

The COMMERCIAL and FINANCIAL CHRONICLE

SERVING THE FINANCIAL AND BUSINESS COMMUNITY FOR ONE HUNDRED AND THIRTY-ONE YEARS

Copyright © 1971 By William B. Dana Company

Vol. 214 Number 7134

Thursday, September 16, 1971 New York, N.Y. 10007 In Two Sections — Section One Price 75 Cents a Copy

Implications of an Excess Profits Tax

By **DON R. CONLON**

First Vice President and
Chief Economist, Dean Witter & Co., Inc.,
New York City

Too Hot Not to Touch?

In recent weeks the question of an excess profits tax or some other control on profits has been bouncing around Wall Street and Washington. Even though the President is said to have rejected it and two leading Democratic economists think it's a lousy idea (and Wall Street says "Amen!"), the possibility of such action is still very real. The toughest opposition the President now faces in his battle to make the price/wage freeze stick and to obtain his basic package for the economy is organized labor. Labor union heads think they are paying the whole inflation check and demand that the President take steps to prevent corporations from making "windfall" profits in the coming months at the expense of their workers' suppressed incomes. This point is not lost on the rank and file.

Right or wrong, the 1972 economy is likely to present everyone concerned with hard evidence that profits will indeed grow very rapidly. Suddenly a remark we have made many times, that "the large gain in profits in 1972 (14-15 per cent pretax and as much as 18-19 per cent after-tax if the investment tax credit is heavily used) will be unique in the stream of years between now and 1975," tends to turn sour when one contemplates the controversy that would undoubtedly surround such a result.

Unless the Administration is using different



Don R. Conlon

A top Wall Street financial economist is not as fearful of an excess profits tax, providing it is properly put together, as are investors generally. In facing up to the possibility there might be one going into effect when the 90-day freeze ends November 13, Mr. Conlon shows that corporate profits subject to an excess profits tax using "profit margins," instead of insufferable dollar totals, as a baseline would not materially affect projected corporate earnings through 1973. He is convinced that an extremely unfavorable base year like 1970 would not be used and that, therefore, any of the better years, such as 1965 or the average of the three best 1960 years, would for the most part leave the rebound in badly hit earnings untouched. His forecast of earnings in 1971, 1972, 1973 assumes an 8.1 to 8.5 per cent pre-tax profit ratio to GNP compared to 11.4 per cent in 1965 and 10.9 per cent average in the three best years. The analyst and investor can, he points out, use the model employed to determine the possible impact upon individual companies and, hence, upon individual portfolios.

projections for profits next year than we are (and they shouldn't be if they want to balance the budget), they are no doubt mulling over right now the proper tactical maneuver to defuse the profits issue before cyclical profit gains get under way in earnest. We would guess that there is a 90 per cent probability that the Administration will feel obliged to do something about the profits question in preparing for Phase II of the wage and price suppression policies. That they didn't originally think such a step would be necessary is obvious, since otherwise there would have been no point in proposing the investment tax credit, the immediate effect of which is to increase after-tax profits.

It's possible that the Administration will simply add another variable to the decision rules that a price and wage stabilization board (PAWS) would use in passing upon price increases. That variable would be the pattern of profits at the industry or firm level. If such profits appeared excessive by some historical definition, the board would deal harshly with the price increase request.

On the other hand, the Administration may well decide that the best way to protect profits and force labor's cooperation at the same time is to tax

profits directly. And this is not a contradictory remark, as will be explained later.

A History Lesson

During the Korean War guidelines for taxing profits were set up so that a firm could choose between two methods and pay the excess profits tax (EPT) on amounts exceeding the chosen guideline. It could select a statutory rate of return on invested capital as its ceiling or calculate the average of dollar profits for its three best years from 1946 to 1949 and pay the tax on any profits exceeding that amount. If rate of return on capital was chosen, 12 per cent was allowed on the first \$5 million, 10 per cent on the next \$5 million, and 8 per cent on everything above that.

The Revenue Act of 1950 raised the basic corporate income tax rate from 38 per cent to 42 per cent for 1950 and to 45 per cent for 1951 and following. The Excess Profits Tax Act of 1951 raised the basic rate to 47 per cent and further imposed a 30 per cent tax on "excess" profits. The Revenue Act of 1951, a third law, raised the basic corporate tax rate to 52 per cent and maintained the 30 per cent DPT provision. Thus, the marginal statutory rate on excess profits during 1951, 1952,

Continued on Page 22

U. S. Government,
Public Housing,
State
and Municipal
Securities

CHEMICALBANK

Bond Department
P.O. Box 710,
New York, N. Y. 10015
PHONES: 770-2541 • 770-2661
TWX: 212-571-1414

**SECURITIES IN REGISTRATION . . . A Report of Issues
Filed With the SEC Appears in Section Two**

Immediate Venture
CAPITAL
Available

Globus, Inc.
445 Avenue of the Americas
New York, N.Y. 10017
Underwriters and Investment Bankers

PUT
YOUR INVESTMENTS TO WORK
CALL

**Filer, Schmidt
& Co. Inc.**
Member Put & Call Bkrs. & Dirs. Ass'n, Inc.
26 Broadway, N.Y. 10004 • 425-8383

**CANADIAN
BONDS & STOCKS**

**DOMINION SECURITIES
CORPORATION**
100 Wall Street, New York 10005
Teletype 571-0880 944-8160
Area Code 212

Specialists
**GENERAL MARKET
MUNICIPAL BONDS**

Exempt from
Federal Income Tax

**Barr Brothers & Co.
Incorporated**
40 Wall St., New York 10005
269-4500 TWX: 212-571-0760



Big League Combination

Hanseatic is the keystone of a smooth working team of several branch offices and many correspondent firms tied together through the instant communication of a national wire service. 40 years of O-T-C experience back this network of facilities available to you with one call.

NEW YORK HANSEATIC CORPORATION

ESTABLISHED 1920
Associate Member American Stock Exchange
60 BROAD ST., NEW YORK 10004
Telephone: 363-2000
Boston • Chicago • Philadelphia
San Francisco • Amsterdam, Neth.

Dealer-Broker Investment Literature And Recommendations

It is understood that the firms mentioned will be pleased to send interested parties the following literature.

Consumer Spending In Canada — review — Richardson Securities Inc., 40 Wall Street, New York, N.Y. 10005. Also available is a report on **Giant Mascot Mines Ltd.**

Custom Reports — custom written reports on any company, domestic or foreign \$10 each (include name, state of incorporation, and issue date of certificate). — special rates for banks and brokers — R.M. Smythe & Co., Inc. 170 Broadway, New York, N.Y. 10038.

Florida Bank Stocks — comparative data — Allen C. Ewing & Co., Greenleaf Building, Jacksonville, Fla. 32202.

Japanese Market — discussion of outlook — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York, N.Y. 10006. Also available are comments on **Fuji Photo Film Co., Daiichi Seiyaku Co., Nippon Reizon K.K., Sony, Matsushita Communication Industrial Co., Calpis Food Industry Co., Maeda Construction and Okumura Construction.**

Put & Call Options — a four booklet kit explaining Put and Call Options — Filer, Schmidt & Co., Inc., Dept. C., 26 Broadway, New York, N.Y. 10004.

Shoe Industry — review — Shearson, Hammill & Co., Incorporated, 14 Wall Street, New York, N.Y. 10005. Also available are reports on **AMIC Corp., Bourns Inc., Fidelco Growth Investors, Garfinckel, Brooks Brothers, Miller & Rhoads, Inc., Grand Union, Greenman Bros., Inc., International Paper, St. Regis Paper, and Van Dorn Company.**
Southern California Agriculture — review — Security Pacific National Bank, Research Department, Box 2097, Terminal Annex, Los Angeles, Calif. 90051.

Retail Drugs — analysis — Dirks Brothers Ltd., 7 Dey Street, New York, N.Y. 10007.

Continued from Page 8

The Security I Like Best

(This is under no circumstances to be construed as an offer to sell, or as solicitation of an offer to buy, any security referred to herein).

FRED M. DOLIN, Director
Investment Evaluation Service
A Division of Mandelbaum
Securities Corporation,
New York City.

NMC Corporation

Unfathomable to the mind of the layman is the complex process of distribution that annually transfers more than \$1.7 billion in phonograph records and pre-recorded tapes from the hands of their producers into the arms of an eager American public. On the one hand there are the manufacturers — a heterogeneous army of corporate giants, established independents and fly-by-nights (1,800 by recent count) — flanked by their various and sundry publicity departments, all united in a universal search for the instant hit. On the other, there are the 200,000 retailers of every stripe — supermarket, syndicate, department, discount, mom-and-pop shops — united only in their sublime ignorance of the music business and their mortal fear of being stuck with the unsaleable. Between them lies a gulf as wide as the Grand Canyon.

Out of the unpromising soil of this no-man's land has sprouted a phenomenon rather unique in American merchandising — the record rack jobber. Almost by default, and in a sense rarely appreciated, he has become the chief arbiter of American cultural tastes, a bridge between the known and the unknown. He wields this enormous power by virtue of his ability to do for the retailer what the retailer cannot do for himself — namely, to select from among the thousands of records and tapes manufactured each year those that will sell, to secure them at the most advantageous prices, to ship them like so many bushels of fruit to catch the peak of their perishable popularity, to advertise, display and promote them, and, finally to guarantee their replacement if they fail to move off the rack.

One of the handful of companies destined to stake out a major position in the distribution of this multi-billion dollar output is NMC Corp. (OTC — NASDAQ Symbol NMCC) based in Oceanside, N.Y. Beginning in 1962 as a dealer in surplus records purchased in bulk and resold, NMC launched a six year record of consecutive growth between 1964 and 1969 that saw sales increase from a base of \$1.1 million to \$6.5 million while earnings soared from \$67,820 to \$464,576.

In 1969, funded by \$5 million in 6½ per cent convertible subordinated debentures (convertible into stock at prices ranging from \$17 to \$25) NMC decided to exploit its contacts with major discount and department store chains and the record companies by entering the rack jobbing field. The cost of this expansion was substantial, entailing the opening of warehouses in Gardena, California, Detroit and St. Louis, the hiring of additional personnel, and the purchase of existing record inventories from

A continuous forum in which, each week a group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

new rack jobbing customers at higher than market prices. These costs were over-shadowed in fiscal 1969 by a continued buoyant market in promotional records that resulted in a peak year for NMC.

In fiscal 1970, however, a moribund economic climate ushered in by the market recession knocked the props out from under the anticipated expansion of rack jobbing sales while the promotional end of the business turned soft. Manufacturers, flooded with perishable inventory, began slashing prices to the bone, reducing gross profit margins from 40 per cent to 15 per cent. While NMC's sales for the year increased 43 per cent to \$9.3 million, additional overhead uncompensated for by sales, shot up 114 per cent to \$3.34 million from 1.56 million in fiscal 1969. As a result, NMC ended fiscal 1970 with a loss of \$1,586,757 or \$2.49 per share.

The fiscal year ended July 31, 1971 has witnessed a complete turnaround for NMC. Judicious cost cutting combined with aggressive selling has reduced overhead to 12 per cent of sales, elevated gross profit margins to 27 per cent, and added 300 new retail outlets to NMC's distribution network, including powerful factors on the West Coast that have made NMC the first among equals in that major market area.

While audited figures for fiscal 1971 are not yet available, management estimates a 61 per cent increase in sales for the year to approximately \$15 million, pre-tax income of \$350,000 and net after taxes of \$165,000 equal to \$0.26 per share on the current 637,000 shares outstanding. Toward the close of fiscal 1971, NMC reported that it was billing at an annualized rate of \$21 million.

NMC has negotiated this 360-degree turn by concentrating its sales and marketing efforts on high volume outlets as exemplified by Zody's and the White Front Stores in California. These comprise some 10 per cent of the 200,000 retail stores that normally sell records and tapes. Constricting its focus has also enabled NMC to come down hard on service and promotion, the bread and butter of the record rack jobbing business. By demonstrating an ability to substantially increase volume per store unit, the company has become a major attraction for the big volume chains which use their record departments primarily as traffic builders.

NMC has entered fiscal 1972 in excellent financial shape. With current assets of \$12 million, the company enjoys a current ratio in excess of 2 to 1. Stockholders' equity at July 31, 1971 should total approximately \$4 per share.

Management feels that operations for the current fiscal year will reflect the momentum established in the final quarter of 1971. At present operating levels, adjusted for quarterly variations and assuming no new additions to the retail sales base, NMC's revenues for fiscal 1972 would

FORUM PARTICIPANTS

NMC Corporation, Fred M. Dolin,
Director, Investment Evaluation
Service A Division of Mandelbaum
Securities Corporation, New York
City.

Kaman Corporation, Philip Savy,
Analyst, Kenneth Bove & Co., Inc.,
New York City.

total \$21 million with net after taxes of \$502,000 equal to \$.70 per share. Assuming management's projection of a 30 per cent increase over current levels on a uniform basis, fiscal 1972 sales would be in the area of \$24 million with net income of \$710,000 or \$.93 per share fully diluted. For fiscal 1973, management estimates a further 25 per cent rise in sales to about \$30 million, with pre-tax income of \$2.2 million or \$1.1 million after taxes, equal to \$1.36 per share fully diluted.

PHILIP SAVY Analyst

Kenneth Bove & Co., Inc.,
New York City

Kaman Corporation

True to the traditional success story, the Kaman Corporation was born in a Garage. That was about twenty-five years ago in West Hartford, Connecticut. It has been growing ever since to the point where it may soon reach the \$100,000,000 business level — definitely a growth situation.

The principal characteristic of this Company is its reliance on research and technology, not only in Aerospace but in the Nuclear and other highly sophisticated sciences as well. After gaining a firm foothold in the Helicopter business the Company sought to diversify its interests and is now operating in 10 Divisions and Subsidiaries divided into four major marketing groups:

(1) **Kaman Aerospace:** This is still the largest group, although being reduced to 55 per cent of total sales by the program of diversification carried on by the Company. In this group the Kaman Aircraft Division makes Helicopters and Helicopter components for all types of aircraft. It has currently contracts with Grumman, McDonnell and G.E. A litigation with Lockheed was settled in mid-1970. In research and development the Company's major project is a revolutionary new Helicopter rotor design, the Controllable Twist Rotor, a potential breakthrough in Helicopter efficiency. Also in this group we find a special Products Division, the most notable of which is the "Ka-carb Products" maker of self-lubricating bearings for long-life and corrosion resistance. These bearings are far superior to anything of their kind and were an instant success. Another product is a highly automated packing machine, one application of which found immediate acceptance in the candy business. Thus the New England Confectionery Co. was able to install a Kaman-made automated line, packing trays of chocolates, consisting of 13 pieces, at the rate of 2400 trays per hour. Other applications of the same principle are under study.

Kaman Sciences: With already 13 per cent of total sales, this group is looked upon by the management as the tool that will break for good what is left of the

Continued on Page 15

Alabama & Louisiana Securities

Bought—Sold—Quoted

Steiner, Rouse & Co., Inc.

Members New York Stock Exchange
Members American Stock Exchange
19 Rector St., New York, N.Y. 10006
HANOVER 2-0700 212 571-1425
New Orleans, La.—Birmingham, Ala.
Mobile, Ala.
Direct wires to our branch offices

BUSINESSMAN'S BOOKSHELF

Black Business Enterprise — Historical and Contemporary Perspectives — Edited by Ronald W Bailey with a foreword by Julian Bond — Basic Books, 404 Park Avenue, South, New York, N.Y. 10016 — cloth — \$12.50.

The Chemical Feast — Ralph Nader's Study Group Report on the Food and Drug Administration — James S. Turner — Grossman Publishers, Inc., 125A East 19th Street, New York, N.Y. 10003 — paper — 95 cents.

Costs And Benefits Of Family Planning Program — George C. Zaidan — International Bank for Reconstruction and Development — Johns Hopkins Press, Baltimore, MD 21218 — paper \$3.00.

Early Plans For A World Bank — Robert W. Oliver — International Finance Section, Department of Economics, Princeton University, Princeton, N.J. — paper — \$1.00.

Encyclopedia Of Associations — 6th edition — Gale Research Company, Book Tower, Detroit, Mich. 48226 — Vol. I: National Organizations of the U.S., \$32.50; Vol. II: Geographic and Executive Index, \$20.00; Vol. III: New Associations and Projects, 1970, \$25.00, 1971, \$25.00.

Getting It Together: Black Businessmen in America — John Seder and Berkeley G. Burrell — Harcourt Brace Jovanovich Inc., 757 Third Avenue, New York, N.Y. 10017 — cloth — \$6.95.

How To Become An Effective Supervisor: A Survival Manual for the Man in the Middle — Ernest N. Uhles — Exposition Press, Inc., 50 Jericho Turnpike, Jericho, N.Y. 11753 — cloth — \$5.00.

The Injury Industry — And The Remedy Of No-Fault Insurance — Jeffrey O'Connell — Commerce Clearing House, Inc., 4025 West Peterson Avenue, Chicago, Ill. 60642 — \$8.50.

Insurance Facts 1971 — yearbook — Insurance Information Institute, 110 Weillima Street, New York, N.Y. 10038 — paper.

Interstate Commerce Omission — Robert Fellmeth — Ralph Nader's Study Group Report on the Interstate Commerce Commission and Transportation — Grossman Publishers, Inc., 125A East 19th Street, New York, N.Y. 10003 — paper — \$1.45.

Mutual Savings Banks Of The United States — 1971-1972 Director and Guide — National Association of Mutual Savings Banks, 200 Park Avenue, New York, NY 10017 — \$15.00.

The Securities Industry Must Still Tread Warily

By **DR. LEON T. KENDALL**
President, Association of
Stock Exchange Firms,
New York City

Managing Director of the organization that is scheduled to merge with the equally prestigious Investment Bankers Association of America at an early date, emphasizes that the securities industry — and rightly so — is operating in a framework of not forgetting the trials and tribulations that wreaked havoc on many of its members in the recent past. Dr. Kendall says a cautious policy is essential because of the cyclical and volatile nature of the business, along with varied uncertainties pertaining to its future operations. In the latter context, he calls attention to the up and down gyrations in trading volume; the doubtful status of a new commission structure and the as yet unresolved role of institutional investors — today's best customer. The author expects a continued diminution of commission income in the overall revenue picture of many firms due to a broadening of their "product mix". While acknowledging the industry's need for more capital, Dr. Kendall warns of some pitfalls in "going public" and points out the virtues of the partnership form of organization. In the area of capital adequacy, he observes that his proposal for tax incentives to the industry is now the subject of an in-depth study. Challenges facing the industry, he says, include the closing of the management gap in the 45-55 age bracket and greater emphasis on managing the business instead of concentrating on "production."

This is the third consecutive year in which I have presented a post Labor Day assessment of the state of the securities industry. Re-reading my 1969 and 1970 presentations and reflecting on all that we've been through, one can conclude that we've lived enough for a full lifetime in these two crisis-packed years. Let's look back for a moment:

September 1969: We face problems, but they are the problems of prosperity. Super-growth with all its cancerous elements has us in its grip. A squeeze on earnings intensifies, costs rise as we bid up the price of scarce resources — labor, equipment and space; the expense of self-regulation increases; our break-even point rises, exposing profits and capital to any decline in volume. Mergers increase in number. Institutionalization of the marketplace opens a gap between the well-being of the retail and the institutional firm.

September 1970: The earnings squeeze becomes a crunch, as a decline in trading volume does, indeed, expose our high break-even points. We learn that expanded capacity built in good years becomes merciless fixed overhead in bad years. Survival economics becomes the order of the day. It brings branch office closings, to-the-bone cost-cutting, lay-offs and salary cuts. Firms merge, recapitalize, and change managers. Still many others become supervisory cases and some fail. Public confidence is shaken and Congress ponders the SIPC legislation to shore up the industry. In September 1970 the industry hits the low point in its private recession or depression.

Last September I pointed out that in the year ahead our problems would be those of recovery and reconstruction. For the third time in this 20th Century all of finance — from bankers and mortgage lenders to insurance companies and stock brokers — are in the process of recasting themselves to meet the new demands of a changing economy. For the securities business, the speed and fury with which our tomorrow arrives



Dr. Leon T. Kendall threatens managers with what Alvin Toffler terms "Future Shock."

Recovery Trends

September 1971: Let's see how far we've come in the recovery phase of our cycle from the standpoint of trading volume. During the last four months of 1970, NYSE volume averaged 13.3 million shares per day; during the first four months of 1971, it averaged 18.2 million shares per day, a 37 per cent increase. On the Amex, volume jumped over 60 per cent, from 3.4 million to 5.5 million shares. This V-shaped recovery produced a happy-days-are-here-again euphoria among firms. Such hopes were dashed by the slump in trading volume during May, June, and July, and through August until the time of President Nixon's announcement of his new economic policies. We had five 20 million share days during the last four months of 1970, 22 during the first four months of 1971, none during May, June, July, and the first half of August, and then three during the last 10 trading days.

Stock Prices: The pattern in trading volume was mirrored in stock prices. Along about late summer of 1970 prices began rising on both the NYSE and Amex. They continued to rise through the first quarter of 1971, but in late spring and through the summer again hit the skids. The Dow-Jones average went from

Continued on Page 16

CONTENTS

Articles and News

| | | |
|--|----------------------------|----|
| Implications of an Excess Profits Tax | Don R. Conlan | 1 |
| The Securities Industry Must Still Tread Warily | Dr. Leon T. Kendall | 3 |
| Mid-Continent Telephone Corporation | Ira U. Cobleigh, Economist | 4 |
| IBA Challenges Need Of Urban Development Bank | | 5 |
| Bullish Outlook for the Economy and Stock Market | Heinz H. Biel | 10 |

Regular Features

| | |
|---|------------------|
| Bank and Insurance Stocks | 8 |
| Businessman's Bookshelf | 2 |
| Coming Events in The Investment Field | 3 |
| Corporate Financing | Bruce Whiting 12 |
| Dealer-Brokers Investment Literature And Recommendations | 2 |
| Indications of Current Business Activity | * |
| Market and You | 14 |
| Mr. Cackles Cartoon (Edgar Allen, Jr.) | 24 |
| Mutual Funds | 21 |
| New Issue Prices | 20 |
| Our Reporter on Governments | 14 |
| Paul Einzig: London Stock Exchange Precarious Bullishness | 4 |
| Prospective Security Offerings | Sec. 2-15 |
| Public Utility Securities | 5 |
| Securities Now in Registration | Sec. 2-1 |
| Security I Like Best | 2 |
| Security Salesman's Corner | 13 |
| State of Trade and Industry | 18 |
| Tax-Exempt Bond Market | 6 |
| Washington and You | 24 |

*Column Omitted This Week

THE COMMERCIAL and FINANCIAL CHRONICLE

Published Twice Weekly Reg. U.S. Patent Office
WILLIAM B. DANA COMPANY, PUBLISHER
25 Park Place, New York, N.Y. 10007 Rector 2-9570 to 9576

CLAUDE D. SEIBERT, President
C.K. SEIBERT, Vice President
GEORGE ENGSTROM, Vice President
GEORGE J. MORRISSEY, Editor
SIDNEY BROWN, Economics Editor
MATTHEW J. DONOFRIO, Make-Up Editor

CORPORATION NEWS DEPT.
Linda A. Sincavage, Mgr.

STATISTICAL DEPARTMENT
George Troester, Manager
John J. Dunne, Ass't Manager

DEALER BROKER LITERATURE
H.E. Shepard, Manager

PUBLIC RELATIONS DIRECTOR
Edward G. Seibert

ADVERTISING PRODUCTION
H.G. Stickney, Manager

REPRINT DEPARTMENT
T. Henry

SUBSCRIPTION DEPT.
Angelo D. Salvemini, Manager

PRODUCTION CO-ORDINATOR
John Thomas

Thursday, September 16, 1971

Copyright 1971 by William B. Dana Company. Re-entered as second class matter Feb. 25, 1942 at the post office at New York, New York, and at additional mailing offices. U.S. Possessions and Members of the Pan American Union, \$95.00 per year. In Dominion of Canada, \$98.00 per year. Other countries \$102.00 per year. NOTE On account of the fluctuations in the rate of exchange remittance for foreign subscriptions and advertisements must be made in New York funds. Information and prices are obtained from sources considered reliable, but its accuracy is not guaranteed. Neither the information nor any opinion which may be expressed, constitutes a solicitation for the purchase or sale of any securities referred to herein. Every Thursday (general news and advertising issues) and every Monday (complete statistical issues — market quotation records, corporation news, bank clearings, state and city news, etc.) Other Offices: 135 South LaSalle St., Chicago 3, Ill., Phone (312) 782-0613.

THURSDAY EDITION ONLY (52 Issues per year)
In United States, U.S. Possessions and members of Pan American Union, \$30.00 per year; in Dominion of Canada, \$32.50 per year; other countries, \$33.50 per year.

THE O-T-C MARKET CHRONICLE EDITION EVERY THURSDAY (52 ISSUES PER YEAR)
In United States, U.S. Possessions and members of Pan American Union, \$20.00 per year; in Dominion of Canada, \$23.50 per year; other countries \$27.50 per year.

OTHER PUBLICATIONS
Bank and Quotation Record — Monthly \$75.00 per year. (Foreign postage extra.) Note — On account of the fluctuations in the rate of exchange, remittance for foreign subscriptions and advertisements must be made in New York funds.

only \$10 each

Custom written reports on any company, domestic or foreign. Just send us exact name, State of incorporation, issue date of certificate. Special rates for banks & brokers.

R.M. SMYTHE & CO., INC.
Securities Valuation Specialists
Since 1880
170 Broadway, N.Y., N.Y. 10038
Telephone: (212) 944-3982

COMING EVENTS IN THE INVESTMENT FIELD

Sept. 15-17, 1971 (Minneapolis, Minn.)

Investment Bankers Assn. Board of Governors Meeting.
Sept. 16-17, 1971 (New York, N.Y.)

Conference Board 55th Annual Meeting at the Waldorf-Astoria.
Sept. 23-24, 1971 (Atlanta, Ga.)

Georgia Security Dealers Association annual outing — Thursday at Marriott Motor Hotel in Atlanta; Friday at the Atlanta Country Club.
Sept. 23-24, 1971 (Washington, D.C.)

U.S. National Committee of the World Energy Conference National Energy Forum.

Sept. 24, 1971 (New York City)
New York State Bankers Association Investment Seminar at the Waldorf Astoria.

Sept. 26-28, 1971 (Lancaster, Pa.)
New York State Bankers Association 21st annual installment credit conference at the Host Corral.

Sept. 27-Oct. 1, 1971 (Washington, D.C.)

World Bank meeting.

Oct. 1, 1971 (Philadelphia, Pa.)
Municipal Bond Club of Philadelphia annual field day at Huntingdon Valley Country Club, Abington, Pa.

Oct. 6-8, 1971 (New Orleans, La.)
Tulane Tax Institute at the Tulane University Center, New Orleans, La.

Oct. 7, 1971 (Cleveland, Ohio)
Great Lakes District Investment Bankers Association annual meeting.

Oct. 7-8, 1971 (Birmingham, Ala.)

Alabama Security Dealers Association Annual Fall Outing.

Oct. 9-13, 1971 (Boca Raton, Fla.)
National Security Traders Association 38th Annual Convention at the Boca Raton Hotel & Club.

Oct. 11-13, 1971 (Chicago, Ill.)

Commercial Financing and Factoring Industry 27th annual convention sponsored by National Commercial Finance Conference at Hotel Ambassador.

Oct. 16-20, 1971 (San Francisco, Calif.)

American Bankers Association annual Convention at the San Francisco Civic Auditorium.

Oct. 21-23, 1971 (Philadelphia, Pa.)

National Association of Investment Clubs 21st National Convention and 9th "Better Investing Show" at the Sheraton Hotel.

Oct. 21-24, 1971 (Hot Springs, Va.)

Mid-Atlantic District Investment Bankers Association Annual Meeting.

Mid-Continent Telephone Corp.

By IRA U. COBLEIGH, Economist

This unusual communications company, founded in 1960, has almost doubled in size every three years; and now ranks as America's fifth largest independent telephone system.

You do not generally place telephone equities in a "growth stock" category, but you are entitled to do so in the case of Mid-Continent Telephone. Here's an independent company, with 43 operating affiliates serving more than 545,000 telephones in 11 Midwestern, Eastern, and Southern states; with subsidiaries including three CATV service organizations, and a major distributor of telephone equipment and materials. According to Weldon W. Case, President (at an analysts' meeting June 23, 1971): "We are on schedule with the profit plans made a year ago, which were directed at improving earnings per share of 15 per cent annually, compounded, over the next several years, while maintaining an appropriate capitalization ratio."

Since 1960 restated net income of Mid-Continent, applicable to common shares, has increased 220 per cent; and adjusted earnings per share, 195 per cent. Also in the 1960 decade, the dividend rate on common stock has risen 92 per cent. Investment in property and plant totaled \$313 million at the 1970 year-end, about 2½ times the reported 1967 figure; and it climbed to \$319 million in the first quarter of 1971. Net income for 1970 was \$7 million, more than double 1967's reported income.

Mid-Continent is famous as the "Quality Communications" system aiming to supply its customers, through operating subsidiaries, with "telephone service equal in every respect with the finest available anywhere, and to do so at an adequate and significantly increasing profit per share." While the company historically has grown rapidly through addition of strategically located, and compatible properties, corporate acquisitiveness has been slowed down recently "because we are unwilling to see our earnings diluted by acquisition, and we are reluctant, in a period of tight and expensive money, to sustain the major expansion of the construction budget, which necessarily would accompany influx of new subsidiaries." The company has, in fact, entered into no significant new acquisition agreement since August, 1970, although it remains ready to acquire companies, located in an area that can grow and prosper at a rate well above the national average. Revenues for the most recent 12 month period were about \$67.6 million, a 5 per cent increase over 1970's calendar revenues of over \$64 million.

Financing and Rate Increases

The growth of the service territory, steady demand for additional telephone equipment, rising interest rates and operating expenses require that: the company (1) enter the money markets with considerable frequency for long term funds, and (2) seek higher rates needed to provide and assure adequate returns on invested capital, and a proper margin of profit for shareholders. In 1970 the

company sold \$20 million in 30 year sinking fund debentures; and \$27.5 million in long term debt of subsidiaries. The current financing program calls for \$10 million in new equity money in 1971, and a \$20 million offering of subsidiary debt securities in 1971 or 1972.

While technological advances and improved operating efficiencies for some years reduced the urgency for rate increases, the inflationary rise in labor and capital expansion costs especially during the past two years, has necessitated repeated applications for rate increases.

At Mid-Continent since April 6, 1971, rate increases, representing a total of \$1,725,000 in incremental annual revenues, have taken effect in six operating companies; six other applications involving \$1,167,000 of annual revenues have been pending; and cases now in preparation request an additional \$3.6 million. Regulatory agencies in the several states served by Mid-Continent affiliates, are properly mindful of the impact of prevailing higher interest charges; and recognize that these costs reduce return on equity, and the multiple by which bond interest charges are covered. Thus their attitude toward allowance of higher rates has been, in general, quite responsive.

Tolls and Cables

Another helpful factor, enabling Mid-Continent to maintain quality service in the face of mounting costs, is an improved portion of toll revenues which it divides with the Bell System. Under a revised distribution of these revenues, negotiated between AT and U.S. Independent Telephone Assn., under surveillance of F.C.C., Mid-Continent added \$1.2 million to its 1970 revenues, and will receive an additional \$500,000 this year. Further study of its own toll costs, and negotiations resulting, may lead to perhaps another additional \$1 million in 1971 toll revenues.

On the operating side an advanced cost control system, introduced in 1970, is improving efficiency; and the lower operating costs of buried cables, versus overhead facilities, is also enhancing profitability. In 1970, 73 per cent of all newly-installed cable was placed under ground.

Buckeye Telephone and Supply Co., acquired in June 1970, will deliver full-year earnings in 1971. Buckeye not only supplies equipment and materials to Mid-Continent subsidiaries, but acts as a major distributor to independent telephone companies throughout the nation.

The Horizon

Not only is Mid-Continent expanding and prospering as a typical telephone utility, but it has uniquely attractive future horizons. With properties located in the environs of major cities, it benefits from the outward thrust of population, commerce and industry from metropolitan core areas. The company also looks to substantial new revenue sources from data transmission, the

videophone and broad-band coaxial cables serving CATV systems. Direct sale or leasing and servicing of customer owned interconnect-equipment, is another expanding facet of broader service marketing by Mid-Continent.

Capitalization

Mid-Continent Telephone common is listed on NYSE and trades under the symbol MID. There are 6,265,000 common shares outstanding, following on the balance sheet. 490,000 shares of preferred stock, and \$198 million in long term debt. The common trades at about 19 and pays a 92 cents dividend. Per share earnings for 12 months ended May 31, 1971 were \$1.24, a new high. The company's stock is an investment-grade equity with a lively and uninterrupted long-term growth rate. The issue is held by 13 institutions.

Another attractive way to enter the Mid-Continent picture is through its ¾ per cent debentures due 1987, convertible into 38.94 shares of common stock per \$1,000 bond. The bond sells at 81, OTC, very close to its conversion value. It should advance virtually parallel with the common and, in addition, has defensive characteristics, protective in a declining stock market.

While many of the independent telephone stocks lack speculative "zing," Mid-Continent appears as an exception. It benefits from an impressive profit record, a dynamically growing service area, and has several sources of earnings, to supplement its attractive and traditional telephone business.

Common Sold by Vetco Offshore Industries, Inc.

A combination offering of 400,000 shares of Vetco Offshore Industries, Inc. common stock has been oversubscribed after reaching the market at \$29.75 per share through an underwriting group headed by Dean Witter & Co. Inc., San Francisco, and Shearson, Hammill & Co. Inc., Los Angeles.

Of the shares offered, 75,000 were sold by the company and 325,000 by certain stockholders.

The company will use net proceeds from its portion of the shares, together with approximately \$261,000 to be received upon exercise of stock purchase warrants, to repay short-term bank indebtedness. The excess, if any, will be used to purchase machine tools for its Ventura, Calif., facility.

The company, based in Ventura, is engaged in engineering, manufacturing, selling, leasing and servicing proprietary equipment for worldwide use in exploratory and developmental drilling and production of offshore oil and gas.

Lyle Stuart Inc. To Go Public

Lyle Stuart Inc., book publishers, plan a public offering of 185,000 Shares of Common Stock. Registration is imminent.

Among some of the Company's best sellers are The Sensuous Man, The Sensuous Woman and David.

Stanley Heller & Co. will be the Underwriter.

London Stock Exchange Precarious Bullishness

By PAUL EINZIG

Despite the fortunate break for sterling, wherein its disadvantage vis-a-vis the dollar has been more than offset in terms of other currencies, Dr. Einzig is unable to agree with Throgmorton Street's bullishness. Even the inability of banks to find more borrowers at the now lowered lending rate is said to attest to the reluctance of industry to borrow in the face of another round of labor's incessant, exorbitant demands. Moreover, he fears that floating exchanges, and our tariff surcharge foreshadow a trade war at the expense of recently improved British exports — a prospect hardly favorable to equities.

LONDON, ENG. — The wave of optimism that developed in Wall Street following on Mr. Nixon's announcement on August 15 took some time before it spread over to London.

The first reaction was that America's meat was likely to prove to be Britain's poison, and that the advantages to be gained by the United States through the surcharge and the depreciation of the dollar would be gained at Britain's expense. But when Britain followed the example of the United States, and while sterling appreciated slightly in terms of dollars it depreciated in terms of the yen, Deutschemark and other currencies a wave of optimism began to manifest itself on the London Stock Exchange. This wave gained in strength following on the reduction of the British Bank rate, especially as it was expected that this first step would be followed by further reductions.

Optimism Over Sterling

On the face of it there appeared to be good reason for optimism. Sterling did not appreciate to the same extent in terms of the currencies of some leading industrial countries other than the United States and France. However, it seemed reasonable to hope that the moderate advantage of the dollar in terms of sterling, and the surcharge, will be more than offset by the advantages sterling gained at the expense of other countries.

Moreover, the Bank rate cut gave rise to hopes that the Government will pursue a reflationary policy. These hopes benefited both equities and Gilt-edged stocks. Even though the rise was not so spectacular as the rise in Wall Street, it was noteworthy. It anticipated further cuts in the Bank rate.

Quite possibly this anticipation will materialize. Yet I have my doubt whether the optimism is justified. For one thing, amidst the uncertainties on the currency front anything is liable to happen, and not necessarily to the advantage of Britain.

What is much more important, the labor situation in Britain is deteriorating rapidly. Fantastic claims are put forward by leading trade unions day after day, and the victory of the extremists at the annual conference of the Trade Union Congress foreshadows more trouble. Business firms whose names have been household words are in serious trouble and some of them are on the verge of bankruptcy. The Government is determined to rescue bankrupt firms. Workers are engaged in militant action if faced by redundancies for which they themselves are responsible.

Subsidy Test Case

Upper Clyde Shipyards will

provide the test case. The utmost pressure is brought to bear on the Government to subsidize them on a large scale. Unfortunately they are not considered to be a commercial proposition, because the Upper Clyde is not wide enough to enable the production of the large ships and giant tankers which have become the bread and butter of shipyards. That aspect of the problem does not interest the trade unions. They consider it the Government's duty to keep the works going even at a permanent loss rather than dismiss the redundant workers, even though they could easily find other jobs in profitable shipyards, with long orderbooks.

Capital goods industries are working at a loss because of the escalated wage increases, which raised their costs well above the level envisaged when the contracts were signed. But a similar situation is now rising also in the consumer goods industry. One of Britain's leading firms of toy manufacturers is in danger of going into liquidation because of their large liabilities, unless they succeed in being taken over by an American firm. Yet some consumer goods firms have long order books, but they are unable to deliver their goods on time because of the frequent unofficial strikes and other labor malpractices.

Having regard to all this, it requires an overdose of optimism to consider it advisable to invest in equities, in spite of the improvement of the general situation. We are bound to witness a large number of strikes in the autumn and winter, and unemployment is likely to increase further.

Banks' Disappointment

The fact that the banks are unable to lend all the money which they are now authorized to lend as a result of the relaxation of the credit squeeze speaks for itself. The reduction of interest rates makes but little difference if business firms do not expect to make profitable use of the borrowed money.

In the circumstances it is no wonder that capital expenditure by industry is at a low ebb. In any case, the cost of long-term capital is still to high to encourage investment.

Admittedly exports are doing well, which accounts for the firmness of shares of firms engaged in export trade. But the adoption of floating exchanges and the injection of a United States surcharge foreshadows a trade war which is liable to deprive exporters of their foreign markets at a moment's notice.

It is difficult to imagine why in such circumstances equities should be rising. Their rise makes them more vulnerable, so that in case of setback the drop is liable to be considerable.

IBA Challenges Need of Urban Development Bank

Spokesman for prestigious trade association vigorously opposes the concept that a Federal agency is required to assure bond financing by local governments at a "reasonable cost." Even if at some future date such assistance should prove necessary, according to Frank P. Smeal, it is more than questionable that the proposed "Urbank" would be the desirable conduit. Speaking for the IBA, Mr. Smeal sees "Urbank" as a vehicle to destroy the principle of tax-exemption on municipal bonds "as the price of admission to the bank." He cites the distortions in the national budget and capital markets by the proliferation of Federal assistance programs and promulgates a series of guidelines to determine the merits of such aid to States and local taxing units.

In a sharply worded statement before the House Committee on Banking and Currency in Washington on Sept. 10, the Investment Bankers Association of America challenged the concept of an Urban Development Bank as proposed in Title VIII of House Bill 9688, the Housing and Urban Development Act of 1971.

Frank P. Smeal (Executive Vice President and Treasurer, Morgan Guaranty Trust Company of New York), Vice President of Municipal Finance of the IBA, told the Committee that there continues to be no demonstrated need for the Urban Development Bank. First, because the implicit assumption that local borrowers are unable to secure sufficient credit at a reasonable cost has not been substantiated, and second, even to the extent that some present or future need could be determined, it has not been shown that the proposed Urbank would be the most effective way to meet it from either the standpoint of the Federal government or the State and local units.

IBA's Position

Mr. Smeal summarized the IBA position this way. "Municipal bond sales have more than recovered from the market crunch of 1969 and the aborted attack on the tax-exemption principle of that year. In the face of restrictive and inflationary markets, municipal rates have more than held their own in comparison with those on taxable, corporate bonds." "In fact," Mr. Smeal said, "municipal bond yields for the lesser credits have shown a noteworthy improvement in their relative market position through time. Moreover, these accomplishments have not required massive Federal expenditures or intervention. They represent the free market's response to the demands of State and local governments."

Smeal said that a recent study undertaken by the staff of the Federal Reserve Board concluded that, although there is anticipated to be faster growth in the level of State and local spending than in GNP over the next ten years, "the problem of municipal financing in credit markets remains within manageable size."

"Is Urbank really attempting to assist State and local units in their borrowing?" Smeal asked, "or is it attempting to do an end-run around the principle of tax-exemption by making these units renounce their right of tax-exemption as the price of admission to the bank?" Smeal reminded the Committee that the principle of tax-exemption which was challenged during the Tax Reform Act of 1969 was



Frank P. Smeal

thoroughly debated, and that the State and local governments and the Congress flatly rejected any and all attempts to overturn that principle.

Referring to a report submitted to the Committee by K. J. Wehbring, Mr. Smeal expressed the view that Urban Bank credit assistance would lead to "excessive red tape and delay and to the weakening and bypassing of local government responsibilities."

Could Destroy Present Market

"Let there be no mistake about the power of Urbank if it wishes to demolish the existing market for State and local securities," the IBA executive warned. "With an aggressive lending policy — a relending rate that was equivalent to 2/3 of its borrowing costs — Urbank loans would be cheaper than the bulk of those in the conventional market."

"The existing system built around a broad and free market has performed very well indeed," Smeal continued. "But with a full-blown Urbank sweeping through the market with sub-market terms and conditions, bankrolled by a Federal subsidy, we do not think it could survive. Five billion dollars taken out of the market — especially when sucked from the regions outside of the money market centers — could work havoc."

"An Urbank would bring concentration and that concentration — packaging and designing deals only for the large institutional investors — would probably drive many smaller and specialized houses out of existence. The cost of this, not only to those investment bankers affected, but also to the governments that no longer have a functioning alternative to Urbank, would be great. Once the conventional market is dismantled, the municipalities would be effectively at the mercy of the central banking authority. The alternative of active,

broadly based tax-exempt market would cease to exist."

Shortcomings of Federal Programs

Turning to what he termed the "large army of Federal Credit assistance programs", Mr. Smeal cited these problems with the proliferation of such programs:

(1) Federal credit programs can distort the budget as a document for orderly choice among program priorities and as an instrument for economic control.

(2) Federal credit programs often involve awkward, expensive, and discriminatory financing arrangements.

(3) Federal credit programs are preemptive in their demand for credit and generate heightened competition for funds and higher interest rates.

(4) Federal credit programs can be perverse in their impact on monetary and fiscal policy.

(5) The ultimate influence of Federal credit programs on credit flows and resources is unclear and may be counter-productive.

Suggested Guidelines

Mr. Smeal concluded his testimony by suggesting certain criteria that could be used in judging the merits of various methods of Federal credit assistance to State and local governments. He proposed the following guidelines:

(1) The need for such assistance should be firmly established and carefully documented.

(2) Once a particular need is demonstrated, then the credit assistance mechanism used to meet that need should be designed to avoid creating situations where there is any unfair and wasteful competition of such assistance with the private capital market.

(3) Credit assistance should not inadvertently lead to a demoralization of State and local government fiscal responsibility or an unfair distribution of overall financing effort between aid recipients and the Federal Government.

(4) Credit assistance programs should be designed so as to clearly reflect the degree and amount of subsidy they contain and the other costs entailed.

(5) Credit assistance programs should be as simple and straightforward as possible. They should not lead to a proliferation of new bureaucracies and institutions to handle each particular problem.

(6) Any credit assistance should not constrain the freedom of action and ready access to the market on the part of all State and local governments.

Mr. Smeal was accompanied at the witness table by Thomas Masterson (Underwood, Neuhaus & Co. Incorporated, Houston, Texas), Co-Chairman of the IBA Municipal Federal Legislation Committee, and by John Petersen, Director of Municipal Finance of the IBA.

Mobil Oil Corp. Debentures Sold

The public offering of \$200,000,000 of Mobil Oil Corp. 7½ per cent debentures due Oct. 1, 2001, is being made at par plus accrued interest through underwriters led by Morgan Stanley & Co. Inc., New York.

Proceeds are to be used for working capital and other corporate purposes.

Mobil Oil, of New York City, is engaged in oil and gas operations.

PUBLIC UTILITY SECURITIES

By JOHN D. O'KEEFE

Intermountain Gas Company

Based in Boise, Idaho Intermountain Gas distributes natural gas in an area stretching across 400 miles of southern Idaho. As are other distributors, Intermountain Gas is concerned about the status of its gas supply during the current temporary gas shortage. However, the company has numerous favorable factors supporting the integrity of its reserves. Of greatest importance is the fact that the company is supplied from both ends of the El Paso Natural Gas transmission system; that is, Canada and the Rocky Mountain Basins. The Canadian supply area is not now served by a competing pipeline, and the deliverability life of present production is as long as that of any other area. In addition, Intermountain Gas serves an area contiguous to relatively unexplored regions possibly favorable to gas accumulation; an area geographically situated for service by an Arctic Basin-California pipeline; and an area which could be supplied by LNG from offshore sources.

Regulation

The company is regulated solely by the Idaho Public Utilities Commission, which is composed of three members. This Commission is noted for moving fast when the company requested immediate action to meet relatively sudden cost increases over which it had little control. In the last rate case, Intermountain received interim relief of 5 per cent higher rates after a brief hearing. The full rate case was not completed for over one year, since delay was caused by another utility's lengthy hearing. The final decision granted the company 10 per cent in higher rates, comparing favorably with the 11.7 per cent increase originally requested.

The company operates without a cost of gas escalation clause in its general service provisions. Consequently, each time Intermountain experiences a gas cost increase from the supplier, the company must file for

increased rates. Management is unable to automatically pass on the higher charges to customers. The past increases have not diminished natural gas' competitive position with other forms of energy. For residential use, natural gas is 35 per cent less expensive than electricity and 5 per cent cheaper than oil in the service area.

Financial

Earnings per share for the year ended September, 1970 have been restated at \$1.25 instead of \$.92 as originally reported, reflecting the election of guideline lives for tax purposes. Intermountain received a cash payment of over \$600,000, and because of the change in the tax basis of depreciable assets, earlier period's deferred taxes were transferred to retained earnings.

The present construction budget for 1971 stands at \$3.4 million. During the first ten months of this year 4,759 new user services were completed and a backlog of 400 awaited construction. Management foresees no need for additional financing this fiscal year over the \$8 million raised through the sale of first mortgage bonds. Next year's plans call for a \$5 million construction program, with \$2 million being financed and the balance generated internally. Permanent financing may not be necessary since the company has a present line of credit totalling \$5 million.

Management expects to add 6,000 new customers this year and another 7,000 next year. The growth is anticipated to stem from the heavily unsaturated territory the company already serves. Intermountain is currently providing potential customers with conversion plans, in order to generate greater gas revenues. The current indicated quarterly dividend rate is 10 cents, per share. Intermountain Gas common shares are traded over-the-counter.

Mr. O'Keefe is associated with Pershing & Co., New York City.

Lane Wood, Inc.

is pleased to announce listing on THE AMERICAN STOCK EXCHANGE

Serving the shelter industry in the building, marketing, financing and insuring of mobile homes in nine states in the Southwest and Southeast. The Company also designs and manufactures retail store fixtures marketed throughout the United States.

Lane Wood, Inc.

Davis Building
Dallas, Texas 75202

TICKER
SYMBOL

LWI

EFFECTIVE
SEPTEMBER 10, 1971

TAX-EXEMPT BOND MARKET

By WILLIAM J. RILEY

Steeplechase Interest Rate Pattern

Prices plunged just as sharply since our last report as they had risen in the previous weekly period. Rarely has the Tax-Exempt Bond Market shown such a violent peak-and-valley chart line as it has traced since President Nixon's address of August 15th. The price rise that greeted his new economic plan was the steepest on record. Down the market went, halfway back, in the following week. The market rose to another peak on September 8th with the award of \$100 million State of California and \$75 million State of New Jersey bonds.

The Street, by and large, knew full well that the bonds were being priced ahead of any tested retail level, but were counting upon time and events to confirm these new higher priced levels. True enough, first day sales results were slow. On the next day, alas, the bond market mood was chilled abruptly when President Nixon in his address to a joint session of Congress, said that the wage-price freeze would terminate on its 90-day limitation date. Other factors, supply — Federal Reserve action — etc. added weight to the down side. The new price structure so quickly erected, just as quickly fell.

Split-Ups

On Tuesday of this week, September 14th the Jerseys, with about \$52 million left in syndicate, were declared a free market. Offerings were made at 25 basis points greater yield than in the original offering scale with prices falling accordingly.

The Californias, likewise, were released from syndicate terms on Tuesday afternoon, with about \$54 million unsold. Prices fell by about 30 basis points greater yield. The New Jersey's carry a triple-A rating by both services; the California's are rated double-A by Moody's and triple-A by Standard & Poor's. Fresh institutional buying was attracted by cheaper prices on these split-up bonds and by Wednesday about 10 basis points had been recovered. The market stiffened around 15 basis points lower for both New Jersey and California bonds.

The pattern was similar among other names but activity was selective. A stronger tone developed but it was more a trading market looking for values, rather than an attempt to renew an advance.

Mississippi and N.Y. State Power Issues

Fortunately, the bidding calendar for the current week was a light one with only \$191 million scheduled for

competitive bidding, of which the largest single issue was \$20 million State of Mississippi, full faith and credit highway bonds, to be sold today, September 16th.

There was one large negotiated offering: \$120 million New York State Power Authority, Revenue Bonds, Series D, bonds brought to market on Tuesday, Sept. 14, by a syndicate managed jointly by Dillon, Read & Co., Inc.; W.H. Morton & Co., Division of American Express; Kuhn, Loeb & Co., Hornblower & Weeks-Hemphill, Noyes.

The offering consisted of \$98 million term 5-7/8 per cent bonds due Jan. 1, 2010 priced at par, and \$22 million Serial Bonds due Jan. 1, 1986 to 1995, yielding 5.10 per cent to 5.60 per cent.

Yield Index Rises

The Commercial and Financial Chronicle's 10-Bond Average of State and Municipal Bonds rose in yield (fell in price) by 7 basis points over the weekly period from 5.64 per cent on Sept. 8 to 5.71 per cent for Sept. 15.

One reason that our own Average has not shown as wide swings as some of the other averages is that we include three upper yield names such as Detroit, New York City and Philadelphia, which have not had the wild gyrations of the high grade names.

The 30-day Visible Supply, at \$986.2 million continues at a normal, moderate figure. Floating Supply has risen to \$620 million over \$557 million a week ago (as measured by the Blue List Total) .Y.

Harris, Upham Municipal Dept.

Harris, Upham & Co., Incorporated, 120 Broadway, New New York City, members of the New York Stock Exchange, have announced the formation of a municipal bond department under the management of Richard W. Hamilton, vice president. Also associated with the new department are John T. Triant, assistant vice president; Alexander R. Barclay and Dianne K. Thulin.

Form McCoig Secs.

LAS VEGAS, NEV. — McCoig Securities, Inc. has opened offices at 302 East Charleston Boulevard to conduct a securities business. Officers are David C. McCoig, president; Richard B. Taylor, vice president; and John D. O'Brien secretary and treasurer. Mr. McCoig was formerly with Priestley & Pace Securities; Mr. Taylor was with Unit Securities Corp.

Urge Additional Access to Credit Markets

BOSTON, MASS. — Thirty leading authorities on state and local finance attending a two-day seminar at the Federal Reserve Bank of Boston agreed August 31 that the Federal government should provide state and local governments with an additional method for obtaining access to the credit markets. Although persons attending the seminar represented a great variety of organizations and had a wide range of professional backgrounds, there was general agreement that the market for municipal securities was in need of major reform. They generally agreed that the present market for municipal securities would be unable to supply the funds needed by state and local governments during periods of monetary restraint in the coming decade and that the present method of state and local borrowing created serious inequities in the Federal tax system. In addition, they were concerned that many proposals for reform might bring with them increased Federal control over the capital spending decisions of state and local governments.

Seminar participants reached the following consensus:

"The Federal government should provide state and local governments with an additional method for obtaining access to the credit markets. Specifically, the group agrees that state and local governments should have the option of issuing fully-taxable obligations (of the character presently tax-exempt under the Internal Revenue Code) with the Federal government obligated to pay to the issuer, without any restrictions, a fixed percentage of the interest cost. This percentage should be set at a level sufficient to encourage widespread use of this option."

Although the group came to a "consensus" on this issue, individual participants made it clear that their personal views did not necessarily represent the official views of their organizations.

President Frank E. Morris of the Federal Reserve Bank of Boston, who presided over the seminar, said that he was pleased that knowledgeable authorities representing such a wide range of organizations could come to a general agreement on this major public policy issue. He expressed the hope that the ideas generated at the seminar could help state and local officials, as well as the Congress, make better judgments on proposed Federal bills dealing with municipal finance. More than a dozen such bills are now being considered by the Senate and/or the House of Representatives.

The seminar participants included the following:

Wayne Anderson, City Manager, Alexandria, Virginia; Meg Armstrong, National Governors' Conference; Donald Beatty, Executive Director, Municipal Finance Officers Assn.; Irving Beck, Director of Interstate Relations, New England Council; B. Alton Blackwelder, National Association of Counties; Barry Bosworth, The Brookings Institution; John Collins, Consulting Professor of

Continued on Page 21

LARGER ISSUES SCHEDULED FOR SALE

| SEPTEMBER 16 (THURSDAY) | | | |
|--|-------------|-----------------------|------------|
| Los Angeles Co.-Montebello Regional | | | |
| Public Recreation Area Authority, Calif. | 3,750,000 | 1974-2001 | 11:00 a.m. |
| Mississippi (State Of) | 20,000,000 | 1976-1991 | 11:00 a.m. |
| Londonderry School Dist., N.H. | 1,000,000 | 1972-1991 | 11:00 a.m. |
| SEPTEMBER 17 (FRIDAY) | | | |
| Hornell, N.Y. | 1,025,000 | 1971-1991 | 11:00 a.m. |
| SEPTEMBER 20 (MONDAY) | | | |
| Burnsville, Minn. | 1,630,000 | 1974 | 11:00 a.m. |
| Chino Unified School Dist., Cal. | 2,330,000 | 1973-1996 | 11:00 a.m. |
| Clear Lake City Water Auth., Houston, Tex. (Water and sewer bonds) | 2,850,000 | 1974-1991 | 7:30 p.m. |
| SEPTEMBER 21 (TUESDAY) | | | |
| Baltimore Co., Md. | 30,000,000 | 1973-2001 | 11:00 a.m. |
| Charleston, S.C. | 3,000,000 | 1973-1996 | Noon |
| Easton, Conn. | 1,010,000 | 1972-1991 | Noon |
| Georgia Education Authority (Schools) | 15,700,000 | 1973-1995 | Noon |
| Georgia Jekyll Island-State Park Authority | 2,320,000 | 1972-1995 | Noon |
| Goffstown Sch. Dist., N.H. (In two issues of which one, \$432,000, is State Guaranteed) | 1,897,000 | 1972-1991 | 11:30 a.m. |
| Green Bay, Wis. | 1,220,000 | 1972-1983 | Noon |
| Henderson Co., N.C. | 4,475,000 | 1973-1995 | 11:00 a.m. |
| Honolulu, Hawaii | 30,000,000 | 1974-1996 | 2:00 p.m. |
| Jefferson Co., Ky. | 4,300,000 | 1972-1995 | 10:00 a.m. |
| Perth Amboy, N.J. | 1,002,000 | 1972-1990 | 8:00 p.m. |
| | 15,000,000 | 1972-1976 | 2:00 p.m. |
| Spring Ind. Sch. Dist., Tex. | 4,000,000 | 1972-1991 | 7:00 p.m. |
| SEPTEMBER 22 (WEDNESDAY) | | | |
| Danville, Va. | 6,500,000 | 1973-1991 | Noon |
| Fargo, N.D. | 1,020,000 | 1972-1991 | 11:00 a.m. |
| Gulf Coast Waste Disposal Auth., Houston, Tex. (Sewer System revenues) | 3,000,000 | 1972-1986 | 10:00 a.m. |
| Ludlow, Mass. (School var. pur. bonds.) | 1,670,000 | 1972-1986 | 11:00 a.m. |
| Mendham School Dist., N.J. | 1,150,000 | 1972-1986 | 8:00 p.m. |
| Northwest Houston Water Supply Corp., Tex. | 8,000,000 | 1974-2006 | 10:00 a.m. |
| Pittsburgh, Pa. | 9,300,000 | 1972-1991 | 11:00 a.m. |
| St. Mary Parish, La. | 1,330,000 | 1972-1986 | 4:00 p.m. |
| South Gibson Sch. Bldg. Corp., Fort Branch, Ind. | 7,500,000 | 1975-2002 | 1:00 p.m. |
| Tolland, Conn. | 1,840,000 | 1972-1990 | 11:30 a.m. |
| Waterloo, N.Y. (Water System bonds) | 1,375,000 | 1973-1997 | 12:30 p.m. |
| SEPTEMBER 23 (THURSDAY) | | | |
| Abbeville Co. School Dist., S.C. | 1,000,000 | 1973-1991 | Noon |
| Kenmore, N.Y. (Sewer Bonds) | 2,375,000 | 1971-1999 | 2:00 p.m. |
| Miami, Fla. | 4,000,000 | 1972-1988 | 11:00 a.m. |
| Port of Tacoma, Wash. | 15,750,000 | 1973-1996 | 3:00 p.m. |
| Portsmouth, Va. | 5,000,000 | 1972-1991 | 11:00 a.m. |
| University of Southwestern Louisiana | 1,500,000 | 1973 | 11:00 a.m. |
| Willoughby-Eastlake City School Dist., Ohio | 1,900,000 | 1972-1986 | 1:00 p.m. |
| SEPTEMBER 27 (MONDAY) | | | |
| Gretna, La. | 2,900,000 | 1972-1991 | 2:00 p.m. |
| Gwinnett Co. Sch. Dist., Ga. | 3,000,000 | 1973-1992 | 2:00 p.m. |
| North Chicago, Ill. | 2,400,000 | 1973-2000 | 1:00 p.m. |
| Roxbury Twsp. Sch. Dist., N.J. | 8,210,000 | 1972-1996 | 8:00 p.m. |
| SEPTEMBER 28 (TUESDAY) | | | |
| Atlanta, Ga. (Water and Sewer) | 32,000,000 | 1973-2001 | Noon |
| Beaumont, Texas (Various Purpose bonds including water works revenues) | 11,200,000 | 1976-1991 | 11:00 a.m. |
| Bethel, Conn. | 1,570,000 | 1973-1989 | 11:30 a.m. |
| Birmingham, Ala. | 18,250,000 | 1972-1988 | 10:30 a.m. |
| | | (Capital improvement) | |
| Caldwell County, Ky. | 1,670,000 | 1973-1990 | 10:00 a.m. |
| Clovis Unfd. Sch. Dist., Calif. | 2,900,000 | 1982-1987 | 10:30 a.m. |
| Eden Prairie, Minn. (Sewer and Water Bonds) | 2,500,000 | 1974-1990 | 7:30 p.m. |
| Fall River, Mass. (Various Purpose Bonds) | 2,105,000 | 1972-1991 | 11:00 a.m. |
| Grandbury Ind. School Dist., Tex. | 1,000,000 | 1973-2000 | |
| Irvine Ranch Water Dist. For Improvement Dist. Nos. 2 and 3, Calif. (In two issues) | 17,250,000 | 1977-2001 | 10:00 a.m. |
| Longmont, Colo. | 2,000,000 | 1972-1991 | |
| Maryville, Tenn. | 1,500,000 | 1973-1990 | 11:00 a.m. |
| Mohrville Sch. Dist. R-9, Mo. | 1,500,000 | 1972-1991 | 8:00 p.m. |
| Nashville, Tenn. Various Purpose Bonds | 45,000,000 | 1972-1991 | 10:00 a.m. |
| Pennsylvania, State Of (Harrisburg) | 50,000,000 | 1974-1995 | Noon |
| Portage School Park-Junior High School Building Corp., Ind. | 5,900,000 | 1974-1990 | 11:00 a.m. |
| Twin Cities Area Metropolitan Transit Commission, Minn. | 6,100,000 | 1973-1985 | |
| SEPTEMBER 29 (WEDNESDAY) | | | |
| Jersey City, N.J. (School Bonds) | 9,302,000 | 1972-1991 | 10:30 a.m. |
| SEPTEMBER 30 (THURSDAY) | | | |
| Housing Authority Bonds | 258,700,000 | | |
| 23 Housing Authorities USA-backed, doubly tax-exempt bonds, including NYC, Atlanta and Cleveland to be sold via Housing Assistance Administration (HAA) in the Department of Housing and Urban Development (HUD). Maturities range between 1972 and 2012. Bids due noon, EDT | | | |
| Lafourche Parish Hospital Service Dist. No. 3, La. | 2,000,000 | 1972-1990 | 11:00 a.m. |
| Lamar, Colo. (Electric Light/power bonds) | 5,100,000 | 1973-1997 | 1:30 p.m. |
| West Allen Co. Sch. Bldg. Corp. (Fl. Wayne), Ind. (First Mig. Rev. bonds) | 1,200,000 | 1974-1992 | 12:30 p.m. |
| OCTOBER 5 (TUESDAY) | | | |
| Falls Church, Va. | 2,100,000 | | |
| Mecklenburg Co., N.C. | 6,000,000 | 1973-1994 | 11:00 a.m. |
| Parkway Sch. Dist., R-9 (St. Louis Co.), Mo. | 2,000,000 | 1973-1991 | 8:00 p.m. |
| Pasadena Ind. High School Dist., Tex. | 3,000,000 | | 7:30 p.m. |
| OCTOBER 6 (WEDNESDAY) | | | |
| Hartford Co. (Bel Air), Md. (Metropolitan Commission bonds) | 6,000,000 | 1974-1996 | |
| Kentucky Turnpike Authority | 35,000,000 | 1975-2010 | |
| Toll road revenue bonds with syndicate managed by Dillon, Read & Co., Inc., Blyth & Co., Inc. (running the books), Lehman Brothers, Inc., Merrill Lynch, Pierce, Fenner & Smith, Inc., and J.J.B. Hilliard, W.L. Lyons & Co. | | | |
| King County, Wash. Various Purpose Bonds | 4,300,000 | 1973-1991 | 11:00 a.m. |
| Salem, Ore. (In two issues) | 4,605,000 | 1972-1991 | 10:00 a.m. |
| OCTOBER 7 (THURSDAY) | | | |
| Buffalo, N.Y. | 29,520,000 | 1972-1991 | |
| Clinton, Conn. | 31,325,000 | 1972-1991 | Noon |
| Fairmont, Minn. | 1,000,000 | 1974-1992 | |
| OCTOBER 11 (MONDAY) | | | |
| Blue Ridge Municipal Utility Dist., Houston, Tex. (Water and sewer bonds) | 2,000,000 | 1976-2000 | 1:00 p.m. |
| Sequia, Tex. (Various G.O. and Utility bonds) | 4,445,000 | | |
| OCTOBER 12 (TUESDAY) | | | |
| Hidgemont Municipal Utility Dist., Houston, Tex. | 1,325,000 | 1976-1990 | 1:00 p.m. |
| San Jose, Calif. | 3,211,000 | 1973-1992 | 11:00 a.m. |
| OCTOBER 13 (WEDNESDAY) | | | |
| Harris Co. Utility Dist. No. 4, Tex. | 1,200,000 | 1976-2001 | 4:00 p.m. |

STATE AND MUNICIPAL BONDS

| | Maturity | Sept. 8 Week | Yield% Sept. 17 Week |
|--|----------|--------------|----------------------|
| Baltimore, 6.25s | 1988 | 5.70 | 5.70 |
| California, 4.60s | 1988 | 5.30 | 5.40 |
| Connecticut | 1987 | 4.80 | 4.90 |
| Detroit, Michigan, 5.80s | 1989 | 7.00 | 7.00 |
| Los Angeles, Calif., Dept. of Water and Power, 4.90s | 1989 | 5.00 | 5.10 |
| Massachusetts | 1988 | 4.90 | 5.00 |
| New York State, 4.60s | 1986 | 4.80 | 4.90 |
| New York City, 7.00s | 1988 | 6.90 | 7.00 |
| Public Housing Authority, 6.00s | 1989 | 4.80 | 4.90 |
| Philadelphia, 7.50s | 7.30 | 7.20 | 7.20 |

Average: Sept. 8 - 5.64 per cent; Sept. 15 - 5.71 per cent.

*Mr. Riley is associated with Laidlaw & Co., Inc., New York City.

This announcement is under no circumstances to be construed as an offer to sell or as a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus.
New Issue / September 16, 1971

\$250,000,000

Federal National Mortgage Association

4 $\frac{3}{8}$ % Convertible Capital Debentures due October 1, 1996

Dated September 30, 1971 / Due October 1, 1996

Interest Payable April 1 and October 1

Price 100% and accrued interest, if any, from September 30, 1971

The Convertible Debentures are convertible into Common Stock at any time on or prior to October 1, 1996, unless previously redeemed, at a conversion price of \$78.50 per share, subject to adjustment in certain events.

The Convertible Debentures are subordinated as indicated in the Prospectus.

As provided in the FNMA Charter Act, the Convertible Debentures, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than FNMA. Interest on the Convertible Debentures is not exempt from Federal income taxes.

The Convertible Debentures are issued only in registered form, in denominations of \$1,000 or any multiple of \$1,000. Principal and interest payable, and Convertible Debentures convertible and transferable, at Manufacturers Hanover Trust Company, New York, N.Y., provided that payment of interest may be made at the option of FNMA by check mailed to registered holders.

Copies of the Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned or other dealers or brokers as may lawfully offer these securities in such State.

Salomon Brothers

A. G. Becker & Co.
Incorporated

The First Boston Corporation

Goldman, Sachs & Co.

Kidder, Peabody & Co.
Incorporated

Lehman Brothers
Incorporated

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

Dean Witter & Co.
Incorporated

Blyth & Co., Inc.

CBWL-Hayden, Stone Inc.

Drexel Firestone
Incorporated

duPont Glore Forgan
Incorporated

Eastman Dillon, Union Securities & Co.
Incorporated

Halsey, Stuart & Co. Inc.

Hornblower & Weeks-Hemphill, Noyes

W. E. Hutton & Co.

Lazard Frères & Co.

Loeb, Rhoades & Co.

Paine, Webber, Jackson & Curtis
Incorporated

Smith, Barney & Co.
Incorporated

Stone & Webster Securities Corporation

Wertheim & Co.

White, Weld & Co.

Bache & Co.
Incorporated

Bear, Stearns & Co.
Incorporated

Shearson, Hammill & Co.
Incorporated

Morgan Guaranty Trust Company
of New York

Bank of America
N.T. & S.A.

Bankers Trust Company

The Chase Manhattan Bank, N.A.

Chemical Bank

Continental Bank
Continental Illinois National Bank
and Trust Company of Chicago

The First National Bank of Chicago

First National City Bank

Harris Trust and Savings Bank

The Northern Trust Company

Burnham and Company

Clark, Dodge & Co.
Incorporated

Dominick & Dominick,
Incorporated

Equitable Securities, Morton & Co.
Incorporated

Harris, Upham & Co.
Incorporated

E. F. Hutton & Company Inc.

Ladenburg, Thalmann & Co.

F. S. Moseley & Co.
Incorporated

Paribas Corporation

R. W. Pressprich & Co.
Incorporated

Reynolds Securities Inc.

L. F. Rothschild & Co.
Incorporated

Shields & Company
Incorporated

F. S. Smithers & Co., Inc.

Spencer Trask & Co.
Incorporated

Tucker, Anthony & R. L. Day
Incorporated

G. H. Walker & Co.
Incorporated

Walston & Co., Inc.

Weeden & Co.
Incorporated

Wood, Struthers & Winthrop Inc.
Incorporated

Discount Corporation of New York

Aubrey G. Lanston & Co., Inc.

American Securities Corporation

Arnhold and S. Bleichroeder

J. C. Bradford & Co.

Alex. Brown & Sons

F. Eberstadt & Co., Inc.

Estabrook & Co., Inc.

Faulkner, Dawkins & Sullivan
Securities Inc.

Johnston, Lemon & Co.
Incorporated

Model, Roland & Co., Inc.

New York Hanseatic Corporation

New York Securities Co.
Incorporated

John Nuveen & Co.
Incorporated

Wm. E. Pollock & Co., Inc.

Roosevelt & Son
Incorporated

Seiden & deCuevas
Incorporated

Thomson & McKinnon Auchincloss Inc.

C. E. Unterberg, Towbin Co.

Bank of California, N.A.

Crocker-Citizens National Bank

First National Bank
in Dallas

First Western Bank and Trust Company
Los Angeles

Mellon Bank
Mellon National Bank
and Trust Company

Chas. E. Quincey & Co.

Second District Securities Co., Inc.

Security Pacific National Bank

United California Bank

Wells Fargo Bank, N.A.

A. E. Ames & Co.
Incorporated

Bacon, Whipple & Co.

Robert W. Baird & Co.
Incorporated

Ball, Burge & Kraus

Bateman Eichler, Hill Richards
Incorporated

William Blair & Company

Blunt Ellis & Simmons
Incorporated

Dain, Kalman & Quail
Incorporated

The Dominion Securities Corporation

Edwards & Hanly

First of Michigan Corporation

H. Hentz & Co., Inc.

Kohlmeyer & Co.

Legg, Mason & Co., Inc.

Loewi & Co.
Incorporated

McDonald & Company

The Milwaukee Company

The Ohio Company

Piper, Jaffray & Hopwood
Incorporated

Prescott, Merrill, Turben & Co.

Putnam, Coffin, Doolittle, Newburger
Division of Advest Co.

Riter, Pyne, Kendall & Hollister

The Robinson-Humphrey Company, Inc.

Weis, Voisin & Co., Inc.

Wood Gundy Incorporated

The Fidelity Bank
Philadelphia

The First National Bank
of Memphis

First National Bank
in St. Louis

Franklin National Bank

Mercantile Trust Company N.A.
St. Louis

North Carolina National Bank

Northwestern National Bank
of Minneapolis

Pittsburgh National Bank

Republic National Bank
of Dallas

Trust Company of Georgia

Wachovia Bank & Trust Company, N.A.

Abraham & Co.

Boettcher and Company

Bosworth, Sullivan & Company
Incorporated

The Chicago Corporation

Crowell, Weedon & Co.

Shelby Cullom Davis & Co.

Devon Securities

R. S. Dickson, Powell, Kistler & Crawford

Elkins, Morris, Stroud & Co.

Eppler, Guerin & Turner, Inc.

Fahnestock & Co.

First Manhattan Co.

First Southwest Company

Fulton, Reid & Staples, Inc.

Robert Garrett & Sons, Inc.

Halle & Stieglitz, Inc.

J. J. B. Hilliard, W. L. Lyons & Co.

Howard, Weil, Labouisse, Friedrichs

Laird, Bissell & Meeds, Inc.

Laird
Incorporated

Mitchell, Hutchins & Co.
Incorporated

Mitchum, Jones & Templeton

Moore, Leonard & Lynch,
Incorporated

R. H. Moulton & Company

Newhard, Cook & Co.

Rauscher Pierce Securities Corporation

Reinholdt & Gardner

Rotan, Mosle-Dallas Union, Inc.

Shuman, Agnew & Co., Inc.

Singer, Deane & Scribner

Stern Brothers & Co.

Sutro & Co.
Incorporated

Underwood, Neuhaus & Co.
Incorporated

Watling, Lerchen & Co.

Wheat & Co., Inc.

American National Bank & Trust Company
St. Paul, Minn.

Citizens Fidelity Bank & Trust Company
of Louisville, Ky.

First National Bank
of Miami

First National State Bank
of New Jersey

Adams & Peck

Anderson & Strudwick

George D. B. Bonbright & Co.

Bruns, Nordeman & Co.

Carolina Securities Corporation

Richard W. Clarke Corporation

Julien Collins & Company

Common, Dann & Co., Inc.

Craigie Incorporated

Davenport & Co.

Doft & Co., Inc.

A. Webster Dougherty & Co.
Incorporated

Ferris & Company
Incorporated

First Mid America Inc.

First of Texas
Incorporated

Hallowell, Sulzberger, Jenks & Co.

Wm. P. Harper & Son & Company

Havenfield Corporation

Herzfeld & Stern

Howe, Barnes & Johnson, Inc.

The Illinois Company
Incorporated

Interstate Securities Corporation

Janney Montgomery Scott Inc.

Johnson, Lane, Space, Smith & Co., Inc.

Edward D. Jones & Co.

Joseph, Mellen & Miller, Inc.

Mackall & Coe
Incorporated

Manley, Bennett, McDonald & Co.

Mason-Hagan, Inc.

A. E. Masten & Co.
Incorporated

McCormick & Co.
Incorporated

Mullaney, Wells & Company

Murch & Co., Inc.

Parker/Hunter
Incorporated

H. O. Peet & Co. Inc.

Rand & Co., Inc.

Richardson Securities, Inc.

Wm. C. Roney & Co.

Rowland & Co.

Rowles, Winston & Co.
Incorporated

Russ & Company
Incorporated

Scheinman, Hochstin & Trotta
Incorporated

I. M. Simon & Co.

Simpson, Emery & Company
Incorporated

Stern, Frank, Meyer & Fox
Incorporated

Stifel, Nicolaus & Company
Incorporated

Stix & Co. Inc.

Stone & Youngberg

Trubee, Collins & Co.

Wagenseller & Durst, Inc.

Wood, Walker & Co.

Yarnall, Biddle & Co.

American Security & Trust Co.
Washington, D. C.

City National Bank
of Detroit

National Bank
of Webster

The South Carolina National Bank

Western Pennsylvania National Bank

Arthurs, Lestrangle & Short

Baker, Watts & Co.

George K. Baum & Company
Incorporated

Herman Bensdorf & Company, Inc.

Birr, Wilson & Co., Inc.

D. H. Blair & Company

Brush, Slocumb & Co. Inc.

Butler, Wick & Company

Chaplin, McGuinness & Co.
Incorporated

C. C. Collings and Company, Inc.

Coggeshall & Hicks Inc.

Cunningham, Schertz & Co., Inc.

D. A. Davidson & Co.

Davis, Skaggs & Co., Inc.

DeHaven & Townsend, Crouter & Bodine

First California Company
Incorporated

First Equity Corporation of Florida

First Southeastern Company

Foster & Marshall Inc.

Freehling & Co.

Hulme, Applegate & Humphrey, Inc.

Investment Corporation of Virginia

Kormendi, Byrd Brothers & Houx, Inc.

Miller & George

Moore & Schley, Cameron & Co.

Moroney, Beissner & Co., Inc.

Newburger, Loeb & Co., Inc.

Pierce, Wulbern, Murphey, Inc.

Pressman, Frohlich & Frost
Incorporated

Quinn & Co., Inc.

Raffensperger, Hughes & Co.
Incorporated

Robinson and Lukens

Rodman & Renshaw, Inc.

Rosenthal & Co.

Sade & Co.

Sartorius & Co.

Scharff & Jones, Inc.

Schmidt, Roberts & Parke, Inc.

Seasongood & Mayer

Strader & Company, Inc.

Suplee-Mosley Inc.

Sweney Cartwright & Co.

Henry F. Swift & Co.

Varndoe, Chisholm, Skinner & Co., Inc.

Burton J. Vincent & Co.

Zuckerman, Smith & Co.

BANK AND INSURANCE STOCKS THIS WEEK — INSURANCE STOCKS

American International Group

American International Group (AIG) is a major insurance holding company with interests in virtually all types of insurance, including general agencies on a world-wide basis. The company was formed in 1967 to gain the flexibility in operations inherent in a holding company and to allow consolidation of several administrative functions. The company has evolved out of the well-established, world-wide operations of American International Reinsurance Company, an affiliate of the C.V. Starr organization, which holds a majority interest (64 per cent) in AIG.

The holding company was formed in 1967. Since that time, it has acquired control of fifteen fire and casualty insurance companies, four life insurance companies and two managing agencies. These affiliates have over seven thousand agents in this country and approximately one-half of that amount in other parts of the world.

In its fire and casualty operations, the company and its affiliates rank within the top thirty organizations in size in this country. The principal subsidiary companies in this area are the American Home Group, National Union Insurance Group and New Hampshire Insurance Group. These companies and their affiliates have had a consistent record of underwriting profitability combined with satisfactory growth in volume. Total earned premiums in 1970 were \$277.1 million. The group specializes in writing large industrial and commercial risks, utilizing their own in-house underwriting techniques and rating structures based upon AIG's own experience. Property lines represented approximately two-thirds of total writings last year.

AIG became a major force in the life insurance business in 1968 with the acquisition of American Life Insurance Company. The American Life Group writes all types of life and accident and health insurance on a world-wide basis. Total insurance in force will exceed \$1 billion during the current year. Other life insurance interests include American International Life Assurance Company of New York, which specializes in writing employee benefit and pension plans for American business firms with overseas operations, but also writes all types of other life coverages, including mortgage life and mutual fund life; Delaware American Life Insurance Company, which was reorganized during the year into a specialty life underwriter with emphasis on mass marketing life policies through credit cards, department stores and professional associations; and Life Insurance Company of New Hampshire (formerly National Union Life).

In 1970, AIG acquired the previously privately-owned American International Underwriters Corporation and American International Underwriters Overseas. These two companies are managing agencies, with the former a domestic company with fifteen offices in this country dealing primarily with coverage of U.S.-owned properties located overseas. The latter is a general agency with operations in one hundred and thirty foreign jurisdictions where it is the management agent on behalf of a dozen companies, thereby making underwriting decisions, issuing policies, collecting premiums, settling claims and conducting other agency business as the various countries' laws permit. The two managing agencies have been under continuous successful management for over fifty years. In 1970 AIG subsidiaries underwrite 39 per cent of the two agency affiliates' business. The percentage is expected to steadily rise as AIG's various operating entities work increasingly close with each other in furthering the holding company's philosophy of complete insurance facilities on a world-wide basis.

AIG's investment portfolio amounted to nearly \$400 million at year end, divided as follows: 65 per cent — bonds, 27 per cent — common stocks, and 8 per cent — preferred stocks. The holding company has enjoyed steady gains in net investment income since its formation. During 1970, substantial purchases were made in high-yielding preferred stocks and investment holdings were consolidated.

AIG reported record levels of premium volume, net income, assets and capital funds in 1970. Total net income rose 17 per cent, from \$2.15 in 1969 to \$2.47 per share, not including capital gains of \$.16 in 1970 and \$.05 in 1969. The major gain was in life insurance operating income

PER SHARE DATA

| | Net Investment Income | Net Operating Earnings (after taxes) | Dividends Paid | Price Range |
|------|-----------------------|--------------------------------------|----------------|-------------|
| 1967 | \$1.52 | \$1.07 | \$ -- | \$ -- |
| 1968 | 2.30 | 1.13 | -- | -- |
| 1969 | 2.03 | 2.15 | .31 | 64-39 |
| 1970 | 2.25 | 2.47 | .44 | 73-49 |

STATISTICAL INFORMATION

| | Life Insurance | | General Insurance Underwriting Results | | | |
|------|----------------------------|---------------|--|---------------|---------------|------|
| | Premiums Earned (millions) | Agency Income | Loss Ratio | Expense Ratio | Profit Margin | |
| 1966 | \$153.8 | \$25.5 | \$39.9 | 64.9% | 33.0% | 1.1% |
| 1967 | 159.5 | 28.9 | 49.4 | 65.4 | 32.8 | 1.8 |
| 1968 | 206.3 | 33.4 | 56.0 | 67.1 | 32.7 | 0.2 |
| 1969 | 236.3 | 38.0 | 61.1 | 67.0 | 31.2 | 1.8 |
| 1970 | 277.1 | 43.4 | 67.1 | 66.5 | 30.3 | 3.2 |

which climbed 56 per cent. Net investment income increased 16 per cent and income from agency operations was 19 per cent higher than a year ago. General insurance underwriting results improved considerably as the loss and expense ratios both registered declines.

In the first six months of the current year, AIG reported a substantial gain in operating income, with each of the holding company's three major operating areas contributing to the gain. Earnings per share for the full year should exceed \$3.00 in the current year and \$3.50 in 1972. The common stock is currently quoted at \$83 bid in the over-the-counter market, near the high of its \$90-63 range to date in 1971.

DEALER-BROKER INVESTMENT LITERATURE AND RECOMMENDATIONS

It is understood that the firms mentioned will be pleased to send interested parties the following literature.

Continued from Page 2

Also available are analyses of **Dart Drug Corp., Drug Fair, Inc., Peoples Drug Stores, Inc. and Regency Electronics.** **University Of Puerto Rico** — special report — Government Development Bank for Puerto Rico, San Juan, Puerto Rico 00908 and 45 Wall Street, New York, N.Y. 10005. Also available is a special report on the **Puerto Rico Aqueduct and Sewer Authority.**

A S G Industries, Inc. — analysis — Securities Corporation of Iowa, Merchants National Bank Building, Cedar Rapids, Iowa 52401.

Allied Chemical Corp. — comments — Hoppin, Watson Inc., 55 Broad Street, New York, N.Y. 10004.

American Airlines — chart analysis — Walston & Co., Inc., 77 Water Street, New York, N.Y. 10005. Also available are chart analyses of **Northwest Airlines and United Airlines.**

Browning Ferris Industries — analysis — Rauscher Pierce Securities Corporation, Mercantile Dallas Building, Dallas, Tex. 75201.

Browning Ferris Industries — analysis — Earp, Kenney & Smith, Inc., Republic Bank Building, Dallas, Tex. 75201. Also available is an analysis of **Consolidated Accessories.**

Buffums — analysis — Wedbush, Noble, Cooke, Inc., 618 South Spring Street, Los Angeles, Calif. 90014. Also available is an analysis of **Orion Industries.**

Canadian Pacific Investments Ltd. — analysis — Wills, Bickle & Company Limited, Box 32 Toronto Dominion Centre, Toronto 1, Ont., Canada. Also available are chart analyses of **Crush International, Horne & Pitfield Foods, Lake Dufault Mines, Northgate Explorations, Pembina Pipe Line, Pine Point Mines, Rank Organization and Trizec Corp.**

Century Telephone Enterprises Inc. — report — Stephens Incorporated, 114 East Capitol Avenue, Little Rock, Ark. 72201.

Cities Service Company — report — Argus Research Corporation, New York (sample copies available through firms using Argus Research services). Also available are reports on **Public Service Company of Indiana, Goodyear Tire & Rubber Company, Addressograph Multigraph, Anheuser Busch, and Owens Corning Fiberglas Corp.**

Clarke Gravely Corp. — analysis — Moore, Leonard & Lynch, Incorporated, Union Trust Building, Pittsburgh, Pa. 15219. **Cleve Trust Realty Investors** — report — Ball, Burge & Kraus, Union Commerce Building, Cleveland, Ohio 44115.

Colgate Palmolive Co. — comments — Oppenheimer, Newborg & Neu, 120 Broadway, New York, N.Y. 10005.

Craddock Terry Shoe Corporation — report — Scott & Stringfellow, P.O. Box 1575, Richmond, Va. 23213. Also available are comments on **Garfinckel, Thalheimer's, and Wards Company.**

Cyprus Mines — report — Harris, Upham & Co., Incorporated, 120 Broadway, New York, N.Y. 10005.

Eagle Ficher Industries — analysis — W.E. Hutton & Co., 14 Wall Street, New York, N.Y. 10005.

Hunt Manufacturing Company — analysis — Butcher & Sherrerd, 1500 Walnut Street, Philadelphia, Pa. 19102.

Oriole Land And Development Corp. — analysis — First Equity Corporation of Florida, Exchange Bank Bldg., Tampa, Fla. 33602.

Price Meyers Corp. — analysis — Marantette & Co., Penobscot Building, Detroit, Mich. 48226.

Public Service Company Of Indiana — report — Eastman Dillon, Union Securities & Co., Incorporated, 1 Chase Manhattan Plaza, New York, N.Y. 10005. Also available are comments on **Coca Cola Bottling Co. of New York, Insurance Stocks, Imperial Oil, Mony Mortgage Investors, Swift & Co., Tandy Corp. and United Inns, and comparative data on Utilities.**

Synercon Corporation — analysis — Wiley Bros., Incorporated, 201 Fourth Avenue, North, Nashville, Tenn. 37219.

Town and Country Nursing Centers, Inc. — analysis — Northeast Investors Planning Corporation, 308 East 149th Street, New York, N.Y. 10451.

Wells, Rich, Greene, Inc. — analysis — Elkins, Morris, Stroud & Co., Stock Exchange Building, Philadelphia, Pa. 19103.

Z & Z Fashions Ltd. — analysis — J. Shapiro Co., Midwest Plaza Building, Minneapolis, Minn. 55402.

Common Offered By Cincinnati Gas & Electric

The public offering of 1,498,154 shares of Cincinnati Gas & Electric Co. common stock is being made at \$24.375 per share by underwriters led by Morgan Stanley & Co. Inc., and W.E. Hutton & Co., New York.

Proceeds from the offering are to be used by the Cincinnati utility for debt repayment and construction.

New Foreign Exchange Mkt

Trading in major foreign exchange currencies began September 15 on The American Board of Trade. It was announced by Arthur N. Economou, president of the new exchange in New York.

The line-up of currencies, transactions in which will be conducted in uniform "units" developed by the exchange, consists of the Canadian dollar, British pound, West German mark, French franc, Swiss franc, Japanese yen and the Italian lira.

Function and operation of the new foreign exchange market is oriented toward average investors, traders and businessmen, according to Mr. Economou. "During the past 5 years," he said, "a basic need has developed in the U.S. for a market where foreign exchange may be bought, sold, sold short or arbitrated in small or moderate quantities — without encumbering detail." The ABT, he added, has made the attempt to strip foreign exchange transactions of their mystery and inhibiting paperwork.

In developing the operational format of the new market, the ABT has introduced a number of innovative concepts, which evolved during the exchange's two-year study of international currencies and money markets.

Each of the currencies, for example, will be traded in contracts comprising what the exchange designates as "Standard Units of Currencies." The contracts, which are made up of 1, 2, 5 or 10 "Standard Units" of their respective currency, in turn, provide for delivery and acceptance of the currency in four specific time periods — a "spot" contract, for immediate or prompt delivery, and three "forward" contracts, for delivery in 30 days, 60 days and 90 days.

The American Board of Trade anticipates that the two most active foreign exchange "forward" contracts will be the West German mark and the Japanese yen. An ABT "Standard Unit" of the former currency consists of 10,000 West German marks, at current exchange rate valued at approximately \$2,950,000; and of the latter, 1,000,000 Japanese yen, valued at approximately \$3,000.00. Initial deposit required to margin "forward" contracts on the ABT is \$300.00 for each "Standard Unit of Currency" contained in the contract.

Delivery of the currencies, in fulfillment of spot or forward contracts, will be made in ABT-approved banks or institutions in the country of the currency's origin. The ABT foreign exchange market will open at 10:00 A.M. and close at 3:00 P.M., New York time.

The American Board of Trade, 286 Fifth Ave., New York 10001, started operations in November, 1969. It is active in cash and future markets for silver bullion and silver coins and handles U.S. Treasury bills and commercial paper.

B. Rabin Opens

FAIR LAWN, N.J. — B. Rabin and Co. has opened offices at 3-09 Summit Avenue to engage in a securities business. Officers are Benjamin Rabin, president and treasurer, and Merrie Robin, secretary.

*This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities.
The offering is made only by the Prospectus.*

NEW ISSUE

September 13, 1971

\$299,857,982.89

United States Department Of Agriculture Farmers Home Administration

Farmers Home Insured Notes

Total Annual Interest of 6%
on Unpaid Principal Amount

As to \$149,948,288.80

Principal Payable August 31, 1976
Pursuant to Repurchase Commitment

Total Annual Interest of 7½%
on Unpaid Principal Amount

As to \$149,909,694.09

Principal Payable August 31, 1986
Pursuant to Repurchase Commitment

Interest payable January 31 of each year

Price 100% and accrued interest at the above applicable rate from September 23, 1971

Denomination: Approximately \$500,000 principal amount

The Attorney General of the United States, in an opinion dated December 29, 1969, concluded that the Government's "agreements to insure payment of principal and interest to investors and to repurchase insured notes from such investors on a specified date would be valid and would constitute general obligations of the United States backed by its full faith and credit" and that the Government's obligation to make additional interest payments to bring the interest on the insured notes to the above rate "would constitute a general obligation of the United States backed by its full faith and credit."

Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation

Salomon Brothers

A. G. Becker & Co.
Incorporated

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

Bank of America
N.T. & S.A.

Bankers Trust Company

The Chase Manhattan Bank, N.A.

Chemical Bank

Continental Bank
Continental Illinois National Bank
and Trust Company of Chicago

The First National Bank
of Chicago

First National City Bank

Harris Trust and Savings Bank

Morgan Guaranty Trust Company
of New York

The Northern Trust Company

United California Bank

Bache & Co.
Incorporated

Blyth & Co., Inc.

Discount Corporation of New York

duPont Glore Forgan
Incorporated

Eastman Dillon, Union Securities & Co.
Incorporated

Goldman, Sachs & Co.

Halsey, Stuart & Co. Inc.

Hornblower & Weeks-Hemphill, Noyes

Kidder, Peabody & Co.
Incorporated

Kuhn, Loeb & Co.

Aubrey G. Lanston & Co., Inc.

Lehman Brothers
Incorporated

New York Hanseatic Corporation

John Nuveen & Co.
Incorporated

Wm. E. Pollock & Co., Inc.

Smith, Barney & Co.
Incorporated

White, Weld & Co.

First National Bank
in Dallas

First National Bank
in St. Louis

Franklin National Bank

Pittsburgh National Bank

Security Pacific National Bank

Ball, Burge & Kraus

Briggs/Schaedle & Co., Inc.

Equitable Securities, Morton & Co.
Incorporated

R.W. Pressprich & Co.
Incorporated

Chas. E. Quincey & Co.

Roosevelt & Son
Incorporated

Second District Securities Co., Inc.

F. S. Smithers & Co., Inc.

The Ohio Company

Rand & Co., Inc.

Underwood, Neuhaus & Co.
Incorporated

Bullish Outlook for the Economy and Stock Market

By **HEINZ H. BIEL**

Senior Vice President
Havenfield Corporation,
New York City. Members
Of New York Stock Exchange

The August 15 Presidential pronouncement of our new policies leaves Dr. Biel pessimistic regarding the international consequences and optimistic about the short run domestic initial results. Dr. Biel is not at all convinced that the New Game Plan will solve our problems. By Christmas, he says, we should know whether enough consumer savings will go into spending, and investment appropriations will be made, to bring about the desired full-fledged boom within a year. Dr. Biel hopes we will not adopt what he calls a self-defeating profits ceiling. A steep rise in profits, he adds, should push DJIA stock earnings average up to \$65 versus \$58 estimated for this year, and \$53 in 1969 — enough to bring that blue chip barometer up to the 1,000 mark.

Another crisis! They seem to have become a way of life. Maybe this has always been the case, but it seems to me that our generation has had more than its fair share. Just think back for a moment: there were two World Wars and God knows how many regional wars; revolutions that ended the reigns of Kaisers, Kings and Czars; inflations that made money worthless; the Great Depression which, among other things, toppled the pound sterling and forced Great Britain as well as the U.S. off the gold standard; and last, but not least, the thousand-year Reich of Mr. Hitler.

When we think of all the major

upheavals which we have witnessed and survived, the latest world-wide crisis loses some of its presently towering magnitude. Recent events can have dangerous implications and consequences, to be sure, but to a detached observer and later seen in retrospect, this monetary crisis of today will appear as nothing more serious than a major inconvenience which was costly to some individuals and even whole countries.

Don't misunderstand me. I am not trying to minimize the importance of the monetary disruptions of the past several months. They are indeed important. However, first of all,



Heinz H. Biel

these developments were not entirely unexpected; therefore, they lacked the element of surprise. And second, they need not cause irreparable damage if all parties concerned cooperate in the effort to find fair and workable solutions for the problems that face us.

Recalls 1960 Gold Price Rise

The present disarray in international currency relationships has been in the making for a long time. It was in the fall of 1960, and just as today, I was meeting our friends here in Switzerland. Suddenly, and without any advance warning, the price of gold in Zurich jumped to well over \$40 an ounce. This came as a rude shock to the Eisenhower Administration whose Treasury Department, obviously, had been asleep at the switch. There was no excuse to have allowed this disturbance to

happen, because at that time, nearly eleven years ago, American gold reserves were still huge. Do you remember what President Eisenhower and his Secretary of the Treasury, Douglas Dillon, proposed as a cure for our negative balance of payments? To bring the U.S. servicemen's dependents home from Europe! We were really quite naive.

Similar crises occurred with increasing frequency during the 'sixties. The Americans enacted or proposed palliatives — like the interest-equalization tax, a travel tax, limitations on capital investments abroad, etc. — which cured nothing and merely served to emphasize the growing weakness of the dollar and the Administration's inability or unwillingness to remedy the situation. The Germans, it must be said, tried hard to be helpful. They revalued the Mark twice and they bought enough American military hardware to offset the dollar cost of maintaining U.S. forces in Germany. Other countries, particularly France, which is still infected by the gold bug, confined their assistance to the giving of sage advice.

It is hardly necessary to relate the history of the eventual downfall of the dollar. All of us are only too familiar with it. By May of this year, the run on the dollar was under way. It was merely a question of time when we would have to throw in the towel. The result is the confrontation of the United States against the rest of the free world.

Foreign Criticism Justified

I have to agree with our foreign critics that the way the United States handled this confrontation was not exactly delicate nor considerate of other nations' problems. It is quite apparent that the U.S. did not have definite contingency plans with which to meet the final showdown. Therefore, we improvised and made major decisions in great haste and without adequate deliberation. As a result, not all actions proposed by President Nixon on August 15th can be described objectively as prudent.

Reneging on a solemn promise to redeem in gold the dollars held by foreign central banks is, to say the very least, an unsavory page in America's economic history. But, alas, at this stage there was no alternative.

The 10 per cent "temporary" import tax ostensibly is intended to force the revaluation of other countries' currencies, especially Japan's, in order to protect ourselves against "dumping" resulting from the undervaluation of their money. Be that as it may, America's negative trade balance certainly is not solely due to the action of others but also to our own inability to be competitive. Therefore, the secondary objective, the one we don't want to talk about so much, is protectionism, pure and simple. I don't like it. At best it is a temporary crutch. At worst, it intensifies and perpetuates our own inflated production costs. To impose this tax on all imports from all countries is crude and unfair.

The world-wide resentment is understandable. Obviously, if you have to make vital and far-reaching decisions during a brief weekend conference at Camp David, you just don't have time to work out more equitable solutions.

As I have been saying all along

at many previous meetings in Switzerland the dollar cannot be devalued. Other countries can revalue their currencies against the dollar, as the Swiss and others have done already. But this is not a dollar devaluation. To say that is not pure sophistry. If the dollar were devalued, other currency parities would remain largely unaffected in relationship to one another but not, of course, with the dollar. This way, however, all currencies have lost their anchor and have to "float" — the Franc against the Mark, the Yen against the Pound, the Guilder against the Lira, and all of them against the Dollar. In other words, it's a complete and utter mess.

Was all this confusion inevitable, or even necessary? I doubt it, but the unstated American objective is, of course, to be able to discriminate, i.e. primarily force a change in the Yen.

Eurodollars and the Future Status of Gold

I'll make only one brief reference to the Euro-dollar market. This huge multinational, uncontrolled and, perhaps, uncontrollable reservoir of money can "explode" the currency of any country. It took just a few days until a very unwilling Bank of Japan could not swallow any more Dollars. It choked and had to give up. At present I see no effective defense against massive movements of Eurodollars. This problem is crying for solution.

Only a brief comment on gold, a commodity which has outlived its usefulness as the basis for the world's monetary standard. As I was preparing notes for this paper, the free market price of gold, expressed in depreciated Dollars, was even below the level it had reached temporarily as long ago as 1960 and many times thereafter. Over an eleven-year period, figuring carrying costs at 6 per cent, the loss on an investment in gold is about 100 per cent. The future position of gold remains ambiguous. **Caveat emptor!**

Inflation Explosion Inevitable

The undeniable fact that the United States, like a big bully, has thrown its weight around in a way that has offended and hurt many of our best friends, has not prevented us at home from celebrating recent events with a stock market rally of impressive proportions. Finally, Nixon has done something to arrest inflation and get the economy moving forward again. That's the general reaction.

With customary naivete a great many people really believe that the temporary price and wage freeze, presumably to be followed by some form of more or less effective controls, is a panacea for curing inflation. Economic history through the ages has given ample evidence that even the death penalty cannot enforce the fixing of prices. All we are really doing is to screw a lid on a pressure cooker, while simultaneously turning up the gas. The eventual explosion is as predictable as it is inevitable.

U.S. Is "Turning On The Gas"

And we are really turning on the gas. We will stimulate consumer buying through removal of the excise tax on automobiles and by exempting a larger portion of personal incomes from taxation. We will

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Debentures. The offer is made only by the Prospectus.

\$200,000,000

Mobil Oil Corporation

7 3/8% Debentures Due 2001

Interest payable April 1 and October 1

Price 100% and Accrued Interest

Copies of the Prospectus may be obtained in any State from only such of the undersigned as may legally offer these Debentures in compliance with the securities laws of such State.

MORGAN STANLEY & CO.
Incorporated

DILLON, READ & CO. INC.

THE FIRST BOSTON CORPORATION

KUHN, LOEB & CO.

MERRILL LYNCH, PIERCE, FENNER & SMITH **SALOMON BROTHERS** **WHITE, WELD & CO.**

BLYTH & CO., INC.

DREXEL FIRESTONE

duPONT GLORE FORGAN

EASTMAN DILLON, UNION SECURITIES & CO.

HALSEY, STUART & CO. INC.

HORNBLOWER & WEEKS-HEMPHILL, NOYES **KIDDER, PEABODY & CO.** **LAZARD FRERES & CO.**

LEHMAN BROTHERS

LOEB, RHOADES & CO.

PAINÉ, WEBBER, JACKSON & CURTIS

SMITH, BARNEY & CO.

STONE & WEBSTER SECURITIES CORPORATION

WERTHEIM & CO.

DEAN WITTER & CO.

BACHE & CO.

September 16, 1971.

encourage capital spending by allowing a 10 per cent investment tax credit. As this credit applies only to American-made capital goods, this discrimination against imports may be another violation of the GATT agreements. The federal budget for the current fiscal year will probably wind up with a deficit of over \$25 billion, while the Federal Reserve has pumped enough money into the banking system to finance an orgy of mammoth proportions. The result could be a major boom within a year. Wall Street sensed that immediately after the President's TV address — the Dow Jones advancing 33 points with a record volume of 32 million shares traded on the New York Stock Exchange the next day.

I admit that it is much easier to criticize than to outline a better and workable program. Mr. Nixon had inherited most of his problems from his predecessor in office — Vietnam, inflation, a negative balance of payments, budget deficits, etc. He succeeded quite well, though with agonizing slowness in reducing our commitment in Vietnam. He tried to arrest inflation through the use of conventional economic measures, such as curtailing credit and raising taxes. The resulting recession accomplished nothing, except that it created socio-political pressures which soon became intolerable.

Recommends Buying Of Equities

By mid-summer of this year we had reached the end of the rope. Both, domestic and international problems demanded prompt and drastic actions. This we got, and there is no point in quibbling over the details now. We have to deal with the realities as they are, not as we would like to see them. At home we concluded that we should buy common stocks, and this is also my suggestion to non-residents of the U.S.

As we all know, there is no such thing as "pure" economics.

The home economicus is fiction. Economic policy is a mixture of politics, psychology and sociology plus, of course, "economics", a field in which everybody is an expert, and where no two experts ever agree.

The psychological impact of the Nixon message was strong and generally favorable. People were ready for firm leadership. They were fed up with the wage/price spiral which benefited no one and was blamed for the slowdown in economic growth. They were scared by the fact that every sixth automobile sold in America was built abroad. They were shocked and embarrassed when they realized that the Dollar was no longer almighty. As Mr. Nixon stressed the faults of others and de-emphasized our own shortcomings, he earned rich applause — and, at the same time, he pulled the rug from under his political opponents, just as he had done when he announced his projected trip to China.

Forecasts Election Time Boom

Although I am not at all convinced that the new Game Plan will solve our problems, I expect that the initial results of the Nixon program will be good. People want it to succeed, and this urgent desire will make it more immediately effective than any change in monetary fiscal policies could ever do. Once the

consumer no longer worries about his job and regains confidence that conditions are going to get better, he'll stop saving as much as he did and start spending his stored-up buying power. The evidence should be available by Christmas.

And if industry takes the bait and boosts capital expenditures, we may be on the road to a full-fledged boom within a year — which just happens to coincide with the presidential election.

Although some restraints on prices will have to be continued beyond the original 90-day period of a complete freeze, wage costs, while perhaps a little more flexible on the upside, are unlikely to get out of hand right away. Meanwhile the combination of greater volume and better control over expenses, the normal results of belt tightening during a recession, should have a most beneficial effect on corporate profits. I expect them to rise steeply next year. Any talk about profit limitations or an excess profits tax can be discounted as politics. It would defeat the whole purpose of the Nixon program which is designed primarily to stimulate the domestic economy and restore prosperity.

Sees D-J Well Above 1,000 Mark

If all goes well, earnings on the Dow-Jones industrial stock average might reach \$65 in 1972, up from an estimated \$58 this year and \$53 last year. Taking a reasonably conservative multiplier, say 16 or 17, such earnings would lift the DJI to a new all-time high — well above the old 1000 mark.

Of course, I can be wrong. But, many were very skeptical last November, too, when I said that the 1969/70 bear market was finished and a new bull market had begun. It is still the same bull market, and its final and most explosive phase is yet to come.

If capital appreciation is the primary objective, as it should be, of course, for any stock investor, best results are likely to be attained in companies which have a relatively high degree of earnings leverage. The super-blue chips, already selling at very high multiples, as well as the long-favored conservative consumer goods stocks, probably may not give an above-average performance in the kind of market I visualize for the next six to twelve months. Despite the serious disturbance caused by our policies and actions, I believe that good American common stocks should prove to be profitable investment over the foreseeable future.

See Mr. Biel's article in the November 12, 1970 issue of the Commercial and Financial Chronicle — Editor.

Common Shares Sold by Medical Scientific Int'l.

The initial public offering of 185,000 shares of Medical Scientific International Corp. common stock at \$6.50 per share is announced by Stanley Heller & Co., New York.

Proceeds from the offering are to be used for debt repayment and working capital.

Medical Scientific International, of Clearwater, Fla., is engaged in the development of medically-oriented computer information systems for use in hospitals and clinics.

Utility Industry Needs New Marketing Approach

Ad Agency Executive contends present method of selling "usage" is archaic and should be replaced by one that will reflect the industry's very significant contribution to the nation's well being. This, he says, requires a brand new communications format.

There is a need for a completely new approach to the marketing of public utilities services in the 1970's, G. Barry McMennamin, executive vice president of Doremus & Company, said Sept. 14.

Speaking before the session of the Public Utilities Advertising Association, Region One, in Hyannis, Mass. he said, "During the 50's and early 60's, utilities marketed their services by selling usage. Today such a marketing approach is dead."

Public utilities have become favorite "whipping boys" of the consumerism specialists, Mr. McMennamin noted, because the public is not aware that a compromise is necessary between the inimical goals of increased energy production and improved environment. "A compromise between the beauties of nature and the needs of progress must be achieved," he said.

He said that public utilities "think of themselves as electricity or gas suppliers but you are in the business of energy production and distribution. Fifty years in the future you may be producing solar energy for consumer usage."

Mr. McMennamin said that a recent Doremus survey of security analysts showed that analysts believe that the problems faced by utilities include new financing needs, the lag in obtaining rate increases from regulatory bodies and effective anti-pollution measures. "Gaining credit in combating these problems will require better understanding on the part of the general public and more intensive and effective communications efforts are needed," Mr. McMennamin added.

Mr. McMennamin made several recommendations for a new approach to the marketing of utilities, and urged the P.U.A.A. convention to consider the feasibility of local citizens' advisory groups who would recommend specific action and advise on community problems to middle and upper management of the utility.

"Build a spokesman for your utility," was another suggestion for achieving a better rapport with the community. These were two of the ideas Mr. McMennamin cited that Doremus had recommended to utility clients with successful



G. Barry McMennamin

results. "Communications programs are essential not only in terms of your community's outlook and relationship with you, but also in terms of fund raising and capital requirements. A communications effort in these areas is essential because what you are marketing is not a service and is not a product. What you are marketing is an image...How your public looks at you will in great part determine how successfully you will grow in the intermediate term future," he concluded.

Doremus & Company, national advertising and public relations agency founded in 1903, is headquartered in New York City and has offices in Philadelphia, Boston, Chicago, San Francisco and Los Angeles.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Shares. The offer is made only by the Prospectus.

1,498,154 Shares

The Cincinnati Gas & Electric Company

Common Stock
(\$.50 Par Value)

Price \$24³/₈ a Share

Copies of the Prospectus may be obtained in any State from only such of the undersigned as may legally offer these Shares in compliance with the securities laws of such State.

MORGAN STANLEY & CO.
Incorporated

W. E. HUTTON & CO.

BLYTH & CO., INC.

THE FIRST BOSTON CORPORATION

MERRILL LYNCH, PIERCE, FENNER & SMITH
Incorporated

DREXEL FIRESTONE
Incorporated

duPONT GLORE FORGAN
Incorporated

EASTMAN DILLON, UNION SECURITIES & CO.
Incorporated

GOLDMAN, SACHS & CO.

HALSEY, STUART & CO. INC.

HORNBLOWER & WEEKS-HEMPHILL, NOYES

KIDDER, PEABODY & CO.
Incorporated

LEHMAN BROTHERS
Incorporated

PAINE, WEBBER, JACKSON & CURTIS
Incorporated

SALOMON BROTHERS

SMITH, BARNEY & CO.
Incorporated

STONE & WEBSTER SECURITIES CORPORATION

WERTHEIM & CO.

WHITE, WELD & CO.

DEAN WITTER & CO.
Incorporated

BACHE & CO. A. G. BECKER & CO. E. F. HUTTON & COMPANY INC. REYNOLDS SECURITIES INC.
Incorporated Incorporated Incorporated

SHEARSON, HAMMILL & CO.
Incorporated

SOGEN INTERNATIONAL CORPORATION

September 14, 1971.

CORPORATE FINANCING

By BRUCE WHITING

There are many people whose ideas as to the probable trend in the corporate bond market proved sadly incorrect. Most of them were underwriters. There were a few financial writers like myself who agreed with their thinking. The difference was that their wrong guess cost them money while mine did not.

It all started with Mr. Nixon's message before the Congress on last Thursday. Somehow many in the market expected some more sparks to keep the bullish fires of the market going. However, Mr. Nixon was hardly interested in low interest rates that particular day. He was more interested in fighting the fires of inflation and wooing the Congress to his way of looking at things. He also insisted on dropping in a headline seeker when he said that the freeze would end on November 13th (hindsight rumors have it that this was a last minute change designed to capture attention in a speech that resembled a pep talk at a football rally).

Thus, last Friday, the decline in the corporate market began and prices started to fall, the institutional buyers sensed a victory. But it was not until Monday that the real retreat began, the market falling as much as 3 3/4 points at one time, although some recoveries were made.

Earlier Fears Realized

The week had many possible pitfalls. The two largest issues of the week were Aaa issues. The \$200 million Mobil Oil debentures due in 2001 were negotiated yesterday. The other was the

\$200 million Southwestern Bell Tels which were split in two issues, consisting of \$125 million debentures, due in 2009, and \$75 million notes maturing in 1978. This was the same pattern as the Southern Bell financing of late August.

As a prelude of what was to come, the Southern Bell debentures were not faring well. The long 7.60 per cent bonds, which had been offered on Aug. 24 at 100, were quoted 98 1/4 to 98 3/4 on Monday of this week. The Con Ed issue was made a free market and the bonds, which had originally been offered as 7.90s at 100, slid to a 95 1/2 bid. Virginia Electric & Powers which were only sold last Wednesday (Sept. 8) were also freed, and promptly sank to a 96 1/2 bid from an original offering price of 100.357. This issue had a 7 1/2 per cent coupon. The differential in the yield in this issue was 7.47 per cent originally, and 7.73 per cent offered on Monday.

Only the Beginning

The foregoing developments graphically depict the problem facing the underwriters on new business. The first test of the current week was the small \$22,500,000 Central Illinois Public Service Company bonds due in 2001 and rated AA. Even though the issue was closely contested, the reaction of the marketplace to the offering was rather dismal.

Salomon Brothers, Eastman Dillon, Union Securities & Co. and Equitable Securities, Morton managed the winning account and won the issue by 21 cents a

bond. They bid 100.22 and re-offered the bonds, with a 7 7/8 per cent coupon, at 101.448, which was a 7.75 per cent yield. It had all the ingredients of a good deal. However, the facts were that it was a slow one. The buyers were looking for blood.

Roof Falls In

Tuesday morning came and the underwriters were up against the big tough deal of the week. The last Bell issue had been negotiated and now the Southwestern Bell issue was a competitive sale. Many in the Street were hoping for a 7.80 per cent yield. However, in competitive bidding, dreams do not always work out. There was an uneasy quiet in the buyer camp, but the underwriters seemed to approach the issue with an attitude of confidence. Perhaps this was to be their day in the sun. The battered "corporate corps" certainly hoped so because in several short days their house of cards had fallen.

The issues were won by a group headed by Blyth & Co., Merrill Lynch, Pierce, Fenner & Smith, Salomon Brothers, and Lehman Brothers. Their bid for the long debentures of 2009 was 99.211 for a 7 3/4 per cent coupon, and the reoffering price was 100, or a 7.75 per cent yield. The 1978 notes, with a 7 per cent coupon, were priced at 100.273 which is a 6.95 per cent yield.

As usual, there was no problem with the short obligations. Unfortunately, the same cannot be said of the debentures. One of the traders in the managing group confided to me that it was going awfully slow late on Tuesday afternoon. This turned out to be an understatement as no more than 25 per cent of the

issue was spoken for as of Wednesday morning.

What did the poor selling performance of new issues mean? It was simple. The buyers were going to push the underwriters right to the wall and they wanted more than a cry of "Uncle." What the underwriters needed was a speech from "Uncle Richard" about how the Administration favored low rates, but it does not look as though this is in the cards.

In a negotiated issue on Tuesday, Dean Witter & Co. and Paine, Webber, Jackson & Curtis offered \$25 million Central Telephone Company 8 per cent bonds at 100 which are due in 1996. They are rated A by Moody's and BBB by Standard and Poors. This was another split rating with S&P on the lower side and could become a trend.

The offering met with a cordial investor response, the unsold balance on Wednesday noon being only 15 per cent.

Two Real Winners

Yesterday was another busy one, with the \$200 Mobil Oil debentures heading the list. However, there was also an important Fanny Mae (Federal National Mortgage Association) offering. It was a \$250 million convertible debenture offering due in 1996. The terms of the offering were a price of par and a 4 3/4 per cent coupon. The giant offering was managed by Salomon Brothers, A. G. Becker & Co., First Boston Corporation, Goldman, Sachs & Co., Kidder, Peabody & Co., Lehman Brothers, Merrill Lynch, Pierce, Fenner & Smith, and Dean Witter & Co. The issue had the "all sold" tag in short order.

Morgan Stanley was the manager of the account that negotiated the \$200 million Mobile Oil debentures of 2001 and this was no picnic in a week such as this one. They priced the AAA issue, bearing 7 3/8 per cent, at par. This also turned out to be a spectacular success, virtually all of the issue having been absorbed at presstime.

We also had another smaller issue, a \$30 million Central Illinois Light Company of 2001. This was rated AA and if the corporate underwriters were having trouble, consider the investor who had to contend with three issues during the week with "Central" as the first name. The bonds were purchased by a group led by First Boston Corp. and were reoffered to yield 7.85 per cent. The syndicate's bid was a price of 99.4637 for a 7 7/8 per cent coupon.

Looking Ahead

Today's calendar has \$45 million San Diego Gas & Electric of 2001 which are AA and \$20 million Public Service of New Mexico, also due in 2001, and rated A.

As the week was coming to an end, the underwriters could look back in dismay as some of their previous adventuresome bids began to cost them big money. Over \$2 million was the loss being estimated to underwriters for the Con Ed deal and this was not an isolated case. Then, too, life for dealers in corporates in the secondary market has been less than a bed of roses. To a large degree, they have been their own best customers since August 16th.

The romance between the President and the Bond Market seemed to be over, at least for the time being. The history is that the people in the Bond

Markets have a forgiving nature and will be willing to forget their recent bruises if President Nixon can come through with another "blockbuster."

Mr. Nixon Has Other Problems

However, it looks as if Mr. Nixon has a lot of other problems. Old George Meany has still not been brought into camp and it looks as though his needling of the new Nixon program may still cause the Administration problems. Despite the polls and the general "back of my hand" treatment that the White House group first tried on Mr. Meany, he is still in there punching. He is going to make the Nixon camp explain quite a bit. It seems that his continued drive on the fact that Mr. Nixon's tax suggestions favor business at the expense of labor is gaining momentum.

On the other side of the ocean, foreign Central Bankers are getting tough at a time when it was disclosed that our basic balance of payments deficit has recently reached an annual rate of \$9 billion. This was the figure (hitherto not reported) that shocked the Paris meeting when the bad news was disclosed by Paul A. Volcker, Under-Secretary of the Treasury. The Common Market agreed on something for the first time in weeks several days ago when they decided to demand the official devaluation of the American Dollar by an increase in the heretofore sacrosanct \$35 price.

While there was no threat of an economic war, there was plenty of evidence that the Common Market members were going to stand up to Mr. Nixon. Just how Mr. Nixon will react to this is unknown at the moment. The fact that the Europeans are willing to talk revaluation, if the dollar is formally devalued, is important. However, it is not in Mr. Nixon's script at the moment. Whether he continues the "bully boy" role or not, is a decision that is probably now being made.

Devaluation is out politically. The question is "What is the alternative?" Conversely, the European nations, also Japan, seem to be willing to arrive at a compromise, provided the U.S. scraps the 10 per cent import surcharge.

The week to date — Thursday to Thursday — was a momentous period for the bond markets. They played a hard game and, for the most part, lost. However, it would be premature to say they lost a war. They lost a battle (however costly), but I am still betting (with no money to lose) that they will be right. Interest rates have to go down, but buyer resistance and volume are the biggest hurdles to cross.

Arthur Odum Co. Formed in Dallas

DALLAS, TEX. — Arthur Odum & Co. has been formed with offices at One Main Place to conduct a securities business. Arthur M. Odum is general partner, and Samuel W. Hogan, Jr., Mary E. Gelhausen, Harold G. Odum, Mary G. Misch, Ross L. Jones, William McAfee and Wymberley Der Loerr, limited partners. Mr. Odum was formerly an officer of McKinney, Rose & Company, Inc.

This announcement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE

September 16, 1971

185,000 Shares

Medical Scientific International Corporation

Common Stock
(Par Value \$1.10 per Share)

Price \$6.50 per Share

Copies of the Prospectus may be obtained in any State from such of the undersigned and such other dealers as may legally offer these securities in such State.

Stanley Heller & Co.

| | |
|-------------------------------------|--|
| First Equity Corporation of Florida | Hugh Johnson & Company, Inc. |
| Sartorius & Co. | Shaskan & Co., Inc. Agio Capital Corporation |
| Roberts, Scott & Co., Inc. | TPO Incorporated A. C. Kluger & Co. |
| J. H. Kern & Co. | Zuckerman, Smith & Co. |
| Hallowell, Sulzberger, Jenks & Co. | Arthurs, Lestrangle & Short |
| Hartzmark & Co., Inc. | C. B. Richard, Ellis & Co. |

SECURITY SALESMAN'S CORNER

By JOHN DUTTON

Sometimes Two Pull The Wagon

Not enough has been written and demonstrated pertaining to the psychology of security salesmanship. There are particular situations that sometimes arise that are as complicated as a game of chess. Recently, I was interviewing a retired couple whom I met through a referral from a very good client. I called by appointment to see them at their home in the afternoon. They had been considering some tax exempt bonds and my name was given to them by a prominent attorney who has been my client for many years.

With such an imposing introduction, and also the fact that the wife telephoned me and asked if I could arrange to talk with them, everything looked like a set-up account. That these people knew absolutely nothing about tax exempts, and very little about other securities, is not unusual in such cases. They met me at the door and they were very pleasant, although I detected a bit of coolness and mild aloofness on the part of the wife. The husband had difficulty in hearing and several times I had to drop my voice after asking him if I was coming through all right on his hearing aid.

First Set Up A Conference Attitude

After a few minutes of get acquainted talk, referring back to my friend the attorney (always the first move in such cases is to remind the prospect of your sound relationship with the lead source) we started by asking them some very elementary questions such as, "Where did you live before you moved here? Have you ever owned tax exempt bonds before? Why are you thinking about them now? Your investment purpose is the safest possible haven for your capital and the most possible spendable income, right? etc. etc."

It is surprising how little most people know about a subject the security salesman considers elemental. Often your prospective client does not know how to figure simple interest, has never heard of yield to maturity (and you might scare them away if you tried to explain it the first time you meet them). When we began to see a few smiles, and Momma got off the tight wire a bit, I asked them if we could sit around the dining room table where we could be more comfortable and look over some of the information I brought them. This was readily agreed upon.

When you are holding a conference meeting with two people, never try to do it sitting in three different chairs. Get everybody around a table where you can relax, talk, look-see, and lower the sales resistance. (A table conference is worth five of the other type — maybe ten).

The Nitty-Gritty

As soon as we had a place to lay out some offering lists (one in front of each person) I was able to point out the different maturities, types of bonds, (water, sewer, G.O., industrial revenue) and we covered that. Next we took up ratings. I let the questions come to me, and

encouraged them. Next, I pointed out **One Issue** I thought was an outstanding and attractive bond on the list. I told them why in one or two simple steps. By now I sensed a complete thaw with the couple. They joined in the conversation — I was patient and watched closely to see if they were getting tired of trying to learn even a small bit about tax exempt bonds in one short interview. You must watch for prospect fatigue when you are putting on any sales presentation. Also, you must enlist questions and steer them around to the main purpose of the selling interview - finding the one compelling reason why anyone **wants** to acquire anything which is to fill a specific need.

Personal Revelations

When the lid of the box finally opens, out comes the material from which clients are made. When we had become friendly and these two nice people had come to realize that I was there to help them, they told me about their former marriages, and the disparity in their ages. Pictures of the children came out after I had shown them one of my eldest. Here was a point in the sales problem, however, that made its appearance, and it was probably one of the most important psychological aspects of the situation. I noticed that the

wife made suggestions to the husband and he took them. Incidentally, they were sound and responsible. But in several minor ways the wife indicated that she was not as willing to acquiesce to the husband's SUGGESTIONS.

This often happens when you are dealing with a joint husband and wife account. You must be very tactful not to agree with one or the other. You must withdraw to the sidelines and let nature take its course. I left that day feeling certain that I would open this account in a day or so. Material which they requested was left with them and I even composed and wrote a letter in long hand for the wife to a bank custodian to change her former name into her present married name. The next week I opened the account and I feel certain from a portfolio analysis that these people will be able to increase their tax exempt income substantially during the course of the next few months.

When I returned for a second call, at their request, the wife suggested that she had some funds and would also like to buy some bonds, but this money was in transit from an out of the city bank to her local institution. The husband suggested that there would be plenty of time to have the check clear before settlement date, but she softly suggested that she would feel better if she waited until the money was in her local bank before she made a commitment. Who do you think won out? And who do you think kept his viewpoint on such a weighty matter completely to himself?

A career security salesman

who must lead his flock to water, and then help them to drink, has to know where the stumble stones lie along the way. Never get between Mom and Pop when they are deciding what and when — or anything else.

(John Dutton is the pen name of William S. Baren, a registered representative employed by a large NYSE member firm.)

Notes Offered By Farmers Home Administration

First Boston Corp.; Salomon Brothers, New York; A.G. Becker & Co. Inc., Chicago; and Merrill Lynch, Pierce, Fenner & Smith Inc., New York, announce the offering of \$300,000,000 of Farmers Home Administration insured notes.

The issue consists of \$150,000,000 of 6% per cent notes due Aug. 31, 1976, and \$150,000,000 of 7½ per cent notes due Aug. 31, 1986. The offering is being made at par.

Common Offered By Tucson Gas & Electric Co.

The public offering of 634,854 shares of Tucson Gas & Electric Co. common stock is being made at \$15.50 per share through underwriters led by Blyth & Co., Inc., and First Boston Corp., New York.

Proceeds from the offering are to be used for debt repayment and construction.

The company, of Tucson, Ariz., is a gas and electric utility.

Federated Inv. Forms New Fund

Pittsburgh, Pa. — Federated Investors, Inc., 421 Seventh Avenue, has announced the formation of a new closed-end investment company — Federated Income and Private Placement Fund. A registration statement was filed with the Securities and Exchange Commission disclosing a proposed offering of \$25 million to be underwritten by a syndicate managed by Thomson & McKinnon Auchincloss Inc. and Butcher & Sherrerd.

The investment objective of the new company is "high current income for distribution to its shareholders with a secondary objective of capital appreciation." The Company "is designed primarily to provide individual investors and smaller institutions with the opportunity to invest in a portfolio consisting substantially of debt securities obtained through private placement."

The Company's portfolio will be managed by affiliates of Federated Investors, Inc., which currently act as investment advisers to fifteen other investment companies having aggregate assets in excess of \$320 million.

Forms Raylo Secs.

PORT WASHINGTON, N.Y. — Raylo Securities Corporation has been formed with offices at 686 Port Washington Boulevard to engage in a securities business. Raymond T. Hyer is president and treasurer.

This advertisement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.



400,000 Shares

VETCO OFFSHORE INDUSTRIES, INC.

Common Stock

(\$.50 Par Value)

Price \$29.75 per Share

Copies of the Prospectus may be obtained from any of the several Underwriters only in states in which such Underwriters are qualified to act as dealers in securities and in which the Prospectus may be legally distributed.

Dean Witter & Co.
Incorporated

Shearson, Hammill & Co.
Incorporated

Blyth & Co., Inc.

duPont Glore Forgan
Incorporated

Eastman Dillon, Union Securities & Co.
Incorporated

Goldman, Sachs & Co.

Hornblower & Weeks-Hemphill, Noyes

Lehman Brothers
Incorporated

Smith, Barney & Co.
Incorporated

White, Weld & Co.

Bache & Co.
Incorporated

September 14, 1971

THE MARKET AND YOU

By WALLACE STREETE

As the stock market backs and fills between 900 and 925 in the Dow, a pause to peruse management-stockholder relations might be in order about now.

And Georgeson & Co. — the nation's oldest and largest proxy solicitation firm — offers some insight into this critical area.

Management faced a number of disconcerting problems this year getting out the shareholder vote. The 1969-70 bear market created a sense of disquiet among shareholders.

Stockholders Apathetic

Undoubtedly, the year's most dramatic change was the surge of stockholder proposals by individuals and organized special interest groups. Proposals covered a wide range, from self-serving, restrictive mandates to prescribed guidelines for corporate participation in social and environmental improvement programs. Most were defeated but, in some instances, received support from as much as 15 per cent of the shares voted.

The year also saw important management proposals to change charters and by-laws, facilitate financing and approve spin-offs and sales of disappointing acquisitions as well as to approve mergers.

In addition, overall economic adversity this year generated the highest number of contests for control in over a decade.

Institutional Investors Played It Cautiously

Institutions began to exercise their power to influence managements of firms in which they invested. Their potential for affecting the outcome of a proposal or a contest for control was evidenced in a number of situations.

Among some bank-nominee and fund shareholders a seemingly contradictory pattern developed. On sensitive shareholder proposals, some banks refused to exercise their discretionary voting rights and have required specific instructions from the beneficial owners.

Proxy Fights On The Increase

The intense takeover action of the late 1960's declined in 1970 as

the economy turned sour. However, Georgeson points out, the old fashioned proxy fight dramatically returned and dominated the scene. In fact, the first rumblings of unhappy minority stockholders were being heard again in the latter part of 1970. In the first few months of 1971, proxy battles hit their highest level since the 1950's.

At the beginning of last year there were still a number of good reasons for making tender offers for a company. Cash was available. Accounting rules were more favorable. Investors were bidding up acquisition-minded outfits, giving them high multiples. Washington had only begun to assert itself via antitrust and the Federal Trade Commission.

"Chinese Money" Ignored

However, by mid-1970, many of the diversified companies had suffered far worse than others. Investors were looking for more security and the paper being used in exchange offers had become suspect. Cash was no longer available. The climate had once again brightened for proxy battles.

Meanwhile, extensive changes in the financial community created heightened difficulties for corporations in conducting effective investor relations.

Even the basic task of knowing where to direct corporate information became much more complex as financial research departments were cut back via layoffs, mergers and the folding of several well-known firms.

New Problems

But despite these operational problems, new responsibilities for disclosure have been outlined by the Securities and Exchange Commission. For example, the blackout period during registration is no longer viewed as a biding reason for failing to disseminate corporate information.

Stockholder militancy also became of greater concern during 1970. This new activism, poses a threat to the stability of the economic system, Georgeson warns, concluding that methods must be found which will protect the right of minority

stockholders to air their views while not infringing on the interests of their fellow shareholders.

Dollar Very Durable

Worried about the strength of the dollar? Consider this:

It takes about 8,000 folds to wear out the U.S. dollar bill while European currency is ready for the paper-shredder after 2,000. And the dollar's life expectancy is 18 months, the Bureau of Engraving & Printing informs us, while larger denominations live longer presumably because they change hands less frequently.

(The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle". They are presented as those of the author only.)

Agencies

Concurrently Offer \$724 Million Today

A joint offering is being made today (September 16) of \$285,200,000 Banks for Cooperatives 5-3/4 per cent six-month debentures due April 3, 1972 and \$422,000,000 Federal Intermediate Credit Banks 5.55 per cent nine-month debentures due July 3, 1972, both at par. The debentures, dated October 4, 1971, are being offered by Glenn G. Browne, Fiscal Agent, and a nationwide group of selected security dealers and dealer banks.

Additional offerings of three currently outstanding debenture issues of the Banks for Cooperatives are also being made today (Thursday) totalling \$17,000,000 at prevailing market prices through a selected group of security dealers and dealer banks, as follows: \$5,000,000 of 5 1/4 per cent debentures due December 1, 1971; \$3,000,000 of 5.65 per cent debentures due January 3, 1972, and \$9,000,000 of 6 1/2 per cent debentures due February 1, 1972.

Proceeds of the \$285,200,000 BC debenture offering will be applied to the retirement of \$348,200,000 of 3.70 per cent debentures coming due October 4, 1971, and proceeds of the FICB issue to the retirement of \$453,000,000 of 5.30 per cent debentures maturing October 4, 1971.

Seamen's Opens Rockefeller Center Office

E. Virgil Conway, chairman and president of The Seamen's Bank for Savings, and Alton G. Marshall, president of Rockefeller Center, Inc., officially opened the bank's new Rockefeller Center Office in the Time & Life Building on West 50 Street, on Sept. 13. The decorations in the office include 18 of bank's outstanding collection of ship models.

One model is of an American Privateer, the "PAUL JONES" which engaged in the War of 1812. It is complete with sails and guns and measures 6'2" x 5'.

Founded in 1829, Seamen's main office has been located on Wall Street for all but the first two years of its existence. Other locations are 25 Pine Street, Beaver at New Street, 546 Fifth Avenue and 666 Fifth Avenue on 52 Street. The bank has total deposits of over one billion dollars and is the eleventh largest mutual savings bank in the country.

OUR REPORTER ON GOVERNMENTS

By JOHN T. CHIPPENDALE

There is still caution and uncertainty in the securities market, due to question mark as to what the future holds when the current 90-day wage/price freeze comes to an end. The President stated that some restraints will be applied, but has not as yet spelled them out. Accordingly, the financial Community has adopted a cautious attitude, pending a clearer picture of what additional steps the Administration will take in the continuing fight against inflation and inflationary expectations.

Meantime, there is a growing belief that interest rates will go down. This thinking is based on the premise that the post 90-day controls that Mr. Nixon plans will allow an expansion of credit without rekindling fears of a resurgence of inflation. Certainly, a halting of the forces of inflation, coupled with an expanding economy, would be bullish for bond prices and stock prices.

Investors Cautious

With the element of surprise out of the picture, the money and capital markets are now marking time, so to speak, pending a clarification of the future course of interest rates in both the near-term and long-term borrowing areas. Thus, short-term rates, for example, have gone down modestly because funds that might have been put to work in long-term obligations are being used to buy money market issues. When conditions are unsettled as they are now, investors lean heavily in quickly liquid avenues of investments and, at the same time, adopt a cautious attitude in making long-term commitments.

The resultant enlarged demand for short-term obligations, serves to lower the yields on money market issues. Such a trend will most likely continue until there is clarification of currently confused conditions both at home and abroad.

The capital market, with emphasis on new issues of bonds and preferred stocks, has come down to some extent as far as yields are concerned. However, investors refuse to make too large a concession and, consequently, some recent new bond offerings have not gone well. This is somewhat surprising if only for the reason that interest rates are not likely to rise while a ceiling is placed on wages and prices. Indeed, the demand is being made in some quarters for a freeze on interest rates, dividends and profits. Obviously, if all of these freezes were to be put into operation it would usher in an economy of profitless prosperity.

Conditions Suggest Lower Interest Rates

But realities must be faced up to and with an incomes policy in operation, it seems as though an increase in credit for the economy would not fan the flames of inflation but would help the business pattern move up into more normal conditions and at a more rapid rate.

It is evident from what President Nixon has said, and the actions he has taken, that a more prosperous economy is the

cornerstone of his new economic program. Hence, any threat to that goal, including rising interest rates, will not be tolerated by the Administration. Since there is a freeze on wages and prices to halt the inflation, it would seem to be logical to expect a ceiling of some sort on interest rates. This could be accomplished by official edict or by more subtle ways such as the Federal Reserve Banks making larger amounts of credit available to the economy.

President's Program Will Succeed

The money and capital markets will be obliged, for the duration of the 90-day freeze, to operate under new and different conditions than in the past. It should be remembered, too, there might even be more restrictive conditions later on if the steps already taken to cool the inflation do not work.

As matters stand now, it looks as though the regulations put forth by President Nixon will succeed, the inflation will be contained, interest rates will go lower and we will move toward more normal conditions in the economy.

Kallop, Hennig Join Devon

William M. Kallop and Jeffrey C. Hennig have joined the corporate finance department of Devon Securities 60 East 56th Street, New York City, members of the New York Stock Exchange, it has been announced.

Messrs. Kallop and Hennig will have responsibilities in the areas of private placement, public offerings, mergers and acquisitions, and corporate growth counseling, according to Allan R. Tessler, directing partner of Devon.

Before joining Devon Securities, Mr. Kallop was director of acquisitions for Studebaker-Worthington, Inc. Previously, he was assistant vice president in the area of corporate development for Talcott National Corporation.

Prior to joining Devon Securities, Mr. Hennig was in the corporate finance department of Oppenheimer & Co. From 1968 to 1969, he was a security analyst with Lehman Brothers.

Tech-Aerofoam Products Makes Common Offering

The public offering of 371,666 shares of Tech-Aerofoam Products, Inc. common stock is being made at \$14.125 per share through underwriters led by CBWL-Hayden, Stone Inc., New York.

Of the total shares, 300,000 are being sold by the company and 71,666 by selling stockholders.

Proceeds from the company's portion of the offering will be used for debt repayment and working capital.

Tech-Aerofoam Products, of Miami, provides services and products for the construction industry.

All of these securities having been sold, this advertisement appears as a matter of record only.

NEW ISSUE

100,000 Shares

MUNICIPLEX, INCORPORATED



Common Stock
(No Par Value)

Price \$5 per Share

Todd and Company, Inc.
419 Hackensack Street
Carlstadt, New Jersey 07072

The Security I Like Best

Continued from Page 2

dependence of the Company on defense work. Kaman Sciences is presently involved, through subsidiaries, in oceanography, astronautics, nuclear studies, material research, system analysis and communications, commercial and financial data processing and nuclear and electronic instrumentation. The Colorado Springs Computing Center, established in 1961 and endowed with the latest and most efficient equipment, is on its way to becoming one of the largest scientific, commercial and financial computer service organizations in the Rocky Mountain area. Via remote Terminals, services are provided for customers at locations across the country. In the field of products, Kaman Science has developed instruments for various scientific and industrial applications. A new material, K-ramic and K-ramicote, an extra-hard substance, is slowly developing a market.

Airkaman: This group provides commercial aviation services at three airports: Bradley International, Connecticut; Jacksonville, Florida and Omaha, Nebraska. It operates at a profit. Services consists of supplying fuel, repair, overhaul and maintenance of frames and engines. The company also operates under franchise agreements, sale and maintenance of Cessnas and Beechcrafts. The growth potential of these operations is substantial. Moreover, Air-Kaman has added another activity: Pilot training. It offers courses leading to the following licenses: private, commercial, instruments, multi-engine, flight instructor and airline transport rating.

Music And Recreation: In the pursuit of further diversification, the Kaman Corporation has ventured in the design and manufacturing of musical instruments, mainly guitars. Odd as it may look at first sight, there is a relationship between aviation and music, as both involve sound. After three years of research, Kaman engineers achieved a major breakthrough in the control of sound vibrations. The result was a new guitar of non-traditional shape and made of modern aircraft material.

Thus, the Aviation Division in the last three years has been marketing acoustic and electric guitars and the expectation is for continuing growth in sales. The demand for guitars in general is growing and is understood to run well beyond the 1,000,000 units per year. Kaman's penetration of the entertainment market has advanced further with the acquisition of two more companies: The Coast Wholesale Music Company of Los Angeles and the Coast Wholesale Company of San Francisco. Both companies are well established distributors of all types of musical instruments, and are contributing substantially to the earnings of the Company.

On August 6, 1971, the Kaman Corporation announced the acquisition of C. Bruno & Sons, Inc. a national distributor of musical instruments, for an undisclosed amount of cash and notes. This purchase will lift Kaman's music sales to more than \$20 million next year. Bruno sales have a steady record of

growth and the firm is operating profitably.

On August 20, 1971, the Kaman Corporation announced that in further pursuit of diversification, it has acquired the Reliable Bearings and Supply Company of San Bernadino, California. With this purchase says Mr. Charles Kaman, the non-aerospace business of the company will amount to about 45 per cent of total sales.

Outlook

The Kaman Corporation is financially sound. Current assets exceed current liabilities by a ratio of 2 to 1. A "V" loan agreement with a Hartford bank in the amount of \$12,500,000 is guaranteed by the accounts receivables. In the last ten years Kaman has suffered only two losses: one in 1963, one in 1968. The first was due to the Defense Department's decision to concentrate all Copter buying on Bell Helicopter so as to achieve lower cost through mass production. The latter was due to a write-off of \$2,529,000 arising over disputed subcontracts with Lockheed Aircraft. However, profitability was quickly restored in 1969 in spite of an additional write-off, and the year closed with a profit of \$1.20 per share.

Even better were the results for 1970, with sales of about \$84 million and a net per share of \$1.57.

As for 1971, thanks to the non-defense subsidiaries, we can project conservatively a volume of sales of about \$85,000,000. Now, the last ten years record shows that with the exception of two losses, the average profit

brought to net after taxes by Kaman was 2.2 per cent. At this modest rate the 1971 profit would be about \$1,870,000 or \$1.87 per share. At a still more conservative 2 per cent it would be \$1.70 per share.

Summary

In the Kaman Corporation we have an enterprise and an entrepreneur, Charles Kaman, of exceptional vision and vitality. Its program of diversification based on a combination of high technology and marketable consumers goods is impressive. The Company is definitely in the GROWTH category and the writer thinks its stock, traded in the O-T-C market, should sell at no less than 15 times earnings in the not distant future.

Secondary Issue Offered by K-V Pharmaceutical

The public offering of 210,000 outstanding shares of K-V Pharmaceutical Co. common stock is being made at \$15.50 per share by Reinholdt & Gardner, and Fisher Corp., St. Louis.

Proceeds from the offering will accrue solely to the selling stockholders.

K-V Pharmaceutical, of St. Louis, is engaged in the production of bulk pharmaceuticals.

Roosevelt Equity

SPRINGFIELD, ILL. — Roosevelt National Equity Corporation has been formed with offices at 500 East Capitol Avenue to engage in a securities business. Officers are Jimmy R. Howerton, president and treasurer, and Charles D. Statler, vice president and secretary. Mr. Howerton was formerly with Lincoln Securities Corp.

Phila. Mun. Club Fall Outing

Philadelphia, Pa. Gordon W. Pfau of Hutchins, Mixer & Parkinson, Inc. and President of the Municipal Bond Club of Philadelphia, has announced that the club will hold its annual field day on Friday, October 1, 1971, at Huntingdon Valley Country Club Abington, Pa.

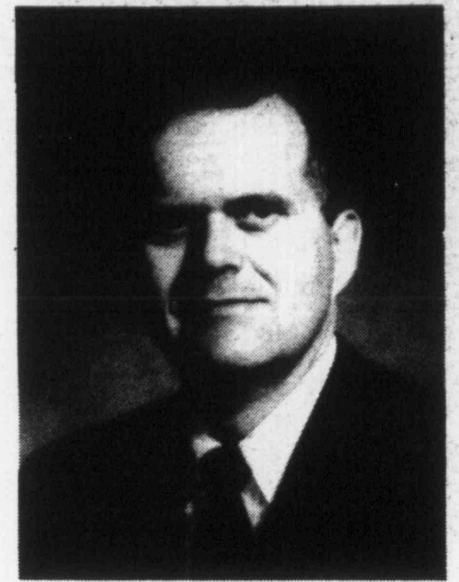
The outing activities will include golf, including the Dolphin Cup competition, a kicker's handicap, tennis, trapshooting and a duplicate bridge tournament.

John R. Sauerteig of Smith, Barney & Co. is in charge of arrangements; Frederick J. Arnold of White, Weld & Co., attendance; Neil M. Boyle of Merrill Lynch, Pierce, Fenner & Smith, Inc., transportation and accommodations; John L. Dolphin of Dolphin & Bradbury and Thomas Zoidis of Butcher & Sherrerd, golf; H. Jay Barclay of Fidelity Bank and W. Roy Kolb of Elkins, Morris, Stroud & Co., tennis; B. Newton Barber of W.H. Newbold's Son & Co., trapshooting; Carl T. Necker of Schaffer, Necker & Co. indoor activities; James E. O'Sullivan of Soloman Brothers, prizes.

Form A. R. Schmeidler

A.R. Schmeidler & Co., Inc. has been formed with offices at 7 West 51st Street, New York City, to engage in a securities business. Officers are Arnold R. Schmeidler, chairman and president; James F. McCormick, executive vice president and treasurer; and Joseph A. Spano, vice president and secretary. All were formerly officers of R. & S. Capital Management Inc.

Fleet Exec. V.P. Of Dominick



Charles S. Fleet

Dominick & Dominick, Inc. 14 Wall Street, New York City, members of the New York Stock Exchange, has elected Charles S. Fleet executive vice president, a new position.

Mr. Fleet will be responsible for marketing, trading and operations activities for the 100-year old investment banking firm. He joined Dominick in 1962 and had been vice president, financial management.

Dominick has 24 offices in the United States and Europe and is affiliated with Dominick Corporation of Canada Limited.

Elkins Morris Adds

Pittsburgh, Pa. — Elkins, Morris Stroud & Co., members of the New York Stock Exchange and other leading exchanges, announce that Marshall Charie, Martin J. Gavin and Paul Sawhook are now associated with them in their Pittsburgh office at One Oliver Plaza

This is not an offering of these shares for sale, or an offer to buy, or a solicitation of an offer to buy any of such shares. The offering is made only by the Prospectus.

634,854 Shares

Tucson Gas & Electric Company

Common Stock

(\$2.50 Par Value)

Price \$15.50 per share

Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

Blyth & Co., Inc.

The First Boston Corporation

duPont Glore Forgan
Incorporated

Eastman Dillon, Union Securities & Co.
Incorporated

Goldman, Sachs & Co.

Hornblower & Weeks-Hemphill, Noyes

Kidder, Peabody & Co.
Incorporated

Lehman Brothers
Incorporated

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

Paine, Webber, Jackson & Curtis
Incorporated

Stone & Webster Securities Corporation

White, Weld & Co.

Dean Witter & Co.
Incorporated

Bache & Co.
Incorporated

E. F. Hutton & Company Inc.

September 16, 1971.

The Securities Industry Must Still Tread Warily

Continued from Page 3

839 at the end of 1970, to 942 at the end of April, then right back to 842 by early August, just before the Nixon rally.

Profits of Retail Firms: These trends are reflected in the profits or lack thereof in our member firms. The red ink flowed profusely during both the first and second half of 1970. The gains from the second half of 1970 to the first quarter of 1971 were almost too good to believe and definitely too good to last. On average, the 50 retail-oriented monitored firms lost \$15 million a month during 1970 and then made \$14 million a month during the first quarter of 1971. In the second quarter this slipped to \$8.4 million a month, and each successive month — April, May and June — proved less profitable than the one which preceded it. We were again on a downward trend and in an earnings squeeze.

In short, the first quarter was unique and the V-shaped recovery from the depths of 1970 was false. The profit or loss picture for all 70-plus NYSE monitored firms followed the same general pattern only in a more dramatic way. Losses in 1970 were not quite so steep (\$11 million a month) while profits in the first and second quarters of 1971 were substantially higher (\$25 million and \$21 million, respectively.) The recovery pattern for our industry will be slow and difficult rather than quick and easy. The first quarter spurt can be attributed largely to a sharp one-time jump in

institutional activity as funds and others shifted from liquid assets, like governments and commercial paper, to equities.

Block Trading: Institutional activity can be seen in block trading. Blocks of 10,000 shares or more hit an all-time peak in July. They now account for over 19 per cent of NYSE volume. By mid-July, firms had handled more blocks than in all of 1970. We are now running one block every three minutes on the NYSE tape versus one per hour during the mid-1960's. Note that since 1967 there has been almost a three-fold increase in block trading.

Turnover Rates: My chart relates institutional activity to stock market volume. Institutional turnover in the early and mid-1960's was below turnover on the NYSE. Now it is well above and has pulled NYSE turnover upwards. The institution is not only a new force to be understood in our marketplace, it is also possibly the most powerful and potentially volatile force affecting a manager's ability to plan, organize and control his business. And, this is true whether you are an institutional firm or not.

Fails to Deliver: Turning to the operations situation, the most commonly used measure is fails to deliver. Fails are well below their 1968 and 1969 peaks. Even though volume in the first half of 1971 exceeded its 1968 and 1969 levels, fails were less than half their 1968 peaks. And aged fails, rose hardly at all. Exchange executives tell me that the industry is handling the current increase in volume well.

Exchange Community: Let me shift now to a few other general but important trends in our markets. My chart entitled "The Exchange Community" shows year-to-year changes between 1968 and 1970 to total personnel, sales outlets, and number of firms, as well as seat prices. After increasing our employment force sharply in 1968 and again in 1969, we cut loose 16,000 people in 1970, about 1 employee out of every 10 on our payrolls. We closed offices in 1970 at a rate of about 8 to 9 a week. The diminution in number of firms is a well advertised fact. The loss of 50 is a net figure. Since 29 firms entered membership in 1970, the gross loss due to dissolution, merger and failure turned out to be 79. Seat prices, the value of the NYSE franchise, tumbled from its high of \$515,000 at the end of 1968 to as low as \$130,000 in 1970. It now hovers around the \$200,000 mark.

Product Mix: Perhaps the most significant new development is the change in the product mix at member firms, that is in the sources of revenue dollars. Security commissions are producing less and less of this dollar. The I & E data indicate that after perhaps a decade of hovering at the 60 per cent mark, security commissions last year, ex the surcharge, were responsible for only 45.6 per cent of the total revenues. Even with the surcharge, commissions accounted for only 50 per cent of the total. Trading income is up sharply — from 6.5 per cent in 1966 and 11.9 per cent in 1968 to

almost 15 per cent last year. Underwriting income has risen from 7 per cent to 12 per cent; mutual fund sales has changed very little, but other income — income from special sources — is growing. These are significant trends. They mirror the revolution in finance that surrounds us.

Time for Caution

Summing up where we are, it is clear that we are still in the recovery phase of our business cycle. Recovery is a time for flexing muscles to be sure, but one does so with caution. To assume that you are ready to run, as if that charlie horse is fully healed, can very well expose you to a relapse. The wage price freeze as it wears on, particularly if profit constraints are added, could have a negative effect on our recovery. Remember that under the Korean War controls, volume dipped from 2.0 million shares per day in 1950 to 1.7 million in 1951, 1.3 million in 1952 and 1.4 million in 1953. Turnover dropped from 23 per cent to 12 per cent. Prices were flat.

Most importantly as we move ahead, let us not forget the lessons of the 1968-1970 era.

(1) We are in a cyclical, volatile business. Firms must have plans for orderly adjustment to **downside moves as well as growth plans.**

(2) Supergrowth can prove to be fool's gold. The name of the game is profitability-profitability over the whole cycle.

(3) There are no magical shortcuts to operational efficiency. It takes just plain hard work. And, let's give that operations expert his due.

(4) We are a goldfish bowl industry. The press and Congress accord us great visibility in this age of consumerism.

Current Situation

So much for the recent past. Let's focus now on the present. First, how about the current mood of our managers? Although it is difficult to describe any industry's mood in a single word, I believe I can offer one. Managers today are wary — **WARY.** The unabridged dictionary defines wary as — "marked by keen caution, cunning and watchful prudence in detecting and escaping danger." Your compatriots would like you to be forceful, direct, a real classical leader — perhaps a damn the torpedoes guy. Yet, you are wary. Why? Because managers simply do not know what to prepare for. Take volume: So far this year we have had periods when it looked like 12 million share days were here to stay, then suddenly we were at 18 million, then 10 million in the summer doldrums, only to then experience the Nixon 30 million share day. And how about the new commission price structure? It's been on again, off again, so many times that some managers have despaired of its ever being implemented. Perhaps SEC Chairman William J. Casey can help clear the air at this meeting.

Assumptions Dangerous

And how about management's no.1 in-house concern—sales compensation? What to do is difficult enough to figure out. When to do it is near to impossible. Thus, you can see why ASEF offers you its Management Conference theme, "Building Profit Strategies Out of Present Uncertainties." We are saying that exchange firms cannot plan in the old-fashioned

way, that is, by building a single set of assumptions of what is likely and then basing your judgments on these assumptions. The reason is because no one can tell with any certainty what assumptions to make.

For example,

Will we have fixed or competitive rates?

Will institutions grow further and sweep away individual investor markets?

Will your best institutional customers become your competitors?

Will there be a NYSE five years from now?

Such uncertainty is the new reality.

Is there anything a manager can do? There is. He can turn inward and do four things right now:

(a) He can get his capital in order, protecting against the exposure which brought firms down in 1969-70.

(b) He can upgrade the human resources at his command... rebuild morale, cross train, understand today's new breed of salesmen, learn the meaning of the management age gap to his firm.

(c) He can stress flexibility in his firm's capabilities and product mix. Five years from now no one is going to be in the same business they are in today or have the same product mix. The handwriting is on the wall. And that is true whether you are a wire house, institutional firm, block trader or specialist. He can make contingency plans. Stay in close touch with what is going on and be ready to move as the situation warrants.

(d) He can develop a will to manage. Let's take a closer look at (a), (b), (c) and (d).

Putting Tomorrow's Capital in Place.

The need to recapitalize the securities business is well recognized. I see it passing through three stages. First, we will get a strong reaction to the weaknesses exposed in 1969-70. The post-mortem methods of the autopsy will be pursued. What did Gregory & Co. in? An overdose of aggressive positions? Let's put a quarantine on that. What put Goodbody under? A failure of life-giving fluid-(capital)-to recycle? Make sure that disease cannot happen again. This is not all bad, but it has limited applicability to a going business. The firms that are alive and well today did not have Gregory or Goodbody's weaknesses or they would not be here. The NYSE is reacting the way it is, just as a medical doctor does after he loses a patient — by making a firm resolution that it will not happen again.

Phase two in the capital area will center on the actions of the firms themselves. Managers in recapitalizing their firms may well begin to reach out for the same sources of capital. They may rush to "go public" or to obtain bank capital or to court overseas investors seeking entry into American markets. This again is not all bad, but there can be too much of the herd instinct at work. This happened in the California S&L business. When that industry went public, albeit under different motives, the trend went too far. Some S&L managers took their organizations into public holding companies that proved disappointing.

What is good for firm A may not be good for firm B. The partnership form of organization, had a lot of logic

Thursday, September 16, 1971 behind it for a stockbrokerage firm. It is the most flexible form of financial structure I know. It can expand and contract very rapidly. It attracts knowledgeable money and can stand sharp swings and losses. The public ownership form can provide more stable funds, but for management it may be tougher to keep it happy. It can lead to an acceleration of the trend to diversify and put new emphasis on stability in the trend of earnings per share. Managers have invited a new discipline on themselves of no small moment. The shareowner may be tougher to live with than the NYSE or the SEC... or even your partners.

How Much Capital?

The third phase of recapitalization may not appear until late in the recovery phase. Capital has positive or offensive functions as well as defensive functions in financial organizations. One function of capital is to give managers some sense of safety as they take business risks. The more capital, the more encouragement to risk-taking. As our industry completes recovery, managers will begin to ask the question, how much capital is the right amount of capital? How much capital do I need, given the risks I seek. The answers will depend on the amount of risk involved in the mix of business done by Firm A or Firm B. The ideal concept of capital may move from the simplistic 15 to 1, 12 to 1, and 10 to 1 ratios to systems tying the capital to the type of assets and exposures represented by the business mix of a particular firm. To do this today via meat-axe "haircuts" is inefficient. In addition, society may want to encourage brokers and underwriters to expand certain kinds of risk-taking in the not too distant future.

Let me read you a few sentences on incentives for capital adequacy from the **Report of the Commission on Money and Credit (1961).**

"The capital, surplus, and reserves on financial institutions provide a cushion to absorb unusual losses that cannot be absorbed by current earnings. This cushion enables them to assume certain risks without endangering their solvency and thus promotes both the safety of depositors and the extension of risk credit. Capital requirements for financial institutions should be based on the amount and riskiness of their assets."

Wages Tax Incentives

One year ago I suggested that consideration be given to the use of tax incentives to promote the building of reserves at brokerage firms in a manner similar to that permitted at banks, savings and loans, and other financial organizations. Such procedures would fit appropriately into stage three of the recapitalization of this industry. Tax policy, because it works through positive management incentives, can prove the most efficient way to attain the twin goals of investor protection against insolvency and the encouragement of entrepreneurial risk-taking. The ASEF-IBA Joint Legislative Council formally accepted this approach and is working toward its refinement and implementation. In accordance with that motion, we have asked two faculty members of the N.Y.U. Graduate School of Business — Professors Ernest Bloch and Robert Platt — to provide us with some outside

DIVIDEND NOTICES

New England Gas and Electric Association

COMMON DIVIDEND NO. 38

The Trustees have declared a quarterly dividend of thirty cents (30¢) per share on the common shares of the Association payable October 15, 1971 to shareholders of record at the close of business September 29, 1971.

B.A. JOHNSON, Treasurer

September 8, 1971

Dividend on common shares

The Board of Directors of Columbus and Southern Ohio Electric Company, on September 2, 1971, declared a dividend of forty-five cents (45¢) per share on the outstanding Common Shares of the Corporation, payable on October 11, 1971 to shareholders of record at the close of business on September 24, 1971.

G. C. SHAFER
Secretary

COLUMBUS AND SOUTHERN
OHIO ELECTRIC COMPANY

objective perspectives on capital adequacy. Their work is progressing.

One of the great strengths of the securities industry rests in its entrepreneurial spirit. Because of its critical position in the American enterprise system and in international finance, this spirit must not be lost or replaced with a public-utility and risk-avoiding philosophy.

Quality Human Resources

I will deal with this topic by quoting James Russell Lowell, the New England poet. In the mid-19th Century, he wrote:

"New times demand new measures and new men, the world advances and in time outgrows the ways that in our father's days were best and doubtless after us some purer scheme will be shaped by wiser men than we."

These are new times and we do face the task of renewing our human resources — how to develop new managers. Phil Moore will speak to this audience about the "Management Age Gap" on Sept. 9. He will note that our managers are either relatively older — 55+, or very young — 40 & under. Our non-hiring in the 1930's, "40's and early "50's has left us with all too few in that critical middle 45-55 bracket. To me this says we have a lot of management training to do. We must transfer the executive leadership over the gap caused by our industry's missing generation in one of the most critical times in our history. We must also see to it that the managers of tomorrow develop rapidly through education what time will not permit them to gain through experience.

ASEF through its Executive Management Seminars at Harvard, its Management Conferences, and its forthcoming seminars in Operations Management and Branch Management stands ready to help member firms help each other to improve the quality of their human resources. Even more needs to be done.

Flexibility and Product Mix.

This Management Conference program contains two Workshops that are attracting a strong response. Adrian Banky, our ASEF Vice President, tells me there is considerable interest in (1) "Product Diversification — The Name of the Game in '70's?"; (2) "Planning in an Unplannable Industry."

Let me comment first on planning. Some managers believe that planning demands accurate prediction. If one believes that, given today's situation, he will conclude logically that planning is impossible or that it does not warrant the effort. Contingency planning, however, is not dependent on accurate forecasting. Planning can prepare you for the uncertainties of the future by permitting you to anticipate them. It can provide you with a logical, consistent framework for making decisions. It can provide a single common direction and focus for your managerial activities. It can minimize the risk of poor decisions when crisis overtakes you. On this basis, planning is even more important in an unplannable industry. Done well, it can make you more flexible, not less — and less exposed, not more exposed to the forces of change.

Perhaps even more important to flexibility is the diversification trend taking hold at member

firms. My chart on product mix tells part of the story. Firms are not selling the same thing they did 5 or even 2 years ago. The recently released income and expense ratios of the NYSE provide further insight. The push to diversify is most pronounced at the largest firms. Brokerage houses with gross income of \$20 million or more per year have reduced their percentage of security commission income from 65.3 per cent in 1967, and 59.3 per cent in 1968, to 47.6 per cent in 1970.

For the first time in modern history the largest firms received more income from non-stock exchange business than from securities commissions. In the \$10 to \$20 million group the decrease has been from 67.4 per cent in 1969 to 59.9 per cent in 1970. The slump in volume is responsible for some of the per cent decline, but not for all of it. In six of the remaining seven I & E non-clearing size groups, the proportion of commission business was the same or higher in 1970 than in the past few years.

Thus, the larger firms, possibly because of their greater capacity to attract the new types of managerial talent necessary — are on the move. They are not waiting for decisions by the SEC, the NYSE, or the Congress. They are rounding out present product lines — making major profit centers out of areas where only tokenism existed before. Among the areas where interest seems strongest are underwriting, block trading, foreign business, the bond business and special products. I would expect this trend to spread to other firms.

Expanded Services To The Public

Looking ahead, the public is likely to be offered more and different services by the same organization. Intra-murally firms are likely to compete with each other much more aggressively. Appeals from brokers to regulatory agencies to grant them broader powers, such as the right to sell insurance, will increase. The institutional firm, I believe, now has the greatest incentive to diversify because its product mix is the most exposed. It also experienced the greatest relative cut in prices via the volume discount and negotiated rates. We may see mergers among firms to meet diversification objectives; we may see efforts by smaller organizations to emulate the large through adaptation of the voluntary cooperative principle.

One can view these trends as evidence that stockbrokers are adopting diversification as a defense against being in a cyclical, highly volatile industry. Diversification by product line and mix served some firms well during 1969 and 1970. Flexibility and rapid adjustment in costs was and is the order of the day at those organizations ranking highest in profitability. Contingency plans for lower as well as higher volume are basic.

The Will To Manage

Wilmer Wright, President of Wright Associates, one of the most knowledgeable students of our business, in a recent speech before an audience of managers identified what I believe is the key ingredient for success in an age of uncertainty and wariness: that is, the "will to manage." He cites the following sentences from a book by Marvin Bower, with that title:

"A few years ago I was asked to give a talk to a group of

investment bankers and brokers about managing their type of business. In gathering material for the talk...I interviewed about a dozen partners in leading investment banking and brokerage firms. Almost to a man, they told me that they and their partners could not give much attention to the work of managing their firms because they were too busy with 'production' — arranging for new issues, handling customer order, and the like. In fact, several of these leaders declared with pride that they did not believe in 'formal' management. Many of them seemed to equate management with paper shuffling by operating personnel in the back office."

Those words were written in 1966, and I believe it was a correct assessment. Member firms did lack the will to manage. The owners and managers of brokerage firms are pragmatists. They seek for results. An era of seeming certainty made planning and full-time managing academic to many. The name of the game was production. Given a choice between managing for six months to upgrade productivity of personnel and cut costs to save

\$100,000 and going out to find one more deal producing \$100,000, the choice seemed obvious. Now, however, the challenge is to convert the potential gross into a healthy net.

Four Tests

Mr. Wright offers four tests to determine whether the "will to manage" exists in a firm:

(1) The managing officer manages by objectives and does not neglect the job of managing in favor of production.

(2) He surrounds himself with a team of top executives who have responsibility for managing men, materials and capital in a systematic way.

(3) The management team possesses superior ability to lead and motivate other people, and a high degree of integrity, fairness and common sense.

(4) They listen to others, dig for facts, decide, and accept responsibility for the decisions.

I leave to readers the application of these tests to their own firm. As for the industry, I believe we can say a will to manage is coming more and more in evidence. One sees it at the hard-hit wirehouses. One sees it at the imperiled regional firms. One sees it in the operations departments of the

(833) 17 clearing firms. But it surfaces only slowly at the institutional firms and the underwriting organizations. These two types within our membership may well be the most vulnerable to the forces of change which surround us. Both are areas identified as sectors of great growth and higher than average profit margins. At least people not now in these fields think so, and the diversification trend may now inspire any number of new and potentially strong entries.

I see 1972 as a year in which the will to manage becomes the all-critical element in giving the owners of a firm the best possible opportunity to convert the uncertainties of today into strategies which build profit for tomorrow. Those firms that enter 1972 with quality human resources and quality capital resources plus the will to manage are indeed likely to be the firms of the future.

1972 in Perspective.

Now, to sum up prospects for the year ahead. 1972 is an election year. It will be a political year. 1972 will be an uncertain year in terms of economics. Phase II of the wage-price freeze is yet to be formulated. It may

Continued on Page 19

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the prospectus.

NOT A NEW ISSUE

140,000 Shares

Fabric Wholesalers, Inc.

Common Stock

(No Par Value)

Price \$ 18.00 Per Share

Copies of the Prospectus may be obtained from such of the undersigned (who are among the underwriters named in the Prospectus) as may legally offer these securities under applicable state securities laws.

**Herron Northwest
Incorporated**

Craig-Hallum, Inc.

**Clark, Dodge & Co.
Incorporated**

**Bateman Eichler, Hill Richards
Incorporated**

Birr, Wilson & Co., Inc.

**Dain, Kalman & Quail
Incorporated**

**Mitchum, Jones & Templeton
Incorporated**

**Piper, Jaffray & Hopwood
Incorporated**

**Sutro & Co.
Incorporated**

Black & Company, Inc.

First Mid America Inc.

**First of Texas
Incorporated**

Hambrecht & Quist

Newburger, Loeb & Co., Inc.

Engler & Budd Co.

**John G. Kinnard & Company
Incorporated**

Denis McCauley & Company, Inc.

Sartorius & Co.

Woodard-Elwood & Company

September 14, 1971

THE STATE OF TRADE AND INDUSTRY

Steel production . Electric Output . Carloadings . Retail Trade
Food Price Index . Auto Production . Business Failures . Commodity Price Index

Retail and Department Store Sales Push Ahead of Last Year at Slow Speed

Total retail store sales, measured by the Department of Commerce's Census Bureau, underscore the continued moderate improvement over the prior year's period. For the year to date, week ending September 4, sales were ahead by 7 per cent. In the last four-weeks, they were 8 per cent above the 1970 period; and in the current week, they were 9 per cent higher. The greater strength for these three measurement periods lies in durables. Unlike non-durables which, right across the board, rose 6 per cent above 1970 for the cumulative, the four-week, and the week's periods, durables increased 8, 12, and 14 per cent for the same, respective, year-to-year time intervals.

Department store sales' total for the year to date were up 10 per cent, for the latest four-week period up 12 per cent, and for the latest week up 9 per cent.

These retail figures are not adjusted for price inflation nor for seasonal and holiday variations. They do show however, a widened spread from 1970's recessionary period, unlike the narrow spread between 1969 and 1970 when, in real terms, retail sales were below 1969's performance. By "Kentucky Windage," retail sales this year are averaging up about 2.5 per cent. Though far from the Administration's last January projections, they are considerably better than achieved in the past two years. The anticipated elimination of the 7 per cent automobile excise tax, and the accelerated reduction in personal income taxes is not dampening the trend which was already in existence way prior to the August 15 Presidential economic policy turnaround.

Personal consumption this first half, as recorded in the National Income Accounts, though modestly upward in real (1958's) dollars, looks good in comparison with 1970's stagnation recessionary performance over 1969. The increase then between those two years, was about 1.04 per cent. This year's first and second quarters however, topped the prior year's same quarters, respectively, by 2.2 and 3.0 per cent.

Personal Consumption (B's, 1958, \$'s)

| | IQ | IIQ |
|------|---------|---------|
| 1971 | \$484.8 | \$491.5 |
| 1970 | 474.4 | 477.1 |

What this third quarter will accomplish comes September 30, is difficult to perceive at this time other than for the obvious vigorous upward thrust in automobile sales. Retail and department store sales suggest, at best, a slow or modest 2.5 per cent rise in constant 1958 dollars. Considering the fact that there are now two years to catch up, plus eagerly sought 1971 growth in sales, the performance is seedy but the extraordinarily high savings rate (an offset) is potentially, if unleashed, a good omen.

Despite Labor Day Bank Clearings Decline, They Were 10.3 Per Cent Higher Than Same Holiday 1970 Week

Dun & Bradstreet's bank clearings tabulation for 26 cities shrank 12.6 per cent in the Labor Day holiday week ending September 8. They were at the lowest level since the February 17 holiday week.

Nevertheless, the \$88,471,099,000 in the latest week, versus \$101,171,247,000 in the preceding week, were 10.3 per cent higher than the \$80,211,284,000 bank clearings in the similar year-ago week.

New York City's volume was down 12.7 per cent in the holiday-shortened week, at the lowest level since the April 14 week, but managed to be 6.5 per cent above the 1970 holiday week.

The following depicts clearings for the nation's five principal cities for the current and the year-ago weeks. Frankly, we'd like to know what happened in the San Francisco area!

| | Week Ended September 8 (000 omitted) | | Per Cent |
|---------------|---|--------------|-------------|
| | 1971 | 1970 | |
| New York | \$64,482,494 | \$60,327,518 | 6.5 |
| Chicago | 1,906,784 | 1,650,417 | 19.2 |
| Philadelphia | 1,024,000 | 1,309,000 | 16.1 |
| Boston | 1,754,730 | 1,833,837 | -5.1 |
| San Francisco | 2,378,199 | 1,506,435 | 57.9 |

Raw Steel Pourings Drop For First Time Since Extraordinary Aug. 7 Week's Low

The American Iron and Steel Institute reported steel meltings were down 1.6 per cent from the preceding week in the week ended September 11. This marked the first weekly decline since the extraordinarily low level of August 7-week when pourings came to 947,000 tons. They were 1,730,000 tons in two weeks ago and 1,702,000 tons last week. Labor Day holiday's may have turned off some fires.

Cumulative tonnage since the first of the year was off 3.5 per cent compared to the 1970 equivalent period

The weekly average of steel production was:

| Year | Thousands of Net Tons | Index of Production (1967-100) |
|----------------|--------------------------|--------------------------------------|
| 1964 | 2,431 | 99.6 |
| 1965 | 2,521 | 103.3 |
| 1966 | 2,572 | 105.4 |
| 1967 | 2,440 | 100.0 |
| 1968 | 2,515 | 103.1 |
| 1969 | 2,709 | 111.0 |
| 1970 | 2,522 | 103.4 |
| Aug., 1970 | 2,430 | 99.6 |
| Aug. 7, 1971 | 947 | 38.8 |
| Aug. 14, 1971 | 1,232 | 50.5 |
| Aug. 21, 1971 | 1,390 | 56.6 |
| Aug. 28, 1971 | 1,593 | 65.3 |
| Sept. 4, 1971 | 1,730 | 70.9 |
| Sept. 11, 1971 | 1,702 | 69.8 |

In the year to date, the steel trade association data show:

| | Net Tons Produced | Index of Production |
|------------------|----------------------|------------------------|
| Year-to-date | 90,344,000 | 102.1 |
| Year-ago-to-date | 93,629,000 | 105.8 |

Practically all of the investment spending in the industry geared to expanded output has been fruitless inasmuch as Japanese and European steel exports to us just about equalled our economy's expanded steel usage. Our industry did not capture the expansion in steel consumption; hence the voluntary quotas now supplemented by a 10 per cent tariff surcharge, floating

depreciated dollar, a proposed tax subsidy to U.S.A. equipment manufacturers, and a proposed 7 per cent auto excise tax cut. The fact that cumulative output for the year to date is but 5.8 percentage points above 1967 and 6.2 percentage points above 1964 indicates that the per annum gain was 1.2 percentage points and 0.9 percentage points, respectively, from 1967 and 1964 — hardly taxing the facilities created by the massive investment spending for replacement and added equipment and structures.—S.B.

Steelmakers Keep Close Watch On Auto Sales

Slowly, ever so slowly, steel producers are starting to raise production levels. However, some facilities have yet to be restarted—a month and a half after shutdown. And others are still operating at 50 per cent of capacity or so, according to Iron Age magazine.

But steelmakers don't believe that current levels of operation are any barometer of the general economy. They believe steel users are consuming steel at a respectable rate of about 8 million tons a month.

As a result, users may be drawing down their excess stocks at a rate of as much as 3 million tons a month. If so, this means that the users may be back to more normal buying sooner than had been expected.

In this respect, steel executives are keeping as close a watch on automobile sales figures as are the auto company executives, Iron Age said this week.

Right now, the auto companies are running heavy sales campaigns. They are pushing hard on the theme: Buy now, and we'll refund the 7 per cent excise tax as soon as Congress repeals it.

The reason for the steel industry's concern is obvious. The auto industry is its largest single customer. And it also built the largest strike-hedge stockpiles of any industry.

Iron Age points out that the higher auto sales go, the higher the production rate will go. And the higher the auto production rate goes, the sooner the auto companies will chew up their excess inventories.

Right now, about the weakest steel product category is flat-rolled—hot-rolled and cold-rolled sheets. And currently, the auto companies are doing very little ordering of these products.

However, it is expected that present spot tonnage orders to fill holes in inventories will grow progressively larger in October, until they reach the point that orders will more nearly match actual consumption by November.

One steel company estimates steel shipments will total 19 million tons in the fourth quarter. With October shipments expected to be in the range of 5 to 5.5 million tons, shipments could be up to 7 or 7.5 million tons a month by the end of the year.

But there are some quirks in the current steel market beyond weak demand, Iron Age noted. In some cases, steel users may have to do a little more shopping than normal to get the steel that they want.

The reason is that not all companies are operating all of their finishing facilities yet. So a user's normal source of supply may not always be available.

Iron Age says mills are

reluctant to restart a facility until they have some assurance that they will have enough orders to operate efficiently. This is thought to be an operating rate of 60 per cent or more of a mill's normal capacity.

But, for the moment at least, steel producers are trying to look for the silver lining that has to be somewhere ahead in the cloud over the steel industry.

October Order Gains Cheer Steel Producers

The business outlook for the depressed U.S. steel is brightening, Industry Week said in its weekly report of September 13.

New orders indicate October will be a much better month than September, which is improving over August when raw steel production slumped to the lowest monthly figure in 10½ years, the business magazine reported.

At many mills, new orders for delivery of steel next month are running 15 per cent higher than bookings for September shipment, and one major producer says the gains cover most product lines and mill locations as manufacturers adjust inventories to fill gaps, the business magazine noted.

A southern mill has boosted its raw steel operations 20 per cent on the heels of an unexpected pickup in steel demand. Many mills in the Midwest say they are rebuilding depleted inventories of semifinished steel and some finished forms. Mills had lowered their inventories by the end of July as they shipped material to steel users who were hedging against a possible strike of steelworkers. At the start of August, steel plant inventories of finished products totaled 7.5 million net tons, lowest in three years, and those of steel in process were 10.2 million tons, lowest since February 1969, Industry Week pointed out.

While demand from the automobile industry, currently the largest user of steel, is still no more than moderate, many mills look for a significant rise in auto industry ordering for November delivery as high schedules of automobile production chew up steel inventories.

Steel companies find most customers are working down their strike-hedge supplies of steel more rapidly than had been expected, Industry Week reported.

Another steel company estimates that had there been no steel buildup against a threatened strike, current demand would warrant production of around 2.5 million net tons of raw steel per week compared with the 1,730,000 tons made in the week ended Sept. 4.

Steel mill operating rates are varying by location. While some facilities in areas of weak demand are still laying off employees, many others are increasing schedules and calling men back to work. One mill expects its production to reach a level near 70 per cent of its practical capacity in the next few weeks and to hold there for the rest of the year.

Aside from wage and benefit gains, some steelworkers' union leaders say indications are that life under the new basic steel labor contract won't be utopian, Industry Week reported. As expected, steel companies made massive layoffs after signing the new three-year agreement Aug. 1 because business had dropped to next to nothing.

Presidents of some of the larger locals of the United Steelworkers of America charge that several layoff programs are extending into what, under previous contracts, had been forbidden ground—the area of work practices and crew size reductions, Industry Week said.

Year's Auto Output Now 18.7% Ahead of 1970

The Labor Day shutdown last Monday is cutting some 35,000 passenger cars from this week's output, Ward's Automotive Reports stated in its latest weekly survey. The industry scheduled around 140,727 cars in the week ending September 11 compared with 174,918 the previous week and 134,488 the same week last year.

Last week's decline would have been even greater but for the fact that two General Motors Corp. car assembly plants at Lordstown (O.) and Willow Run (Mich.) and three Chrysler Corp. plants, Belvidere (Ill.), Newark (Del.) and Jefferson Avenue (Det.), operated on Saturday. All other car assembly facilities were held to a four-day operations. In addition, two GM and two Chrysler Corp. truck assembly plants worked the extra day.

The industry's statistical publication said that four truck assembly plants also worked five days. They were the Chevrolet and GMC operations at Lordstown and Flint (Mich.), and the Chrysler plants at Warren (Mich.) and St. Louis (Mo.).

Calendar year to date car production is running 18.7 per cent ahead of that at the same time last year. Truck output is in front by 2.8 per cent.

Last week's scheduled car output showed GM accounted for 57.7 per cent, Ford Motor Co., 25.1 per cent, Chrysler Corp. 14.1 per cent, and American Motors Corp. 3.1 per cent.

U.S. Production Statistics

| | Cars | Trucks | Total |
|--------------|-----------|-----------|-----------|
| Current Week | 140,727 | 37,911 | 177,738 |
| Last Week | 174,918 | 42,925 | 217,843 |
| Yr Ago Week | 134,488 | 36,984 | 171,472 |
| To Date 1971 | 5,896,551 | 1,351,633 | 7,248,184 |
| To Date 1970 | 4,966,144 | 1,314,335 | 6,280,479 |

Total Rail Freight Tons to Date Down 2.2% from 1970 Period

Freight traffic on U.S. railroads during the week ended September 4 totaled an estimated 15.1 billion ton-miles, 3.0 per cent below the corresponding week a year ago, the Association of American Railroads reported.

Cumulative volume for the first 36 weeks of 1971 was an estimated 518 billion ton-miles, 2.2 per cent below the comparable period a year ago.

Loadings in the week ended September 4 totaled 526,024 cars, 2.3 per cent above the preceding week but down 6.4 per cent from the corresponding week last year.

Compared with the preceding week of this year, 13 of the 21 commodity groups were up. Four groups showed increases over the corresponding week of 1970, although loadings of metallic ores were off 12,170 cars or 22.1 per cent.

The AAR also reported that piggyback revenue freight traffic for the week ended August 28 totaled 24,331 cars, down 4.0 per cent from the corresponding week last year, and 41,237 trailers or containers, up 0.3 per cent over 1970. Cumulative volume for the first 35 weeks of

1971 is 786,711 cars, off 7.3 per cent from last year, and 1,282,019 trailers or containers, down 6.4 per cent from 1970.

In addition to freight, 2,785 cars carrying 4,573 trailers or containers of mail and express traffic were handled by piggyback. Cumulative figures for the first 35 weeks of 1971 are 106,808 cars, down 11.2 per cent from the 1970 total, and 160,666 trailers or containers, down 13.4 per cent.

Week's Truck Freight Tonnage Tops Year-Ago Week's

Intercity truck tonnage handled through terminals in 35 metropolitan areas throughout the country, in the week ended Sept. 4, was 3.2 per cent above the volume in the corresponding week of 1970, the American Trucking Associations announced. Truck tonnage was 1.9 per cent above that of the previous week of this year.

The weekly index of truck tonnage for the week ended Sept. 4 was 125 as compared with 121 for the corresponding week in 1970. The index for the preceding week of this year was 118. Index numbers are computed from year-to-year findings of percentage change, and all data are seasonally unadjusted. The weekly level of tonnage hauled during the period 1957-59 is taken as 100.

Lumber Keeps Up Widened Margin Over Last Year

Lumber production, orders and shipments fell off in the September 4 week from the prior week but maintained its encouraging widened spread from the year-ago period.

The below data point up the latest developments in this industry:

| | Sept. 4 1971 | Aug. 28 1971 | Sept. 5 1970 |
|------------|-----------------|-----------------|-----------------|
| Production | 225,982 | 223,757 | 283,582 |
| Shipments | 231,579 | 240,277 | 198,061 |
| Orders | 212,724 | 226,247 | 206,585 |

Failures Take A Holiday In Holiday Week

Commercial and industrial failures ebbed to 147 in the holiday-shortened week ended September 9 from 151 in the preceding week which had marked the previous '71 low, reports Dun & Bradstreet, Inc. Fewer business casualties occurred than in the similar week last year when there were 170.

Wholesale Commodity Price Index Slips After Two-Week Rise

Subsiding after two consecutive weeks of advances, Dun & Bradstreet's Daily Wholesale Commodity Price Index eased 0.3 per cent to 288.22 on Monday September 13 from the preceding Tuesday's 289.19. While the index dipped 1.7 per cent below the 293.20 of the like year-ago day, it remained 0.01 per cent ahead of the corresponding level of the previous month.

Substantial declines were posted for wheat as heavy feed grain supplies reduced demand for this grain for feeding purposes, and as prospects grew for export competition from Australia and Canada. Corn eased in tandem with wheat, continuing to reflect the depressive effect of the prospect of large supplies. As harvesting operations commenced in the Northern Plains, oat quotations moved lower on slow demand. Declines also were registered for rubber and silver. In contrast,

The Securities Industry Must Still Tread Warily

Continued from Page 17

impact harder on brokers than Phase I. 1972 will be a year when we complete our recovery and meet head on the long-term reconstruction for our industry. It will be the key year in the reconstruction of the securities business. William McChesney Martin's Report, the investigations by the U.S. Senate, the House of Representatives, and the SEC will bring proposals and decisions which will alter permanently the way we now do business. In such a period it is important that the industry try to narrow the differences that divide it and, if possible, emphasize the ties that bind firms one to the other in serving the public investor. We must participate constructively in laying new foundations for the securities business.

I believe that the present plan to create a new national trade association representing securities firms across the country, both outside and in New York, can prove a vital step toward that goal. It can help insure that the interests of the owners, managers and employees of the securities industry are represented in these forthcoming deliberations.

The challenge faced by the securities business in 1972 is one that has historically faced organized, institutionalized society at times of great change: How to hold onto the basic values on which our system of free markets was founded while adjusting rapidly to the change which we cannot escape. The permanent values I would suggest we take with us tomorrow include:

- A commitment to fair and orderly securities markets, liquid and deep with equal access for all investors.
 - A commitment to the principles of full disclosure.
 - A commitment to an entrepreneurial spirit in corporate finance through investment banking.
 - A commitment to cooperative regulation, combining self-regulation with governmental oversight.
 - A commitment to give modern meaning to the philosophic foundation of our industry "just and equitable principles of trade."
- In revalidating these, our commitments to society, we, as businessmen, ask one in return — that any new system have

Form Reliance Group

LOS ANGELES, CALIF. — The Reliance Group Inc. has been formed with offices at 10880 Wilshire Boulevard to conduct a securities business. Officers are John E. Kennedy, president, and Ronald R. Safer, vice president. Mr. Kennedy was formerly with Smith, Barney & Co., Incorporated.

gains were posted in hog prices, as hog marketing at interior points diminished and as predictions spread of a lesser run of hogs than a year ago. Hides advanced as those marked for export can be traded here, carrying both domestic and export prices, which eases export trading.

within it opportunities for sufficient profits so that quality capital and quality human resources can be attracted to securities firms. Otherwise the new system will prove hollow, indeed.

Finally, the revolutionary changes encompassing all of finance have important implications for the individual firm. Change brings uncertainty and uncertainty escalates risk. Risk appropriately assessed brings rewards. Risk inappropriately assessed or ignored brings failure. This is a time of opportunity for firms who will be flexible; this is a time of opportunity for firms who seek for their customer's interest; this is a time of opportunity for firms with the will to manage. I trust every firm will meet the tests of 1972.

*An address by Dr. Kendall at the Third Annual ASEE Management Conference, New York City, September 5, 1971. ED. NOTE: The series of charts included in Mr. Kendall's presentation have been omitted.

Morgan Guaranty Appointments

Appointment of James R. Brugger and Elliot C. Clarke as senior vice presidents of Morgan Guaranty Trust Company has been announced by the bank.

Mr. Brugger heads the bank's public relations department. Mr. Clarke is in the trust and investment division. Both formerly were vice presidents.

Also announced was the appointment of George C. Nelsen as a vice president in the corporate finance division. Named assistant vice presidents were Bruce W. Schnitzer, in corporate finance; Harold O. Tinguist, in the custody department; and Robert E. Murray, in corporate trust.

The following were appointed assistant treasurers: Howard L. Aller III, Margaret M. Bambury, David L. K. Jeffrey, and Paul M. Smith, all in corporate research; Thomas S. Smith, government bond; Richard P. Eide Jr., municipal bond; and Howard V. Ford, bank operations.

Named assistant secretaries were: Donald O. Walther and Raymond A. Waters Jr.,

custody; Cornelius F. Cleary, electronic tabulating; Henry J. Christy, corporate trust; James J. Cody, Joseph L. Farrell, William C. McGill, Henry J. Walsh, and James R. Woods Jr., stock transfer; and Leo B. Leclerc, personnel administration. David C. Redding was appointed an assistant economist in the economists' department.

Mr. Brugger has been with the bank since 1954. He was named manager of public relations in 1959 and was elected a vice president in 1962.

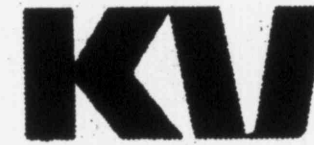
Mr. Clarke joined the bank in 1958. He was appointed an investment officer in 1959, an assistant vice president in 1963, and a vice president in 1965.

RVI Financial

CHICAGO, ILL. — RVI Financial Management, Inc. is engaging in a securities business from offices at 211 East Chicago Avenue. Officers are Robert R. Daniels, president and treasurer, and Robert E. Voegelé, secretary. Mr. Daniels was formerly with CNA Securities Corp.

This advertisement is not an offer to sell or a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus.

September 15, 1971



210,000 Shares

K-V Pharmaceutical Company

Common Stock
(Par Value \$1.00)

Price \$15.50 Per Share

Copies of the Prospectus may be obtained from such of the undersigned as are qualified to act as dealers in securities in this State.

- REINHOLDT & GARDNER THE FISHER CORPORATION
- ALEX. BROWN & SONS G. H. WALKER & CO.
Incorporated
- BACON, WHIPPLE & CO. ROBERT W. BAIRD & CO.
Incorporated
- BATEMAN EICHLER, HILL RICHARDS BIRR, WILSON & CO., INC.
Incorporated
- BLUNT ELLIS & SIMMONS DAIN, KALMAN & QUAIL
Incorporated
- A. G. EDWARDS & SONS, INC. EPPLER, GUERIN & TURNER, INC.
Incorporated
- HALLE & STIEGLITZ, INC. McDONALD & COMPANY
- THE ROBINSON-HUMPHREY COMPANY, INC.
- SCHERCK, STEIN & FRANC, INC. SINGER, DEANE & SCRIBNER
- WHEAT & CO., INC.
- JOHNSON, LANE, SPACE, SMITH & CO., INC.
- NEWHARD, COOK & CO. H. O. PEET & CO., INC.
- STIFEL, NICOLAUS & COMPANY
Incorporated
- J. A. GLYNN & CO. EDWARD D. JONES & CO.
- PELTASON, ROSENTHAL & CO., INC. I. M. SIMON & CO.
- SMITH, MOORE & CO. STIX & CO. INC.

New Issue Prices

THE CHRONICLE has computed the following list of most companies, excluding "Reg. A" underwriting, that have gone public since March 1, 1971. Date includes original offering price and September 14, 1971 opening price.

EDITOR'S NOTE: We list at the beginning those issu previously shown in the tabulation.

| | Offering Dated | Offering Price | Sept. 14 Bid Price |
|--|----------------|----------------|--------------------|
| American Telecommunications Corp. | Sept. 14 | 10 a.. | |
| Bateman Eichler, Hill Richards Inc., 200,000 shs. | | | |
| Atek Industries, Inc. | Sept. 3 | 5 | 3 1/2 |
| R.A. Wolk & Co., Inc.; Gotham Securities Corp., 200,000 shs. | | | |
| BIC Pen Corp. | Sept. 15 | 25 | a.. |
| White, Weld & Co.; SoGen International Corp., 655,000 shs. | | | |
| Frozen Food Express Ind., Inc. | Sept. 9 | 15 | 20 1/4 |
| Raucher Pierce Securities Corp., 350,000 shs. | | | |
| Halsey Drug Co., Inc. | Sept. 10 | 5 | 5 |
| S.B. Cantor Co., 100,000 shs. | | | |
| K-V Pharmaceutical Co. | Sept. 14 | 15 1/2 a.. | |
| Reinholdt & Gardner; Fisher Corp., 210,000 shs. | | | |
| Medical Scientific International Corp. | Sept. 15 | 6 1/2 | a.. |
| Stanley Heller & Co., 185,000 shs. | | | |
| Multiplex, Inc. | Sept. 5 | | a.. |
| Todd & Co., Inc., 100,000 shs. | | | |
| Piper Industries, Inc. | Sept. 15 | 10 1/2 | a.. |
| Kohlmeier & Co., 300,000 shs. | | | |
| Radiation Medical Products Corp. | Sept. 8 | 5 1/2 | a.. |
| Leyner, Dreskin & Co., 120,000 shs. | | | |
| Altius Corp. | Jul 29 | 5 | 4 1/4 |
| American Appraisal Associates Inc. | Jun 9 | 19 1/2 | 21 1/4 |
| American Communications Systems, Inc. | Aug 10 | 9 | 9 1/4 |
| American Garden Products, Inc. | Mar 4 | 12 1/2 | 14 1/4 |
| Anstat, Inc. | July 29 | 9 | 6 1/4 |
| Apogee Enterprises, Inc. | Jun 30 | 11 | 10 7/8 |
| Archie Enterprises, Inc. | Jul 28 | 9 | 8 1/4 |
| Areoptix Technology | Apr. 13 | 5 | 11 3/4 |
| Argo Petroleum | Mar 24 | 10 | 12 3/4 |
| Artists Entertainment Complex | May 11 | 10 | 19 |
| Auto-Train Corp. | Jul 15 | 10 | 18 |
| Avtek Corp. | Apr 13 | 6 | 9 3/8 |
| Baker Bros Inc. (Fla) | Jun 10 | 18 | 33 3/8 |
| Bass Financial Corp. | Mar 10 | 14 3/4 | 9 1/2 |
| Battani, Ltd. | Jul 29 | 7 | 6 3/8 |
| Berkeley Bio-Engineering, Inc. | Jun 21 | 8 | 33 |
| Big V Supermarkets, Inc. | Aug 12 | 9 | 7 3/8 |
| Bitex Corp. | Aug 24 | 7 | 6 1/2 |
| Black Indus. Inc. | Aug 5 | 6 | 7 1/8 |
| Block Drug Co. Inc. | Jun 15 | 20 | 22 3/8 |
| Bourbon Street Originals, Inc. | Mar 22 | 1 1/2 | 1 1/2 |
| Bresler & Reiner Inc. | Mar 23 | 17 | 19 1/4 |
| Burk-Hall Co. | Apr 29 | 5 | 4 3/8 |
| C&K Petroleum Inc. | Aug 3 | 9 | 7 7/8 |
| CMI Investment Corp (units) | Aug 18 | 35 3/4 | 45 1/2 |
| CRS Design Associates, Inc. | Mar 24 | 12 | 12 1/8 |
| Calprop Corp | Jul 22 | 14 | 8 1/4 |
| Capehart Corp. | Apr 12 | 5 | 13 1/4 |
| Carpenter Paper Co. | May 4 | 18 1/2 | 16 3/8 |
| Cartridge Television | Jul 13 | 20 | 20 3/4 |
| Charming Shoppes | Jul 28 | 7 | 12 3/8 |
| Charter Funding Corp. | Aug 20 | 6 | 11 1/2 |
| Chemed Corp. | May 26 | 20 | 25 3/4 |
| Chemical Express | Aug 19 | 9 1/2 | 10 1/4 |
| Cincinnati Financial Corp. | Jul 21 | 35 1/2 | 37 1/2 |
| Coca-Cola Bottling Co. of Mid-America Inc. | May 6 | 15 | 19 3/8 |
| Coca-Cola Bottling Midwest, Inc. | Jul 20 | 25 1/2 | 25 1/4 |
| Commonwealth Theatres, Inc. | Jul 13 | 10 | 9 1/4 |
| Computer Business Supplies (units) | Apr 16 | 1 | 1 3/8 |

| | Offering Dated | Offering Price | Sept. 14 Bid Price |
|---------------------------------------|----------------|----------------|--------------------|
| Cotton States Life & Health Ins. Co. | Jun 3 | 12 | 9 |
| Creative Logic Corp. | Apr 7 | 5 | 10 |
| Cross (A.T.) Co. | Apr 7 | 27 | 36 1/4 |
| Crump (E.H.) Cos. Inc. | Mar 26 | 24 1/2 | 25 3/4 |
| Danners, Inc. | Mar 26 | 11 | 10 1/2 |
| Data Access Systems Inc. | Aug 6 | 3 1/2 | 4 1/4 |
| Datatype Corp. | Mar 3 | 10 | 5 3/4 |
| DeFoe Corp. | Apr 5 | 6 1/4 | 4 3/4 |
| Digi-Log Systems | Jun 11 | 4 | 6 3/8 |
| Discount Fabrics Inc. | Mar 25 | 17 | 17 1/4 |
| Dominion Mtge. & Rlty. Trust (units) | May 28 | 12 | 12 |
| Door Openings Corp. | Aug 10 | 4 | 5 3/4 |
| Downen Zier Knits | Aug 5 | 6 | 8 |
| Educational Sound Systems, Inc. | Jul 6 | 5 | 4 |
| Engine Power Corp. | Aug 5 | 5 | 8 7/8 |
| Equipment Co. of America | May 18 | 5 | 3 3/8 |
| Evans & Mitchell Indus., Inc. | Jul 22 | 10 | 8 1/2 |
| Fair-Tex Mills Inc. | Jun 10 | 14 | 14 3/4 |
| Fantastic Fudge Inc. | Mar 9 | 7 | 19 |
| Faraday Laboratories, Inc. | Aug 10 | 5 | 31 |
| Fiberstatics Corp. | Mar 8 | 8 | 15 1/2 |
| First Builders Bancorp. | May 25 | 26 1/2 | 23 1/4 |
| First Equity Financial Corp. | May 21 | 3 | 2 7/8 |
| First Provident Co. | Mar 25 | 7 1/2 | 6 5/8 |
| Fisher & Bros., Inc. | Mar 17 | 5 | 9 |
| Fort Howard Paper Co. | May 4 | 27 3/4 | 32 1/2 |
| Forward Indus. Inc. | Mar 17 | 7 | 5 1/4 |
| Franklin Marketing Systems, Inc. | Aug. 26 | 3 | 5 1/2 |
| Franklin Resources | Aug 6 | 5 | 4 |
| Funding, Inc. | Mar 10 | 5 | 15 1/4 |
| G&R Industries Inc. | Jun 17 | 11 3/4 | 9 3/4 |
| General Precision Corp. | Jul 12 | 3 | 3 3/8 |
| Gen'l Recreation Inc. | May 25 | 12 | 9 7/8 |
| George Banta Co. | Mar 9 | 12 1/2 | 11 3/8 |
| Glosser Bros. Inc. | Jun 8 | 15 | 13 3/8 |
| Govt. Services Savings & Loan Inc. | May 11 | 13 1/2 | 19 3/4 |
| Gowe Printing | Aug 17 | 9 1/2 | 9 |
| Grand Auto Inc. | Jun 9 | 19 1/2 | 20 3/4 |
| Graphidyne Corp. | Mar 29 | 5 | 6 3/4 |
| Great Scott Super Markets, Inc. | May 13 | 3 1/2 | 12 3/8 |
| Grime Busters Inc. | Mar 11 | 5 | 4 |
| Hada Enterprises Ltd. | Mar 25 | 5 | 4 1/2 |
| Hallamore Homes | Jul 26 | 10 | 11 3/4 |
| Hannafor Bros. Co. | Jun 9 | 15 1/2 | 14 3/4 |
| Health-Chem Corp. | Jul 1 | 9 1/2 | 7 7/8 |
| Helen of Troy | Jun 7 | 5 3/4 | 3 3/8 |
| Helix Marketing Corp. | Jul 29 | 6 | 5 1/2 |
| Homewood Corp. | Jun 16 | 15 | 22 1/8 |
| Hospital Investors (units) | Aug 17 | 20 | 21 3/4 |
| Hydrophilics International, Inc. | Aug 18 | 12 1/2 | 23 3/4 |
| I/O Devices | Aug 17 | 5 | 4 3/4 |
| Integrity Entertainment Corp. (units) | Feb 26 | 3 | 2 1/2 |
| Interstate Housing Corp. | Jun 14 | 5 | 9 |
| Investors Realty Trust SBI | Apr 29 | 15 | 15 |
| Jarmel Fabrics Inc. | May 25 | 18 | 11 7/8 |
| LVO Cable Inc. | Apr 20 | 10 1/2 | 9 |
| Lancer Pacific Inc. (units) | Jul 9 | 12 | 11 1/4 |
| Land & Leisure Inc. | Jun 17 | 8 | 11 1/4 |
| Land O'Fabrics Inc. | Jul 28 | 11 | 11 |
| Laser Link Corp. | May 26 | 10 | 9 3/8 |
| Leisure Dynamics | Aug 18 | 13 3/8 | 14 7/8 |
| Lion Country Safari Inc. | Jun 10 | 12 1/2 | 13 |
| Macks Stores, Inc. | Apr 1 | 12 | 15 3/4 |
| Magnetics Intl Inc. | Mar 16 | 7 | 7 3/4 |
| Marine Int'l Corp. | Jul 7 | 13 | 9 1/2 |
| Mark IV Homes Inc. | May 26 | 6 | 11 1/4 |
| MassMutual Corporate Investors Inc. | Aug. 25 | 25 | 24 1/8 |
| Mathematica, Inc. | May 18 | 10 | 8 1/8 |

| | Offering Dated | Offering Price | Sept. 14 Bid Price |
|--|----------------|----------------|--------------------|
| Medicheck Inc. (units) | Mar 24 | 5 | 3 1/4 |
| Mervyn's | Apr 29 | 20 1/2 | 26 1/2 |
| Metromodular Systems, Inc. | Jun 25 | 7 | 11 3/4 |
| Microdata Corp. | Mar 17 | 6 | 3 |
| Mid-Central Properties Ltd (units) | Jun 30 | 12 | 10 3/4 |
| Midwestern Express Inc. | Jul 12 | 8 | 16 |
| Modumatic Industries, Inc. | Apr 20 | 5 | 9 |
| Module Systems & Develop. Corp. | May 17 | 5 | 4 1/8 |
| Multivox Corp of America | Jul 16 | 5 | 10 3/4 |
| National Mobile Concrete Corp. | Aug. 26 | 12 | 19 1/2 |
| Nat'l Modular Systems Inc. | Apr 23 | 9 | 15 1/4 |
| New America Indus. Inc. | May 18 | 10 | 13 |
| Nicolet Instrument Corp. | Jun 24 | 10 1/4 | 13 |
| Nobility Homes Inc. | Aug 24 | 16 | 27 1/4 |
| Nord Resources | May 27 | 7 1/2 | 12 1/2 |
| Nordstrom Best Inc. | Jul 29 | 24 1/2 | 23 |
| North American Suburban Corp. | Jun 21 | 3 | 2 3/4 |
| Ocean Oil & Gas Co. | May 24 | 25 | 27 3/8 |
| Oil-Dri Corp. of America | Jun 24 | 11 1/2 | 11 3/8 |
| Omega-Alpha | Aug. 25 | 5 1/2 | 5 1/4 |
| Oratronics, Inc. (units) | Jul 27 | 5 | 3 3/8 |
| Outdoor Sports Industries Inc. | Mar 16 | 11 | 8 7/8 |
| Pacesetter Industries, Inc. | Sept. 1 | 4 | 20 |
| Pandick Press Inc. | Jul 27 | 11 | 10 7/8 |
| Pelto Oil Co. | Aug 24 | 25 | 21 1/4 |
| Pertec Corp. | Jun 17 | 24 | 13 3/4 |
| Piper, Jaffray & Hopwood Inc. | Jul 29 | 19 | 18 1/2 |
| Progressive Corp. | Apr 15 | 18 | 32 1/2 |
| Property Capital Trust SBI | Jul 14 | 21 | 21 1/8 |
| Quorum Industries | May 11 | 15 1/2 | 13 3/4 |
| Radiation & Environmental Materials | Jun 4 | 3 | 7 |
| Radiant Indust. Inc. | Jun 23 | 5 | 3 3/4 |
| Rapidata | Sept. 1 | 10 | 9 7/8 |
| Rapidek Indus. Inc. | Aug 18 | 6 | 11 1/2 |
| Raycomm Indus. | May 15 | 5 | 3 |
| Realty Industries | Apr 27 | 6 | 6 3/4 |
| Realty Refund Trust (units) | Jun 17 | 20 | 20 1/2 |
| Rossmoor Corp (units) | Jul 15 | 23 | 14 |
| Saslow (D.L.) Co. Inc. | Apr 27 | 8 1/2 | 12 |
| Scanforms Inc. (units) | Jul 26 | 250 | 196 |
| Scherer (R.P.) Corp | Jun 17 | 30 | 44 |
| Sea World Inc. | Mar 17 | 40 3/4 | 29 1/2 |
| Security of America Life Ins. Co. | Jul 29 | 8 1/2 | 8 |
| Security Plastics Inc. | Jul 7 | 7 3/4 | 7 3/8 |
| Semiconductor Component Substrates Corp. (units) | Aug. 31 | 7 1/2 | 7 1/8 |
| Sinteral Corp. | Mar 15 | 5 | 5 |
| Southwest Airlines | Jun 8 | 11 | 6 1/2 |
| Spearhead Indust. Inc. | Jun 28 | 5 | 9 |
| Springer Corp. | Apr 29 | 5 | 5 7/8 |
| State Savings & Loan Assn. | May 12 | 20 | 17 7/8 |
| Stevcoknit, Inc. | May 25 | 14 | 16 |
| Storage Technology Corp. | Jun 23 | 10 | 13 3/8 |
| Stutz Motor Car of America Inc. | May 11 | 10 | 7 |
| Teletronics Intl Inc. | May 12 | 7 1/2 | 4 3/8 |
| Terminal Equipment Corp. | May 18 | 7 | 5 |
| Texas First Mtge. Investors (units) | Jun 29 | 20 | 22 1/2 |
| Thiem Corp. | Jul 14 | 10 1/2 | 9 1/4 |
| Tolchin Instruments Inc. | Aug 20 | 8 | 8 1/4 |
| TransOhio Financial Corp. | Jul 29 | 11 | 11 3/4 |
| Transport Data Communications Inc. | Jun 29 | 10 | 37 |
| Tratec Inc. | Apr 1 | 5 | 2 3/4 |
| USF Investors (units) | Jun 22 | 25 | 29 5/8 |
| Unicorn Industries | Apr 22 | 8 | 9 1/4 |
| Uniflex Inc. | Jul 9 | 6 | 10 1/8 |
| United Fire & Casualty Co. | May 11 | 15 | 17 3/8 |
| Universal Metals & Machinery Inc. | Jul 13 | 7 5/8 | 4 3/4 |
| Van Schaack & Co. | Apr 28 | 18 | 23 |
| Vicon Prods. Corp. | May 5 | 7 1/2 | 15 1/2 |
| Warben Pkging Industries Inc. | May 6 | 6 | 6 1/2 |
| Washington Post Co. | Jun 15 | 26 | 25 1/2 |
| Waste Mngmt Inc. | Jun 17 | 16 | 27 7/8 |
| Webb Publishing Co. | May 19 | 19 1/4 | 17 1/2 |
| Wilson (H.J.) Co. | Jun 8 | 14 | 24 |
| Wombat Productions Inc. | Apr 13 | 3 1/2 | 8 1/2 |
| Woodmoor Corp. | Jul 22 | 15 3/8 | 14 1/2 |
| Worthington Biochemical Corp. | Aug 18 | 12 1/2 | 14 |
| Yardis Corp. | Jun 10 | 4 | 4 |

*Now listed NYSE
+Now listed ASE
a-Issue still in syndicate
n-Nominal quotation
x-sold ex-dividend

How to Subscribe to

The COMMERCIAL and FINANCIAL CHRONICLE

The Commercial and Financial Chronicle
25 Park Place New York, N.Y. 10007
(212) 732-9570

Please enter my 5 months (20 issues) trial subscription to the Thursday edition only at a cost of \$15.00.

NAME.....

ADDRESS.....

CITY..... STATE..... ZIP.....

Your Check Must Be Included

Above rates U.S. and Possessions Foreign rates on request.

MUTUAL FUNDS

By **JOSEPH C. POTTER**

104 Per Cent Invested

In these swiftly-changing times, nothing and nobody, seemingly, are the same. Conservatives become Keynesian and apostles of anti-communism arrange pilgrimages to Peking.

In the corporate executive suites, captains of industry who, in the 1960's, wanted their companies to be called Conglomerates, now prefer to be known as managers of multi-industry enterprises.

In the field of mutual funds, similarly, managers of fast-moving (upward, of course) funds liked to be known as Go-Go. They were active traders, nimble pickers of winners, and the results, of course, were climbing assets (per share, too).

Take Philadelphia's little Revere Fund (assets: \$16 million) which aims to go and grow through "a method of investing for the primary purpose of possible capital appreciation." Anticipating the Soaring Sixties, Revere was launched a dozen years ago with little more than \$100,000 and asset value of \$7.14 a share. By the close of the fiscal year on Oct. 31, 1961, Revere was in full gallop: value per share was \$12.80.

The market slide of 1962 almost unhorsed Revere and the figure per share fell back to \$8.37. But Revere was off again in 1963, to \$12.29, and with scarcely a break in stride rode up to \$18.70 a share and \$20 million in assets by 1968.

But, as everybody who reads the form tables knows, the going in the next two years were slippery for Revere and other risk-takers. From its lofty position at the close of 1968, Revere slipped back during that period to \$8.86 a share (as of the close of the last fiscal year).

Now Revere is headed into the final quarter-with assets per share of \$10.07, compared with \$8.57 on July 31, 1970. Commenting on the outlook for the nation's economy and Revere, in the wake of President Nixon's announcement of a new economic policy, William M. Hess, President of Revere, says:

"Though it will take a period of time to experience the implementation and benefit of such maneuvers, it is apparent that this move indicates the length to which Governmental administrators are willing to extend themselves to promote the economy. If such policy

changes are successful, we expect that the market should respond favorably for some period of time. We believe that (the) fund is well-positioned to take advantage of such gains."

Revere's position is interesting: 104.08 per cent invested, including substantial short positions in Abbott Laboratories and Natomas. Its foreign holdings tote up to well over 8 per cent of investments, with major emphasis on Japanese companies.

Revere was far more active than Washington in the quarter ended July 31. As benefits a seasoned go-and-grow fund, it was busily acquiring, adding and eliminating equities. New acquisitions included Sumitoma Bank of California, Philip Morris, White Motor, Barbara Lynn Stores, International Foodservice Systems, New Process Co. and Winnebago Industries.

Additions: Cole National, Walt Disney, Edison Brothers Stores, Ogilvy & Mather International, Palm Beach, Shiseido Co. Ltd. (A.D.R.'s), National Systems, MGIC Investment and Gilford Instrument Laboratories.

Eliminations: American Petrofina, Avon Products, Communications Satellite, Consolidated Natural Gas, Fedders, Handleman, Independent Life & Accident Insurance, Jim Walter, Kinney Services, MacDermid, National Paragon, Peabody-Gallion, Santa Fe International Corp., Tappan, Zurn Industries and International Business Machines.

This was the period in which Revere was going short of Abbott and Natomas.

Will Nixon's new economic policy bring benefits? Will American-held investments abroad fare well? Will short sales be profitable? Will sellers of I.B.M. be sorry? Will Revere get back to the \$21.4 million of assets attained in 1969?

Only one thing is clear right now: the horse and jockey illustrating the fund's literature appear fit.

Common Shares Sold By Fabric Wholesalers Inc.

The public offering of 140,000 shares of Fabric Wholesalers, Inc. common stock is being made at \$18 per share through Herron Northwest, Inc., Seattle, and Craig-Hallum, Inc., Minneapolis.

Of the total, 80,000 shares are being sold by the company and 60,000 by certain stockholders.

Proceeds from the company's portion of the offering are to be used for debt repayment and working capital.

Fabric Wholesalers, of Portland, Ore., is engaged in the wholesale and retail sale of fabrics, notions, patterns and trimmings.

Common Sold by Municplex, Inc.

The public offering of 100,000 shares of Municplex, Inc. common stock is being made at \$5 per share by Todd & Co., Inc., Carlstadt, N.J.

Continued from Page 6

Urban Affairs, Massachusetts Institute of Technology (former Mayor of Boston); **Robert W. Eisenmenger**, Senior Vice President and Director of Research, Federal Reserve Bank of Boston; **Ronald Forbes**, Assistant Professor of Finance, State University of New York at Albany; **Peter Fortune**, Economist, Federal Reserve Bank of Boston.

Also, **Harvey Galper**, Senior Research Staff, The Urban Institute; **Richard Gabler**, Senior Analyst, Advisory Commission on Intergovernmental Relations; **Peter Harkins**, Executive Director, Maryland Municipal League, Inc.; **Patrick Healy**, Executive Vice President, National League of Cities; **Robert Huefner**, Graduate

Student, Harvard Business School; **Earl Mackey**, Assistant Director, National Governors' Conference; **Benjamin McKeever**, Assistant Counsel, Subcommittee on Housing, House Banking and Currency Committee; **Bruce MacLaury**, President, Federal Reserve Bank of Minneapolis; **Kenneth McLean**, Professional Staff Member, United States Senate Committee on Banking Housing and Urban Affairs; **Frank Morris**, President, Federal Reserve Bank of Boston; **Lawrence Naake**, Western Regional representative, National Association of Counties.

Also, **David Ott**, Professor of Economics, Clark University; **John Peterson**, Municipal Director, Investment Bankers Association of America; **Donald Reeb**, Associate Professor, State

University of New York at Albany; **Edward Renshaw**, Professor of Economics, State University of New York at Albany; **Sally Ronk**, Economist, Drexel Firestone; **Paul Schneiderman**, Economist, Board of Governors of the Federal Reserve System; **Stanley Surrey**, Jeremiah Smith Jr. Professor of Law, Harvard University; **Paul Tracy, Jr.**, Vice President, First National City Bank; **John Thompson**, Vice President, Equitable Securities, Morton & Co., **Richard Thompson**, Legislative Counsel, National League of Cities and U.S. Conference of Mayors; **John Walsh**, Director of Finance, City of Hartford, Connecticut; **Steven Weiss**, Assistant Vice President and Economist, Federal Reserve Bank of Boston.

Urge Additional Access to Credit Markets

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

New Issue

September 15, 1971

\$120,000,000 Power Authority of the State of New York Revenue Bonds, Series D

Interest exempt, in the opinion of Messrs. Hawkins, Delafield & Wood and of Messrs. Sullivan, Donovan, Haasrahan, McGovern & Lane, bond counsel to the Authority and to the Underwriters, respectively, under the existing statute and court decisions from Federal income taxes, and under existing statutes from New York State and New York City income tax.

\$98,000,000 5½% Bonds, due January 1, 2010

Price 100%

\$22,000,000 Serial Bonds

| Principal Amount | Due January 1 | Interest Rate | Price | Principal Amount | Due January 1 | Interest Rate | Price or Yield |
|------------------|---------------|---------------|-------|------------------|---------------|---------------|----------------|
| \$1,640,000 | 1986 | 5.10% | 100% | \$2,270,000 | 1991 | 5½% | 100% |
| 1,750,000 | 1987 | 5.20 | 100 | 2,425,000 | 1992 | 5.60 | 5.55 |
| 1,870,000 | 1988 | 5.30 | 100 | 2,590,000 | 1993 | 5.60 | 100 |
| 1,995,000 | 1989 | 5.40 | 100 | 2,765,000 | 1994 | 5.60 | 100 |
| 2,130,000 | 1990 | 5½ | 100 | 2,565,000 | 1995 | 5.60 | 100 |

Accrued interest from October 1, 1971 is to be added to the prices.

The Bonds are subject to redemption, as a whole or in part, at any time on and after January 1, 1981 as set forth in the Official Statement.

Copies of the Official Statement dated September 14, 1971 which contains further information may be obtained from such of the undersigned as are registered dealers in securities in this State.

Dillon, Read & Co. Inc.

W. H. Morton & Co.
Division of American Express Company

Kuhn, Loeb & Co.

Hornblower & Weeks-Hemphill, Noyes

| | | | | | |
|--|---------------------------------|-----------------------------|--------------------------------------|-------------------|--|
| Allen & Company | Bache & Co. | Bear, Stearns & Co. | A. G. Becker & Co. | Blyth & Co., Inc. | Alex. Brown & Sons |
| Donaldson, Lufkin & Jenrette, Inc. | | | Drexel Firestone | | duPont Glore Forgan Municipals |
| Eastman Dillon, Union Securities & Co. | | | The First Boston Corporation | | Halsey, Stuart & Co. Inc. |
| Harris, Upham & Co. | Kidder, Peabody & Co. | | Ladenburg, Thalmann & Co. | | Loeb, Rhoades & Co. |
| Merrill Lynch, Pierce, Fenner & Smith | | | John Nuveen & Co. | | Paine, Webber, Jackson & Curtis |
| Phelps, Fenn & Co. | R. W. Pressprich & Co. | Reynolds Securities Inc. | L. F. Rothschild & Co. | | Salomon Brothers |
| Shearson, Hammill & Co. | | F. S. Smithers & Co., Inc. | | | Stone & Webster Securities Corporation |
| Walston & Co., Inc. | Weeden & Co. | | Wertheim & Co. | | Dean Witter & Co. |
| Altgelt & Company | American Securities Corporation | | J. C. Bradford & Co. | | CBWL-Hayden, Stone Inc. |
| Clark, Dodge & Co. | Dominick & Dominick, | | First of Michigan Corporation | | E. F. Hutton & Company Inc. |
| W. E. Hutton & Co. | | | Tripp & Co., Inc. | | Wood, Struthers & Winthrop Inc. |
| Adams, McEntee & Company | Bacon, Stevenson & Co. | | Barr Brothers & Co. Inc. | | Edwards & Hanly |
| Fahnestock & Co. | Geo. B. Gibbons & Company | Park, Ryan, Inc. | Wm. E. Pollock & Co., Inc. | | Rand & Co., Inc. |
| Riter, Pyne, Kendall & Hollister | Roosevelt & Cross | Austin Tobin & Co. | R. D. White & Company | | Eldredge & Co. |
| Ergood & Co. | Estabrook & Co., Inc. | Halle & Stieglitz, Inc. | Putnam, Coffin, Doolittle, Newburger | | Division of Advest Co. |
| Roosevelt & Son | John J. Ryan & Co. | Sage, Rutty & Co., Inc. | | | Spencer Trask & Co. |
| Tecott, Jackson, Wilson White & Co. | | Tucker, Anthony & R. L. Day | G. H. Walker & Co. | | Adams & Peck |
| Ehrlich-Bober & Co. Inc. | Ernst & Co. | D. A. Pincus & Co. | Stern, Lauer & Co. | | Wood, Walker & Co. |



PROSPECTUS AND LITERATURE AVAILABLE FROM SELECTED DEALERS or write:

PROVIDENT MANAGEMENT CORP.
3 PENN CENTER PLAZA
PHILADELPHIA, PA. 19102

Implications of an Excess Profits Tax

Continued from Page 1

and 1953 was 82 per cent. The EPT was retroactive to June 29, 1950.

The result of all these measures was to raise the effective corporate tax rate from 36 per cent in 1949 to a peak of 51 per cent in 1951. (See Chart 1, and Table 1). The effective rate fell off somewhat in 1952 as various devices were employed to bring down taxable earnings. A noticeable increase in advertising, repairs, and gift giving (181 per cent gain between 1949 and 1953!) was among the methods used. The tax was removed at the end of 1953, and effective rates declined.

The Base:

A Basic Question

In attempting to assess the effect of an EPT on the corporate profits we have forecasted for 1971, 1972, and 1973 (preliminary), a little speculation is necessary on the type of tax that might be enacted. For discussion purposes we assume an arrangement similar to that prevailing during the Korean War period. It is unlikely that a statutory rate-of-return-on-investment standard will be applied this time, since it may tend to overemphasize the need to protect just one of the major factors of production. Further, it discriminates against large corporations. And it's too complicated for politicians and the public to calculate, explain, and understand. Eliminating this as a possibility, the question remains: "On what base and basis could an EPT be enacted?" Dollar volume of profits such as was previously used is one possibility for a base or guideline. Another is profit margins during some base period. Assuming that a corporation could choose among

these alternatives, the really hard choice is yet to come: What year or years would be used as a benchmark?

Tackling the first question, we believe profit margins are the more likely baseline standard because use of dollar volume of profits does not allow corporations even enough profit growth to get past inflation and its effects. (The freeze won't kill it all.) Also, as will soon become apparent, excess profits taxation on the dollar volume basis would take a devastatingly large portion of profits and leave aggregate after-tax profits not much better off than they were during 1969 and 1970. This, of course, could take some of the zip out of PEP (the President's Economic Plan).

Corporate profit estimates have been somewhat schizophrenic of late. Long before PEP we had made forecasts of pre-and post-tax profits for 1971, 1972, and 1973. A scant two weeks before PEP we changed them slightly to reflect major profit data revisions. Now the numbers have to be changed again in an attempt to guess at PEP's impact on next year's profits—assuming, of course, no external limitations. (See Table 2)

Table 3 illustrates the excess of corporate profits that would be susceptible to an EPT under a variety of base-period assumptions if dollar profits were the base. Under condition No. 1 corporations stand to lose more than \$3 billion of what without the EPT would have been \$56 billion in 1972 after-tax profits—and condition No. 1 is the most favorable baseline in the table. Under the worst of baseline conditions (No. 5) the loss to 1972 after-tax profits is nearly \$8 billion, thus rolling back after-tax profits to present

levels. It is very doubtful that the Administration would go that far to "equalize" the freeze. One could, of course, lower the tax rate and still use this dollar baseline, but the rate would have to be so small that it would do little to quell suspicions of inequity.

Boxing a Straw Man?

The other alternative is to use some baseline profit margin figure and then tax all profits that cause the margin to exceed the base. Calculating a variety of benchmarks and their effect in "creating" excess profits produces a set of startling results. In the absence of a comparative aggregate corporate sales series to use in computing profit margins, we chose to calculate margins on the basis of pretax profits and their ratio to gross national product. Table 4, depicts profit margins calculated in this way. The results are—shall we say—refreshing and confirm Secretary Connally's recent remark that "there aren't any excess profits."

Looking at Table 4, only if 1970 (condition No. 5 and most unlikely) is chosen as the benchmark for margins will there be any excess profits tax liability—at least in the aggregate. Condition No. 2 would appear to be the most likely type of baseline, and as the table shows, no EPT liability comes up at all. This particular phenomenon allows for a considerable show of equity. A very high EPT could be enacted without materially affecting corporate earnings, pretax or after-tax. Such a result could be virtually guaranteed by selection of the proper base period, for as our margin estimates for 1971, 1972, or 1973 show, there is little chance for them to reach pre-1970 levels. Certainly companies that have shown markedly widening margins would suffer, but the overall effect would be slight. However, it remains for the analyst and the investor to examine individual companies carefully in order to determine how such an arrangement would affect individual company earnings and hence the composition of one's portfolio.

In Table 5 we take a fast look at an industry breakdown. Using FTC-SEC data on pretax profits per dollar of sales in manufacturing, we see that in almost every case profit margins were markedly higher in 1966 than in 1970. (A few notable exceptions such as the foods and tobaccos had stable margins, but there are no "whipsaws.") This consistent difference between the two periods backs up the conclusion drawn from the aggregate data: Only the choice of an extremely unfavorable base like 1970 would create a significant excess profits tax liability and even in that worst case only about \$3 billion, or 6 per cent, would be deducted from estimated 1972 after-tax profits.

As a result of all this, it seems that application of a heavy tax rate on such relatively high ceilings for margins might reduce criticism of profits while leaving intact the cyclical earnings growth potential of

corporations, a group whose support the President can ill afford to lose at the polls. At the same time, of course, he might force the cooperation of organized labor in his attempt at price and wage stabilization, economic growth—and reelection. At the same time, historically low margins would be allowed to grow from present levels pretty much as they would

have in the absence of any controls on profits.

Belling the Cat

There is every justification for allowing sufficient growth in profits to restore more traditional profit margins. Margins have been heading south for several years, as Chart 2, indicates.

In a sense, profit margins are a measure of profits' share of the

Table 3
PRETAX CORPORATE PROFITS SUBJECT TO EPT, USING DOLLAR TOTALS AS BASELINE
(\$ Billions)

| Year | Estimated Dollar Profits | 1966-1970 Base Period and Variations | | | | |
|------|--------------------------|--------------------------------------|-----------------------|---------------------|---------|--------------|
| | | #1 Best Year (1968) | #2 Avg. Best 3 Years* | #3 1968, 1969, 1970 | #4 1969 | #5 1970 |
| 1971 | \$85 | \$87.6 | \$85.3 | \$82.4 | \$84.2 | \$75.4 |
| | ** | -- | -- | 2.6 (0.9) | -- | 9.6 (3.5) |
| 1972 | 97 | 9.4 | 11.7 | 14.6 | 12.8 | 21.6 |
| | ** | (3.4) | (4.2) | (5.3) | (4.6) | (7.8) |
| 1973 | 102 | 13.4 | 15.7 | 18.6 | 16.8 | 25.6 |
| | ** | (4.8) | (5.7) | (6.7) | (6.0) | (9.2) |

* 1966, 1968, 1969.

** Amount in parentheses is the reduction (from Table 2 projections) in after-tax profits, assuming a 30% excess profits tax plus the difference between the statutory corporate income-tax rate (48%) and the probable effective tax rate on "normal" 1972 profits (42%), for a total incremental tax rate of 36% on "excess" profits.

Table 4
PRETAX CORPORATE PROFITS SUBJECT TO EPT
USING PROFIT MARGINS* AS BASELINE

| Year | Est. Pretax Margin | 1965-1970 Base-Period Margins and Variations | | | | |
|------|--------------------|--|------------------------|---------------------|---------|---------------------|
| | | #1 Best Recent Year (1965) | #2 Avg. Best 3 Years** | #3 1968, 1969, 1970 | #4 1969 | #5 1970 |
| 1971 | 8.1% | 11.4% | 10.9% | 9.0% | 9.1% | 7.7% |
| | *** | -- | -- | -- | -- | \$4.2 bil. (1.5) |
| 1972 | 8.5 | -- | -- | -- | -- | 9.2 (3.3) |
| | *** | -- | -- | -- | -- | 7.3 (2.6) |
| 1973 | 8.3 | -- | -- | -- | -- | 7.3 (2.6) |
| | *** | -- | -- | -- | -- | 7.3 (2.6) |

* Ratio of corporate pretax profits to GNP.

** 1965, 1966, 1968.

*** Amount in parentheses is the reduction (from Table 2 projections) in after-tax profits, assuming a 30% excess profits tax plus the difference between the statutory corporate income-tax rate (48%) and the probable effective tax rate on "normal" profits (42%), for a total incremental tax rate of 36% on "excess" profits.

Table 5
PRETAX PROFIT MARGINS IN MANUFACTURING

| Industry | 1966 | 1970 |
|---|------|------|
| All Manufacturing Corporations, Except Newspapers | 9.3% | 6.8% |
| Durable Goods | 10.0 | 6.3 |
| Transportation Equipment | 9.3 | 3.6 |
| Motor Vehicles & Equipment* | 10.7 | 3.5 |
| Aircraft & Parts | 5.5 | 3.5 |
| Electrical Machinery, Equipment, & Supplies | 9.0 | 6.1 |
| Other Machinery | 11.7 | 9.4 |
| Metalworking Machinery & Equipment | 11.6 | 6.7 |
| Other Fabricated Metal Products | 8.5 | 5.8 |
| Primary Metal Industries | 11.2 | 5.9 |
| Primary Iron & Steel* | 9.8 | 3.5 |
| Primary Nonferrous Metals* | 13.7 | 8.9 |
| Stone, Clay, & Glass Products | 9.5 | 6.4 |
| Furniture & Fixtures | 6.8 | 4.9 |
| Lumber & Wood Products, Except Furniture | 5.9 | 4.4 |
| Instruments & Related Products | 17.3 | 13.7 |
| Miscellaneous Manufacturing & Ordnance | 7.9 | 6.3 |
| Nondurable Goods | 8.6 | 7.3 |
| Food & Kindred Products | 4.8 | 4.8 |
| Dairy Products* | 4.4 | 3.9 |
| Bakery Products* | 4.3 | 4.2 |
| Alcoholic Beverages | 7.7 | 8.0 |
| Tobacco Manufactures | 11.1 | 11.1 |
| Textile Mill Products | 6.5 | 4.1 |
| Apparel & Other Finished Products | 4.1 | 3.7 |
| Paper & Allied Products | 9.1 | 5.8 |
| Printing & Publishing, Except Newspapers | 9.1 | 8.0 |
| Chemicals & Allied Products | 13.5 | 10.7 |
| Basic Chemicals* | 13.6 | 8.5 |
| Drugs* | 19.7 | 17.2 |
| Petroleum Refining & Related Industries | 12.9 | 11.0 |
| Petroleum Refining* | 13.1 | 11.0 |
| Rubber & Miscellaneous Plastic Products | 7.7 | 5.1 |
| Leather & Leather Products | 5.4 | 4.8 |

* Included in major industry above.

Source: FTC-SEC Quarterly Financial Reports of Manufacturing Corporations.

Table 1
EFFECTIVE CORPORATE INCOME-TAX RATES,* 1949-1971

| Year | Effective Tax Rate | Year | Effective Tax Rate |
|------|--------------------|-----------|--------------------|
| 1949 | 36.0% | 1961 | 45.9% |
| 1950 | 41.6 | 1962 | 43.6 |
| 1951 | 50.9 | 1963 | 44.3 |
| 1952 | 49.7 | 1964 | 42.4 |
| 1953 | 49.9 | 1965 | 40.3 |
| 1954 | 46.3 | 1966 | 40.7 |
| 1955 | 44.4 | 1967 | 41.6 |
| 1956 | 44.4 | 1968 | 45.5 |
| 1957 | 44.9 | 1969 | 47.1 |
| 1958 | 46.1 | 1970 | 45.3 |
| 1959 | 45.5 | 1971 Est. | 44.5 |
| 1960 | 46.4 | | |

* The ratio of profits tax liability to total corporate pretax profits (before IVA) on a National Income Accounts basis.

Table 2

CORPORATE PROFITS IN THE DEAN WITTER MODEL
(Billions)

| Year | Before PEP* | | After PEP* | |
|------|-------------|-----------|------------|-----------|
| | Pretax | After-Tax | Pretax | After-Tax |
| 1971 | \$84 | \$47 | \$85 | \$47 |
| 1972 | 95 | 52 | 97 | 56 |
| 1973 | 100 | 55 | 102 (p) | 60 (p) |

* All figures exclude the liberalized depreciation allowance due to the uncertainty of its legality and use.

(p) - Preliminary.

distribution of national income, which should not be arbitrarily pushed down any more than labor's share or anyone else's.

One argument against this point of view that might be made by forces unfriendly to profits could run as follows: "It has been shown several times in the past two decades that adroit anticyclical monetary and fiscal policies can markedly reduce the amplitude and severity of the business cycle, so risk from that source has diminished. Further, if government intends to sit in judgment on what is a 'fair' price it is likely to end up putting an umbrella over as many companies and industries as it knocks down, which is another way of saying that the risk of open competition, either intra- or interindustry, will be reduced. If profits are in any way the reward for risk, and risk has declined, so should profits, in a relative sense."

Space does not permit an

effective rejoinder to this argument except to point out that there has been a 100 per cent increase in liabilities of business failures during the past two years due at least in part to the zigs and zags of monetary and fiscal policies in the past five years. (Of course, there has also been a 100 per cent increase in the number of persons unemployed.)

If all sides can agree that the profit margin approach is more equitable than doing nothing at all, it would leave organized labor little choice but to cooperate in Phase II of the price/wage suppression policies, since its greatest apparent objection will have been met. At the same time, 1972 profit gains, which will be high for purely cyclical reasons, would be protected from accusations of "windfall" and profiteering. The climate for healthy profits might thus be improved during the wage/price stabilization process.

And so it is that the cat which would get "belled" by the toll on profits is labor, and isn't that what is really at stake in the final analysis?

To be sure, there are so many long-term risks involved in taxing profits in this manner that we do not endorse and could not support such a maneuver. We seek merely to point out that if put together properly, it would not be the end of the world as many investors believe. Besides, the Administration has declared open season on tradition and conventional wisdom with its daring, precedent-setting proposals. Although a great deal of posturing may occur in the next month or so, 180 degree turns are quite fashionable these days. Until the final decisions are announced, anything can happen and the investor should be prepared. Any stentorian disclaimers or categorical remarks of whatever nature between now and then should be

regarded about as seriously as Br'er Rabbit's plea not to be thrown into the briar patch.

When you stick your finger on the Tar Baby of controls, you are likely to get your whole hand stuck before you're through. And there are five fingers: prices, wages, profits, dividends, and interest rates. On the other hand, of course, there are five more!

Ed. Note: — Mr. Jon Brock, a consultant to the firm's Research Department, assisted Mr. Conlon in preparing the study.

J.B. Cave Joins White, Weld & Co.

John B. Cave has joined White, Weld & Co., 20 Broad Street, New York City, members of the New York Stock Exchange, as a senior member of the firm's corporate finance department, it has been announced. Mr. Cave resigned as financial vice president of Burlington Industries to join White, Weld & Co.

Mr. Cave is a 1950 graduate of The Citadel and received an MBA from Harvard Business School in 1955. He joined Burlington in 1955 and was elected treasurer in 1962, and financial vice president and a director in 1969.

In addition to his responsibilities at Burlington, Mr. Cave is a Trustee of the Committee for Economic Development, a member of the Technical Consultants to the Business Council and has served as a director of INA Life Insurance Company of New York and the Textile Advisory Board of the Chemical Bank.

Legg, Mason Promotes Eight

BALTIMORE, MD. — William F. Gliss, chairman of the board of Legg, Mason & Co., Inc., 22 Light Street, members of the New York Stock Exchange, Inc., has announced the promotion of eight staff members. Among the appointments are five new vice presidents and three associate vice presidents.

Those named to vice president are: William U. Hooper, Jr., manager, Syndicate Department; William B. Jones, Jr., manager, Washington Sales Office; Ernest C. Kiehne, Director of Research Department; Philip J. Peters, manager, Baltimore Sales Office; and Nicholas J. St. George, Director of Buying Department.

The three new associate vice presidents are: Gerard J. Greene, manager, Municipal Bond Department; Douglas C. Petty, Jr., Director of Corporate Development Department; and Paul W. Schlough, manager, Baltimore Insurance Stocks Department.

Legg, Mason is headquartered in Baltimore with a principal office in Washington, D.C. Branches are located throughout Virginia and Maryland with Institutional Offices in New York, Chicago and San Francisco.

Form Leed Securities

BAYSIDE, N.Y. — Leed Securities Corporation is conducting a securities business from offices at 23-16 217th Street. David Brown is president and treasurer. He was formerly with Frank & Drake, Inc. and Edwards & Hanly.

Coming Listings

Below is a list of companies which have applied for initial listing of their securities on stock exchanges, and have been approved with or without effective dates. A separate section is given for those companies in which they have applied for listing but application is pending.

New York Stock Exchange

Applications Approved

- General Medical Corp.
2,238,029 shares
Sept. 22
- Gilbert Flexi-Van Corp.
3,320,614 shares
Sept. 24
- Triangle-Pacific Forest Products Corp.
2,106,572 shares
Sept. 27
- Alcon Laboratories, Inc.
2,719,387 shares
Oct. 4
- Mohawk Rubber Co.
1,245,951 shares
Oct. 8
- Continental Investment Corp.
13,632,501 shares
Oct. 12
- Ideal Toy Corp.
2,595,074 shares
Oct. 14

Applications Pending

- Artic Enterprises, Inc.
3,222,040 shares
- Golden West Financial Corp.
4,547,373 shares
- Mission Equities
2,040,724 shares
- Tesoro Petroleum Corp.
5,533,121 shares
\$25,000,000 5 1/4 Conv. Sub.
Debs., due Feb. 1, 1989

American Stock Exchange

Listing Approved

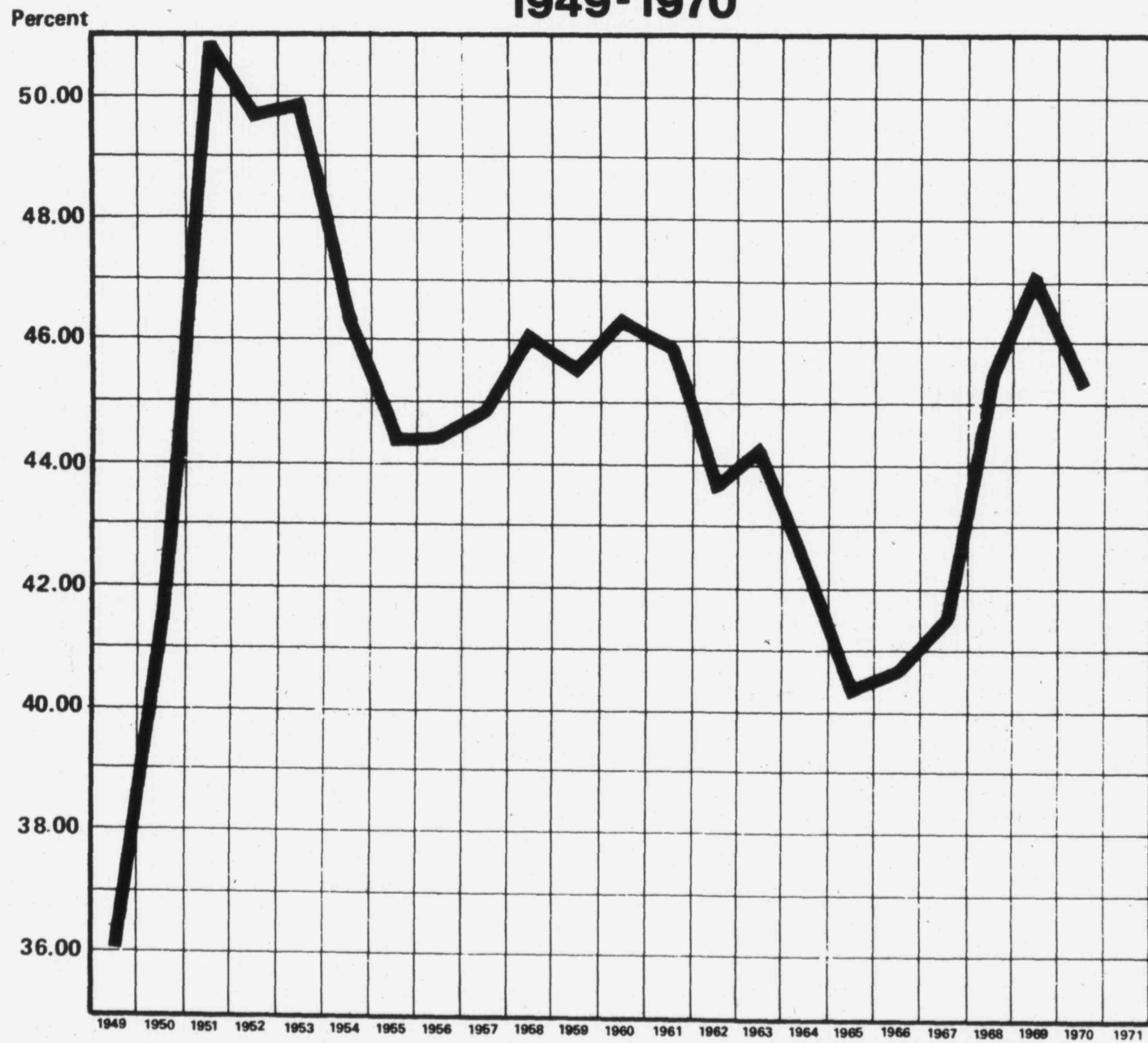
- American Int'l Pictures, Inc.
1,182,500 shares
- American Metal Climax
761,666 Warrants
No date - No symbol
- Cabot, Cabot & Forbes
Land Trust
1,548,459 shares Ben. Int.
- General Recreation, Inc.
1,572,057 shares
- Geon Industries
1,187,776 shares
No date - No symbol
- GREIT Realty Trust
997,500 shares
- Le Gran Corporation
824,949 shares
- Stevco knit, Inc.
1,840,000 shares

Listing Pending

- Carrier Corp.
750,000 Warrants
- Charter Company (The)
2,584,078 shares
- Community Psychiatric Centers, Inc.
1,031,566 shares
- Military Purchase System
1,421,250 shares
- Nationwide Homes, Inc.
886,231 shares
- Neonex Int'l Ltd.
6,936,249 shares
- OEA, Inc.
1,556,255 shares
- Patagonia Corp.
1,473,751 shares
- Splentex, Inc.
360,000 shares
- Starrett Housing Corp.
1,103,304 shares

Chart 1

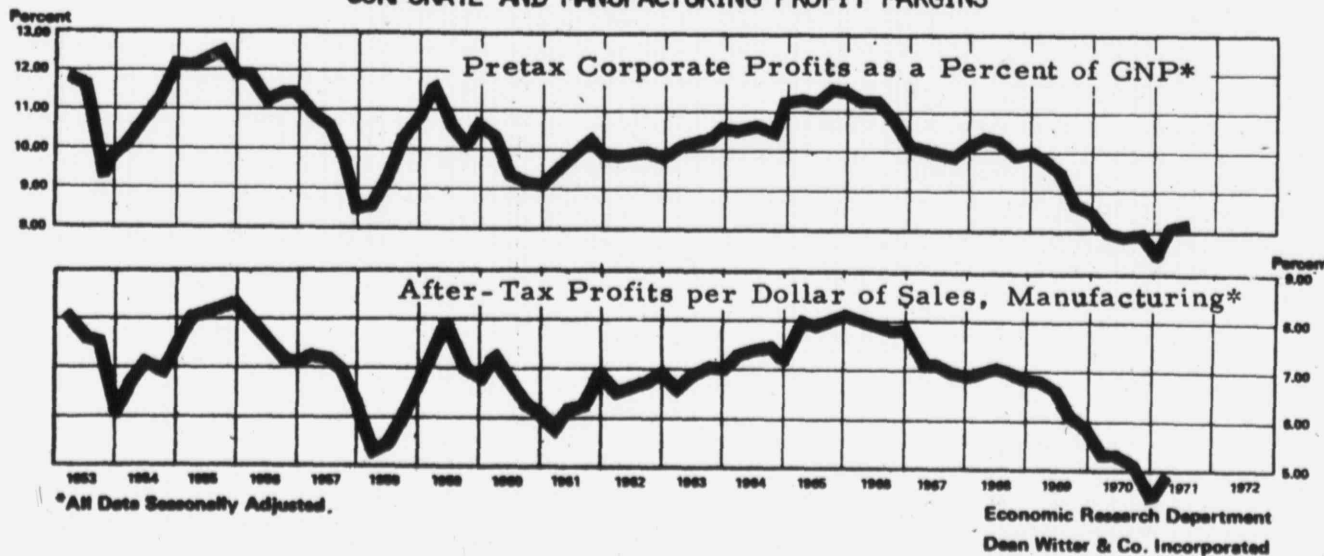
EFFECTIVE CORPORATE TAX RATES 1949-1970



Economic Research Department
Dean Witter & Co. Incorporated

Chart 2

CORPORATE AND MANUFACTURING PROFIT MARGINS



*All Data Seasonally Adjusted.

Economic Research Department
Dean Witter & Co. Incorporated



WASHINGTON AND YOU

BEHIND-THE-SCENES INTERPRETATIONS
FROM THE NATION'S CAPITAL

WASHINGTON, D.C. — This is a most important year for Puerto Rico, which means Rich Port in Spanish. It was 450 years ago this year that San Juan, the capital of this beautiful and fertile island 1,400 miles from New York City, was founded.

As this was being written, nearly all of the Governors of the 50 States and the Chief Executives of Guam, Samoa and the Virgin Islands were gathering with their wives and top staff members to take part in the National Governors' Conference. At the same time, the Chief Executives were joining Governor Luis A. Ferre, of Puerto Rico, to mark the milestone of this United States possession in the tropics.

Puerto Rico became a possession of the United States in 1898 at the end of the Spanish-American war. The people, mostly of Spanish descent, are hospitable and gay, like Latin Americans generally. Although Spanish in culture, they are American in outlook and observe the same democratic traditions.

Puerto Rico's problems growing out of the density of population and high birth rate, have been intensified during the past couple of years. The island's economy has been somewhat clouded due in large degree to the recession on the Mainland. Unfortunately, the degree of adversity has been badly exaggerated in some otherwise responsible communications media.

It is true, of course, that Puerto Rico tourism has suffered recently and a number of hotels were closed. On the other hand, others are being markedly expanded and several new ones are being erected. Furthermore, the Caribbean area has been the victim of a slowdown of tourism.

Prices Too High

The cause of the decline in tourism in the entire area was the same — too expensive. Prior to the 1969-70 recession, some hotels were asking as much as \$60 a day for a single room, to which had to be added the cost of meals. The total outlay was simply too expensive for most vacationers looking for a warm spot in the sun in the winter months. Now, however, bargain rates have been put into effect in an effort to attract more tourists.

For the National Governors' Conference in Puerto Rico, for example, a double room was being offered in one or two of the principal hotels for \$24 a day.

Governor Ferre, the host of the National Governors' Conference, has worked closely with Washington since taking office. The great majority of knowledgeable people in the Nation's capital and throughout the Mainland believe that he is genuinely interested in making Puerto Rico a better place in which to live.

Ferre Hits Distorted Economic Reports

On a recent trip to Washington, Governor Ferre deplored the rash of headlines and

commentaries in some publications which he said had given a "completely mistaken and distorted view of Puerto Rico's economic picture." He cited a series of facts in support of his contention that the economy of the island is favorable in the light of the recession. Among them are:

Puerto Rico's economy grew 10.7 percent during the last fiscal year, with real growth 5.4 percent "after deducting the effect of inflation."

Per capita income reached \$1,556 on June 30, the highest in Central and Latin America, a 9 per cent increase over the previous year.

Bank deposits reached a record level of \$2,990,000,000 in fiscal 1971, up more than 17 percent in one year.

In 1970-71, Puerto Rico floated \$450,000,000 in long-term bonds, the largest amount ever obtained by the Puerto Rican Development Bank from Mainland investors in any fiscal year.

In the construction industry, expenditures rose to \$1.15 billions, representing an increase of 16.6 percent over the previous year.

Puerto Rico's development is dependent to a large extent on the economic situation in the United States. Puerto Rico in 1952 was declared a Commonwealth by the United States. The Island was given its own constitution and almost complete self-government. The people are not only citizens of Puerto Rico but also of the United States.

The Governor appoints all Island officials. Before 1948, the Chief Executive was appointed by the President of the United States. Now, he is elected by the people for a four-year term.

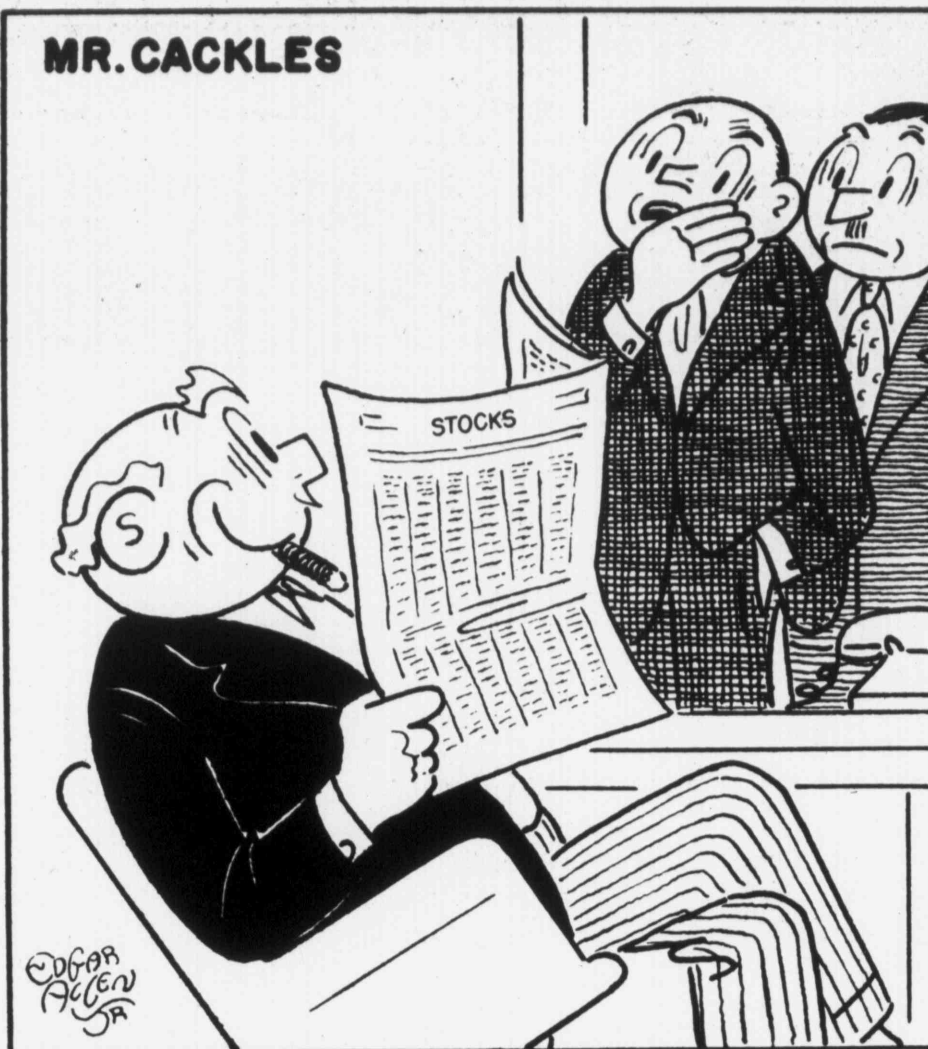
Governor Ferre, as an indication of the esteem held by his fellow Governors, is the incumbent chairman of the 17-State Southern Governors' Conference. He is scheduled to preside over this conference at Atlanta in November.

Cites Investor Confidence In Commonwealth's Bonds

"Confidence is something that speaks loudest as far as Americans are concerned in Wall Street," said the Commonwealth's Chief Executive on his Washington visit. "Despite all these stories that Puerto Rico is not a massive growth economy, we find that during the fiscal year ended June 30, \$450 million of long-term bonds were sold by the Puerto Rican government, and 95 percent were acquired by Mainland institutions." With a few exceptions, incidentally, most of the issues were speedily marketed by the underwriting syndicates.

"Puerto Ricans are Spanish in culture but American in outlook and democratic tradition," said the Governor. "In Washington we have always found understanding and cooperation. And we wish to reciprocate. To

MR. CACKLES



"His stocks aren't worth that smile — I think he has 'Playboy' behind the paper."

At this end, we are establishing a North-South center for better understanding between Latin Americans and the United States. It is our hope that we in Puerto Rico can in this way contribute to bring closer together the peoples of the Western Hemisphere and the United States with this very unique and unusual activity."

Although the Governor did not say so, informed Washington sources say much of the blame for the drop in tourist numbers can be placed on the shoulders of hotel men, who raised prices sharply during the boom days. A decline in tourism also meant a drop in employment.

Employment Picture Could Be Better

Puerto Rican officials readily acknowledge the high unemployment problem. On the other hand, there have been an increasing number of persons gainfully employed in recent years. In 1952 there were 451,000 Puerto Ricans employed. In 1968 the number increased to 701,000 and the present number is estimated at 752,000.

"A lot has been said that Puerto Ricans are leaving the island because of the bad economic conditions," said Governor Ferre. "We know that when a Puerto Rican has a choice to live on the Mainland or on the Island, even if his earning powers are lower, he prefers to be in Puerto Rico."

The principal agricultural products of Puerto Rico are sugar cane, bananas, coffee, corn, beans, peas, sweet potatoes, rice, tobacco, coconuts, cotton, pineapples, and citrus fruits.

The manufacturing base is highly diversified and a very large number of "blue chip" companies, based on the Mainland, have operated plants in Puerto Rico for a long time.

The United States, which has some strategic naval and military installations on Puerto Rico, needs Puerto Rico, and Puerto Rico needs the United States. As in virtually all areas of the world, the Commonwealth

has its share of dissidents, some of whom are violence-prone.

However, the likelihood of an end, in the foreseeable future at the very least, of Puerto Rico's Commonwealth status is non-existent, despite the highly vocal small minorities favoring statehood or complete independence. As expected, champions of the latter used the Governors' Conference to put on a show of strength. The government anticipated the demonstration and took the necessary steps to prevent any possible sabotage of the meeting.

(This column is intended to reflect the "behind-the-scenes" interpretation from the nation's Capital and may or may not coincide with the Chronicle's own views.)

Chase Manhattan Promotes Pease

The Chase Manhattan Bank, N.A., has announced the promotion of Edmund W. Pease to vice president.

Mr. Pease is group manager of the personal trust investment division of Chase's fiduciary investment department.

He joined Chase Manhattan in 1965 as an industry specialist in the investment research division of the Bank's fiduciary investment department. In 1967, he was transferred to the personal trust investment division of the fiduciary investment department, where he was named group manager in 1969. He was appointed an investment officer in 1966 and was promoted to second vice president in 1968.

Cadden Joins Butcher, Sherrerd

Philadelphia, Pa. — Thomas J. Cadden has joined the trading and execution department of Butcher & Sherrerd, 1500 Walnut Street, members of the New York Stock Exchange, as block trading specialist. Mr. Cadden was formerly with Cannon & Company Inc. and prior thereto with A.G. Becker & Co. Incorporated.

First Boston Elects V.Ps.



T. Anthony Brooks

Herbert C. Tietjen

The First Boston Corporation, 20 Exchange Place, New York City, has announced the elections of T. Anthony Brooks and Herbert C. Tietjen as vice presidents of the investment banking firm. Both men are members of the firm's syndicate department.

Mr. Brooks joined First Boston in 1964 in the corporate trading department. He was appointed an assistant vice president in 1968.

Mr. Tietjen has been with the firm since 1941. He was appointed an assistant vice president in 1962.

Griffin Joins Oppenheimer Co.



K. J. Griffin

Kenneth J. Griffin has become associated with Oppenheimer & Co., One New York Plaza, New York City, members of the New York Stock Exchange, in the Over-the-Counter trading department.

Mr. Griffin was formerly in the trading department of the New York office of Mitchum, Jones & Templeton Incorporated and prior thereto was an officer of Hayden, Stone Incorporated with headquarters in Los Angeles.

A. C. Rizzo Opens

PITTSFIELD, MASS. — Alfred C. Rizzo is conducting a securities business from offices at 50 Summer Street under the name of Lenox Securities.

Primary Trading Markets for BANKS • BROKERS • DEALERS

HILL, THOMPSON, MAGID & CO. INC.

70 Wall Street New York, N. Y. 10005

Tel. WH4-4540 TWX 212640-6331

Trading Department
Dealers WH4-4545
Institutions WH 4-5454