

Seaboard Air Line Railway Company

To the Holders of the \$4,000,000 Six Per Cent Secured Gold Notes of the Seaboard Air Line Railway Company, Dated September 15, 1917, due September 15, 1920.

Through the co-operation of Division Four (Finance Division) of the Interstate Commerce Commission under Section 210 of the Transportation Act of 1920, the Seaboard Air Line Railway Company is enabled to offer to each holder of a \$1,000 note of the above issue, \$750 in cash, the balance, \$250, to be extended to September 15, 1923, with interest at 7 per cent per annum, payable semi-annually. Upon presentation at the Guaranty Trust Company of New York or The Continental Trust Company, Baltimore, the cash amount will be paid on September 15th, and the extended notes delivered containing the necessary coupons. The interest coupon due September 15th should be detached and collected in the usual manner.

The character of collateral to secure the extended amount is the same as now held by the Trustee of this note issue (the First and Consolidated Series "A" 6 per cent bonds of the Seaboard Air Line Railway Company) and will be held by the Trustee in the same proportion or pro rata amount as is held by the Secretary of the Treasury to secure the portion of the loan the Government has made to the Railway Company to assist in meeting the aforesaid notes.

The above-mentioned loan from the Government matures in fifteen years, with the first payment eleven years from the date thereof, and as required by the Transportation Act the Interstate Commerce Commission has issued a certificate to the Secretary of the Treasury that the prospective earning power of the Seaboard Air Line Railway Company, together with the character and value of the security offered, furnish reasonable assurance of the ability of the Railway Company to repay the Government loan at maturity.

The Loans made by the Commission to the Railway Company under Section 210 of the Transportation Act bear interest at 6 per cent per annum with maturities 11-15 years from date and will materially aid the Railway Company, for, in addition to assisting in the payment of the notes as above described, important betterments and other needs of transportation are provided for the Railway under the Transportation Act.

The Seaboard Air Line, together with the other railroads of the country, was controlled and operated during the years 1918, 1919 and until March 1, 1920, by the United States Railroad Administration. The guarantee as to compensation during that period was extended by Congress to September 1, 1920. The annual rental or compensation provided for the Federal Control Act to be paid by the Government for the use of the Railway's property has met the fixed and other charges of the Company, including the interest on its adjustment bonds.

Under the Transportation Act rates are now required to be adjusted to yield, as near as may be, a return of 5 1/2 per cent on the value of the property of the carriers devoted to the public use, in the aggregate, in each of the four rate groups or districts established by the Commission, in the aggregate, as to compensation during that period was extended by Congress to September 1, 1920. The annual rental or compensation provided for the Federal Control Act to be paid by the Government for the use of the Railway's property has met the fixed and other charges of the Company, including the interest on its adjustment bonds.

An increase in rates has recently been granted by the Interstate Commerce Commission under which the railroads will now operate. While the increase granted the Southern District (25 per cent) is apparently not proportionately as great as in the Eastern (50 per cent) and in the Western (35 per cent) Districts, the Commission was of the opinion that such increase (25 per cent) would, under conditions obtaining at that time, result in rates that will yield a return of 6 per cent on the above-named aggregate value of the property of the carriers in this group. Since the operation of the Act in relation to rates is more or less automatic, should the increase named not yield the expected return under the requirements called for by the Act, the Commission will doubtless make the necessary adjustments to meet those requirements.

The gross revenue of the Seaboard Air Line Railway Company shows a steady annual increase. The increase from January 1, 1920, to June 30, 1920 (four months under private operation), over the corresponding period of 1919 was 20.67 per cent. Adjusted to the new rates the gross revenue for the year ended June 30, 1920, will equal \$56,437,000. Under these conditions, with rates adjusted to the fair aggregate property value of the Southern Group to the return named herein, the Commission will be able to determine that general railroad credit will be stabilized, the Seaboard Air Line Railway Company under efficient management should earn a reasonable and safe return upon its individual property value devoted to the purposes of transportation.

The Guaranty Trust Company of New York and The National City Company, New York, have advised us they will recommend to the holders of the notes the acceptance of the offer herein made.

The Directors of the Railway Committee, in view of general conditions, are gratified in being able to recommend to the note holders, through the co-operation of the Interstate Commerce Commission, the acceptance of the terms named herein, and request note holders to present as promptly as possible their notes at either of the agencies of the Company herein named for payment and partial extension on September 15, 1920.

SEABOARD AIR LINE RAILWAY COMPANY, S. DAVIES WARFIELD, Chairman of the Board of Directors.

September 1, 1920.

GOSSIP OF THE STREET

A number of the EVENING LEDGER readers have written asking for a more definite explanation of the expression of the "community of interest" as applied in connection with a recent article on the railroad situation. It would be a This expression sprang up about fifteen years ago, as the outcome of the efforts of such leading lights in the railroad world as Harriman, Hill and Cassatt, and others to promote the closest co-operation of the railroad interests of the country. The community of interest practically meant a closer union, or amalgamation, of the railroad management, with the consolidation of various lines or units into one system, bringing the control of movement of some particular commodity under the complete domination of lines covering that particular territory. This plan was prompted not only for the reason of economy of operation, but also to broaden transportation facilities.

While the scheme was only partly carried out by these powerful super-railroad interests, the foundation, nevertheless, was laid for a closer union of the railroad lines. There is little doubt that the plan was handicapped by the Hepburn rate bill and a multiplication of anti-trust legislation by the various state legislatures which, in the Roosevelt administration, became as prolific as flies on a molasses barrel, the country would have been galled by more than a dozen transcontinental lines. Most of the work accomplished by the railroad giants was upset and denied by the anti-trust legislation.

After yesterday's further successful upbidding of the railroad stock market, it is to be expected that the market will be spoken of other than what some of those, enthusiastic about the outlook, called the prospects for a railroad boom.

Probably it is, on the whole, the most favored, as the rails, it is generally conceded, have entered upon a new era by reason of the rate increase, and, since they have been selling at the low level in many years, it is to be expected a substantial recovery should occur. One of the quantities in figuring the worth of specific railroad securities is the rate of dividend, as to precisely how the net rate increase will effect the earning of any given road.

In view of the uncertainty, the view of S. Davies Warfield, head of the National Association of Owners of Railroad Securities, on the subject is especially interesting.

In his capacity as chairman of the Seaboard Air Line Railway, Mr. Warfield says: "Since the operation of the act in relation to rates is more or less automatic, should the increase named not yield the expected return under the requirements called for by the act, the commission will doubtless make the necessary adjustment to meet those requirements."

Distribution Going On

It is oftentimes refreshing and illuminating to hear what the railroad men have to say. The growing bullish enthusiasm in the rails is not by any means altogether a unanimous verdict. Quite a few are disposed to look upon the existing market with a skeptical view, and regard it as a flash in the pan, which, however, may be prompted because of the many false starts that have made in getting the rails pointing upward.

One of the doubting Thomases is J. A. Farnie, who occasionally sends over a mighty interesting market letter to J. W. Sparks & Co. In commenting upon the present rail move yesterday, he said:

"Evidence accumulates that in spite of the splendid performance of the rails in the midst of bullish sentiment some selling has been going on, and, otherwise, it is difficult to explain why during a four-point advance in

Union Pacific and three in St. Louis and Southwestern, 60,000 shares of Read-Head would have been turned over since Monday within a range of 1 1/4 points. Also the best friends of the rails must admit that stocks do not go on any all the time and as rails have been advancing ten days out of the last twelve and as today will mark the sixth successive day of advance, it is the part of caution to make sure of profits.

Accordingly, a check to their advance at any time should occasion neither surprise nor lack of confidence in their future. Indeed, it would be a normal development intended to strengthen foundation of the rail speculation. One may well decide that the rails should be carried through any normal development intended to strengthen foundation of the rail speculation. One may well decide that the rails should be carried through any normal development intended to strengthen foundation of the rail speculation.

Dividends Declared

Cities Service Co., monthly of 40 1/2 cents per share, payable October 1, 1920, to stockholders of record September 15, 1920.

Liverpool Cotton

Preferred Stocks

issued by well-established Manufacturing Companies, offer to investors at prevailing rates excellent investment opportunities, especially where the privilege is granted to purchase Common shares with the Preferred.

May we submit an offering which we consider unusually attractive?

Hollister White & Co.

North American Building PHILADELPHIA NEW YORK

PHOTOPLAYS

PHOTOPLAYS THROUGH

Academy of Music

Alhambra

ALLEGHENY

APOLLO

ARCADIA

BALTIMORE

BLUEBIRD

BROADWAY

CAPITOL

COLONIAL

EMPRESS

FAIRMOUNT

FAMILY

56TH ST.

FRANKFORD

Great Northern

IMPERIAL

LEADER

LIBERTY

333 MARKET

Commodity Markets

COTTON MARKET

New York, Sept. 3.—The cotton market displayed notable weakness this morning in contrast to yesterday's strength, and first prices were 50 to 87 points net lower.

GRAIN MARKET

Chicago, Sept. 3.—There was a general rush to buy wheat at the opening of the grain market this morning and December sold at \$2.40 to \$2.41, a gain of 1/4 cent, and March at \$2.37 to \$2.38, an advance of one cent.

Leading futures named as follows:

NEW YORK—CHEBOURG—SOUTHAMPTON

NEW YORK—HAMBURG

PHILADELPHIA—LIVERPOOL

PHILADELPHIA—GLASGOW

PHILADELPHIA—HAMBURG

PHILADELPHIA—ANTWERP

PHILADELPHIA—LONDON

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