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FREE CITY OF DANZIG

ELEVENTH REPORT BY THE TRUSTEE FOR THE FREE CITY OF DANZIG 6½% (TOBACCO MONOPOLY) STATE LOAN OF 1927

(Covering the period from July 1st, 1937, to June 30th, 1938.)

Having been appointed by the Council of the League of Nations at its meeting of January 29th, 1938,¹ Trustee for the Free City of Danzig (Tobacco Monopoly) State Loan of 1927, in succession to the late M. C. E. ter Meulen—whose untimely death, on November 14th, 1937, was already recorded to the Council in my report, dated March 31st, 1938,² on the Municipality of Danzig Mortgage Loan of 1925—I herewith have the honour to submit to the Council of the League of Nations, in conformity with the Council resolution of September 15th, 1927,³ the Trustee's Annual Report on the Free City of Danzig 6½% (Tobacco Monopoly) State Loan of 1927, covering the period from July 1st, 1937, to June 30th, 1938. Consequently, the particulars mentioned below relate to a certain extent to developments which took place during M. ter Meulen's trusteeship.

By letter, dated September 2nd, 1937, the Bank of Danzig, the Trustee's representative at Danzig, informed the Trustee that the President of the Senate and the Finance Senator, under date of August 27th, 1937, had signed for and on behalf of the Free City of Danzig a Memorandum containing important modifications of the terms of the General Bond. This Memorandum, together with the General Bond, was to govern the Loan service in future, in which connection the Trustee was requested to recognise it in every respect.

The Trustee protested against these infringements of the stipulations of the General Bond, and insisted on the Free City of Danzig living up to its obligations as embodied in the General Bond. Having been advised that, in spite of this protest, the Free City intended to carry out the arrangements laid down in the Memorandum, the Trustee, in accordance with Article 30 of the General Bond, brought the matter to the notice of the Council of the League of Nations, in order that the Council might decide whether or not this breach of the terms of the General Bond was to be waived. Identical action having been taken by the President of the Senate and the Finance Senator in respect of the Danzig (Municipality) 7% Mortgage Loan of 1925, the Trustee moreover gave the bondholders of both loans, on September 21st, 1937, official notice of the relevant facts by advertisement in the newspapers, reading as follows:

*" Danzig (Free City) 6½% Tobacco Monopoly State Loan, 1927.
" Danzig (Municipality) 7% Mortgage Loan, 1925.*

" With reference to two Memoranda dated August 27th, 1937, signed by the President of the Senate and the Finance Senator for and on behalf of the Free City of Danzig and for and on behalf of the Municipality of Danzig respectively, concerning changes in the General Bond consequent upon the modifications of the original conditions of service proposed by the Free City of Danzig and the Municipality of Danzig respectively, the Trustee of the above-mentioned Loans gives notice to the bondholders that, notwithstanding his protest against the proposed breach of the terms of the General Bond, the Free City and the Municipality of Danzig have notified him of their decision to carry out the arrangements embodied in the Memoranda.

" In accordance with Article 30 and Article 32 respectively of the General Bonds, the Trustee has brought the breach of the terms of the General Bonds to the notice of the Council of the League of Nations and is awaiting the decision of the said Council as to whether or not the breach is to be waived."

On October 1st, 1937, the Trustee was informed by the Secretary-General of the League of Nations that the Council, at its meeting of September 29th, 1937,⁴ had given its assent to the

¹ See *Official Journal*, February 1938, page 107.

² See *Official Journal*, March-April 1938, page 247.

³ See *Official Journal*, October 1927, page 1143.

⁴ See *Official Journal*, December 1937, page 929.

waiving by the Trustee of the breach of the General Bond, of which developments the Trustee informed bondholders on October 7th, 1937, by advertisement reading:

“ Danzig (Free City) 6½% Tobacco Monopoly State Loan, 1927.
“ Danzig (Municipality) 7% Mortgage Loan, 1925.

“ Pursuant to his Announcement, dated September 21st, 1937, the Trustee of the above-mentioned Loans gives notice to bondholders of the Council of the League of Nations’ decision to give its assent to the waiving by the Trustee of the breach of the General Bonds.

“ The Trustee is proceeding in conformity with this decision.”

The service of the Free City of Danzig 6½% (Tobacco Monopoly) State Loan of 1927 will consequently in future be governed by the terms of the General Bond as modified by the Memorandum, a copy of which is added to this report.

In connection herewith, the Staatshauptkasse at Danzig informed the Trustee, under date of September 27th, 1937, that the special accounts standing in the name of the Trustee, to which accounts, according to Clause 16 of the General Bond, the whole gross receipts derived from the Tobacco Monopoly contract and from the Excise on spirits were credited, had been closed, and that a new special account had been opened by the Free City in the books of the Staatshauptkasse, to which account sums equal to the whole of the gross receipts from the aforesaid revenues, charged as security for the Loan, are to be credited in future. This new account is not subject to the control of the Trustee, but is at all times open for inspection by him.

The gross receipts derived from the Tobacco Monopoly and from the Excise on spirits have, according to the figures received from the Staatshauptkasse, been as follows:

July 1st, 1937, to June 30th, 1938:

	Danzig gulden
Tobacco	6,025,338.35
Excise	4,832,755.81
	<hr/>
Making a total of	10,858,094.16

According to Article 18 of the General Bond, the total receipts derived from both revenues must be equal to at least 150% of the maximum annual service of the Loan, amounting to £173,300 when based on the original interest rate of 6½% per annum, or to £117,800 when calculated on the interest rate of 4½%, applicable since October 1st, 1937, in accordance with the Memorandum mentioned above. Based on the average daily official buying rate of sterling in Danzig for the six months preceding the last day of the year in question—in conformity with Article 19 of the General Bond—viz., 26.3945 Danzig gulden to the £ sterling—the counter-value of these sterling amounts is 4,574,166.85 Danzig gulden and 3,109,272.10 Danzig gulden respectively. From these figures, it appears that, in the period from July 1st, 1937, to June 30th, 1938, the total actual receipts from the Tobacco Monopoly and Excise duties represented more than 237% and 349% respectively of the amount required for the service of the loan.

In conclusion, I may add that I have requested the Bank of Danzig to continue acting as the Trustee’s representative for this Loan also, and they have agreed to do so.

Amsterdam, July 1938.

(Signed) A. W. A. MEIJER.

FREE CITY OF DANZIG 6½% (TOBACCO MONOPOLY) STATE LOAN

Memorandum concerning Changes consequent upon Modifications of the Original Conditions of Issue proposed by the Senate of the Free City of Danzig and recommended for the Bondholders’ Acceptance by the League Loan Committee.

1. Interest on the bonds of the Loan will be payable, but only in respect of bonds which have from time to time been enfaced in the form annexed to this memorandum, on April 1st and October 1st in each year, at the rate of 4½% per annum, commencing with the coupon due April 1st, 1938 (Annex I).

2. For the purposes of the payment of interest on and the redemption of the Loan, the Free City will in each half-year provide a semi-annual sum (Annex II). From and including the half-year ending April 1st, 1938, such semi-annual sums will be the aggregate of the amounts required for

the payment of interest as set out in the third column of Annex II to this Memorandum, together with the amounts required to redeem the nominal amounts of bonds specified in the fourth column of that Annex.

3. Sums to be applied in redemption of the Loan as aforesaid will be applied, at the order of the Free City, in redemption of bonds of the Loan which have been enfaced as mentioned above by purchases or drawings in accordance, so far as they are applicable, with the provisions as to redemption in the General Bond dated the 29th day of June 1927, securing the Loan (in this Memorandum referred to as "the General Bond"), except that purchases shall be effected not later than February 28th and August 31st respectively, and that bonds purchased otherwise than through the bankers shall be surrendered to the bankers for cancellation not later than the last day of February and August respectively, and that drawings when necessary shall be made in the first fortnight of March and September respectively.

4. The above machinery provides for redemption of the whole of the bonds of the Loan (provided they have been enfaced as mentioned above) by October 1st, 1952. The date for payment specified in the bonds of the Loan will be postponed to October 1st, 1952.

5. With a view to providing the semi-annual sums referred to above and all other moneys payable by the Free City pursuant to this Memorandum and, so far as they are applicable, to the provisions of the General Bond, the Free City will forthwith procure that sums equal to the whole of the gross receipts from the revenues charged as security for the Loan pursuant to the General Bond shall be credited, as and when such gross receipts are received by the Free City, to a new special account which the Free City will cause to be opened in the books of the Treasury (Staatshauptkasse) and which account will at all times be open for inspection to the Trustees or any person authorised by the Trustee for that purpose. The Free City will, in each half-year, transfer from the said new special account to the Bank of Danzig, not later than the last day of each month during the currency of the Loan, one-sixth part of the maximum total amount required to meet in sterling the service of the Loan both as to principal and interest during such half-year, and will instruct the Bank of Danzig to convert the sums so transferred to it into sterling forthwith and to credit such sterling amounts to an account to be opened by the Bank of Danzig in the name of the Free City. As soon in any month as the Bank of Danzig shall notify the Free City that (after taking into account any bonds or matured coupons which the Free City is entitled to credit under the provisions of the General Bond) it holds in its hands available for remittance to the paying agents a sterling sum equal to the transfer due in respect of such month, any balance standing to the credit of the above-mentioned new special account in the books of the Treasury (Staatshauptkasse) and any further sums credited to such account during the currency of such month will be at the free disposal of the Free City. The Free City will cause the Bank of Danzig to remit in sterling such monthly instalments to the British Overseas Bank, Limited, in London on the last day of such month for the account and at the risk of the Free City.

6. Any interest payable to the paying agents and others, pursuant to Clause 29 of the General Bond, will, as from and after October 2nd, 1937, be calculated at the rate of $4\frac{1}{2}\%$ per annum.

7. The charge on the gross receipts of the revenues specified in the General Bond will remain binding on the Free City, but the payment of such receipts to the Tobacco Monopoly Account and the Excise Account in the name of the Trustee pursuant to the provisions of the General Bond will be discontinued as long as payments are made in accordance with the terms of this Memorandum. All the provisions of the General Bond, except in so far as they are inconsistent with the terms of this Memorandum, will continue to be binding upon the Free City and of full force and effect.

8. In the event of any default occurring in the future service of the bonds of the Loan pursuant to this Memorandum, or, so far as they are applicable, the provisions of the General Bond, the modifications specified in this Memorandum will immediately cease to be operative and the conditions for payment of interest and redemption specified in the General Bond will again become fully operative.

Dated this 27th day of August 1937.

For and on behalf of the Free City of Danzig:

(Signed) GREISER.

(Signed) Dr. HOPPENRATH.

Annex I.

FREE CITY OF DANZIG 6½% (TOBACCO MONOPOLY) STATE LOAN

Text to be enfacod on bonds presented to the paying agents by bondholders assenting to the terms of the annexed Memorandum:

"The holder of this Bond is bound by the terms of a Memorandum dated signed on behalf of the Free City of Danzig and published in the *Times* of whereby (*inter alia*) the rate of interest is fixed at 4½% per annum, the final date for repayment is postponed to October 1st, 1952, and the Sinking Fund is reconstituted so as to redeem all enfacod bonds not later than October 1st, 1952."

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Annex II.

FREE CITY OF DANZIG 6½% (TOBACCO MONOPOLY) STATE LOAN, 1927

Amortisation Table.

Half-year ending	Amount of loan outstanding	Interest on outstanding bonds	Nominal amount of bonds to be redeemed
	£	£ s. d.	£
April 1st, 1938	1,259,650	28,342 2 6	15,450
October 1st, 1938	1,244,200	27,994 10 0	30,850
April 1st, 1939	1,213,350	27,300 7 6	31,600
October 1st, 1939	1,181,750	26,589 7 6	32,300
April 1st, 1940	1,149,450	25,862 12 6	33,000
October 1st, 1940	1,116,450	25,120 2 6	33,750
April 1st, 1941	1,082,700	24,360 15 0	34,550
October 1st, 1941	1,048,150	23,583 7 6	35,250
April 1st, 1942	1,012,900	22,790 5 0	36,100
October 1st, 1942	976,800	21,978 0 0	36,900
April 1st, 1943	939,900	21,147 15 0	37,750
October 1st, 1943	902,150	20,298 7 6	38,550
April 1st, 1944	863,600	19,431 0 0	39,450
October 1st, 1944	824,150	18,543 7 6	40,350
April 1st, 1945	783,800	17,635 10 0	41,250
October 1st, 1945	742,550	16,707 7 6	42,150
April 1st, 1946	700,400	15,759 0 0	43,100
October 1st, 1946	657,300	14,789 5 0	44,100
April 1st, 1947	613,200	13,797 0 0	45,100
October 1st, 1947	568,100	12,782 5 0	46,100
April 1st, 1948	522,000	11,745 0 0	47,100
October 1st, 1948	474,900	10,685 5 0	48,200
April 1st, 1949	426,700	9,600 15 0	49,300
October 1st, 1949	377,400	8,491 10 0	50,350
April 1st, 1950	327,050	7,358 12 6	51,550
October 1st, 1950	275,500	6,198 15 0	52,650
April 1st, 1951	222,850	5,014 2 6	53,900
October 1st, 1951	168,950	3,801 7 6	55,050
April 1st, 1952	113,900	2,562 15 0	56,300
October 1st, 1952	57,600	1,296 0 0	57,600
			1,259,650