the bonds, together with all sums paid or advanced by the fiscal agents under any provisions of this agreement and the reasonable and proper charges, expenses and liabilities of the fiscal agents and registrar and their agents, attorneys and counsel, and all other sums payable under this agreement (except the principal of the bonds so declared due and payable), shall be paid by or on behalf of the municipality, and every default under this agreement and under said instrument dated December 21, 1926, shall have been remedied, then and in every such case the holders of a majority in amount of the bonds then outstanding, by written notice to the President and to the fiscal agents may rescind and annul such declaration; but no such action shall extend to or affect any subsequent default or impair any right consequent thereon.

SEC. 3. If an event of default shall occur, the fiscal agents may proceed to protect and enforce their rights and the rights of the holders of the bonds secured by this agreement, and to institute and prosecute such judicial or extrajudicial proceedings as the fiscal agents, being advised by counsel, shall deem most effectual to enforce any of their rights or the rights of holders of the bonds secured by this agreement.

SEC. 4. The fiscal agents are hereby appointed the general representatives of the holders of the bonds to deal with the municipality and to exercise all other powers conferred upon the fiscal agents by this agreement, and the municipality hereby acknowledges and recognizes such appointment. The municipality agrees that the fiscal agents, as such general representatives of the bondholders, may exercise all and any of the remedies conferred upon the fiscal agents by this agreement, and may institute and prosecute, on behalf of the holders of the bonds and in the name of the fiscal agents all judicial proceedings without the possession of any of the bonds or coupons, or the production thereof in any such judicial proceedings as proof of their authority as representatives of the bondholders.

ARTICLE 8. EVIDENCE OF RIGHTS OF BONDHOLDERS

SECTION 1. Any request or other instrument required by this agreement to be signed or executed by bondholders may be in any number of concurrent writings of the same tenor, and may be signed or executed by such bondholders in person or by agent or agents duly appointed in writing. Proof of the execution of any such request or writing or of the instrument appointing any such agent and of the holding by any person of bearer bonds shall be sufficient for any purpose of this agreement and shall be conclusive in favor of the fiscal agents or the municipality, if made in the manner provided in this article.

SEC. 2. The execution by any person of any such request or writing and the date thereof may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any country, authorized by the law thereof to take acknowledgments of documents, certifying that the person signing such request or writing acknowledged to him the execution thereof.

SEC. 3. The amount of bearer bonds held by any person executing any such request or writing as a bondholder, and the distinguishing numbers of the bonds held by such person, and the date of his holding the same, may be proved by a certificate executed by any trust company, bank, banker or other depositary (wherever situated), if such certificate shall be deemed by the fiscal agents to be satisfactory, showing that, at the date therein mentioned, such person had on deposit with such depositary, or exhibited to it, the bonds therein described; or such facts may be proved by the certificate or affidavit made by such person as such bondholder, if such certificate or affidavit shall be deemed by the fiscal agents to be satisfactory. The fact and date of execution of any request or writing and the amount and numbers of bonds held by the person so executing such request or writing may also be proved in any other manner which the fiscal agents may deem sufficient. Such ownership shall be presumed to continue until the fiscal agents shall have received written notice to the contrary.

The ownership of bonds registered as to principal shall be proved by the register of such bonds.

Any request or consent of the owner of any bond shall bind all future owners of the same bond, and of all bonds issued in exchange therefor or in place thereof in respect of anything done by the fiscal agents in pursuance of such request or consent.

ARTICLE 9. CANCELLATION

If, at the maturity of all bonds issued under this agreement, the municipality shall pay or cause to be paid the whole amount of the principal and interest due and payable thereon or shall provide for said payment by depositing with the fiscal agents for said purpose the entire amount due and payable thereon for both principal and interest, or if said entire amount shall be otherwise paid or discharged, and the municipality shall also pay or cause to be paid all other sums payable by the municipality under this agreement, then and in that case the interest of the fiscal agents in any securities or cash (except cash deposited under this article) then held by either of them under this agreement shall cease and determine, and the fiscal agents shall in such case deliver and pay over the same upon the written order of the municipality.

ARTICLE 10. THE FISCAL AGENTS

SECTION 1. The municipality hereby appoints Hallgarten & Co. and Kissel, Kinnicutt & Co. and their respective successors in business, the fiscal agents of the municipality for all purposes relating to the bonds and the service of the loan represented thereby; and said firms hereby accept such fiscal agency, subject to the provisions of this agreement. Such appointment shall continue while any of the bonds remain outstanding, unless sooner terminated as hereinafter provided.

SEC. 2. The fiscal agents may make such arrangements between themselves as they may deem appropriate for the interchange of funds and for the drawing by one fiscal agent against funds of the municipality held by the other fiscal agent and in general for facilitating the payment of bonds and coupons which may be presented to either of them.

SEC. 3. The municipality hereby consents that the fiscal agents may present the holders of the bonds in all matters, but this provision shall not impose any trust or duty in favor of the bondholders upon the fiscal agents or either of them.

SEC. 4. The fiscal agents shall not be under any duty to the bondholders to make any request of the municipality, or to take any action with respect to the obligations or covenants of the municipality under this agreement unless requested in writing by the holders of at least 25 per cent in principal amount of the outstanding bonds and furnished with indemnity satisfactory to the fiscal agents unless advised by counsel satisfactory to the fiscal agents that such request or action may be properly made or taken.

SEC. 5. As compensation for their services hereunder, the fiscal agents shall receive from the municipality one-quarter of 1 per cent of all amounts paid on account of interest on bonds, and one-quarter of 1 per cent on the face amount of all bonds redeemed for the sinking fund or otherwise retired or paid. Such compensation shall be paid concurrently with the instalments of service with respect to which it is due. The municipality will also pay the cost of advertisements and other incidental expenses of the fiscal agents in connection with the service of the bonds, and the fees of the registrar for maintaining the bond register which fees shall not exceed $250 per annum.

SEC. 6. If the fiscal agents pay for the account of the municipality any expenses or amounts payable by the municipality with respect to the bonds, such payments shall be reimbursed by the municipality to the fiscal agents, with interest at 6 per cent per annum, upon the rendering of an account by mail or cable in reasonable detail to the municipality. Any such account shall be considered accepted by the municipality unless objection thereto be made by the municipality in writing or by cable and received by the fiscal agents within 90 days from the mailing or 30 days from the cabling of the account in question.

SEC. 7. The municipality may pay any service moneys payable to the fiscal agents in pursuance of this agreement, to the fiscal agents jointly, or to either of them. The fiscal agents will divide equally between themselves service moneys or other sums held on deposit by them respectively for the account of the municipality. Neither of the fiscal agents shall be responsible to the municipality or to the bondholders for any sums paid to, deposited with, or held by the other, or any third parties, nor for the act or omission of the other or of any third parties.

SEC. 8. The municipality shall at all times indemnify and protect each of the fiscal agents, as well as any institution appointed as registrar and/or authenticating agent for the bonds, against all claims, demands and actions which may be instituted in behalf of any bondholders, or coupon holders, whether in respect of moneys at any time in the hands of the fiscal agents or otherwise, subject only to the responsibility expressed in this article.

SEC. 9. Each of the fiscal agents and the bond registrar and authenticating agent shall be answerable to the municipality or to the bondholders only for its own failure to exercise good faith or for gross negligence.

SEC. 10. If at any time the fiscal agents should be in doubt concerning their rights or duties or concerning the rights of the bondholders under this agreement, they may take the advice of counsel whom they select, and any act executed in good faith and in accordance with the advice of such counsel, shall be free from every claim on the part of the bondholders, or any of them.

SEC. 11. Neither of the fiscal agents shall incur any responsibility in acting in reliance upon any instructions or advices, received by cable or otherwise, and which appear to have been transmitted by the president or superintendent general, and which in their opinion are authentic.

SEC. 12. Either of the fiscal agents may at any time resign from the agency by giving notice of such intention to the municipality, specifying the date on which such resignation shall become effective: provided that such notice shall not be less than four months, unless the municipality agrees to accept less notice. Upon the resignation or failure to act from any cause of either of the fiscal agents, the remaining fiscal agent shall act as sole fiscal agent, and may exercise all powers of both fiscal agents. Upon the resignation, or failure to act from any cause, of both of the fiscal agents, the fiscal agency shall devolve upon the registrar, if at any time there shall be no fiscal agent in office. The municipality shall provide at least one fiscal agent, in the city of New York, to attend to the services of the loan.

Sec. 13. The fiscal agents, the bond registrar, and the authenticating agent shall not incur any liability whatsoever to the municipality or to the bondholders or to anyone else, in acting in reliance upon any bond, coupon, or other instrument which appears to them to be genuine.

Sec. 14. All moneys received by either of the fiscal agents for the service of the loan may be held until paid out in accordance with the terms of this agreement, as a general and current deposit. Interest need not be paid by the fiscal agents on moneys held for payment of bonds or coupons due but not presented for payment. Upon any other sums deposited with them, including the special reserve fund, not invested, the funds in the general account and the service funds (except amounts due to and not collected by the holders of bonds), the fiscal agents shall pay to the municipality interest at a rate of one-half of 1 per cent below the current New York Federal Reserve Bank rate prevailing from time to time for 90 days' prime bankers' acceptances, provided, however, that in no case shall the rate of interest on such moneys be less than 2½ per cent per annum.

Sec. 15. The fiscal agents may purchase or otherwise deal in any of the bonds, with the same rights as though not acting as such.

Article 11. *Miscellaneous*

The contracting parties agree that if any clause in this agreement should be void because in contravention of some provision of the laws of the Republic of Colombia, such invalidity shall not affect this agreement as a whole nor the validity of any other clause herein. The municipality agrees to do or cause to be done any act or requirement which the constitution or laws of the Republic of Colombia may prescribe in order that the bonds issued under this agreement may be valid obligations of the municipality and entitled to the benefits above set forth.

Article 12. *English Translation*

Section 1. An accurate and complete translation of this agreement into the English language shall, as expeditiously as possible, be certified and identified by Curtis, Mallet-Prevost, Colt & Mosle, counsellors at law, with an office at No. 30 Broad Street, in the city of New York, United States of America, and furnished to the fiscal agents, the authenticating agent and registrar and the municipality.

In the case of the failure of Curtis, Mallet-Prevost, Colt & Mosle so to act, they will be replaced by a person to be agreed upon by the parties hereto. The fiscal agents and the authenticating agent and registrar are hereby fully authorized to act and rely upon such translation furnished as aforesaid, in all respects, and shall be fully protected in so doing, as though such translation were the original instrument.

Sec. 2. The rights and obligations of the fiscal agents and of the authenticating agent and register under this agreement with relation to the holders of bonds and coupons issued hereunder, or with relation to any action by them, respectively, within the State of New York, United States of America, shall be governed by the laws of said State of New York.

Article 13. *Colombian Laws and Courts*

Mr. S. P. Savage, jr., one of the parties appearing herein, states that in the name and on behalf of the fiscal agents, of whom he is attorney in fact, he accepts this agreement for the corresponding legal effects, and expressly submits himself in all things relating to this instrument, to the laws of the Republic of Colombia, and to the jurisdiction of the judges and courts of said country, and waives the right to institute diplomatic claims in connection with the rights or duties arising out of this agreement, except in the case of a denial of justice, and agrees that such denial shall not exist, in conformity with article 42 of Law 110 or 1912, relating to the Fiscal Code of the Republic, provided that they shall have had available the remedies and rights of action which in conformity with Colombian laws may be employed before the judicial power. All successors in the fiscal agency will make the same declaration as that contained in this Article 13.

APPENDIX A

The gross earnings, the operating expenses, and the net income of the public municipal enterprises during each of the seven calendar years from 1921 to 1927, were in Colombian gold, as follows:

Year	Gross earnings	Operating expenses	Net earnings
1921	$349,216	$127,352	$221,864
1922	548,891	240,263	308,628
1923	585,877	279,355	306,522
1924	711,660	357,139	354,521
1925	930,354	469,460	460,894
1926	1,127,737	585,803	541,934
1927	1,368,608	658,403	710,205
4 months of 1928	504,749	233,963	270,786

APPENDIX B

The total income of the municipality from all sources, including the proceeds of loans, and the total disbursements of the municipality, including the service of the public debt and the purchase of capital assets during each of the five calendar years, 1923 to 1927, were in Colombian gold, as follows:

RECEIPTS

Items	1923	1924	1925	1926	1927
Municipal taxes:					
Industrial establishments	$192,600	$233,008	$177,383	$196,108	$354,416
Games and public shows	33,129	54,265	46,839	34,930	66,947
Consumption tax	94,937	155,164	222,604	234,851	317,146
Sewage and drainage	5,045	3,608	3,896	5,417	8,800
Slaughter of small livestock	16,066	15,560	20,398	18,847	23,737
Road tax			79,195	127,936	134,435
Receipts from the departmental treasury:					
Slaughter of large livestock	18,230	16,200	21,743	25,165	22,600
Tobacco tax	46,699	48,041	73,582	100,306	121,111
Liquor tax	95,769	100,492	128,579	150,623	185,511
Income from properties of municipality	436,878	40,306	336,472	22,937	44,099
Advertisements and billboards				6,341	6,464
"Aprovechamientos" (of warehouse) of public municipal enterprises		18,921	137,508		
Gross receipts from public municipal enterprises	585,877	711,660	930,354	1,127,737	1,368,608
Other receipts:					
Gifts, fines, bonds, penalties, interest, etc.	440,967	157,724	186,091	51,906	150,858
Total	1,966,197	1,554,949	2,364,644	2,103,104	2,804,732
Loans		3,334,050	720,050	609,925	1,688,751
Total receipts	1,966,197	4,888,999	3,084,694	2,713,029	4,493,483

DISBURSEMENTS

Items	1923	1924	1925	1926	1927
Government	$133,377	$103,364	$114,234	$183,808	$267,937
Treasury	25,563	25,652	48,024	29,493	29,180
Education	91,420	91,148	104,661	147,084	202,521
Justice	22,786	23,789	26,495	29,070	34,968
Charities	43,429	107,467	254,563	250,758	270,558
Public works	829,445	300,752	1,588,651	285,127	622,962
Prior budgets	15,265	5,487	3,614	2,845	10,750
Public debt	491,775	3,630,109	434,624	236,492	161,950
Operating expenses of public municipal enterprises	279,355	357,139	469,460	585,803	658,403
Total ordinary expenses	1,932,415	4,644,907	3,045,226	1,750,480	2,259,229
Invested in public municipal enterprises	322,500	238,327	412,257	368,283	785,312
Total disbursements	2,254,915	4,883,234	3,457,483	2,118,763	3,044,541

NOTE.—In the expenditures of the public municipal enterprises there are not included the service of loans nor certain capital items such as warehousing, which is charged to the works on utilizing the materials.

[Medellin, Governor's Office, Resolution No. 5901]

REPUBLIC OF COLOMBIA,
DEPARTMENT OF ANTIOQUIA,
Medellin, June 6, 1928.

The city attorney of the municipality of Medellin, in the foregoing communication No. 335 of this date, requests that this Government render the opinion required pursuant to article 210 of law No. 4 of 1913, and article 3 of the executive decree No. 124 of 1923, regarding the contracts of trust and fiscal agency and for the sale of bonds in the sum of $9,000,000 United States currency, agreed upon with the group represented by Hallgarten & Co. and Kissel, Kinnicutt & Co., bankers of the city of New York.

The proceeds of said loan are to be applied by the municipality, under the provisions of said contracts, to the following:

1. To the redemption, on October 1, 1928, of the external loan for $3,000,000 at 8 per cent for 20 years, obtained in the month of October, 1923, from The Equitable Trust Co. of New York;
2. To additions, improvements, betterments and extensions of and to the public municipal enterprises;
3. To the payment of the internal indebtedness of the municipality; and
4. To provide funds for the expenses connected with the loan contract.

The importance, advisability and usefulness of the expenditures proposed by the municipality according to the preceding statement are quite apparent and, therefore, it would seem unnecessary to enter into a detailed discussion of each of them separately.

By resolution No. 27, approved on February 9 of the current year, the municipality provided for the issuance of a long term loan up to the sum of $10,000,000 in successive series, and for that purpose the city attorney was instructed to take the necessary steps in order to obtain from the national executive power the necessary authorization; but later, by resolution No. 54 of May 9 last past, it decided to increase the amount of the loan to the sum of $13,000,000.

Therefore, the negotiations to which this file refers were conducted for the sum last above mentioned, but at the present time bonds for only $9,000,000 will be issued; the bonds representing the remaining $4,000,000 shall be issued on the terms and conditions set forth in article 4 of the agreement, which terms and conditions will hereinafter be mentioned.

The honorable municipal council, by resolutions Nos. 58 and 59 issued on May 31 last past, approved in their entirety the drafts of the trust and fiscal agency agreement and bond purchase contract; said resolutions were submitted in due course to the consideration of the Government which, in turn, approved them by resolutions dated the 5th instant.

Having made the foregoing indispensable statement, this office proceeds to comply with the duty imposed upon it by the above mentioned article 210 of the code of political and municipal administration, and article 3 of the executive decree No. 124 of 1923, which regulates the former.

As regards the principal provisions of said contracts, we transcribe the following from the communication dated the 4th instant signed by the secretary of finance:

"For the purposes above set forth, the municipality sells, with an initial discount of 10⅞ per cent, to Messrs. Hallgarten & Co. and Kissel, Kinnicutt & Co. of New York, bonds of an external loan in denominations of $500 and $1,000 for a total amount of $9,000,000 United States currency, to be called 'Municipality of Medellin, Republic of Colombia, external 6½ gold bonds of 1928.'

"The interest which these bonds shall bear at the above rate is payable in New York through the said contracting parties Hallgarten & Co. and Kissel, Kinnicutt & Co. at the end of each semester, that is to say, on June 1 and December 1, up to December 1, 1954, this loan to be, therefore, for 26½ years, namely, from June 1, 1928, to December 1, 1954.

"The redemption of the bonds shall be carried out through a cumulative amortization by purchases in the open market during each semester or by drawings at par, it having been provided that the municipality may at any time increase the sinking fund which, consequently, affords an advantageous redemption of the debt at any time without premium.

"It has been stipulated in the contract that if, while any of the bonds remain unpaid, the municipality should issue, emit or guarantee any loan or bonds secured by a mortgage upon any of its properties or by any pledge or right of retention on any of its revenues or funds, or assign any of its revenues or funds as guaranty for any obligation, all bonds of this issue shall have a lien or mortgage on the same properties and revenues prior to the lien or mortgage securing such future loan, bonds or obligations (this provision had been obtained heretofor only in the loan contracts with nations such as those made with Uruguay in 1926, with Chile in 1927, with the Argentine in 1924, 1926, and 1927, and with Colombia in 1928, etc. and the fact that this provision is the only security in the contract with the municipality should be noted as a reflection of the good credit of the municipality).

"The consideration for the sale of the issue of the $9,000,000 is the sum of $8,021,250, that is to say, at 89⅛ per cent as above stated, and in case the initial offering of the bonds to the public be made at a price which, excluding accrued interests, shall exceed 93⅞ per cent, the difference shall be divided in equal parts between the municipality and the bankers.

"In connection with the issuance of the additional $4,000,000 United States currency, which will make up the $13,000,000 authorized by resolution No. 54 of 1928, it has been provided that such additional bonds shall not be issued unless the total amount required for the entire external and internal debt of the municipality, including the service of such additional bonds then to be issued, shall not exceed an amount equal to 20 per cent of the ordinary revenues of the municipality, plus 80 per cent of the net revenues of the public municipal enterprises owned by the municipality during 12 months out of the 15 months preceding the issue of such additional bonds.

"The contracts contain satisfactory provisions regarding the services of the trustee, the issuance and registration of the bonds, the special covenants of the contracting parties, remedies, evidence of the rights of the bondholders, cancellation of the bonds, and finally, provision was made for submission to the laws and courts of Colombia in all things relating to these contracts as required by the fiscal code."

The very important negotiation described shows the intelligent and thorough manner in which this contract was examined. Its terms are just, clear and appropriate to the good standing of both contracting parties and are based on an honest study made of the condition of the municipality, which permits it to assume these obligations, and on the prospects of the enterprises to which the proceeds of the loan will be applied.

Taking into consideration the splendid financial condition of the municipality of Medellin, as appears from the study above set forth made by the secretary of finance, the good organization of its finances and its public enterprises, and the undoubted importance, convenience and usefulness which the municipality will derive from the proposed loan, the Government does not hesitate in rendering, as in effect its does render, an opinion wholly favorable to the contracts in question.

Be it copied, and forward the file to the national executive power through the department of finance and public credit for the proper legal purposes.

PEDRO J. BERRIO.
FRANCISCO DE P. PEREZ,
Secretary of Internal Affairs.

Executive resolution No. 59 of 1928 (June 14) whereby the municipality of Medellin is authorized to contract a loan for the sum of $13,000,000 with Hallgarten & Co. and Kissel, Kinnicutt & Co. of New York.

The municipality of Medellin, by resolutions Nos. 57 of February 16 and 54 of May 9 of the current year, resolved to enter into a contract for a loan in the sum of $13,000,000 to be applied to improvements and extensions of and to the public municipal enterprises, the Guadalupe plant, the establishment of new municipal services, sewerage and paving, including covering part of the brook Santa Elena and refunding of the debt of the municipality, but not including the internal loans of the public municipal enterprises; and further to retire with the proceeds thereof the 8 per cent loan contracted with the Equitable Trust Co. of New York in the year 1923.

After complying with all the legal formalities and the proceedings having been referred to the Government of Antioquia, said Government adopted resolution No. 590, dated the 6th instant, by which it rendered an entirely favorable opinion regarding the negotiations and ordered that the proceedings be forwarded to the national executive power through the secretary of finance and public credit.

This operation has been closed with Hallgarten & Co. and Kissel, Kinnicutt & Co. of New York, on the following terms:

The municipality of Medellin sells, with an initial discount of 10⅞ per cent, to said New York firms, bonds of an external loan in denominations of $500 and

$1,000, for a total amount of $9,000,000, to be called "Municipality of Medellin, Republic of Colombia, external 6½ gold bonds of 1928." The interest on these bonds is payable in New York through the said contracting parties Hallgarten & Co. and Kissel, Kinnicutt & Co. The loan is for a period of 26½ years, that is to say, from June 1 of the current year to December 1, 1954, and the bonds shall be redeemed through a cumulative amortization by purchases in the open market during each semester or by drawings at par. As a protection to the municipality of Medellin, it has been provided that said municipality may at any time increase the sinking fund, which provision would necessarily permit the redemption of the debt at any time without premium. The issue is limited in the first place to $9,000,000, inasmuch as the municipality, according to resolution No. 54 above referred to, reserves the right to make an additional issue for $4,000,000 which will make up the $13,000,000 and which shall be issued if the total amount required for the external and internal debt of the municipality, including the service of such additional bonds then to be issued, does not exceed an amount equal to 20 per cent of the ordinary revenues of the municipality, plus 80 per cent of the net revenues of the public municipal enterprises during 12 months out of the 15 months preceding the issue of such additional bonds.

As has been stated, the loan shall be applied:

(*a*) To the redemption, on October 1, 1928, of all the bonds of the external loan for $3,000,000 United States currency at 8 per cent for 20 years obtained in October, 1923, from the Equitable Trust Co. of New York;

(*b*) To additions, improvements, betterments, and extensions of and to the public municipal enterprises;

(*c*) To the payment of the internal indebtedness of the municipality; and

(*d*) To provide funds for the expenses connected with the loan contract.

For the service of the debt an annual sum of $720,000 is required and, according to information furnished by the municipality, taking as a basis the income of the public municipal enterprises in 1927, the borrowing municipality may apply to that purpose the sum of $1,382,110, which shows a considerable surplus.

The contracting parties, according to a provision set forth in the contracts, must submit themselves in all events to the courts of Colombia, excepting obviously the case of denial of justice.

As may be noticed, the operation made by the municipality of Medellin has been closed on very favorable terms and according to the information and statements of the revenues of the public municipal enterprises said corporation is perfectly able to meet the obligations which it has assumed.

The municipality is in a very good condition and its revenues show a prosperity sufficient to fully secure the obligation which it has to-day assumed. On the other hand, after examining each and every one of the terms of the contracts, we find that they do not contain anything onerous, but, on the contrary, they are drawn in a manner favorable to the municipality.

In view of the foregoing, it is,

Resolved that the municipality of Medellin is hereby authorized to contract a loan for the sum of $13,000,000 with Hallgarten & Co. and Kissel, Kinnicutt & Co. of New York on the terms and for the purposes above set forth.

Be it copied, communicated, and published.

Given in Bogota on June 14, 1928.

MIGUEL ABADIA MENDEZ,
ESTEBAN JARAMILLO,
Minister of the Finance and Public Credit.

And the parties appearing herein stated:

That the first three acting on behalf of the municipality of Medellin and in the capacities stated, and Mr. Savage, jr., on behalf of Hallgarten & Co. and of Kissel, Kinnicutt & Co. of New York, as already stated, by this instrument perfect the contract contained in the draft which has been copied above.

The qualifications of the representatives of the municipality of Medellin appear from the documents which I copy as follows:

MINUTES OF ELECTION BALLOT CANVASS, REPUBLIC OF COLOMBIA, DEPARTMENT OF ANTIOQUIA, MUNICIPAL ELECTORAL JURY

MEDELLIN, *October 6, 1927.*

In the city of Medellin, capital of the district of that name, on the 6th day of October, 1927, at 12 o'clock noon, and pursuant to the provisions of article 134 of law No. 85 of 1916, the electoral jury met, there being present the members Messrs. Eduardo Lema V., Daniel Ramos, Manuel Echeverri O., and the substitute member J. Milciades Rojas O. for the purpose of canvassing the votes which had been cast in the municipality at the election boards.

Three inspectors of election were named by majority vote: Messrs. Daniel Ramos, Dr. Manuel Tiberio Yepes, and Joaquin Marquez, the first being a member of the electoral jury of the municipality and the last two not connected therewith, all being of good reputation and who, being present, were duly sworn according to law.

Thereupon the records of the votes were opened and read in the manner and form provided by articles 135 and 136 of law 85 of 1916.

The votes having been canvassed and counted, the following result was obtained:

For principal municipal councilmen, 3,905 votes for Dr. Alfredo Cock; 559 votes for Dr. Climaco A. Palau.

Therefore the jury unanimously declared the following gentlemen legally elected principal municipal councilmen: By the majority, Dr. Alfredo Cock and by the minority Dr. Climaco A. Palau.

The canvass having been concluded at 7 p. m. these minutes were prepared in four counterparts for the purposes set forth in article 139 of law 85 of 1916.

It is likewise recorded that the provisions of article 138 of the said law were duly complied with.

EDUARDO LEMA V.,
President of the Jury.

——— ———,
Vice President.

MANUEL ECHEVERRI O.,
Member of the Jury.

DANIEL RAMOS,
Member of the Jury and Inspector.

MANUEL T. YEPES,
Inspector.

JOAQUIN MARQUEZ B.,
Inspector.

J. MILCIADES ROJAS O.,
Member of the Jury and Secretary.

MINUTES OF THE ORGANIZATION MEETING OF THE MUNICIPAL COUNCIL OF MEDELLIN

(Minutes No. 68 of the organization of the new council of Medellin for the period beginning to-day, November 1, 1927)

In the city of Medellin, capital of the department of Antioquia, Republic of Colombia, at 2 p. m. of the first day of November, 1927, in the hall of sessions of the municipality (Calpe Building), the members of the new council, whose term begins on this day, met and held a preliminary meeting for the legal reglementary purpose of organizing.

Councilman-elect Roberto Calle Cardenas, being the first in the alphabetical order of surnames, acted as temporary president.

Having called the list contained in the minutes of election ballot canvass forwarded by the president of the electoral jury of this electoral district, dated October 6 last past, the following-named councilmen-elect answered present:

Principals: Calle Cardenas, Roberto; Cock, Alfredo; Londoño, Tomas; Medina, Pedro Antonio; Obando, Felix; Ospina Perez, Mariano; Palau, Climaco A.; Perez, Rafael; and Rios y S., Jose V. Substitutes: Alvarez, Ramon P.; and Morales, Valerio.

The mayor, the city engineer, and the secretaries of administration and of public works were also present at the meeting.

The secretary of the council was also present and acted as secretary of the preliminary meeting in accordance with Article 4 of the regulations.

Thereupon, in view of the fact that the necessary majority required by Article 163 of the code of political and municipal administration was present, the president opened the meeting and ordered that it should proceed to the election of officials for the first reglementary period.

Votes having been taken and the voting closed, the inspectors named for that purpose, Messrs. Alvarez P. and Palau, reported the following result:

For president: Dr. Mariano Ospina Perez, 10 votes; Dr. Alfredo Cock, 1 vote.

Dr. Ospina Perez, having obtained an absolute majority of the votes, the council declared him legally elected president of the corporation, and he thereupon took the chair. Dr. Ospina Perez took oath in the legal form that he would well and faithfully discharge the duties of his office, and he took the oath of the councilmen present to fulfill in the same manner the duties of their offices.

Immediately thereafter the election of a vice president was ordered and votes having been taken, the inspectors, Messrs. Medina and Perez, reported as follows:

Dr. Climaco A. Palau, 10 votes; Mr. Rafael A. Perez, 1 vote. Doctor Palau having received an absolute majority of votes, the council declared him legally elected vice president of the council.

The meeting adjourned at 2.35 p. m.; and in witness whereof these minutes are signed by all of those who attended the preliminary meeting held for purposes of organization.

Mariano Ospina Perez, President; Climaco A. Palau, Vice President; Alfredo Cock A., Councilman; Felix Obando C., Councilman; Pedro A. Medina, Councilman; Tomas Londoño, Councilman; Rafael A. Perez, Councilman; Jose V. Rios y S., Councilman; Roberto Calle C., Councilman; Valerio V. Morales, Councilman; Ramon Ma. Alvarez P., Councilman; Nicolas Valez B., Mayor; Rafael Restrepo M., Secretary of Administration; Antonio Villa C., Secretary of Public Works; Manuel T. Yepes, City Engineer; Jose M. Betancur B., Secretary.

APPOINTMENT OF PRESIDENT OF THE COUNCIL

(Minutes No. 49 of the meeting of May 9, 1928. Councilman Palau presided)

In the city of Medellin at 4.50 p. m. on said day the municipal council of this district met in the customary hall of sessions, there being present the principal councilmen Messrs. Estrada G., Obando, Palau, Perez, Posada, Rios y S. and Salazar Gomez, and the substitute councilmen Messrs. Hernandez, Morales, Ochoa, and Villa S.

Appointment of president of the council.

The president made the following motion, which was approved: "Before taking up the order of the day, proceed to appoint a president of the council to act in place of Dr. Gonzalo Restrepo Jaramillo during the latter's absence." For this third election ballots were likewise distributed and the chair, now occupied by councilman Palau, appointed councilman Rios and Estrada as inspectors, who reported that councilman Dr. Alfredo Cock had received all of the 12 votes. Having asked the council whether it declared Dr. Alfredo Cock legally elected president it replied affirmatively.

At 6.30 p. m. the meeting adjourned.

RAFAEL A. PEREZ, *President.*
JOSEPH M. BETANCUR B., *Secretary.*

INAUGURATION OF THE PRESIDENT OF THE COUNCIL

(Minutes No. 54 of the meeting held on Monday, May 21, 1928. Councilman Palau presided)

In the city of Medellin, at 4.50 p. m. on said day, the municipal council of Medellin met in the customary hall of sessions, there being present the principal councilmen Messrs. Estrada G., Calle C., Londoño, Medina, Obando, Palau, Perez, Posada, Rios y S., Salazar, and Saldarriga, and the substitute councilmen Hernandez, Lopez C., and Morales.

Councilman Dr. Alfredo Cock, who has been appointed president of the council, being present at the meeting, swore before Almighty God and solemnly promised to the country that he would obey the constitution and laws and would faithfully fulfill to his best knowledge and ability the duties of his office.

In witness whereof he signs the minutes of this day.

ALFREDO COCK A., *President.*
ALFREDO COCK A., *Inaugurated Official.*
JOSE MA. BETANCUR B., *Secretary.*

APPOINTMENT OF CITY ATTORNEY

(Minutes No. 84 of the meeting held Wednesday, December 7, 1927. Councilman Perez presided)

In the city of Medellin, at 4.30 p. m on said day, the municipal council of this district met in the customary hall and there being present the principal councilman Calle; Cardenas, Roberto; Medina, Pedro Antonio; Obando, Felix; Perez, Rafael; Posada, Gustavo; Restrepo Jaramillo, Gonzalo; Rios y S., Jose V.; Salazar Gomez, Luis; and Saldarriaga, Juan; and the substitute councilmen Arango V., Marco; Hernandez, Jose Vincente; Morales, Valerio; and Restrepo A., Fernando.

The council approved the following motion:

That the following be appointed by acclamation: Dr. Luis Toro Escobar to hold the office of city attorney, and Mr. Horacio Tovar Gonzalez to hold the office of substitute city attorney.

The meeting adjourned at 6.25 p. m.

RAFAEL A. PEREZ, *President.*
JOSE M. BETANCUR B., *Secretary.*

INAUGURATION OF THE CITY ATTORNEY

On December 31, 1927, Dr. Luis Toro Escobar, of legal age, and a resident of Medellin, appeared to be inaugurated in his office as city attorney of this district for which he was appointed by the municipal council for the year 1928.

Thereupon he took oath to perform the duties of his office well and faithfully.

In witness whereof he signs.

NICOLAS VELEZ B.
LUIS TORO ESCOBAR, *Inaugurated Official.*
RAFAEL RESTREPO M., *Secretary.*

COPY OF THE PROCEEDINGS AND APPOINTMENT OF DR. JULIAN COCK A. AS SUPERINTENDENT OF THE PUBLIC MUNICIPAL ENTERPRISES

Decree No. 5 of January 13, 1928, whereby a superintendent of the public municipal enterprises is appointed.

The mayor of Medellin, in the exercise of his legal powers,

DECREES

Only article: In view of the irrevocable resignation submitted by Dr. Adolfo Molina, which resignation has been accepted by this office, Dr. Julian Cock A. is hereby appointed in his place to hold the office of superintendent of the public municipal enterprises.

Be it communicated.

Given in Medellin, January 13, 1928.

NICOLAS VELEZ B., *Mayor.*
ANTONIO VILLA C., *Secretary of Public Works.*

On January 19, 1928, before the undersigned mayor, appeared Dr. Julian Cock A., male, of legal age, and a resident hereof, in order to be inaugurated in his office as general superintendent of the public municipal enterprises to which office he was appointed by decree No. 5 of the 13th of the current month to begin on this date. Thereupon he took oath to fulfill the duties of his office well and faithfully to his best knowledge and ability.

In witness whereof he signs.

NICOLAS VELEZ B., *Mayor.*
JULIAN COCK A.
ANTONIO VILLA C., *Secretary of Public Works.*

The parties appearing submitted for protocolization, the following documents which contain the authority of Mr. Samuel P. Savage, jr., and are attached to this instrument: (*a*) An official cable from the consul general of Colombia to the president of the municipal council of Medellin; (*b*) the power of attorney executed by Hallgarten & Co., and Kissel Kinnicutt & Co. under date of May 21 of this year in favor of Samuel P. Savage, jr.

CONFIRMATION OF EXECUTIVE RESOLUTION NO. 59. NO. 256/18 EXTRA OFFICIAL, BOGOTA 452.67, DEPARTMENT FINANCE, JUNE 18, 1928

PRESIDENT COUNCIL, CITY ATTORNEY,
Medellin.

I inform you that resolution No. 59 of the 14th of the current month, whereby the municipality of Medellin, is authorized to contract a loan for the sum of 13,000,000 pesos with Hallgarten & Co., and Kissel Kinnicutt & Co. of New York, implies approval of contract which has been submitted for consideration to the Government, in accordance with the terms of said resolution.

Yours, etc. ESTEBAN JARAMILLO.

The receipt concerning the registry fee, which is added to this protocol, reads as follows:

Administration of departmental revenues. No. 1798. Medellin, June 19, 1928. Samuel P. Savage, jr., has paid 50 cents, being one-half of the registry fee on a document of undetermined value in money, not estimated by the parties, regarding the rendering of services in connection with a loan, namely a contract made by Savage as attorney in fact with the municipality of Medellin. The latter does not pay its share of one-half nor for the loan for $9,000,000, which is issued under said instrument.

GABRIEL BOTERO H., *Manager.*

The parties executing this instrument were advised of their duty to have it registered and they sign it, with the witnesses above mentioned, before me.

The parties hereto delivered to me the draft for the preparation of this instrument.

ALFREDO COCK A.
JULIAN COCK A.
LUIS TORO ESCOVAR.
SAMUEL P. SAVAGE, JR.
ALEJANDRO VILLEGAS V.
JESUS BERNAL BVO.
LISANDRO RESTREPO GIRALDO,
Third Notary.

The power of attorney under which Mr. Savage acts reads as follows:

"In the city, county, and State of New York, United States of America, on the 21st day of May, 1928, before me, Joseph Degen, a notary public of said county, and in the presence of the witnesses, residents hereof, of age, qualified to act as such and known to me, Messrs. Clark Armour and Phillip M. Hayes, there appeared in the name of the firm of Hallgarten & Co. a banking partnership of this city, its partner Mr. George Merzbach, and in the name of the firm of Kissel Kinnicutt & Co., a banking partnership of this city, its partner Mr. Samuel L. Fuller. Both are of legal age, bankers and residents of this city.

They proved to me their authority to act therein by exhibiting to me the respective original of the partnership agreement in force of each of said partnerships from which it appears that the parties appearing herein are, respectively, members of the partnerships in whose name they appear and are empowered to execute documents in the name of said partnerships.

Mr. Merzbach on behalf of Hallgarten & Co. and Mr. Fuller on behalf of Kissel Kinnicutt & Co. stated that they grant to Samuel P. Savage, jr., of legal age, married, a resident of Medellin, Republic of Colombia, a special power of attorney in order that he may execute on behalf of Hallgarten & Co. and of Kissel Kinnicutt & Co., in the city of Medellin, the definite contracts relating to the issue and purchase of bonds of the municipality of Medellin, said contracts to conform to the forms and changes cabled by said firms to the attorney in fact.

In witness whereof and after reading this power of attorney to them the parties hereto ratified its contents and signed with the witnesses above mentioned.

HALLGARTEN & CO.,
By GEORGE MERZBACH.
KISSEL KINNICUTT & CO.,
By SAMUEL L. FULLER.

Witnesses:
CLARK ARMOUR.
PHILLIP A. HAYES.

JOSEPH DEGEN,
Notary Public.

NEW YORK COUNTY, *May 21, 1928.*

Seal reading: "Joseph Degen, notary public, Kings County; county clerk's No. 3, register's No. 104; certificate filed in New York County, county clerk's No. 6, register's No. 019; Certificate filed in Genesee County. Commission expires March 30, 1930."

There is a certificate reading as follows:

"No. 34809, Series B. I, William T. Collins, clerk of the county of New York, and also clerk of the supreme court for the said county, the same being a court of record, having a seal, do hereby certify, that, Joseph Degen is a notary public in and for said county, appointed pursuant to the laws of this State; that his term of office commenced on the 31st day of March, 1926, and expires on the 30th day of March, 1930; and that full faith and credence should be given to all his official acts. I further certify that the signature of said notary public is on file in this office and I verily believe that the signature attached hereto is genuine.

"In testimony whereof I have hereunto set my hand and affixed the seal of the said court and county this 21st day of May, 1928.

"WILLIAM T. COLLINS."

CONSULATE GENERAL OF COLOMBIA,
New York.

(Two stamps of national tax for $3 page 105, book 3 No. 3819.)

The undersigned consul general of Colombia certifies that William T. Collins who executed the foregoing instrument was on the date therein set forth, in the lawful discharge of the office of registrar of the county and that the signature and seal appearing on said documents, purporting to be his, are those which he customarily uses in his official acts.

New York, May 21, 1928.

ANDRÉS GÓMEZ H.
Consul General.

DEPARTMENT OF FOREIGN AFFAIRS,
Bogota, June 13, 1929.

The signature of Mr. Andres Gomez H. who acted as consul general of Colombia in New York on May 21, 1928, is hereby legalized.

VICTOR M. LONDOÑO,
Secretary.

(Seal reading: Republic of Colombia, department of foreign affairs.)
No. 309 of $0.20.

MEDELLIN, *June 19, 1928.*

Mr. Jesus Bernal Bravo has paid $0.20 gold for fees on a special power of attorney executed in the city, county, and State of New York on May 29 last by Hallgarten & Co. and Kissel Kinnicutt & Co. in favor of Samuel P. Savage jr.

GABRIEL BOTERO *H. Manager.*

OFFICE OF REGISTRY OF THE CIRCUIT,
Medellin, June 19, 1928.

Recorded in the book of powers of attorney, page 271 No. 346; fees 40 cents.

ANTONIO GOMEZ C.

The cablegram is as follows:

BOGOTA, *May 21, 1928.*

PRESIDENT MUNICIPAL COUNCIL, *Medillin:*

I beg to inform you that to-day I legalized the following power of attorney:

In the city, county, and State of New York, United States of America, on the 21 day of May, 1928, before me, Joseph Degen, a notary public of said county, and in the presence of the witnesses, residents hereof, of age, qualified to act as such and known to me, Messrs. Clark Armour and Phillip M. Hayes, there appeared in the name of the firm of Hallgarten & Co., a banking partnership of this city, its partner Mr. George Merzbach, and in the name of the firm of Kissel Kinnicutt & Co., a banking partnership of this city, its partner Mr. Samuel L. Fuller. Both are of legal age, bankers and residents of this city.

They proved to me their authority to act herein by exhibiting to me the respective original of the partnership agreement in force of each of said partnerships from which it appears that the parties appearing herein are, respectively, members of the partnerships in whose name they appear and are empowered to execute documents in the name of said partnerships.

Mr. Merzbach, on behalf of Hallgarten & Co., and Mr. Fuller, on behalf of Kissel Kinnicutt & Co., stated that they grant to Mr. Samuel P. Savage, jr., of legal age, married, a resident of Medellin, Republic of Colombia, a special power of attorney in order, that, he may execute on behalf of Hallgarten & Co. and of Kissel Kinnicutt & Co., in the city of Medellin, the definite contracts relating to the issue and purchase of bonds of the municipality of Medellin, said contracts to conform to the forms and changes cabled by said firms to the attorney in fact.

In witness whereof, and after reading this power of attorney to them, the parties hereto ratified its contents and signed with the witnesses above mentioned.

HALLGARTEN & Co.,
By GEORGE MERZBACH.
KISSEL KINNICUTT & Co.,
By SAMUEL L. FULLER.

Witnesses:
CLARK ARMOUR.
P. A. HAYES.

JOSEPH DEGEN, *Notary Public.*

ANDRES GOMEZ H.,
Consul General of Colombia in New York.

Office of the secretary of the council. Medellin, May 22, 1928. By order of the President this cable is forwarded to the loan board for its information.

JOSE M. BETANCUR B., *Secretary.*

(Here follow corrections.)

The above is a first copy. It consists of 20 sheets of stamped paper and is issued for the bankers. Medellin, June 20, 1928.

LISANDRO RESTREPO GIRALDO,
Third Notary.

Fees: One-half of the original and copy $2,210. Law 52 of 1920.

L. R. G.

Office of the registry of the circuit. Medellin, June 22, 1928. Recorded in volume 2 duplicate, pages 215 to 227, No. 109. Fees: $0.40.

ANTONIO GOMEZ C.

LETTER OF THOMAS M. LAMONT, J. P. MORGAN & CO.

(In compliance with a request made on January 5, 1932, the following letter and tables were received for insertion in the record:)

NEW YORK, *January 25, 1932.*

DEAR SENATOR SMOOT: In accordance with your telegram of January 5, I am inclosing herewith a table detailing the dollar profit figures requested by you. These figures show as follows the details of profits of J. P. Morgan & Co. on each issue sold by them:

1. The managing commissions received by J. P. Morgan & Co. on each issue in which such commissions were charged.
2. The gross profits, the expenses, and the net profits of J. P. Morgan & Co. in the original group of each issue as requested by you.
3. The total gross profits, the total expenses, and the total net profits of J. P. Morgan & Co. in all groups of each issue. These figures, of course, include the managing commissions referred to above in 1 and the original group figures mentioned above in 2. The balance represents such gross profits, expenses, and net profits as we may have had in the intermediate and selling groups.

Though, as I indicated in my testimony, we look upon ourselves principally as wholesalers, some of our own clients wish to make an investment in most of the issues offered by us. On such sales as we make to our clients, we receive the same selling commission as the other bond houses and banking institutions to which we syndicate the bonds. In the dollars and cents total of our profits in each issue, this figure is relatively not substantial. It might properly have been omitted from these tables in view of the fact that it represents the consideration received from an actual sale rather than the dollars and cents underwriting profit received by us which, as I understand, is the figure your committee is most interested in.

Including, however, the above-mentioned selling sommissions, our average profit on all long-term foreign issues sold by us since 1920 is, as you will see, just over one-half of 1 per cent. You will understand, of course, that the expenses shown on these tables include no allowance whatsoever for overhead, such as rent, salaries, taxes, etc.

As possibly you may have seen from the newspapers, I have been very much engaged on the matter of New York City's finances, and as yet I haven't even had time myself to go through my testimony, copies of which you sent me in its final form. Members of my staff, however, have gone through it and have found three matters requiring correction.

A lapse of memory comes on page 8 of the printed testimony, where I stated that our house had no fixed agency arrangements with any of these governments. It has been brought to my attention that, jointly with the Guaranty Trust Co., we have a running fiscal agency arrangement for the Belgian Government. It is general in its terms and is terminable by proper notice from either the bankers or the government. It was entered into in 1919 and has been so inactive that no operations have been made until it since 1926. This must be my excuse for having overlooked it.

The second error which I made was a most obvious one. At the bottom of page 44 I stated:

"We also in the course of these years issued certain very short-time securities, and also certain revolving credits to the government, all of which have been matured and been paid off, and none of which had to do with the investing public."

When I said this I completely forgot about the revolving credit which we arranged last summer to the British Government. This credit was for the amount of $200,000,000 for one year beginning August 8, 1931. Of course, this credit was a matter of public record at the time. It was participated in by various American banking institutions, and was not offered to the investing public.

On page 47 Senator La Follette asked whether J. P. Morgan & Co. had not underwritten loans which had been floated for industrial corporations in foreign countries, and my answer was that we had not issued such loans except in one or two cases that were indicated on the list which I submitted to you in evidence. My memory failed me there. That list was made up to include only government and municipal loans and loans guaranteed by governments. In the latter category there was only one industrial issue, the Taiwan power bonds, which were guaranteed by the Japanese Government; that was the only so-called industrial issue on the list. We have, however, since 1920, sold seven foreign industrial issues, totalling $68,000,000 principal amount, and you will see that these are included in the large table inclosed herewith.

I hope that this letter with the inclosed table will give you the information which your committee desires.

With regards to you and your colleagues,

Sincerely yours,

THOMAS M. LAMONT.

Hon. REED SMOOT,

Senate Office Building, Washington, D. C.

FOREIGN GOVERNMENT BONDS

From January 1, 1920, to December 15, 1931

Date of issue	Name of government	Title of issue	Amount of issue	Issue price	Our managing commission	Original group: Our gross profit	Original group: Our share of expenses	Original group: Our net profit	Total: Our gross profit in all groups	Total: Our share of expenses in all groups	Total: Our net profit in all groups	Net profit in per cent of principal amount of issue
June 2, 1925	Argentina	6 per cent bonds due June 1, 1959.	$45,000,000.00	96	----------	$337,500.00	$56,250.00	$281,250.00	$379,114.79	$65,733.19	$313,381.60	0.696
Sept. 22, 1925	do	6 per cent bonds due Oct. 1, 1959.	29,700,000.00	96½	----------	148,500.00	37,125.00	111,375.00	165,567.70	41,640.81	123,926.89	.417
Apr. 22, 1926	do	6 per cent bonds due May 1, 1960.	20,000,000.00	98	----------	150,000.00	25,000.00	125,000.00	165,903.88	27,201.19	138,702.69	.693
Sept. 30, 1926	do	6 per cent bonds due Oct. 1, 1960.	16,900,000.00	98¼	----------	105,625.00	21,125.00	84,500.00	114,826.32	23,372.32	91,454.00	.541
Jan. 14, 1927	do	6 per cent bonds due Feb. 1, 1961.	27,000,000.00	98¼	----------	168,750.00	33,750.00	135,000.00	188,177.59	36,395.09	151,782.50	.562
Apr. 28, 1927	do	6 per cent bonds due May 1, 1961.	21,200,000.00	99	----------	159,000.00	26,500.00	132,500.00	174,841.09	28,942.29	145,898.80	.688
July 16, 1925	Australia	5 per cent bonds due July 15, 1955.	75,000,000.00	99½	$93,750.00	328,125.00	187,500.00	140,625.00	537,328.98	193,691.61	343,637.37	.458
Aug. 24, 1927	do	5 per cent bonds due Sept. 1, 1957.	40,000,000.00	98	25,000.00	56,250.00	15,000.00	41,250.00	130,851.49	18,611.09	112,240.40	.280
May 8, 1928	do	4½ per cent bonds due May 1, 1956.	50,000,000.00	92½	31,250.00	70,312.50	30,468.75	39,843.75	205,727.02	43,349.64	162,377.38	.324
June 11, 1923	Austria	7 per cent bonds due June 1, 1943.	25,000,000.00	90	----------	9,250.00	3,306.32	5,943.68	14,435.00	3,306.32	11,128.68	.044
July 15, 1930	do	7 per cent bonds due July 1, 1957.	25,000,000.00	95	50,000.00	59,000.00	----------	59,000.00	144,763.41	7,142.91	137,620.50	.550
June 1, 1920	Belgium	7½ per cent bonds due June 1, 1945.	50,000,000.00	97¼	----------	250,000.00	7,943.94	242,056.06	358,038.37	9,141.91	348,896.46	.697
Jan. 24, 1921	do	8 per cent bonds due Feb. 1, 1941.	30,000,000.00	100	----------	75,000.00	----------	75,000.00	134,556.62	809.12	133,747.50	.445
Sept. 2, 1924	do	6½ per cent bonds due Sept. 1, 1949.	30,000,000.00	94	22,500.00	35,000.00	----------	35,000.00	72,533.12	3,469.87	69,063.25	.230
Dec. 18, 1924	do	6 per cent bonds due Jan. 1, 1955.	50,000,000.00	87½	56,250.00	96,875.00	----------	96,875.00	230,616.49	5,097.74	225,518.75	.451
June 11, 1925	do	7 per cent bonds due Jan. 1, 1955.	50,000,000.00	98	25,000.00	100,000.00	----------	100,000.00	209,515.82	3,825.57	205,690.25	.411
Oct. 23, 1926	do	7 per cent bonds due Nov. 1, 1956.	50.000,000.00	94	50,000.00	100,000.00	----------	100,000.00	238,304.06	6,073.91	232,230.15	.464
Apr. 25, 1922	Canada	5 per cent bonds due May 1, 1952.	100,000,000.00	100	----------	195,000.00	----------	195,000.00	397,755.35	5,055.33	392,700.02	.392
Feb. 20, 1920	Manitoba	6 per cent bonds due Feb. 1, 1930.	2,498,000.00	93 65/100	----------	3,122.50	250.00	2,872.50	3,122.50	250.00	2,872.50	.114

FOREIGN GOVERNMENT BONDS—Continued

From January 1, 1920, to December 15, 1931—Continued

Date of issue	Name of government	Title of issue	Amount of issue	Issue price	Our managing commission	Original group			Total			Net profit in per cent of principal amount of issue
						Our gross profit	Our share of expenses	Our net profit	Our gross profit in all groups	Our share of expenses in all groups	Our net profit in all groups	
Apr. 2, 1920	Manitoba	6 per cent notes due Apr. 1, 1925.	$2,850,000.00	9584/100	------------	$14,525.33	$1,626.15	$12,899.18	$14,525.33	$1,626.15	$12,899.18	.452
Feb. 15, 1921	Chile	8 per cent bonds due Feb. 1, 1941.	24,000,000.00	99	------------	47,870.33	----------	47,870.33	65,605.12	1,833.34	63,771.78	.265
Jan. 15, 1923	Cuba	5½ per cent bonds due Jan. 15, 1953.	50,000,000.00	99¼	------------	48,000.00	----------	48,000.00	96,312.58	32,825.30	63,487.28	.126
July 1, 1927	do	5½ per cent bonds July 1, 1928 to 1937. $900,000 due annually	9,000,000.00	101122/1000	$5,049.00	5,688.00	2,748.00	2,940.00	10,737.00	2,748.00	7,989.00	.088
Sept. 3, 1920	France	8 per cent bonds due Sept. 15, 1945.	100,000,000.00	100	------------	400,000.00	24,000.00	376,000.00	599,504.64	24,967.85	574,536.79	.574
May 23, 1921	do	7½ per cent bonds due June 1, 1941.	100,000,000.00	95	------------	200,000.00	12,000.00	188,000.00	304,339.57	12,856.11	291,483.46	.291
Nov. 24, 1924	do	7 per cent bonds due Dec. 1, 1949.	100,000,000.00	94	250,000.00	300,000.00	----------	300,000.00	734,393.51	3,640.86	730,752.65	.730
Oct. 14, 1924	Germany	7 per cent bonds due Oct. 15, 1949.	110,000,000.00	92	275,000.00	165,000.00	----------	165,000.00	879,689.58	14,382.80	865,306.78	.786
June 12, 1930	do	5½ per cent bonds due June 1, 1965.	98,250.000.00	90	196,500.00	231,870.00	----------	231,870.00	663,943.72	27,248.22	636,695.50	.648
Nov. 20, 1925	Italy	7 per cent bonds due Dec. 1, 1951.	100,000,000.00	94½	225,000.00	387,500.00	----------	387,500.00	775,139.54	16,013.09	759,126.45	.759
Mar. 22, 1927	do	Credit Consortium: 7 per cent bonds due Mar. 1, 1937.	4,500,000.00	96½	24,000.00	58,500.00	14,565.00	43,935.00	94,352.10	16,482.85	77,869.25	.648
		7 per cent bonds due Mar. 1, 1947.	7,500,000.00	95½								
Mar. 29, 1927	Rome	6½ per cent bonds due Apr. 1, 1952.	30,000,000.00	91	30,000.00	90,000.00	----------	90,000.00	248,409.12	4,106,37	244,302.75	.814
Feb. 11, 1924	Japan	6½ per cent bonds due Feb. 1, 1954.	150,000,000.00	92½	200,000.00	433,333.33	----------	433,333.33	890,473.86	15,717.01	874,756.85	.583
May 12, 1930	do	5½ per cent bonds due May 1, 1965.	71,000,000.000	90	142,000.00	265,136.14	2,394.36	262,741.78	474,939.93	5,961.15	468,978.78	.660
June 26, 1931	Taiwan	Electric Power Co. 5½ per cent bonds due July 1, 1971.	22,800,000.00	93½	39,900.00	57,200.00	----------	57,200.00	140,093.82	5,773.32	134,320.50	.559
Mar. 21, 1927	Tokio	5½ per cent bonds due Oct. 1, 1961.	20,640,000.00	89½	36,120.00	54,012.75	----------	54,012.75	126,724.96	1,621.77	125,103.19	.606
Nov. 23, 1926	Yokohama	6 per cent bonds due Dec. 1, 1961.	19,740,000.00	93	39,480.00	49,976.00	----------	49,976.00	129,008.14	1,763.08	127,245.06	.644

Aug. 1, 1923	Switzerland.	5 per cent notes due Aug. 1, 1926.	20,000,000.00	97 29/100	....	52,125.00	17,375.00	34,750.00	72,879.10	20,768.12	52,110.98	.260
Apr. 1, 1924	....do........	5½ per cent bonds due Apr. 1, 1946.	30,000,000.00	97½	26,250.00	73,940.62	14,190.62	59,750.00	126,868.49	17,629.18	109,239.31	.364
	Total....	....	1,807,578,000.00	....	1,843,049.00	5,381,987.50	533,118.14	4,848,869.36	10,313,919.71	751,074.48	9,562,845.23	.529

INDUSTRIAL BONDS

Mar. 26, 1920	Anglo-American Oil Co. (Ltd.).	7½ per cent notes due Apr. 1, 1920.	$15,000,000.00	100	....	$60,000.00	....	$60,000.00	$83,175.00	$1,637.70	$81,537.30	0.543
July 10, 1925	....do........	4½ per cent notes due July 15, 1925.	8,000,000.00	100	....	40,000.00	$137.50	39,862.50	40,000.00	137.50	39,862.50	.493
June 9, 1926	....do........	4½ per cent serial notes due July 1, 1927–1929.	6,000,000.00	99 383/1000	$3,010.00	21,091.50	116.50	20,975.00	26,601.50	116.50	26,485.00	.441
July 7, 1926	Fiat..........	7 per cent bonds due July 1, 1946.	10,000,000.00	93	25,000.00	33,750.00	....	33,750.00	133,212.50	6,978.40	126,234.10	1.262
Mar. 13, 1922	Framerican Industrial Development Corporation.	7½ per cent bonds due Jan. 1, 1942.	10,000,000.00	99	....	75,000.00	18,750.00	56,250.00	121,566.70	19,366.95	102,199.75	1.021
Oct. 17, 1924	Nord Railway Co.	6½ per cent bonds due Oct. 1, 1950.	15,000,000.00	88½	26,250.00	52,593.75	13,148.44	39,445.31	105,111.61	16,655.04	88,456.57	.589
Apr. 28, 1927	Pirelli Co. of Italy.	7 per cent bonds due May 1, 1952.	4,000,000.00	98	8,000.00	32,250.00	12,071.40	20,178.60	60,039.00	15,756.40	44,282.60	1.107
	Total........	....	68,000,000.00	....	62,260.00	314,685.25	44,223.84	270,461.41	569,706.31	60,648.49	509,057.82	.748
	Grand total...	....	1,875,578,000.00	....	1,905,309.00	5,696,672.75	577,341.98	5,119,330.77	10,883,626.02	811,722.97	10,071,903.05	.537

The committee will stand adjourned until to-morrow morning at 10 o'clock.

(Whereupon, at 3 o'clock p. m., the committee adjourned until to-morrow, Friday, January 8, 1932, at 10 o'clock a. m.)

×