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COPY - TELEGRAM

Boston, Mass. January 25, 1938

THE PRESIDENT.

My dear Mr. President:

The trouble with business today is: The small business man is without a bank - - for instance I can borrow money, plenty of it, at 18% but not a dime at 6%. If you think I'm a crank, check up my income tax record for fifteen years. My present business was started in 1930 with 25 employees. I now have three hundred and fifty employees. If I could have borrowed a little money on good sound collateral when I needed it, I would be employing seven hundred or more today, but I couldn't borrow a cent. The Boston bankers are nothing but a bunch of glorified pawn brokers, and I do business with most of them. More power to you on breaking up the banking racket from one who has no kick coming; who has made a nice profit, continuously for 20 years; has a contented organization of 350 workers, and whose name is well known among over a quarter of a million satisfied customers in our 35 stores in Greater Boston.

Frank S. Tower, Pres. and Treas.
Dorothy Muriel Food Shops
33 Everett Street
Allston, Massachusetts

THE WHITE HOUSE
WASHINGTON

January 28, 1938

Memorandum For: Honorable M. S. Eccles
 Federal Reserve System

Dear Mr. Chairman:

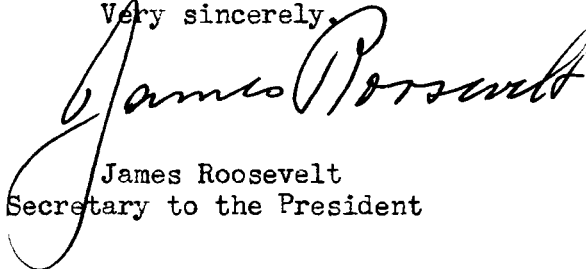
 The President has asked that

I send the enclosed copy of a telegram to

you for your consideration.

 With every good wish to you,

 Very sincerely,



 James Roosevelt
Secretary to the President

FEDERAL RESERVE BANK
OF BOSTON

February 7, 1938

Mr. Lawrence Clayton, Assistant to Chairman
Board of Governors of Federal Reserve System
Washington, D. C.

Dear Sir:-

Confirming telephone conversation of this morning with your Miss Ritter, we are pleased to enclose reports dated May 28, 1937 and November 20, 1937, on Dorothy Muriel, Inc., Boston, Massachusetts, compiled by Dun & Bradstreet, Inc.

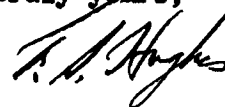
After these reports have served your purposes, it will be appreciated if you will return them for our files.

Also enclosed is a memorandum containing information which the writer read to Miss Ritter over the 'phone.

Later, we contacted two of our leading banks here in Boston and the information obtained in those interviews is given in memorandum form herewith.

If we can serve you further in this matter do not hesitate to get in touch with us, and assuring you that we are always pleased to serve, we are

Very truly yours,



F. S. Hughes, Manager,
Credit Department

FSH:A
Enclosures

M E M O R A N D U M

February 7, 1938

Dorothy Muriel, Inc.
Bank Information

1. The company carries balances which average about \$2,500 and has never borrowed from our institution. The account is satisfactory. We have no up-to-date information as we have had no occasion to check the account recently. Have never had an account with Frank S. Tower, personally.

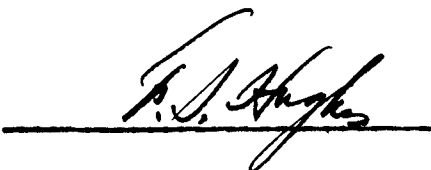
2. Balances average \$4,000 or \$5,000 and sometimes run into low five figures. Account satisfactory. Have had the account for several years. Company has never borrowed from us. A few years ago approached us for a loan for expansion purposes but we could not see our way clear to make such a loan. We understand the company has been fairly successful and is retaining earnings in the business.

This same institution has joint account with Frank S. Tower and his wife, Mary and have had it for ten or twelve years. Balances run in low four figures and they do not borrow. The account is entirely satisfactory. In 1928 loaned Frank S. Tower on a collateral basis. Have no statement of his financial condition. Think well of him.

A few years ago, Mr. Frank S. Tower approached the Federal Reserve Bank of Boston for a 13-B loan for Dorothy Muriel, Inc., but as the proceeds were to be used for capital purposes he was told that we could not consider making such an advance.

About the same time, he approached the Reconstruction Finance Corporation for an industrial loan but was told that an application could not be considered for the reason that the proceeds were to be invested in fixed assets. It is the policy of the R. F. C. here not to take furniture and fixtures as collateral in the absence of other security. As they remember the situation the financial condition of the company was not good and this was another determining factor.

A.



P. D. Hughes

M E M O R A N D U M

February 7, 1938

To: Miss Ritter
Federal Reserve Board

From: Mr. Hughes

Dorothy Muriel, Inc.

The latest balance sheet contained in reports compiled by Dun & Bradstreet, Inc., is dated December 31, 1936 and the figures were taken from a certificate of condition filed on May 4, 1937 with the Commissioner of Corporations of Massachusetts.

Analyzed, this showed current assets, \$40,048. - Current liabilities, \$119,739. - Other assets, \$233,986. - Tangible net worth, \$154,296.

Sales for 1936 are said to have been in excess of \$1,000,000.

The real estate valued at \$64,855.26 is mortgaged for \$14,850.

Life insurance is carried on Frank S. Tower, its president and treasurer, and the cash surrender value, as of December 31, 1936, was \$13,457.50.

The company has all along shown a heavy current debt due to the policy of expanding and keeping its equipment up-to-date. Payments on new fixtures and extensive renovations cause the company to be slow in meeting some of its trade bills. There has been less expansion during the past year. If a store does not pay it is discontinued and a new location is found.

Dividends are said to have been paid as the stockholders feel they should get some income from their investment.

The management is regarded capable.

On November 15, 1937, Richardson, Vice Pres. & Sec., said that sales were about 10% ahead of a year ago and that the company was operating 34 stores.

It is said that the company is gradually getting its affairs in better shape and to be reducing its indebtedness.

According to a trade report compiled ^{under} on the date of July 14, 1937, a great many houses were found selling in amounts from a low of \$12 up to \$6,000. One house reported payments anticipated, two discounting, one discounting to 15 days slow, 13 prompt, 2 prompt to 30 days slow, 3 slow from 15 to 60 days, 2 were selling on C.O.D. terms only.

Company is rated Blank Blank.

Company chartered on March 4, 1930 under Massachusetts laws, authorized capital \$125,000 common stock, par 100. Entire capital has been paid in and a surplus of \$57,104.05 has been created.

Frank S. Tower is married, 48 years of age, native born of English descent. He was identified with the theatrical business after leaving school and for one year operated under the style of Standard Metal Works at 6 Beach Street, Boston, selling out January 1, 1922 and engaged in the manufacture of radio supplies. The business was subsequently incorporated as the Tower Manufacturing Co., which was succeeded by the Tower Manufacturing Corporation, of which Frank S. Tower was president. He sold his interests and resigned in 1929 and was not active on his own account until Dorothy Muriel, Inc., was formed. He is looked upon as a man representing outside resources.

Notes transcribed of long distance phone conversation with Mr. Hughes, credit dept., FRBank Boston 2/7/38. -- fgr

Dorothy Muriel, Inc.

The latest balance sheet contains a report compiled by Dunn and Bradstreet dated 12/31/36 with figures taken from a certificate of condition filed 5/4/37 with the Commissioner of Corporations of Massachusetts. Analyzed, that statement showed:

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|---------------------|-----------|
| Current assets | \$ 40,048 |
| Current liabilities | 119,739 |
| Other assets | 233,986 |
| Tangible net worth | 154,296 |

Sales for 1936 are said to have been in excess of \$1,000,000. The real estate valued \$64,855.26 is mortgaged for \$14,850. Life insurance is carried on Frank S. Tower, president and treas. and the cash surrender value as of December 31, '36 was \$13,457.50. The company has all along shown a heavy current debt due to the policy of expanding and keeping its equipment up to date. Payments on new fixtures or extensive renovations cause the company to be slow in meeting its trade bills. There has been less expansion during the past year. If a store does not pay it is discontinued and a new location is found. Dividends are said to have been paid as the stockholders feel they should get some income from their investment. The management is regarded as capable. On November 15, 1937, Mr. Richardson, the vice president and secretary, said that sales were about 10% ahead of a year ago and that the company was operating 34 stores. It is said that the company is gradually getting its affairs in better shape and to be reducing its indebtedness. According to a trade report compiled July 14, 1937, a great many houses were found

selling the account from a low of \$12 up to a high of \$6,000. One house reported payments anticipated to discounting; one, discounting to 15 days slow; 15 prompt; 2 prompt to 30 days slow; 3, slow from 15 to 60 days; and 2 were selling on c.o.d. terms only.

The company is rated ____.

The company was chartered March 4, 1930 under Mass. law with authorized capital stock of \$125,000, all common, par value \$100. The entire capital has been paid in and a surplus of \$57,104.05 has been created.

* * * *

Frank S. Tower; married; 48 years of age; native born; English descent; he was associated with the theatrical business after leaving school and for one year operated under the style of Standard Metal Work, 6 Beach St., Boston. He sold out on 1/1/22 and engaged in the manufacture of radio supplies. The business was subsequently incorporated as the Tower Mfg. Co., of which company Frank S. Tower was president. He sold his interest and resigned in 1929 and was not active in business on his own account until Dorothy Muriel, Inc. was formed. He is looked upon as a man representing outside resources. On January 30, 1933 the Tower Manufacturing Company went into bankruptcy but at that time Frank S. Tower was not connected with it. His brother, Alfred M. Tower became president and treasurer of the Tower Manufacturing Company.

No credit rating is given.

February 9, 1938

Honorable James Roosevelt
Secretary to the President
The White House
Washington, D. C.

Dear Mr. Roosevelt:

This is in response to your memorandum of January 28th with which you transmitted to me for my consideration a copy of a telegram addressed to the President by Mr. Frank S. Tower, president and treasurer of the Dorothy Muriel Food Shops, Boston, Massachusetts. The general burden of Mr. Tower's complaint is that he can borrow money at 18 per cent but not a dime at 6 per cent. He also states that if he could have borrowed a little money on "good sound collateral" he would be employing seven hundred or more people today instead of three hundred and fifty.

It did not seem reasonable to me that at a time when banks are endeavoring to employ their idle funds a prospective loan on "good sound collateral" would be refused, particularly in Boston where the banks are notably in liquid condition. I therefore took the trouble to obtain a confidential report on the financial condition of Mr. Tower's business and from an analysis of the financial statement it is quite obvious that there is a scarcity of "good sound collateral" with which to support a current bank loan. Also, the rating houses do not give him a rating although it is admitted that he has been reasonably successful and that his present business has expanded quite rapidly since its organization in 1930. Mr. Tower, however, would like to expand much more rapidly and it is obvious from the financial set-up of his company that such expansion could only take place through credit of the capital type and not through current commercial borrowing.

Mr. Tower's situation illustrates what I have mentioned to you recently respecting the need of capital loans for small businesses. Assuming that the "other assets" in Mr. Tower's

Honorable James Roosevelt - 2

business are sound, it might well be that a ten year capital loan at a reasonable rate of interest and with regular amortization would be a sound credit and would solve his problem completely.

By way of summary, I think Mr. Tower is simply giving vent to spleen when he calls the Boston bankers "a bunch of glorified pawn brokers." It is clear to me that his company is not entitled to ordinary commercial credit at a bank but may well be a logical applicant for some capital financing, which, as I have suggested to you, is not readily available to small businesses under existing legislation or regulations.

With best wishes, I am

Yours sincerely,

M. S. Eccles
Chairman

LC/fgf

February 9, 1938

Mr. F. S. Hughes
Manager, Credit Department
Federal Reserve Bank of Boston
Boston, Massachusetts

Dear Mr. Hughes:

This will reply to your letter of February 7 addressed to Mr. Clayton with which you enclosed Dun & Bradstreet reports on Dorothy Muriel, Inc., Boston, Massachusetts, which are returned herewith. The memorandum respecting information obtained from two Boston banks on the same company is being retained in this office as it is assumed that a copy is available in your files.

Your prompt response to our request for this information is very much appreciated.

Thanking you for your assistance in this matter, I am

Yours very truly,

Secretary to Mr. Lawrence Clayton

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