

NEW ISSUE.

Preliminary information, subject to alteration.

Unconditionally Guaranteed by the
FREE STATE OF SAXONY
as to Principal and Interest by Endorsement on Each Bond.

\$4,000,000
SAXON STATE MORTGAGE INSTITUTION
(Sachsische Landespfandbriefanstalt)
20-yr. Mortgage Collateral Sinking Fund $6\frac{1}{2}\%$ Guaranteed Gold Bonds,

Dated December 1st, 1926 Due December 1st, 1946.

CUMULATIVE SINKING FUND SUFFICIENT TO RETIRE ENTIRE ISSUE BY MATURITY.

Interest payable JUNE 1st & DECEMBER 1st.

Coupon Bonds in denominations of \$1,000 and \$500, registerable as to principal only. Non-redeemable for the first 5 years, except as to Sinking Fund, thereafter at 105 New York and interest. Principal, interest and Sinking Fund payable in New York City in United States gold coin, without deduction for any past, present or future taxes or duties levied by or within the German Reich or the Free State of Saxony at

THE NATIONAL CITY BANK OF NEW YORK, Trustee.

Such principal and interest shall also be collectible at the option of the holders, at the City Office of the National City Bank of New York, in London, England, in pounds sterling, in each case at the then current buying rate of such Bank for sight exchange on New York City, New York.

SACHSISCHE BANK ZU DRESDEN, Co-Trustee.

Beginning at once, a Cumulative Sinking Fund will operate semi-annually to retire the bonds of this issue by purchase at not exceeding 100 and interest or by redemption by lot at 100. The Sinking Fund will be sufficient to retire the whole issue at or before maturity.

ORGANISATION. The Saxon State Mortgage Institution is organized under the auspices of the Saxon State. Its principal office is in the City of Dresden, the capital of Saxony. It began business October 1, 1925, with a capital of 1,000,000 Reichsmarks (\$238,095), which was contributed by the State and operates under the detailed supervision of the State Government. It is under the same management and auditing supervision as the Saxon State Bank, which has had a highly successful career since its establishment in 1862.

The Mortgage Institution is restricted in its business to the granting of loans secured by mortgages on real estate (situated in Saxony) devoted primarily to industry, commerce and trade and on such other property under the same ownership as bears a direct economic relation to the same. Loans may be granted only against immediately enforceable mortgages. By and with the consent of the proper governmental authorities the Mortgage Institution is authorized to raise the necessary funds for loan purposes through the issue of bonds up to 50,000,000 Reichsmarks (\$11,904,761), aggregate principal amount, secured by mortgages of an equivalent aggregate principal and bearing at least as high a rate of interest. Under its charter law, these bonds are eligible as trustee investments in Saxony.

PURPOSE OF PRESENT ISSUE. The proceeds of this issue will be used by the Mortgage Institution to supply working capital to Saxon industries by means of loans secured by mortgages, the lien of which will be subject only to charges of the character hereinafter described.

SECURITY. The Bonds of this issue under the Trust Indenture have the following security:

1. They are a direct credit obligation of the Mortgage Institution secured by its entire resources, including its Capital and General Reserve and the Special Series Reserve set aside to secure this issue exclusively, which Special Series Reserve will eventually amount to 5% of the nominal value of the outstanding bonds.
2. They will at all times be secured by the pledge of mortgages of an unamortized principal equivalent in United States gold dollars or in gold marks to the aggregate principal amount of the outstanding bonds or, in lieu of such mortgages, cash of an equivalent amount. These mortgages will constitute absolute first liens on industrial properties of the nature indicated above, subject only to any charges created by the Law of Industrial Charges of August 30, 1924, (Industrial Debentures issued in accordance with the so-called "Dawes Plan"), or by any charges created by the Law for the Collection of Industrial Charges of the same date, and to possible minor charges not of a capital nature, not materially affecting the value of the real estate. These mortgages may not exceed 30% of the conservatively appraised value of the real estate covered, together with improvements thereon, shall bear interest at the rate of not less than 7% per annum, and shall mature not later than December 1, 1945. The valuation of property covered by