

FORWARD

By Alfred G. Moresi

In the 1920's and early 1930's many people who were trying to limit their investment risks chose the Bond Market as a safe haven. Trying to mitigate as much risk as possible, those investors chose bond instruments that were guaranteed by sound sovereign governments such as the United States or Western European countries like Germany, France, the United Kingdom and Switzerland.

Specifically, they invested in German Gold Bonds starting with the "Dawes Bond" in 1924, followed by a multitude of others and ending with the "Young Bond" in 1930. These bonds were guaranteed by the German Government and backed by trustees like the Bank of International Settlements in Switzerland, J.P. Morgan and Citibank. The top investment banks in the United States were underwriting and promoting these bonds. For Americans, there was even an implied backing from the United States government. The bonds met all the conditions for a prudent and low risk investment for our great grandparents and grandparents to protect their money and insure their retirement.

Over one million average individuals in the United States invested hundreds of millions of gold dollars (the dollar was backed by gold at that time), in bonds that were clearly represented to be low risk. In fact, a small army of over 1,000 local banks across the heartland of the United States portrayed these bonds as a solid and low risk investment to their investors. Some soliciting banks even represented to their investors that the gold bonds were endorsed and guaranteed by the United States government. Little did these investors suspect that early in the 1930's all interest payments would stop and it wouldn't be until the 1950's that solutions to the problem would even be discussed.

In fact it was in the early 1950's that the scandal really took hold. West Germany was in a difficult situation. They did not want to appear to abrogate their financial liability in the bonds, but they also did not want to be burdened with payments for those liabilities. So, a treaty, called the London Debt Agreement (LDA), was established, under which politicians in West Germany took advantage of an opportunity to impose impediments to the redemption of the original bonds. The political deals went too far and a long line of cover-ups began.

What really happened was that political interference undermined the fair market process and a financial scandal of major proportions

The German Financial Time Bomb

ensued. The holders of German bonds were abandoned by trusted institutions and governments and left exposed to ruthless debtors, politicians and their trustees. The scandal was fed by political hysteria, false accusations and unsubstantiated stories. These all led to a loss of reason. Amazingly, it would be the start of a massive scandal that would carry on into the 21st century.

Nevertheless, in spite of Germany's attempts to eliminate the pre-war debt by shrewd political maneuvers, the underlying strength and soundness of the bond instruments themselves was and is still there, since most of the important institutions that had guaranteed the bonds survived. Western Germany did not abrogate the bonds; the Bank of International Settlements has continued to grow in stature; the United States Government and all of the underwriting investment banking institutions, that promoted the instruments, survived directly (i.e. J.P. Morgan) or had equally sound successors.

Here we are almost eight decades later and Jeffrey Weston has not only finally exposed this scandal for what it is, but has additionally proposed sound financial strategies to enable Germany to resolve their Gold Bond debts once and for all. He has diagramed a plan that illustrates how the reunited Germany can pay off all of its old debt without spending a dime.

It is surprising to realize that there were originally over one million individual investors in the United States that bought these German Gold Bonds. It is quite possible that a large percentage of the bonds have passed from generation to generation leaving as many as hundreds of thousands of individuals in the United States who still may have holdings of these original bonds. These bondholders are in for a surprise when they read this book and find that they may hold claims worth millions of dollars. For this reason alone, this book is a must read for the heirs and beneficiaries of the original bondholders.

Jeffrey Weston has not only demonstrated his financial genius and expertise by proposing sound strategies for resolving the burden of the German bondholders today, but his strategies can be applied to each and every country in the world that has outstanding defaulted bonds or other forms of unresolved debt.

This book gives creditors of all nations some comfort and hope that one day their bonds could also be honored. It would be truly wonderful if every country in the world, that has outstanding defaulted obligations, were to use the same strategy outlined here to honor their

old debt. The "Weston" bonds (for lack of anything else to call them), unlike the "Brady" bonds, could be issued in any economy with any rates of return that are available at the time. It costs the debtor countries nothing and if they play their cards right, some of the new money that is raised, can return to their country to support new business endeavors that will ultimately generate tax revenue and a higher standard of living for their people. This book is also beneficial to the millions of individuals and institutions that hold even a single defaulted bond from any country. They now have hope for a resolution.

The *German Financial Time Bomb* should start a financial revolution where all countries of the world could suddenly take responsibility for their old debts. For this reason alone, it is a must read for the army of professionals in the financial, legal and accounting industry that deal with financial debt issues. It is also extremely beneficial reading for the functionaries in those government and United Nation institutions that tackle the issues of international banking and financing. Looking at this book from that perspective, one could only guess at how many additional people would be positively affected.

Jeffrey Weston has captured and exposed the history of one of the greatest unresolved scandals of not only our time, but that of our parents, grandparents, and great grandparents. This is a scandal that has been allowed to continue for far too many years.

Because the truth of these matters is not currently on the evening news, it is quietly kept out of sight. The *German Financial Time Bomb* brings all the dirty laundry out in the open. Mr. Weston presents all of the intrigue that surrounded the political deals that were made and exposes with meticulous detail the unsubstantiated stories that were allowed to influence U.S. government representatives. Mr. Weston has illustrated the absurdity of the scandal by attacking the lies with legal facts, applicable law, court decisions and opinions from some of our best minds. Best of all, he has presented and detailed sound financial solutions that resolve the bondholders debts while providing an economical solution for Germany, in particular, and many other countries, in general.

In today's world of corporate financial scandals like ENRON, MCI/Worldcom and massive government budget deficits, the sheer newsworthiness of *The German Financial Time Bomb* ranks it among the top financial stories of this new century. It should be on the front pages of publications like the *Wall Street Journal* and the *Financial Times*. Maybe now, the story will get the attention that it deserves and

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the original German Gold Bondholders and their beneficiaries will be vindicated. In any event, any person who likes the nuances of a real scandalous financial expose will be stimulated.

The book also has a positive perspective that counterbalances the exposed scandal, since the strategies Jeffrey Weston presents demonstrate genius and “out-of-the-box” thinking that should fascinate all financial experts, lawyers, accountants and the functionaries within government and international institutions. Mr. Weston has provided us with an exciting and intriguing story that will, one day, be listed as the primary work on the subject and hopefully start the process to resolve all defaulted international debt issues.

Alfred G. Moresi, Feb. 2005

Alfred Moresi is an entrepreneur and individual investor in businesses of the financial and technology industries. He has founded several successful technology companies and has been CEO/ President of several global businesses. He has also served in executive management for both Citibank and Digital Equipment Corporation. Additionally, he has been a Senior Partner in Ernst and Young LLC and Director in PriceWaterhouseCoopers LLC. His primary focus has been on international business in the financial service, technology, telecommunication, energy and manufacturing industries. He is keenly interested in the subject of Non-Assented Pre-WWII German Gold Bearer Bonds and has participated directly and indirectly in the research on the subject over the last 12 years.