READING OPERATION NOT HIT BY RULING

Business of All Companies Affected to Continue Unchanged, Secretary Hare Declares

STOCK VALUES UNAFFECTED

Jay V. Hare, secretary of the Philadelphia and Reading Railway, today said that the ruling of the Supreme Court, ordering the redistribution of the stocks and bonds of the Reading Co. and its affiliated companies, would not affect the business operation of any of the companies as individuals.

Mr. Hare does not believe that the separation of the companies will affect the value or have any noticeable effect upon stocks.

"Of course, the decision of the United States Supreme Court is final," Mr. Hare said. "The plan of action of the company in complying with this ruling cannot be determined until the lawyers of the companies and the government get together and go over the opinion in detail. They will then decide upon a method of compliance that will be satisfactory to the Supreme Court.

"The individual companies will go on as usual. Stocks will be placed upon the open market and bought up by individual financiers. I don't believe the ruling will have any particular effect upon securities. You can't account for the activity in stocks. They go up and down for reasons of their own.

"I do not see why the ruling should affect rates. Other companies who have the same affiliated interests, like the Lehigh, will be affected the same as the Reading by this decision. Whatever the situation is, it will be the same for one as it is for the other. So far as creating new lines running into the regions affected, this would be a very expensive undertaking, and hardly likely."

Prosecutions Not Feared

Mr. Hare said there was small possibility of prosecutions that might follow on charges of violations of the anti-trust laws.

Agnew T. Dice, president of the Reading, does not believe the officers of the companies will be prosecuted.

"If there are rumors afloat in Washington that the officers of the Philadelphia and Reading Railway and underlying companies are to be prosecuted criminally I do not believe them," said Mr. Dice.

"I have heard nothing from Washington, and do not know what is being done or being contemplated, but I can't see where the officers are criminally liable."

Little surprise was expressed in financial circles at the rise in Reading stocks from 12½ to 13¾ points on the exchange following the announcement of the dissolution decision.

A tentative view was expressed in some quarters that the decision does not in itself mean that other railroads holding coal property will have to dispose of them.

It was pointed out that the court apparently rests its decision upon the monopoly character of the Reading's hold upon the anthracite industry. Its holdings, together with those of companies it indirectly controls, are estimated to contain from 55 to 60 per cent of the unmined anthracite in Pennsylvania. Thep resent decision refers so pointedly to the anti-trust law and the violation thereofe that it was assumed that the commodities clause of the interstate commerce act had not entered into the decision in an important way, if at all.

Much depends, lawyers said, upon the decree of dissolution which the District Court is directed to issue. It will be for the District Court to interpret the decision of the higher court in terms of practical application. If the precedent of other cases si followed, the lower court will direct the attorneys in the case to agree upon terms of a dissolution which embodies the substance and spirit of the Supreme Court's decision and submit it to the trial court for approval. If either the attorney general or counsel for the companies is dissatisfied with the terms of the dissolution decree as approved by the trial court, his or their exceptions thereto might be carried up to the Supreme Court.

Doubt was expressed as to whether the District Court would allow stockholders of Reading Co. to receive stock of the constituent companies. The precedent established by the dissolution of Standard Oil, however, argues that present shareholders will receive pro-rata holdings in the constituent companies.

Few of the stockholders of the old Philadelphia and Reading Railway, who stood in the ramshackle freight shed in February, 1896, and saw their property sold under the auctioneer's hammer to the reorganization committee, ever dreamed it would develop into such a valuable property.

McLeol Responsible

To retain their equity in the company, which was materially reduced by the drastic reorganization plan, they were forced to pay a penalty of $10 a share. Many of these patient holders had passed through two previous receiverships, as a result of what was then regarded as the follies and wild dreams of Franklin B. Gowen and Austin Corbin, in sinking the company's funds in the purchase of the anthracite coal lands.

The company's financial plight was at that the due to the ambitions of A. A. McLeod, who was president of the old Philadelphia and Reading Railway from 1890 to 1893, to establish a monopoly of the anthracite trade in the New England gateway.

Those who had paid the $10 penalty saw their stock in the following year fall to $7.50, or what was then said $2.50 under nothing. Those who had the temerity to purchase the stock during this gloomy period were finally rewarded for their faith. That wear was the turning point in the company's history. There were three men who had great faith in the Reading property, and foresaw immense profits should business-like methods be applied. These men were J. Pierpont Morgan, George F. Baker and George F. Baer.

The strength of their forethought was confirmed when the stock, which in 1897 had sold $2.50 under the reorganization assessment of $10, sold up to 179¼ on the New York Stock Exchange on the percentum basis, or half shares, equal to $89⅝ on the full shares. In the meantime, from a deficit to meet the fixed charges in 1897, the company has accumulated a surplus of approximately $41,000,000.

In 1905 dividends at the rate of 4 per cent, or $2 a year, were begun in the first and second preferred stock. In 1905 dividends of 36 per cent, or $1.75, were commenced on the $70,000,000 common stock. In 1906 this was raised to 4 per cent; in 1910 to 6 per cent, and in 1913 to 8 per cent.

In the earlier part of the present century in following out the so-called community of interest idea, heavy purchases of the Reading Company, the holding company, and successor to the old Philadelphia & Reading Railroad Co., were bought by the Pennsylvania Railroad and New York Central Railroad interests. The holdings of the Pennsylvania Railroad were carried by the B. and O. Railroad, of which road the Pennsylvania had secured controlling interest. They amount to $6,065,000 first preferred stock; $14,265,000 second preferred stock, and $10,002,509 common stock. Similar amount is held b ythe New York Central Railroad, making a total holding of $30,182,500, out of the total capital stock of the Reading Company of $140,000,000.

Supplemented By Stockholders

These were supplemented by large holdings by George F. Baer, H. C. Frick and P. A. B. Widener, which, it is understood are still held intact by their estates. In other words, it has been figured by recognized experts that from 60 to 75 per cent of the Reading capital stock is securely locked up in strong boxes. This would seemingly indicate that comparatively few of the original shareholders of the Reading Company, who weathered the three receiverships, prior to 1896, held on to their stock, and are able to reap the benefits that are about to accrue from the segregation ordered by the Supreme Court decision.

No plan has yet been formulated for the segregation, but it is certain there is a big melon cutting awaiting the shareholders. Some interesting questions have already cropped up. One the position of the preferred stockholders is a distributionl of assets. The other the position of the general mortgage bondholders. The indenture of this mortgage covers the entire Reading property, including the floting property. It is reasonable to assume, according to the agreement of the mortgage, these bonds must be retired at par and interest, although they do not mature until 1997. But there can be no segregation until this mortgage is lifted.