

ROCKING VALLEY RECEIVERS

OHIO JUDGE APPOINTS THEM; FEDERAL COURT INVOKED.

No Question of Insolvency Raised—The Proceeding Was Brought Under Ohio Statutes Relating to the Rights of the Minority and of Purchase.

The Rocking Valley Railroad Company, which Edwin Hawley purchased for the Chesapeake and Ohio a few weeks ago, was taken into the hands of receivers yesterday.

At the same time an application was made to the Federal court for the appointment of receivers for the Kanawha and Michigan, in which Chesapeake owned joint control with the Lake Shore and Michigan Southern when the Rocking Valley deal went through.

No question of insolvency is involved in the Rocking Valley proceeding. The Rocking Valley suit was begun in Ohio State courts under Ohio statutes relating solely to the rights of minority stockholders and the power of any company to acquire any other company operating within the State. The receivers are J. M. Sheets, formerly Attorney-General of Ohio, and H. J. Booth, a Columbus lawyer. They were appointed by Judge Kinkead of the Court of Common Pleas, sitting in Columbus. The Federal courts will be asked to intervene.

The suit for the Rocking Valley receivership was brought by a few minority stockholders of the Rocking Valley and Kanawha and Michigan. It was alleged that the transaction in its entirety effected a combination to the detriment of minority stockholders, such as had been declared illegal by the Ohio courts. The application recited the fact that the deal as a whole dissolved the old Rocking Valley system by turning the Rocking Valley over to Chesapeake and Ohio, the Toledo and Ohio Central to the Lake Shore and the Kanawha and Michigan to the Chesapeake and Ohio and Lake Shore jointly.

Judge Kinkead decided that Chesapeake and Ohio's ownership of stock in Rocking Valley was illegal and enjoined the directors of the latter road from receiving the vote of the stock held by the Chesapeake and Ohio. He also took action upon the plan to retire the \$15,000,000 Rocking Valley preferred stock which was formulated by the new management as soon as the deal was through.

Officers of the Chesapeake and Ohio expressed surprise at the action of the Ohio court, declared that the suit was brought by stockholders having no interest in the company except the interest of a lawsuit, and insisted that the case would be taken at once to the Federal courts. An official statement described the entire proceedings as follows:

On March 19, 1910, the Chesapeake and Ohio Railway Company purchased a large interest, being a majority of the common stock, of the Rocking Valley Railway Company, which had outstanding \$15,000,000 of preferred stock and \$11,000,000 of common stock. For this stock it paid in cash upward of \$100 per share.

At about the same time the Lake Shore and Michigan Southern Railway Company acquired all of the stock of the Toledo and Ohio Central Railway Company. At the same time and shortly thereafter the Lake Shore and Michigan Southern Railway Company acquired all of the stock of the Toledo and Ohio Central Railway Company. At the same time and shortly thereafter the Lake Shore and Michigan Southern Railway Company acquired all of the stock of the Toledo and Ohio Central Railway Company.

This being the condition of affairs, a suit was brought in the Court of Common Pleas of Franklin county, Ohio. The plaintiffs in this suit were one Mannington, who is said to be the secretary of the Ohio Coal Operators Association, and two young lawyers of Columbus named Schoedinger and Westfall. They had acquired a few shares of preferred stock in the fall of 1909, which holdings were immediately made the basis of numerous demands upon the officers and directors of the Rocking Valley, and on April 9 of this year, subsequent to the publication of the notice of the retirement of the preferred stock and of the special stockholders' meeting to increase the common stock, purchased an aggregate of ninety shares of common stock of their claim to voting to maintain their suit.

It has been frequently charged in open court and never denied that the plaintiffs purchased their stock for the purpose of maintaining this litigation. The plaintiffs claimed that the transactions which we have mentioned were part of a combination between the Lake Shore and the Chesapeake and Ohio to restrain competition between the Toledo and Ohio Central, the Kanawha and Michigan and the Rocking Valley, and, alleging that they would be injured thereby, asked for an injunction and receiver and procured a restraining order prohibiting the Rocking Valley from proceeding with the retirement of its preferred stock and from holding the special stockholders' meeting above mentioned, and also from recognizing the Chesapeake and Ohio as one of its stockholders. This restraining order was issued ex parte upon the filing of a \$1,000 bond.

The Rocking Valley promptly moved for the lifting of the restraining order so as to permit the completion of retirement of its preferred stock, a large part of which had already been redeemed. After arguing the Court of its own motion appointed J. M. Sheets, ex-Attorney-General of the State of Ohio, who several years ago conducted the examination and report regarding the Rocking Valley for forfeiture of its charter, and C. O. Hunter, until recently general solicitor of the company, as receivers and report concerning certain allegations in affidavits submitted by the Rocking Valley and disputed upon the hearing. The examination and report were made something more than a week ago and incorporated in substantially every respect the statement that had been made in behalf of the company. Notwithstanding this report the Court thereupon granted an argument upon the question whether the plaintiffs had any standing to maintain the suit and whether their motive in bringing the same was material. This argument was argued a week ago to-day, and the judge in open court promised to render his action in that matter without giving them any opportunity to be heard concerning it.

Argument was closed on Tuesday last to-day. To-day the judge read a long opinion in which he decided practically all the questions involved in the case, and a few of the questions that had been made in the affidavits were argued, and it was prepared to appoint receivers and to issue a restraining order, which it is becoming apparent that the

GOSSIP OF WALL STREET.

London was closed yesterday and the local market was dull until the last hour. Prior to that time it was, however, strong, with Chesapeake and Ohio one of the strongest stocks on the board. Reports that the directors would increase the dividend to 5 per cent. were reiterated emphatically. But when it was announced that Rocking Valley, one of Chesapeake's latest acquisitions, had gone into the hands of a receiver and that receivership proceedings had been begun against Kanawha and Michigan, in which Chesapeake shares control with Lake Shore, the market turned, with Chesapeake and Ohio leading the decline. This was followed by a general sell-off with a high price of 38 for the day. Most of the other stocks lost or almost all of the early gains.

Chesapeake and Ohio has about \$5,000,000 tied up in Rocking Valley stock, the money having come from the proceeds of the sale of \$20,000,000 convertibles, subscriptions for which closed only last week. Obviously some speculators feared that the directors would not feel justified in raising the Chesapeake dividend in view of the chance that the receivership might retard all income from the Rocking Valley investment for a long period. Dividends on the Rocking Valley stock, it was supposed, were raised to 5 per cent. by the Chesapeake management to pay a large part of the interest on the convertible bonds, that bond being much more prolific of dividends than either Kanawha and Michigan or Chicago, Cincinnati and Louisville, which were also to be acquired from the proceeds of the bonds.

It was everywhere admitted that in ordinary circumstances receivership of an important subsidiary would greatly embarrass the dominant company. But the Rocking Valley receivership was extraordinary in that it was the receivership of a company against which the directors of solvency was raised. On account of it the dominant company stood no chance of losing its investment, and the most that could be feared was a temporary withholding of dividends. Meanwhile men who professed to be familiar with the plans of the Hawley party said that Chesapeake management can pay interest on the convertibles from other sources and reimburse the management when the Rocking Valley is cleared. They did not think that the receivership would block the plan to increase the Chesapeake dividend.

Movements in Reading second preferred have never been convincing but have always had that interest which attaches to a stock with special features. Chesapeake and Ohio and Lake Shore, which between them have stock control of the Reading company, have more of the second preferred than of either the common or first preferred. They own 278,500 shares of the \$47,000,000 second preferred outstanding. In the authorization of the second preferred, the management had a vision that the management could retire the stock by exchanging it for half common and half second preferred. With Reading common selling around 100 it is obviously to the advantage of the second preferred that the exchange be made, and periodically speculators are therefore in the market with the idea of creating the impression that the exchange is forthcoming.

The argument for the periodic advances in second preferred is logical enough. Baltimore and Ohio and Lake Shore are in a position to control the management of the company and would profit both in interest and in dividends. The argument of Reading holders by the conversion of the second preferred, therefore, the conversion will certainly be made. But whenever the argument is uttered and the second preferred moves up, considerable bullish activity is invariably noted in Reading common, and this is especially noticeable when the value is impaired by conversion of the second. Yesterday, as previously, Reading second advanced on small transactions, while the principal bullish speculation was in the common. The movement in the second was not particularly timely for the reason that only last week Baltimore and Ohio pledged its holdings of the second under the new \$40,000,000 notes, which does not look like a conversion of the stock in the near future.

Up to the present the bond market here has derived very little inspiration from the negotiations for the new \$40,000,000 Notes of the Chesapeake and Ohio. Sales of bonds on the Stock Exchange last week were but \$12,000,000, as compared with \$37,000,000 in the corresponding week of 1909.

An attempt was made to construct a bearish argument for the fall of the stock of Philadelphia to bid bidders for its offering of \$4,000,000 4 per cent. bonds. The sale was a flat failure, for the bids aggregated little more than 10 per cent. of the proposed issue and none of the big banking houses bid for any considerable part. Nevertheless, it could hardly be said that the offering of the subscription shed any new light on conditions in the bond market, for New York City had previously been compelled to raise its bond interest to 4 1/2 per cent., and it was wondered why the Philadelphia authorities thought they could sell bonds on better terms than New York City. Had they any right to offer 4 1/2 per cent. bonds, they must have done had they made a careful canvass before the offerings, bond dealers said, the sale would undoubtedly have been successful.

The Wisconsin Central Railway Company has declared a quarterly dividend of 2 per cent. on its preferred stock, payable June 15. The regular dividend rate is 4 per cent. a year. Only about 1,200 shares of the preferred stock are outstanding. The company is controlled by the Minneapolis, St. Paul and Sault Ste. Marie Railway Company.

Supreme Court—Appellate Division—Nos. 265, 277, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

Supreme Court—Special Term—Part I—Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

Supreme Court—Special Term—Part II—Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107