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Securities and Exchange Commission
500 North Capitol Street
Washington, D. C. 20549

Attention: Alan Rosenblat, Esq.
Chief Counsel
Division of Investment
Management Regulation

Dear Sirs:

We are counsel to The Adams Express Company (Adams) and as such are writing to you on behalf of Adams and its non-controlled affiliate, Petroleum Corporation of America (Petroleum) concerning fees paid by such two companies in respect of stock loans which they make. Both of the above referenced companies are closed-end investment companies registered under the Investment Company Act of 1940.

Our inquiry concerns guideline No. 5 set forth in the 1972 exchange of correspondence between the staff of the Securities and Exchange Commission and the State Street Bank & Trust Company, (available January 29 and September 29, 1972, as reported in CCH Federal Securities Law Reporter ¶¶78,676 and 79,347). That guideline provides "the Fund is not required to pay any service, placement or other fees in connection with such a loan." We have been advised by the management of Adams and Petroleum of the following:

The past practice in relation to stock loans has been that the intermediary organization

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arranging the loan of securities between the borrower (primarily NYSE member firms) and the lender was compensated by the lender. Such compensation consisted of a portion of the interest earned on the collateral and amounted to 1-1/2% annual interest rate on such collateral, the lender retaining any interest over such 1-1/2% rate as its return for lending the securities.

Several-months ago the intermediary organizations advised Adams and Petroleum that in order for loans to be arranged in the future the lender would be required to pay approximately a 3% annual interest rate instead of the previous 1-1/2%. The stated reason for the increase was that the borrowers now insist on receiving some return on the collateral posted for the stock loan. The party arranging the loan pays over to the borrower of the securities approximately 2/3 of the amount received. In recent months Adams and Petroleum have been unable to locate any intermediary organization willing to arrange a loan on any other basis.

The new practice would operate approximately as follows: Adams or Petroleum would loan securities and in return receive cash collateral equivalent to 100% of the market value of the securities. Assuming this collateral were invested at an interest rate of 10% per annum, the lending institution would retain an amount equivalent to interest at a rate of 7% per annum and pay to the party arranging the loan an amount equivalent to interest at a rate of 3% per annum on the collateral; the party arranging the loan would retain an amount equivalent to 1% and pay over to the borrowing institution the remaining 2%. The 3% rate is currently fixed and does not fluctuate with the rate the lending institution actually receives on its investment of the collateral.

It is our understanding that the other guidelines set forth in the State Street Bank & Trust Company correspondence are met and that no affiliated persons of Adams or Petroleum have been or will be involved in any loan transaction; further, that the directors of Adams and Petroleum must determine that the net return (after pay-

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ment of the above described fees) to the respective parties in consideration of the lending of securities is reasonable and desirable and that a fee in this amount paid to the arranger of such loans (a portion of which is shared with the borrower) for its services is reasonable. We also understand that the lending of securities is consistent with the respective stated investment policies of Adams and Petroleum.

On the basis of the foregoing, it is our opinion that the payment by Adams or Petroleum of such a fee to the party arranging the transaction, under circumstances involving sharing of such fee with the borrower of the securities, would not result in a violation of any of the provisions of the Investment Company Act of 1940, as amended, or any of the rules and regulations issued thereunder.

We would appreciate your advice as to whether you concur in our views as expressed above. If you have any questions concerning the above matter, please communicate with Mr. Eugene R. Sullivan, Jr. of this firm.

Very truly yours,

Chadbourne, Parke, Whiteside & Wolff

Based upon the facts and representations above, we will not recommend that the Commission take any action against The Adams Express Company and Petroleum Corporation of America ("the Companies") if the Companies lend their portfolio securities pursuant to an arrangement under which part of the fee paid to placing broker is shared by the borrower, provided that the directors of the Companies determine that the fee paid to the placing broker is reasonable and based solely upon services rendered and that they separately consider the propriety of the fee paid to the borrower. Finally, this position is subject to the condition that such fees are not used to compensate any affiliated person or investment adviser of the Companies or an affiliated person of such person or adviser.

Alan Rosenblat

Alan Rosenblat, Chief Counsel
Division of Investment Management Regulation

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