In the case of the independent companies it was found that in many companies the availability and level of bond ratings assigned by the municipal bond rating services have very little to do with the determination to purchase such securities. As has been indicated earlier, bond purchases are influenced primarily by the yield and availability. Some companies, however, indicated that they prefer bonds rated at least A by Moody's or Standard & Poor's. It appears that each company has its own policy in regard to this matter.

Nine companies indicated that they do purchase unrated bonds. Four companies indicated that occasionally they will purchase unrated bonds if their analysis indicates that the security is equal to or better than that obtainable on the rated bonds they purchase. Only two companies indicated that they do not purchase unrated bonds.

Six companies indicated that they will not purchase bonds with ratings below the top four. Seven companies indicated that occasionally they will purchase such bonds, and only two companies indicated that they do normally purchase such bonds. It would appear that companies will purchase small issues which are too small to be rated or local issues if secure even though not rated. One company has a rule that it can purchase up to 30 percent of such bonds.

d. Intended use of proceeds

The survey of independent companies reported that seven companies indicated that the purpose for which the issue is to be used does influence their purchase, three companies indicated that this may be a factor; five companies indicated that it does not affect their decision. The following reasons were given by those companies which indicated that it does influence their purchase:

> The bond proceeds are considered inappropriate when used for advanced refunding.
>
> Only for short-term funds.
>
> Must have sound reasons for floating the issue.
>
> The funds should be used for "productive purposes."
>
> The company prefers bonds when the proceeds are used for schools or other favorable public needs since it feels that this not only helps the borrower and the country more but it also involves more favorable moral risk.
>
> One company indicated that the credit of the borrower is the primary consideration.

Seven companies indicated that they had no preferences or prejudices regarding intended use of proceeds. The other companies seemed to prefer school bonds, public buildings, construction bonds, electric utility issues, and bonds of a double security such as general obligation water or sewer bonds. The prejudices seem to be against advanced refunding issues, and bond issues which are used for purposes which are not "productive." An example of this latter type may be commercial sport facilities. One company indicated that they would avoid Deep South school bonds and that they have some prejudices against issues from Alaska, Hawaii, Puerto Rico, and Las Vegas.

The survey of mutual companies reported "no unanimity of opinion." Some companies feel use of proceeds is very important, others are less concerned. Bonds designed to finance essential services are widely favored, there is some avoidance of revenue bonds, and much disinclination to invest in industrial revenue bonds. Industrial reve-