

MEMORANDUM OF CONFERENCE

May 18, 1938

Conference with William H. Mondell,  
Esq., Investment Building,  
Washington, D.C.

Re: Konversionskasse

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Mr. Mondell called on me on May 17th to discuss the subject matter of his letter of May 10, 1938.

He gave me a discursive history of the litigation resulting in the two court decisions referred to in his letter, in which it was held that the Reichsbank is a private corporation. I told him, however, that the arguments presented in his letter had been considered by the Commission, and that the Commission nevertheless adhered to its position that compliance with the requirements of the Securities Act would necessitate the use of a new prospectus bringing up to date all the material information contained in the original prospectus.

Mr. Mondell then proceeded to discuss the proposed new registration statement. He told me that information now available to him indicated that the new statement, insofar as it would relate to the German Government, would in all probability be in a number of respects even less complete than that filed in 1937. He said that he expected to be asked shortly for a legal opinion as to whether or not the Commission would be inclined to accept an incomplete statement of this character, as he thought it likely that the German Government would be unwilling to invite the public criticism involved either in stop order proceedings or in a public announcement of the Commission. I told him that the Commission, so far as I was aware, had made no determination in this respect, but that it would be willing to consider its course of action only when concrete papers were presented to it and a specific question required answering.

Mr. Mondell then inquired what attitude the Commission would take if the German Government guaranty were abandoned, and a registration statement of the Konversionskasse alone were filed. In this connection he reverted again to his discussion of the independent character of the Reichsbank (which provides the officers and directors of the Konversionskasse from its own staff). I told him that the Commission had made no determination on this point either. He asked me for an informal prediction of the Commission's attitude, and I told him I could give him none. However, I said I thought it probable that the Commission, when it considered the question, would give at least some weight to the argument that the Konversionskasse is merely an agency of the German Government, and some weight also to the importance of securing information about the German Government as the agency solely responsible for the blocking of payments by the original obligors and for the making of the exchange offer. I also pointed out that as the guaranty was embodied in law, it would

presumably continue to exist, and to require registration, even though no reference were made thereto in the new bonds.

In connection with my frequently reiterated statement that the Commission had not determined what course it would take if and when a new registration statement was filed, Mr. Mondell inquired whether an answer to his letter of May 10th with respect to the continued use of the prospectus would, if unfavorable, constitute a precedent which would guide the Commission in action regarding the new registration statement. I told him that I did not consider that this would necessarily follow, since our attitude with respect to the prospectus was based upon an interpretation of Section 10 of the Act, whereas more latitude was available to us in prescribing forms for original registration. Nevertheless, Mr. Mondell said that, in order to avoid any danger of a precedent unfavorable to the position of the Konversionskasse on its new registration statement, he would prefer to withdraw the request for an opinion contained in his letter of May 10th. I said I would be glad to refrain from answering this letter.

Chester T. Lane

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