

The Distilling Company of America furnishes a still more remarkable example. Of its \$55,000,000 preferred stock and its \$77,000,000 common stock, the promoter and underwriters received \$31,205,000 of preferred stock and \$46,250,000 of common stock. After purchasing the competing plants, \$10,710,000 of preferred and \$18,360,000 of common stock remained. For this they were to secure \$5,000,000 cash to provide working capital and purchase two distilleries. (Report of the United States Industrial Commission).

Usually an understanding is arrived at by which the owners of the individual companies are not permitted to throw their holdings in the new corporation upon the market until after a certain time, so that the promoters and underwriters may have a chance to dispose of their stock before the demand has been met and the price broken. Comparatively speaking the stocks of Canadian amalgamations have fluctuated little, but in the United States it is different. In the case of the Distilling Company just mentioned, the stock declined so rapidly that if the organizers had had the \$100,000,000 of preferred and the \$18,000,000 of common stock left on their hands six months after the issue was floated, they would have barely been able to raise \$3,500,000 for working purposes, alone.

Very often, especially in the United States—as is explained more fully in a later Lesson—the market is systematically prepared for the reception of the securities of the new organization. A frequent practice is the holding of "wash sales"—purely fictitious sales—to secure an artificially high price for the securities. It seems only fair, however, that bankers and brokers who sell such securities to clients should as far as possible prevent such practices, and give buyers complete information on the real worth of the stocks and bonds sold.

The Prospectus.

If the securities of the new company are to be sold to the public through bankers or established bond or brokerage houses the prospectus is a very simple document. The security company has a reputation gained through years of careful service, and the mere fact that it is offering the issue is sufficient inducement to investors, especially if the vendors recommend purchase. The investment house usually prepares a circular of two or four pages, containing only a formal statement of the facts, with sometimes a tabulation of the assets and earnings of the company, or figures of some other kind. Although such a presentation is unattractive when compared with the artistic and well-executed prospectuses of speculative enterprises, yet