

Coca-Cola agreed to buy Coca-Cola Bottling of New York for \$213.8 million, or \$10.375 a share. The bottler will then be resold to a newly formed company as part of a "leveraged buy-out."

Synfuel funds may be withheld by Republicans who want the Energy Department to hold up grants until the Reagan administration takes office and can shape its own energy policies.

MGM Grand Hotels said the financial consequences of Friday's fire at its Las Vegas hotel may force it to delay groundbreaking for its Atlantic City hotel casino. Observers, however, said the company might take the opportunity to cancel the project.

Penn Central delayed its planned acquisition of GK Technologies pending an investigation of possible claims against a GK unit for electrical contracting work done at the MGM Grand Hotel in 1973.

Bethlehem Steel won a \$500 million contract from Northern Border Pipeline Co. to supply 139,000 tons of natural gas pipe. It was the largest of five steel-supply contracts awarded by the consortium of pipeline companies.

Sperry & Hutchinson said it has hired an investment banking firm to study its alternatives, including the possibilities of recapitalization or going private. Also, the company said its chairman of seven months, James Mills, resigned for "personal reasons."

Crane Co. said its CF&I Steel unit plans a \$100 million expansion of its seamless tube mill at Pueblo, Colo., to increase its oil-gear capacity.

Bond prices gyrated widely and short-term rates finished about 1/4 percentage point higher with long-term securities up as much as 3/4 point.

Tighter rules on futures trading may be adopted today by the CFTC. Measures raising capital requirements and spurring prompt collection of margin debts stem from the collapse in the silver market eight months ago.

Ex-Cell-O Corp.'s Cadillac Gauge unit received a \$117.2 million Army contract for armored command vehicles.

The FTC charged Joseph Dixon Crucible Co. with participating in a conspiracy to fix prices of crayons, paints and other art supplies and asked a court to order the company to refund "excess payments."

Oil stocks took a drubbing as rising interest rates caused the Dow Jones industrial average to retreat 11.18 points to close at 978.75. Volume exceeded 51 million shares.

The dollar rose nearly two cents against the British pound on lower U.K. interest rates, but held steady against other major currencies in international trading. Gold skidded \$19 an ounce to \$617.50.

Markets— Stocks: Volume 51,120,000 shares. Dow Jones industrials 978.75, off 11.18; transportation 412.56, off 1.04; utilities 115.22, off 0.99.

Bonds: Dow Jones 20 bonds 64.07, off 0.08. Commodities: Dow Jones futures index 493.29, off 8.25; spot index 462.82, off 9.76.

TODAY'S INDEX table with columns for Commodities, Corrections, Credit Markets, Dividends News, Earnings Digest, Editorials, Financing Business, Foreign Exchange, Foreign Markets, Gov't Agency Quotes, Int'l. News, Money Rates, NYSE Highs/Lows, Securities Markets, Tax Exempts, Treasury Issues, and Who's News.

Italy's death toll from an earthquake reached 1,012, authorities reported. At least 97 towns were damaged by Sunday's tremor, which rocked southern provinces including Naples and Salerno. Prime Minister Forlani declared a day of mourning, and thousands of tents were sent to areas where housing was devastated. Telephone and road links were severed to mountain towns, which were expected to report more deaths.

Water supplies were cut or rendered dangerous in many poverty-stricken areas, and officials voiced concern about spreading of disease.

BRITISH TAX BOOSTS were announced for oil companies and social security. The Conservative government's latest austerity package seeks to salvage anti-inflation policies. Chancellor of the Exchequer Sir Geoffrey Howe called for public spending cuts of \$2.48 billion in fiscal 1982. The government, however, also said the Bank of England's minimum lending fee will be pared two points to 14%.

Recession has tinged Prime Minister Thatcher's hopes for controlling the money supply and cutting taxes. Reagan's advisers favor similar policies but see different results.

Cleanup of toxic-waste sites would be paid for in part by chemical companies and their customers, under a bill passed 78 to nine by the Senate. Provisions imposing stiff corporate liability for damages caused by hazardous-waste spills were toned down. The House has passed similar "Superfund" legislation.

The criminal code won't be redrafted by the current Congress, according to Senate aides. They said Sen. James McClure (D., Idaho) has refused to curtail plans for dozens of amendments. Revision of U.S. criminal laws has been pending since 1973, and general support has been fractured by disputes over specific changes.

Reagan's Cabinet selection is "getting down near the end of the road," Sen. Paul Laxalt (R., Nev.) said. But he added that the President-elect hadn't settled on choices yet. In Los Angeles, Reagan said he was happily surprised to learn that his son Ronald P. Reagan, 22, had married researcher Doria Palmieri, 29.

The Selective Service can't require draft registrants to disclose their Social Security numbers, a federal judge in Washington ruled. The decision, citing privacy considerations, could affect the program's effectiveness. Reagan has said he will reassess draft registration, which involves roughly four million men.

Two Chinese defendants confessed they tried in the early 1970s to discredit Deng Xiaoping, one of the nation's current leaders. In the Peking trial, though, former Vice Chairman Wang Hongwen added that Mao Tse-tung's widow, Jiang Qing, was behind the machinations. She has maintained innocence in the case.

West Germany's global role is expanding yet mustn't create "expectations that can't be fulfilled," Chancellor Helmut Schmidt told parliament. He reaffirmed Bonn's alliance with the U.S. and called for easing East-West tensions. In the inaugural address, Schmidt spoke of a difficult outlook but didn't press for lower economic goals.

Warsaw and Gdansk were hit by a two-hour stoppage of commuter train service, as rail workers sought redistribution of wage boosts. Other Polish workers struck a major tractor plant to protest jailing of a union member. In Moscow, the Tass news agency warned that wider transport strikes "could touch on national and defense interests."

Fidel Castro hasn't abandoned efforts to export communism to Cuba's neighbors, according to Jamaican Prime Minister Edward Seaga. He added that U.S. economic aid would be a better deterrent than "parading warships up and down the Caribbean." Seaga's election last month ended nearly a decade of socialist rule in Jamaica.

A homosexual sergeant dismissed from the Air Force in 1975 settled court battles with the government, which agreed to pay him \$160,000. In return, Leonard Matlovich will drop efforts to be reinstated. Air Force officials said the settlement upholds a policy that homosexuality is "fundamentally inconsistent with military service."

Rep. Frank Thompson denied receiving any money from undercover FBI agents in the Abscam case. The New Jersey Democrat testified he didn't know that a briefcase he passed along to an attorney contained \$50,000. Thompson is on trial with Rep. John Murphy (D., N.Y.)

Securities Watchdog In Alabama Has Bite As Fierce as His Bark

Thomas Krebs Likes Putting Swindlers Into Hoosegow; Pilots and Trench Fighters

By ANTHONY RAMIREZ Staff Reporter of THE WALL STREET JOURNAL

Thomas L. Krebs—college rugby star, philosophy student, Marine infantry instructor, adviser to cops, corporate lawyer, and now the director of the Alabama Securities Commission—cocks an elbow on a hotel-room chair, draws slowly on a long, thin cigar and says:

"Throwing white-collar crooks in jail is more fun than choking chickens." Actually, standing six feet and weighing 195 pounds with a bad boy's grin and the build of a heavyweight boxer, the sulfurously profane Thomas Krebs, 37, doesn't look like the kind of a man that a crook or a chicken would want to tangle with.

Ask securities regulators who the toughest state regulator in the business is, and the answer, more often than not, will be Thomas Krebs. "If you're in the securities-regulation field," says Steven Steingard, a staff attorney with the U.S. Securities and Exchange Commission in Philadelphia, "you know Tommy Krebs—he's a fireball."

Mr. Krebs, who was recently elected president of the National Association of Securities Administrators, is typical of modern state securities regulators. They are young (most are in their 30s) and aggressive (their civil and criminal actions in 1978 totaled some 1,350, triple the level of a decade earlier).

Too Ambitious? In a region where machismo is a cardinal virtue, Mr. Krebs's style is widely admired, although a few detect overweening ambition. "I get the sharp and unmistakable impression that he is trying to build an empire," says a Birmingham securities dealer. Mr. Krebs relies heavily on criminal sanctions, rather than on the less severe civil and administrative penalties that were typical in the past. "I don't want some S.O.B. swindling little old ladies and then going off to winter in Fort Lauderdale," he says. "I want him behind bars."

In a four-year period ended last Jan. 31, three-fourths of his office's enforcement actions involved criminal law. There were 74 arrests and 41 convictions. The state prison system, Mr. Krebs says, is one of the biggest deterrents to white-collar crime in Alabama. A federal judge has condemned the system, declaring that confinement in it amounts to cruel and unusual punishment; it is being reformed under court order.

Mr. Krebs believes that he is getting results in his drive against white-collar crime. "Either we're in the middle of a crime wave," he says, "or we're having more success ferreting out the malefactors." He makes it clear that he considers the latter alternative more likely. Recently he obtained a 10-year prison term for an insurance executive who embezzled at least \$180,000 and gambled it away at a dog track in Mobile.

Although he says it doesn't interfere with his investigation of a case, he regards some swindled investors as "seriously dumb." Doctors are probably the largest group, he says, and lawyers ("they think they can't get conned") are close behind.

"You ought to take some of them people," says Mr. Krebs, warning to his subject, "put them in a room and draw a circle on their forehead—they're fair game. They're going to lose their money. Their children are going to go to the poorhouse."

Mr. Krebs and other state regulators are becoming increasingly important. Federal regulatory bodies, such as the Securities and Exchange Commission and the Commodities Futures Trading Commission, lack the staff or the jurisdiction to review the rising number of dubious tax shelters, questionable oil and gas leases, fraudulent coal contracts or otherwise-flawed public offerings made within the borders of a state. Many times these offerings involve too little money—say, less than a half-million dollars—for a federal lawyer to even crack open a law-book.

The Feds are "the jet pilots," Mr. Krebs says. "We're the trench fighters." But sometimes Mr. Krebs is irritated with what he feels is federal timidity or failure to keep commitments. He has been known to say, according to people who have worked with him, that "I'd rather have a sister in a whorehouse than a brother in the FBI."

Often, Mr. Krebs is one of the front-line Please Turn to Page 24, Column 2

valuation guru Susan K. Page and consultant Cressap, McCormick & Pagel for "constant variety of projects." She averages about six months on each job. The firm, like Booz, Allen and others has stepped up recruiting as the need for consultants grows. Harvard says such firms recruit more "imaginatively" than businesses do.

But Harvard restricts Bain & Co.'s efforts this year because its bonus offers for quick responses broke recruiting rules.

FEDERAL MEDIATORS waste time on minor disputes, investigators conclude. The Federal Mediation and Conciliation Service was created by Congress to resolve labor disputes that could disrupt significant interstate commerce. But the General Accounting Office charges that in 103 of 404 disputes it reviewed, mediators got involved in minor cases. It also said the service is too involved in public-sector cases that could be resolved by state agencies. GAO called for better monitoring procedures.

An official response to the report won't be made until year-end. But it's known that the mediators feel they're very selective, choosing only about 10% of potential cases each year. Some officials at the service also believe the states need help because they have limited capabilities and expertise.

STOP, THIEF! Companies grapple with growing clerical "time theft." Methods Time Measurement Association, a research group, estimates that white-collar clerical workers operate at only 45% of efficiency. Consultant Robert Hall found in a survey of 400 concerns that firms lose four hours per worker per week to "time theft," or excessive tardiness, absence or break-taking. San Francisco's Bank of California cuts some unnecessary overtime, a big problem, with monthly supervisor reports.

Attempts to control the problem often alienate workers. Minneapolis' Northwest Life Insurance Co. requires workers to keep track of all time, including trips to other floors or the bathroom. "It's degrading," says a worker. And Pacific Telephone admits that for workers off the premises, such as installers, little can be done.

Northwest figures that without such control, output would decline and staff needs would rise 10%, at a cost of \$1-million in salary.

TURKEY OVERTIME: About seven of 10 companies plan to give workers Friday off for a long Thanksgiving weekend. But concerns that ask workers to make up the time with extra work hours must pay overtime, the Labor Department warns. Each year a number of firms inadvertently break the federal law.

NUCLEAR REACTION: Alabama Power Co. hires consultant Felix Lopez to develop stress tests to show how nuclear power operators react to crises. Lopez says adaptability to repetitive work and "inner control of impulses" are as important as technical skill. Other utilities show interest in the work.

FIREFIGHTER FIRED: An arbitrator ordered Johnstown, Pa., to dismiss a black fireman who had failed a competency test and was disqualified because he had a criminal record. Even though he had been hired under an affirmative action program, the hiring violated civil service rules, the arbitrator said.

LAUGHING MATTERS little to young executives. A survey of 54 company heads by recruiter Hodge-Cronin shows that 33 of the bosses believe younger executives lack a sense of humor. Although a majority thinks business humor is going downhill, 47 bosses would hire an applicant with humor, other things equal.

SHOP TALK: The NLRB limits employer-worker discussions about unions. Overruling earlier decisions, the board decides an employer can't initiate questioning of workers about their union views. The restriction holds even when the questioning isn't accompanied by threats of reprisals and even when the workers openly support unionism. The board says such probing "conveys an employer's displeasure" with union activities and "thereby discourages such activity in the future."

Employers still can communicate with workers during a union campaign, in writing or in group meetings. And the restriction doesn't apply if a worker starts the discussion. But management lawyer John Irving calls the ruling "artificial and unrealistic" because it assumes "the mere initiation of discussions chills unionism."

The company, PPG Industries, won't appeal. It has another case pending with the NLRB over its refusal to bargain at the plant.

THE CHECKOFF: Striking Santa Rosa, Calif., teachers wear T-shirts proclaiming that they're members of the United Mind Workers. A survey of 513 companies shows that 55% have profit-sharing plans that provide for employee contributions, up from 46% in 1978, says Hewitt Associates.

University of Minnesota students plan to organize a union to negotiate with the school's board of regents over tuition and fees.

timistic about the economy next year. Although few executives surveyed by this newspaper expect another sharp plunge into recession, most also don't see much economic growth until the 1981 second half. And despite much hope engendered by the incoming Reagan administration, they don't expect such problems as inflation and high interest rates to be solved anytime soon.

Trying to change the American economy is "like trying to stop a supertanker," says Robert J. Sweeney, president of Murphy Oil Corp. in El Dorado, Ark. "It will take six months just to get it slowed down."

Partly because the recent jump in interest rates has rekindled corporate caution, most executives predict that the economy as a whole also will move slowly. In drawing up a budget for next year, Boise-Cascade Corp., a big forest-products company, set forth a typical set of economic assumptions: a slow pullout from recession, with recovery in the second half; inflation ranging from 9 1/2% to 11 1/2%; and interest rates at 12% to 13%.

Consumer Cutback Holding down the economy "in the first part of the year," says Rob F. Loughridge, director of economic and strategic planning at Goodyear Tire & Rubber Co., will be "a consumer retrenchment." He explains: "It won't be until about midway that consumers—convinced that personal tax relief is on the way—will feel confident about spending. Meanwhile, the new, higher Social Security withholdings take effect in January and will erode real personal disposable income, as will a continuing high rate of inflation." He also expects export markets to be weak because of economic slowdowns abroad.

Other executives are equally unenthusiastic. Leon C. Holt Jr., vice chairman of Air Products & Chemicals Inc., says the company expects real gross national product—the nation's inflation-adjusted output of goods and services—to grow only about 0.25% next year. And Ted Williams, president of Bell Industries, a computer and electronics company, says, "My own feeling is there will be no real growth over the next year."

Some companies—particularly ones tied to interest sensitive industries such as housing—already are noticing another slowdown in orders. "We were seeing some improvement from the recession," says Donald S. Leslie Jr., executive vice president of Hammermill Paper Co., "but since interest rates have gone up, demand for lumber has softened again."

Projects Delayed Similarly, Clifford A. Morton, director of corporate planning and development at Boise-Cascade, expects "a distinct softening of our business in the first quarter of 1981" because of the 90-day lag between mortgage-loan commitments and closings on housing sales. The company is delaying at least \$275 million of a five-year, \$2.3 billion capital-expenditures program until 1982 or 1983.

At many more companies, capital outlays are being directly affected by high interest rates as well as by lackluster sales. For example, Copperweld Corp. has delayed some new construction and expansion projects, partly "in anticipation that interest rates will have to come down sometime in the future," says Donald DeLuca, vice president of the specialty steelmaker. Gulf Oil Corp. will have to "select those kinds of investments" that have the highest returns so that it can recover the high financing costs, says James Murdy, vice president in charge of finance. And Dillon Cos. has been forced by high interest rates to cut back; it probably will open only 13 instead of 15 new supermarkets in the fiscal year ending June 30, Paul Dillon, senior vice president, says.

Even some companies that so far haven't postponed any expansion projects are bothered by the current interest-rate situation. "What we need more than anything is stability," says John T. Hackett, executive vice president of Cummins Engine Co. "There's a hesitancy on the part of a financial officer to go ahead with projects when it's so hard to predict what the interest rates are going to be."

Often Little Effect However, a large number of companies say high interest rates don't influence their capital spending. "The budget isn't geared to a few percentage points (of) difference in the prime rate," says Lawrence Klamon, executive vice president of Fuqua Industries Inc., a manufacturing, distribution and service company.

Especially unshaken by high interest rates are companies such as Sun Co., an oil company with "enormous" cash flow, says Robert P. Hauptfuhrer, senior vice president for planning. "We don't have to go to the money market for all our funds," he explains. In fact, Sun recently increased its 1981-83 capital program to \$1.75 billion a year from the \$1.5 billion planned for 1980. Similarly, Emhart Corp., a diversified manufacturer, hasn't changed its plans to increase capital outlays about 25% next year because it is set to finance all of it internally.

Some companies feel equally secure because they successfully planned ahead. Digital Equipment Corp., a maker of minicomputers, says it still intends to nearly double its capital spending to \$400 million in the fiscal year ending next June 30; that's because it had a cash balance of \$616 million at the

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—ROBERT S. GREENBERGER

Securities Watchdog in Alabama Has a Bite Just as Fierce as His Bark

Continued From First Page

investigators on a case. On a recent day, he and a plainclothes Alabama state trooper drove to a city in the South to talk to an informant. The possible fraud involves a "boiler room" operation in which salesmen manning banks of telephones spend all day soliciting customers for questionable investments.

On this day, Mr. Krebs interviews an informant as they lunch in a swank restaurant. He listens carefully, taking notes with a gold-tipped fountain pen on a yellow legal pad, as he mutters, to nobody in particular, "My God."

Later, he expresses frustration. The operation, according to the informant, uses a fixed-fee WATS telephone line. If it used regular service, the operation's telephone bill would list each telephone number the salesmen had called.

"I could have subpoenaed those telephone records," Mr. Krebs says, his voice rising. "I found out who they were telephoning all over the country, got up a multistate effort—and just crunched 'em." As it is, the investigation is continuing.

Ineffective Predecessors

Before Mr. Krebs came along, the Alabama Securities Commission lacked such aggressiveness. Its first two directors, one of them a sickly man confined to a wheelchair, died early in office. The state attorney general who had served as the securities regulator just before the commission was established in 1968 was later convicted of securities fraud himself.

In 1975, Mr. Krebs became the third director of the commission, which is based in the state capital, Montgomery. To his astonishment, he inherited a tiny, four-person staff, including one investigator, and a budget of only \$100,000.

Today, he has a 20-person staff and a \$460,000 budget. He has seven investigators, including a former banker, a former FBI agent, and a former Internal Revenue Service investigator who is an expert on bank records ("he is a heat-seeking missile," Mr. Krebs says, "he doesn't miss").

The way to win more staff and money from tightfisted state legislators, Mr. Krebs says, isn't by showing how scrupulously you review a registration statement ("although that's important"). "You win," he says, "by waving a bloody shirt and bringing home heads."

Posing as Victim

In many cases, Mr. Krebs will pose as a prospective customer of a likely con. One time a swindler named Donald E. Luna claimed to be the trustee of a special AFL-CIO pension fund that in fact, didn't exist. Shaky businesses would come to Luna thinking he oversaw a vast sum of union money that he could lend for a fat broker's fee.

Mr. Krebs, accompanied by a real union official, listened to the hulking 300-pound Luna as a briefcase tape recorder and a hidden microphone recorded his sales pitch. On the basis of the tape and other evidence, Luna was sentenced to prison for six years.

The son of a Birmingham engineer, Mr. Krebs graduated from the University of Vir-

ginia, where he majored in philosophy and religion (favorite philosopher: St. Anselm) and was the star wing and fly half on the rugby team.

In 1967, he enlisted in the Marines and led a platoon in Vietnam. Part of his present disgust with official corruption comes from his observation of bribe-taking and drug-dealing among South Vietnamese politicians. "We fixed them," he says, smiling. Whenever an enemy mortar attack was expected, "we made sure they were the last to get the word."

When he was in law school at the University of Alabama, Mr. Krebs became an adviser to the Birmingham police department's SWAT or Special Weapons and Tactics team. As a former Marine instructor in mortar and combat tactics, he thought that the police, in an era of antiwar marches and other disturbances, should know something about crowd control, picking off snipers and negotiating with hostage-takers.

After a stint as a lawyer with a life-insurance company, he applied for the securities-commission job. He had attended an SEC seminar where he sat chagrined as New York lawyers snickered over the corruption of Richmond Flowers, the Alabama attorney general who had gone to jail for securities fraud. "That just got me mad," he says. "I saw a direct parallel between the Flowers administration and Nguyen Cao Ky."

InterNorth Extending Tender Offer Deadline For Crouse-Hinds Stock

By a WALL STREET JOURNAL Staff Reporter
OMAHA — InterNorth Inc. said it extended the deadline for its tender offer for all shares of Crouse-Hinds Co. to midnight tomorrow.

InterNorth, a diversified energy company, said that as of last Friday, about 12,000 shares of Crouse-Hinds common had been tendered to the depository, First National Bank of Boston.

The offer, at \$37 a share, is for about 18.5 million shares, including the 5.5 million shares expected to be issued for Belden Corp., a Geneva, Ill.-based producer of wire and cable that Crouse-Hinds proposes to buy. Crouse-Hinds shareholders have approved the Belden merger, and Belden stockholders are scheduled to vote tomorrow.

Crouse-Hinds is a Syracuse, N.Y.-based maker of electrical products.

Helene Curtis to Buy Its Stock

CHICAGO—Helene Curtis Industries Inc. said directors authorized purchase, from time to time, of as many as 100,000 shares of its common in the open market.

The shares will be used "for general corporate purposes," said Richard Wynn, vice president and treasurer. At the end of its Feb. 29, 1980, year, the maker of hair-care products and toiletries had 2,208,285 common shares issued.



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