

**STATE TEACHERS' RETIREMENT FUND: Right of Retirement Fund Board to compromise claim for bonds where interest on bonds involved is long in default. Procedure for such settlement.**

May 15, 1942.

Mr. Robert B. Hougham,  
Executive Secretary,  
State Teachers' Retirement Fund,  
State House,  
Indianapolis, Indiana.

Dear Mr. Hougham:

I have before me your letter of May 13, 1942, in which you state that the Indiana State Teachers' Retirement Fund owns \$25,000 principal amount of 6% general obligation Water Bonds of the Borough of Mont Ephriam, New Jersey, upon which interest has been delinquent continuously since default in the payment of the coupon due April 15, 1932.

You state that you have had offers at various times from the Borough through its attorney for the surrender of the bonds, which are not matured, and settlement of the interest claim upon a discount basis, in order that the municipality may refund its debt upon a new basis. You state in your letter that you are informed that all bonds except those owned by the Retirement Fund, are now held by the New Jersey State Sinking Fund Commission. You do not so state in your letter, but I am informed that these bonds have been secured by the Sinking Fund Commission at less than par and ranging from 75% to 80% of par value. I am also informed that the refunding plan cannot be accomplished unless the bonds held by the Retirement Fund Board are secured by the Sinking Fund Commission, and that in the event of suit for collection of these bonds by the Retirement Fund Board, in addition to the cost of the procedure there would be a strong probability that the Borough would take advantage of bankruptcy, leaving the amount which the Retirement Fund Board would ultimately receive, uncertain.

Confronted with this situation you state that the Borough, through its attorney, has now offered to repurchase the bonds from the Retirement Fund Board at par and to pay the cash sum of \$10,000 for interest in default, which, at the present

time, amounts to \$15,750. You state that the Board of Trustees of the Retirement Fund at its meeting on May 8, 1942, voted to accept this offer provided that the Board has the legal authority to do so. You request an opinion as to the Board's authority in the matter.

You state in your letter that the bonds themselves are not mature. However, the interest has been in default for ten years, the default interest having accumulated at the present time to the sum of \$15,750. Notwithstanding the fact that the bonds have not reached their maturity, it is evident that the procedure contemplated is the collection of a security which has suffered a definite impairment. I do not think there can be any doubt of the legal right of the Board to accept the offer, if it believes it to be for the best interest of the fund. However, since the procedure involves the compromise of a claim, it may possibly be desirable to secure the approval of the Attorney General and of the Governor in conformity with Section 49-1917 of Burns' Indiana Statutes Annotated, 1933.

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**DEPT. OF FINANCIAL INSTITUTIONS: "Flicker or Drag"  
Accounts of Miners—Whether same constitutes a loan.**

**Mines and Mining—Whether the so-called "Flicker or Drag"  
Account amounts to a loan of money.**

May 18, 1942.

Hon. Ross H. Wallace, Director,  
Dept. of Financial Institutions,  
State House,  
Indianapolis, Indiana.

Dear Mr. Wallace:

I have before me your request for an opinion based upon the following statement of facts as detailed in your letter:

"We find that coal miners who are in need of financial assistance may obtain money from their employers against wages earned. This is commonly known as a 'Flicker or Drag' account. For this service the miner pays ten percent (10%) of the amount obtained.