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Treasury Aide Urges That State Taxes On U. S. Defense Contracts Be Permitted

A suggestion that business between individuals and the Federal Government be made subject to nondiscriminatory taxation by the States and that, likewise, business between individuals and States be subjected to Federal taxation was made on Dec. 1 by Charles L. Kades, Assistant General Counsel for the Treasury Department.

Mr. Kades proposed this in a talk before the Tax Institute of the University of Pennsylvania in Philadelphia on "State Taxation of Defense Activities." He said:

The question is one of great difficulty and delicacy. However, I might venture to suggest that serious consideration be given to making all business transactions between either Government, national or State, and a private person, subject to nondiscriminatory taxation by the other government. If this policy is to be reciprocal, it involves not only subjecting defense activities to State taxation but also eliminating the extensive and virtually uniform exemption from Federal excise taxes now granted to private persons who manufacture or

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OUR REPORTER'S REPORT

Naturally as a consequence of Sunday's treacherous onslaught by Japan against our Pacific possessions, the investment market, both seasoned and new issue, is in a state of flux.

But those who make up the market have the urge to go ahead particularly in the new financing field where it is possible to contribute in no small measure toward raising the funds which industry must have to carry through on its end in the struggle which now faces the Nation.

The underwriting fraternity fully realizes that its job will not be an easy one and that the element of risk involved will be materially increased as the fortunes of war ebb and flow. But like the rest of the Nation's industries they are committed to the task of "carrying on," keeping the dollars rolling for the battles which must be fought.

The investment market took the shocking news with its chin up and behavior of top-grade bonds, including Governments, reflected the decision of the institutional holders of such securities to refrain from anything in the way of panicky liquidation.

It should be clear to the individual investor, as well as to his larger counterpart, that dollars and securities now stand very much in the same position. For either to be worth its going value henceforth the Nation must gird

(Continued on page 1432)

U. S. Treasury Offers $1,500,000,000 of 2½% and 2% Bonds In Dec. 15 Financing

Secretary of the Treasury Morgenthau announced Dec. 4 that the subscription books for the offering made the same day of $500,000,000, or thereabouts, of 2% Treasury Bonds of 1951-55 and of $1,000,000,000, or thereabouts, of 2½% Treasury Bonds of 1967-72 closed at the close of business Dec. 4, except for the receipt of subscriptions for amounts up to and including $5,000 where the subscribers specify that delivery be made in registered bonds 90 days after the issue date. The subscription books for each of these issues were closed for the receipt of subscriptions of that class at the close of business Dec. 6.

In addition to the amount offered for public subscription, $50,000,000 of the 2½% bonds of 1967-72 may be sold to Government investment accounts during the next month.

Secretary Morgenthau announced on Dec. 8 the allotment basis for this offering. For the $1,000,000,000 of 2½% bonds the subscriptions amounted to $6,955,000,000 and the allotment was on a 15% basis. The $500,000,000 of 2% bonds were allotted on an 11% basis, with subscriptions totaling $4,695,000,000. It was further announced that all subscriptions in amounts up to $5,000, for registered bonds delivered 90 days after issue, were allotted in full.

The Treasury has for some time been endeavoring to limit purchases of its securities to the legitimate investment requirements of purchasers. Previously, however, it has not revealed its formula for determining such requirements, except that banks and trust have not been permitted to enter subscriptions for their own account in excess of 50% of their capital and surplus. In advance of the present offering, on Dec. 3, the Treasury issued a statement of the bases on which subscriptions would be entertained from the various classes of subscribers who would participate in the present offering. It was stated that the primary purpose is, so far as possible, to meet the legitimate investment requirements of the public, and to accomplish that purpose subscriptions will be grouped broadly into four classes, as follows:

Banks and Trust Companies for their own account—not to exceed 50% of capital and surplus.

Mutual Savings and Cooperative Banks, Federal Savings and Loan Associations, Trust Accounts and Investment Corporations, Pension Funds, Insurance Companies, and similar institutions and funds—not to exceed 10% of total resources.

Corporations organized for profit, and Dealers and Brokers—not to exceed 50% of net worth.

Individuals—not to exceed 50% of net worth, or 100% of cash deposited with subscription. (Note: No preferred allot-

(Continued on page 1431)

Thirtieth Annual IBA Convention Studies Changing Times

(See page 1433 and following)

Chicago 'Change Firms Elect Officers & Govs.

CHICAGO, ILL.—At the annual meeting of the Chicago Association of Stock Exchange Firms and the meeting of the Board of Governors of the Association, the following officers and Governors were elected:

Chairman, Thomas E. Murchison, Paul H. Davis & Co.; Vice-Chairman, Reuben Thorson, Jackson & Curtis; Treasurer, Leonard M. Sperry, Bear, Stearns & Co.; Secretary, Whitney M. Sewart.

Governors, to serve three years: Patrick F. Buckley, Harris, Upham & Co.; Fred W. Fairman, Jr., Fred W. Fairman & Co.; Leonard M. Sperry, Bear, Stearns & Co., and Edwin S. Stanley, Mitchell, Hutchins & Co.

Members of the Nominating Committee, to serve one year: Harry B. Chichester, Fred W. Fairman & Co.; Henry Grote, David A. Noyes & Co.; Kellogg Logsdon, Farwell, Chapman & Co.; Sampson Rogers, Jr., McMaster, Hutchinson & Co., and Jay N. Whipple, Bacon, Whipple & Co.

Chipman & Clay To Be Dean Witter Partners

SAN FRANCISCO, CALIF. — Washburn M. Chipman and C. H. Clay, will become partners in Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges and other leading national exchanges, as of Dec. 18. Mr. Clay was formerly a partner in Keyston & Co. Mr. Chipman for a number of years has been associated with Dean Witter & Co. in the commodity department.

Jack M. Botts, Herbert E. Copp, Jr., Gino Galigani, Claud Galmarino, Thornton E. Grimes, Charles G. Heinecke, and F. Norman Killgore, all previously with Keyston & Co., are now associated with Dean Witter & Co.

Suggests Banks Send Proxy Statements

One of the speakers at the annual meeting of the stockholders of the Bank of the Manhattan Company held last Tuesday was Luigi Criscuolo, New York financier and a stockholder of the Bank, who asked that the Bank continue its record as a pioneer and follow SEC procedure and issue proxy statements to stockholders. Mr. Criscuolo said that while banks were not required to send proxy statements to stockholders, the New Deal had caused a change in psychology in connection with corporate practice with the result that corporations were now required to inform stockholders in advance of the annual meeting who were the candidates for the Board of Directors, rather than at the annual meeting as in the past.

The speaker said most of the stockholders of the Bank did not know in advance the names of the persons who were to be presented for election as directors: neither did they know what interest they had in the Bank, or what their many affiliations consisted of; nor would they have an opportunity to propose other candidates in case they did not like the slate presented by the Management. He said he believed the Bank should next year send a proxy statement to stockholders on which would be indicated the name of each director presented as a candidate, his business affiliations, number of shares of the Bank's stock owned by such person, and, if he were a salaried officer or employee of the Bank, an indication of the salary received.

The speaker also said that as the Bank of the Manhattan Company had been a pioneer in the issuance of annual reports to stockholders, he thought the Bank should also be a pioneer in this respect, although the banking laws did not require banks to send proxy statements to stockholders. He said the Bank would benefit by this in several ways, viz:

(1) by showing its good faith to the stockholders,

(2) by its progressive attitude in pleasing its depositors and attracting other depositors,

(3) by showing the Government and the public that the Bank was conforming with the spirit of the New Deal and the idea of "truth in securities."

Mr. J. Stewart Baker told the meeting that the suggestion advanced by Mr. Criscuolo would receive the consideration of the Directors.

Results Of Treasury Bill Offering

Secretary of the Treasury Morgenthau announced on Dec. 8 that the tenders for $150,000,000, or thereabouts, of 91-day Treasury bills, to be dated Dec. 10 and to mature Mar. 11, 1942, which were offered on Dec. 5, were opened at the Federal Reserve Banks on Dec. 8. The following details of this issue are revealed:

Total applied for...$403,171,000
Total accepted...... 150,027,000
Range for accepted bids:
High—100.
Low—99.517. Equivalent rate approximately 0.328%.
Average Price—99.926. Equivalent rate approximately 0.293%.
(23% of the amount bid for at the low prices was accepted.)

There was a maturity of a similar issue of bills on Dec. 10 in amount of $100,957,000.

Arthur L. Hawley Now With F. S. Moseley

F. S. Moseley & Co., members of the New York Stock Exchange, announce that Arthur L. Hawley has become associated with them in their New York office, 14 Wall Street. Mr. Hawley has recently been associated with Harris, Upham & Co. and before that was a partner of the former firm of Post & Flagg for 17 years, where he was manager of the Bond Department.

D. W. Van Duyn Joins W. L. Lyons & Co.

(Special to The Financial Chronicle)

CINCINNATI, OHIO — Donald W. Van Duyn has become associated with W. L. Lyons & Co., 115 East Fourth Street. Mr. Van Duyn was formerly Executive Vice-President and Manager of the Sales Department of Browning, Van Duyn, Tischler & Company and prior thereto was an officer of Nelson, Browning & Co. and was with BancOhio Securities Co. and Halsey, Stuart & Co.

Blair F. Claybaugh Opens Syracuse Office

Blair F. Claybaugh Co. announce the opening of an office in Syracuse, N. Y. in the Loew Building. The firm will maintain a direct private wire between the new Syracuse branch and the New York office at 72 Wall Street. Karl Kenneke of the New York office will supervise the Syracuse office.

NY Curb Opposes More SEC Power Over 'Changes

In its weekly bulletin "Know Your Exchange," the New York Curb Exchange states in connection with the aggrandizement of powers of the SEC over the Exchanges:

"The SEC seeks to enlarge its own powers over the exchanges by amendments to Section 19 of the Securities Exchange Act. At present the Commission may close an exchange or expel a member for violations of the Act or of SEC rules and regulations. The Commission now proposes to amend these provisions so as to obtain the added power to close an exchange or expel members for violations of the rules of the exchange itself. Furthermore, although the Commission is already authorized to alter or supplement the rules of an exchange on a long list of matters concerned with trading, it now seeks the power also to alter rules regarding election of officers and committees of an exchange and the disciplining of members. The net effect of these proposals would be to remove from the exchanges the last semblance of self-government. The proposals are, of course, opposed by the industry."

D. G. Wakeman Jr. To Be Drysdale & Co. Partner

David G. Wakeman, Jr., member of the New York Stock Exchange, will be admitted to partnership in the Exchange firm of Drysdale & Co., 71 Broadway, New York City, as of Dec. 31st. Mr. Wakeman was previously an individual floor broker.

Tegeler To Get NYSE Seat

ST. LOUIS, MO.—Jerome F. Tegeler, partner in Dempsey-Tegeler & Co., 407 North Eighth Street, will acquire the New York Stock Exchange membership of Edward S. Moore of Parrish & Co. Mr. Tegeler will continue as a partner in Dempsey-Tegeler & Co. with Timothy F. Dempsey.

Cherry With Bankamerica

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Jackson Cherry, formerly in the municipal department of William R. Staats Co., has become associated with Bankamerica Co., 650 South Spring Street. In the past Mr. Cherry was manager of the municipal department for the First Cleveland Corp. and Otis & Co. of Cleveland, and prior thereto he was in business in New York City with Ewart, Adams & Bond, Estabrook & Co. and Simon & Cherry.

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Subscriptions in United States and Possessions $26.00 per year, $15.00 for 6 months; in Dominion of Canada, $27.50 per year, $15.75 for 6 months. South and Central America, Spain, Mexico and Cuba, $29.50 per year, $16.75 for 6 months; Great Britain, Continental Europe (except Spain), Asia, Australia and Africa, $31.00 per year, $17.50 for 6 months. NOTE: On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Roggenburg Elected Pres. For '42 By STANY

The Security Traders Association of New York, Inc., announces the following elections for office for the year 1942.

Stanley Roggenburg

President: Stanley Roggenburg, Roggenburg & Co.

First Vice-President: Thomas Hoyt, Stein Bros. & Boyce.

Second Vice-President: Joseph Janareli, Freeman & Co.

Treasurer: George Leone, Frank C. Masterson & Co.

Secretary: Richard Goodman, Cohu & Torrey.

Directors for two years: Harry Reed, Hardy & Hardy; Willis Summers, Hoit, Rose & Troster; Richard Abbe, Van Tuyl & Abbe.

Gratuity Fund Trustees: Edgar Sheppard, Robinson, Miller & Co., and Elmer Lally, Hayden, Stone & Co.

National Committeemen: Walter Saunders, The Dominion Securities Co.; James Musson, B. J. Van Ingen & Co., Inc.; Winthrop Pizzini, B. W. Pizzini & Co., and P. Fred Fox, P. F. Fox & Co.

National Committeemen Alternates: Cyril Murphy, Muckubin, Legg & Co.; Allison Marsland, Wood, Gundy & Co.; Wellington Hunter, Hunter & Co.; Herbert May, Herbert M. May & Co., and John Reilly, J. F. Reilly & Co.

Tomorrow's Markets Walter Whyte Says——

Obviously the news from the Pacific will control prices; this news may change hourly; it is likely the market will stage a reversal within a few days, but do not buy yet; more below.

By WALTER WHYTE

There seems little point in writing about a stock market and what to expect of it when the war in the Pacific dominates it so completely. What market factors we have learned to look for, respect and follow, now have to be pushed aside. Military factors control things today. Increased earnings, larger dividends, strike settlements, even taxes, pale into insignificance in the light of the sudden change of events.

* * *

As a stock market analyst, I suppose I should appraise all the known factors impersonally and gauge their cumulative effect on the market. But being human, and confused by the news, an impersonal appraisal is almost impossible. For even though stock and bond prices play an important role in the economic structure of our country, it is life itself that is threatened today.

* * *

If we are ever again to enjoy the fruits of our labor, our well planned investment or speculative programs, we will first have to secure for ourselves and for our children the kind of life we have so long accepted as part of our regular habits.

* * *

While business as usual may be all right for the corner grocery store it is far from that for anybody in the securities business or for anyone interested in securities.

* * *

We in Wall Street, perhaps

(Continued on page 1452)

Investors Management Co. Elects G. Roosevelt Chairman of Bd.; Sweet Pres.

The election of George Emlen Roosevelt as Chairman of the Board of Directors was announced today by Investors Management Company, Inc., one of the oldest organizations in the country supervising mutual investment funds, principally Fundamental Investors, Inc. and Investors Fund "C", Inc.

Succeeding Mr. Roosevelt's brother and late partner, Philip J. Roosevelt, as President of the company, is Philip W. K. Sweet, formerly its Vice-President.

Mr. Roosevelt was among the original organizers of the management company in 1924 and has served on its Board of Directors since its inception. He is senior partner of the estate management firm of Roosevelt & Son, established in 1797, which was instrumental in founding Investors Management Company. Mr. Roosevelt is First Vice-President and a Trustee of the Bank for Savings in the City of New York, and is a Director of the Guaranty Trust Company of New York, the Union Pacific Railroad and other corporations.

Mr. Sweet joined Investors Management Company in 1928, a few years after his graduation from Harvard University. He served successively as Assistant Analyst, Assistant Secretary and Assistant Vice-President, before being made Vice-President in charge of research in 1934.

Hugh W. Long and Company, Inc., 15 Exchange Place, Jersey City, N. J., is the underwriter for the investment funds managed by Investment Management Company.

Asks Prior Notice Of Partnership Changes

In a letter to the New York Stock Exchange membership, dated Dec. 1, the Department of Member Firms of the Exchange suggested that "before new partnership agreements or amendments thereto are executed, drafts of such documents be submitted to the Department for inspection." Under this procedure, the letter said, any changes suggested by the Department can be made in the papers prior to their being formally executed.

The Department's communication called attention of member firms to a time schedule for posting notice of admissions of new partners or proposed new partnerships.

Bodell, Gerry Devote Full Time To Trust

PROVIDENCE, R. I.—Joseph J. Bodell and Louis C. Gerry have retired as officers of Bodell & Co., Inc., 32 Custom House Street, to devote their full time to the Investors Trust Company, of which Mr. Bodell is President and Mr. Gerry Vice-President. The Investors Trust Company is an investment trust which owns all the capital stock of Bodell & Co. These changes and others in the officers and directors of the two companies were made necessary by the requirements of the Investment Trust Act which does not permit interlocking directors and officers of investment banking firms and investment trusts.

Officers of Bodell & Co., Inc. are Godfrey B. Simonds, President; Alfred James McClure, Hartford, Conn., First Vice-President; Harold H. Young, Vice-President; Howard W. Wilson, Secretary, and Timothy Dwight Boole, Treasurer. Mr. Boole has acquired the associate membership in the New York Curb Exchange formerly held by Mr. Bodell. Directors of Bodell & Co. are the officers, Robert H. Smith and Charles E. Spooner.

Mr. Simonds, Mr. Smith and Mr. Spooner have resigned as directors of the Investors Trust Company and Mr. Boole has resigned as Vice-President, Secretary and Treasurer. Officers of Investors Trust are Joseph J. Bodell, President, Louis C. Gerry, Vice-President, Secretary and Treasurer, and Arthur R. Marshall, Assistant Secretary and Assistant Treasurer. Mr. Bodell, Mr. Gerry and Harold H. Young continue as directors, with Albert E. Marshall, President of the Rumford Chemical Works, and Frederick S. Peck, Treasurer of Asa Peck & Co., as new directors.

Will Continue Business of James M. Leopold Co.

James M. Leopold, member of the New York Stock Exchange, and Charles E. Spiegelberg announce the formation of the New York Stock Exchange firm of James M. Leopold & Co. to continue the business of the stock exchange firm of the same name organized in 1883 and dissolved October 7th this year following the death of Alfred M. Leopold, then senior partner.

James M. Leopold, who is senior partner of the new firm, is the son of the founder of the predecessor firm and nephew of Alfred M. Leopold. The new firm will continue to occupy the old offices at 64 Wall Street.

DIVIDEND NOTICES

ARMOUR AND COMPANY

(ILLINOIS)

On November 27 a dividend of $1.50 per share on the issued and outstanding $6.00 Cumulative Convertible Prior Preferred shares of the above corporation was declared by the Board of Directors, payable on January 1, 1942 to shareholders of record on the books of the Company at the close of business on December 10, 1941.

E. L. LALUMIER, Secretary

ARMOUR AND COMPANY

OF DELAWARE

On November 27 a quarterly dividend of one and three-fourths per cent (1¾%) per share on the Preferred Capital Stock of the above corporation was declared by the Board of Directors, payable January 1, 1942 to stockholders of record on the books of the Company at the close of business December 10, 1941.

E. L. LALUMIER, Secretary

THE GARLOCK PACKING COMPANY

December 9, 1941

COMMON DIVIDEND No. 262

At a special meeting of the Board of Directors, held in Palmyra, N. Y., this day, a dividend of 75¢ per share was declared on the common stock of the Company, payable December 24, 1941, to stockholders of record at the close of business December 13, 1941.

R. M. WAPLES, *Secretary*

HOMESTAKE MINING COMPANY

Dividend No. 848

The Board of Directors has declared dividend No. 848 of thirty-seven and one-half cents ($.37½) per share of $12.50 par value Capital Stock, payable December 24, 1941, to stockholders of record 12:00 o'clock noon December 20, 1941.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

R. A. CLARK, Secretary.

December 2, 1941.

IRVING TRUST COMPANY

December 4, 1941

The Board of Directors has this day declared a quarterly dividend of fifteen cents per share on the capital stock of this Company, par $10, payable January 2, 1942, to stockholders of record at the close of business December 16, 1941.

STEPHEN G. KENT
Secretary

LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

December 8, 1941

THE Board of Directors on December 5th, 1941 declared a dividend at the rate of 50c. and $1.00 extra per share on the outstanding Common Stock of this Company, payable on December 31st, 1941 to stockholders of record at the close of business on December 19th, 1941. Checks will be mailed.

DAVID BERNSTEIN,
Vice President & Treasurer

New York & Honduras Rosario Mining Company

120 Broadway, New York, N. Y.

December 10, 1941

DIVIDEND NO. 357

The Board of Directors of this Company, at a meeting held this day, declared a dividend of Sixty-two and one-half cents ($.62½) per share on the outstanding capital stock, payable on December 27th, 1941, to stockholders of record at the close of business on December 17th, 1941. This distribution represents the final dividend in respect of earnings for the year 1941.

WILLIAM C. LANGLEY, Treasurer.

THE SUPERHEATER COMPANY

Dividend No. 142

A dividend of fifty cents (50c.) per share on all the outstanding stock of the Company has been declared payable December 23, 1941 to stockholders of record at the close of business December 13, 1941.

M. SCHILLER, Treasurer.

UNITED FRUIT COMPANY

DIVIDEND No. 170

A dividend of one dollar per share on the capital stock of this Company has been declared payable January 15, 1942 to stockholders of record at the close of business December 18, 1941.

LIONEL W. UDELL, Treasurer.

Rownd To Be Trader for Paine Webber in Mpls.

MINNEAPOLIS, MINN.—Jack Steele, trader for Paine, Webber & Co., Rand Tower, has left to enter the munitions industry. He will be succeeded at the trading desk by Chester Rownd who has been associated with the firm for the past 17 years.

NYSE Short Interest Higher On Nov. 28

The New York Stock Exchange announced on Dec. 5 that the short interest existing as of the close of business on the Nov. 28 settlement date, as compiled from information obtained by the New York Stock Exchange from its members and member firms, was 453,244 shares, compared with 444,745 shares on Oct. 31, both totals excluding short positions carried in the odd-lot accounts of all odd-lot dealers. As of the Nov. 28 settlement date, the total short interest in all odd-lot dealers' accounts was 63,802 shares, compared with 53,221 shares, on Oct. 31. The Exchange's announcement added:

Of the 1,234 individual stock issues listed on the Exchange on Nov. 28, there were 26 issues in which a short interest of more than 5,000 shares existed, or in which a change in the short position of more than 2,000 shares occurred during the month.

The number of issues in which a short interest was reported as of Nov. 28, 1941, exclusive of odd-lot dealer's short position, was 415 compared with 406 on Oct. 31, 1941.

In the following tabulation is shown the short interest existing at the close of the last business day for each month for the last two years:

1939—	
Nov. 30	479,344
Dec. 29	381,689
1940—	
Jan. 31	454,922
Feb. 28	485,862
Mar. 29	488,815
Apr. 29	530,594
May 31	428,132
June 28	446,957
July 31	479,243
Aug. 30	474,033
Sept. 30	517,713
Oct. 31	530,442
Nov. 29	515,458
Dec. 31	459,129
1941—	
Jan. 31	498,427
Feb. 28	487,151
Mar. 31	537,613
Apr. 30	510,969
May 29	496,892
June 30	478,859
July 31	487,169
Aug. 29	470,002
Sept. 30	486,912
Oct. 31	444,745
Nov. 28	453,244

F. J. Armentrout With Collins, McDonald & Co.

(Special to The Financial Chronicle)

KANSAS CITY, MO.—Fred J. Armentrout, formerly Secretary & Treasurer of John J. Seerley & Co. in charge of their local office, has become associated with Collins, McDonald & Co., 1009 Baltimore Avenue.

PERSONNEL ITEMS

If you contemplate making additions to your personnel, please send in particulars to the Editor of the Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Henry B. Fuller** has become associated with **Trust Funds, Inc.,** 89 Broad St.

(Special to The Financial Chronicle)

BRIDGEPORT, CONN.—**Ira M. Grishaver** is now with **Hincks Bros. & Co., Inc.,** 872 Main St. Mr. Grishaver was previously connected with John M. Meyers of New York, and prior thereto was Local Manager for E. R. Davenport & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**William S. Leahy,** for a number of years with Merrill Lynch, Pierce, Fenner & Beane and Fuller, Rodney & Co., has become affiliated with **Jackson & Curtis,** 231 South La Salle St.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**Kelley R. Beach** has joined the staff of Paine, Webber & Co., 209 South La Salle St. Mr. Beach was formerly with Sills, Troxell & Minton, Inc., Barney Johnson & Co., and Blake Brothers.

(Special to The Financial Chronicle)

CHICAGO, ILL.—**James Jackson Forstall** has become associated with **Smith, Burris & Co.,** 120 South La Salle St.

(Special to The Financial Chronicle)

CLEVELAND, OHIO—**Herman John Bartels** has rejoined the staff of **H. C. Hopkins & Co.,** Union Commerce Building.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **David W. Rider, Jr.,** and **Max Vogel** have become connected with **Fairman & Co.,** 650 South Spring St. Mr. Rider was previously with Franklin Wulff & Co., Inc.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Eugene Ellery, Jr.,** is now associated with **Pacific Company of California,** 623 South Hope St. Mr. Ellery was previously with Bingham-Walter & Co., and prior thereto was Local Manager for B. B. Robinson & Co. of Chicago, and was Manager of the Trading Department for MacFarlane & Holley, Chicago.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Robert Russell Hodge,** previously with Harriman Ripley & Co., Inc., is affiliated with **William R. Staats Co.,** 640 South Spring St.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Mrs. E. F. Parker** has been added to the staff of **Franklin Wulff & Co., Inc.,** 650 South Spring St.

(Special to The Financial Chronicle)

MARQUETTE, MICH.—**Walter Hopkins Steere** is now connected with **Allman, Everham & Co.,** Penobscot Building, Detroit, Mich. Mr. Steere previously was associated with Cray, McFawn & Petter.

(Special to The Financial Chronicle)

MIAMI, FLA.—**James O. S. Herring** has become associated with **United Securities Corporation,** Biscayne Building.

(Special to The Financial Chronicle)

PASADENA, CALIF.—**John H. Stone,** previously Local Manager for Morrison Bond Co., Ltd., is now with **Samuel B. Franklin & Co.,** whose main office is located at 215 West Seventh St., Los Angeles.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**J. L. Fuller** has become associated with **Franklin Wulff & Co., Inc.,** Russ Building. Mr. Fuller was formerly with Heller, Bruce & Co., and in the past was Manager of the Municipal Department for William Cavalier & Co.

(Special to The Financial Chronicle)

SEATTLE, WASH.—**Richard K. Rasch** is now connected with Hughbanks, Incorporated, Dexter-Horton Building.

(Special to The Financial Chronicle)

SPRINGFIELD, MO. — **James Raymond Crouch** is representing **Edward D. Jones & Co.,** Boatmen's Bank Building.

F. J. Garceau Is Now With S. R. Livingstone

(Special to The Financial Chronicle)

DETROIT, MICH.—Frank Joseph Garceau is now connected with S. R. Livingstone & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges. Mr. Garceau was formerly manager of the trading department of the local office of Schouten, White & Co., and prior thereto was with Alison & Co., Guy G. Wedthoff & Co., and Keane & Co.

Cons. El. & Gas Analysis

The $6 cumulative preferred stock of Consolidated Electric & Gas Company offers an attractive situation at the present time, according to an analysis issued by Scherck, Richter Co., Landreth Building, St. Louis, Mo., with distinct possibilities of a price advance in the early future. Copies of the analysis which covers capital structure, earnings, etc., are available upon request from Scherck, Richter Co.

Billard Now Partner

Gordon Y. Billard, in charge of the bond and stock statistical department of J. R. Williston & Co., 115 Broadway, New York City, members of the New York Stock Exchange, will become a partner in the firm Jan. 1, 1942.

Latimer With Huston

(Special to The Financial Chronicle)

SEATTLE, WASH.—Arthur G. Latimer, member of the Seattle Stock Exchange and formerly in business as Arthur G. Latimer & Co., has become associated with Harold H. Huston & Co., Hoge Building.

Curb Seat Retirement

Arrangements have been made by the New York Curb Exchange to purchase and retire the memberships of Harold W. Chapman and Allan M. Clement at $1,000 each. These are the eighteenth and nineteenth seats to be retired under the plan adopted by vote of the membership on July 20. Present market for Curb Exchange memberships is $1,000, bid by the Exchange, offered at $2,500.

Courts Co. To Admit Two

ATLANTA, GA.—Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange, will admit John F. Glenn and William E. Huger to partnership in the firm on Jan. 1. Mr. Glenn has been associated with the firm for some years as manager of the trading department and Mr. Huger as manager of branch offices and commodity department.

Irwin Spellman In NYC

Irwin S. Spellman is engaging in a general securities business from offices at 25 Broad Street, New York City, under the firm name of Irwin S. Spellman Co. Mr. Spellman was recently associated with Maples & Goldschmidt of South Norwalk, Conn. and prior thereto was an officer of Kenneth B. Thistle Co. of New York.

H. M. Eckert Co. Opens

Henry Martin Eckert has formed H. M. Eckert Co. with offices at 80 Broad Street, New York City to engage in a securities business.

SEC Applications For Broker Dealer Registry

The following applications for registration as brokers and dealers were made with the SEC on the dates indicated:

Nov. 1, 1941—Walter F. Bolte, 227 Mt. Vernon Avenue, Orange, N. J., a sole proprietorship.

Nov. 3, 1941—E. Van Benschoten, 253 West 73rd Street, New York, N. Y., Elmer Van Benschoten, sole proprietor.

Nov. 6, 1941—Godfrey & Co., Inc., 135 Broadway, New York, N. Y., Philip Godfrey, Michael J. Willen, Eva G. Godfrey, all formerly of Godfrey Investing Corp., and Donald H. Peters, officers; Real Estate Bonds and Securities Corporation, 111 West Washington Street, Chicago, Ill., Harry D. Koenig, Gertrude S. Gans and Bessie Koenig, as officers.

Nov. 7, 1941—John J. Richardson & Co., 165 Broadway, New York City, John J. Richardson, formerly in business as an individual, and Herman H. Robbie, partners.

Nov. 8, 1941—Kane & Co., 39 Broadway, New York, N. Y., Joseph Kane, sole proprietor, T Frank Kane, formerly a partner in the firm, having retired.

Nov. 10, 1941—Columbian Securities Corporation of Texas, Milam Building, San Antonio, Tex., John S. Dean, Jr., an officer of the firm in addition to Cecil J. Cox, William Wallace Payne, Gordon T. Charlton, Carl A. Meyer, and Harley Carswell; Saunders & Co., 120 South La Salle Street, Chicago, Ill., John M. Saunders and Frances E. Saunders, partners; Tax Bond Company, not inc., 120 South La Salle Street, Chicago, Ill., James Aloysius Cullen, formerly President of the Tax Bond Corporation, sole proprietor.

Nov. 12, 1941—William Nachmann-Robert W. Neumann, joint account, 50 Pine Street, New York, N. Y., Robert W. Neumann and William Nachmann as partners; Willard H. Sheldon, 343 Kellogg Avenue, Palo Alto, Calif., a sole proprietorship.

Nov. 13, 1941—Colony Company, 1054 Washington Building, Washington, D. C., Benjamin K. Fort and Willis L. Hurd, formerly officers in the firm, as partners; Alfred Shayne, 136 West 55th Street, New York City, a sole proprietorship.

Nov. 14, 1941—The Central Securities Co., 720 First National Bank Building, Omaha, Neb., Lyman G. Cross, previously President, sole proprietor, Harold H. Helme and Lee A. Huey having withdrawn; John G. Phrommer, 927 Calumet Building, Hammond, Ind., a sole proprietorship.

RAILROAD SECURITIES

The railroad wage controversy has finally been settled and the last threat of a possible strike was eliminated with acceptance of the compromise agreement by the "Big Five" brotherhoods on Dec. 5. The settlement clears the atmosphere so far as railroad securities are concerned and allows a more realistic evaluation of current and prospective earnings trends but, unfortunately, the means of settlement has done much to discredit procedure under the Railway Labor Act. The compromise finally reached added little to the dollar expense to the railroads (an estimated total of roundly $300,000,000 before adjustments, compared with $270,000,000 estimated for the original recommendation) but the railroads were forced to make other concessions which could hardly seem justified by any "new developments" that took place between the beginning and end of November. For one thing, the increased pay is to be made part of the basic wage and thereby is made permanent rather than temporary as suggested by the Fact Finding Board.

For another thing, the railroads (and also labor) agreed to a freezing of working rules for the duration of the emergency. While this has been hailed as removing the threat of pressure for enerous legislation (limiting of train length, etc.) by labor, the restriction placed on management is more real. It is not believed that restrictive labor sponsored legislation had much chance of success at this time in any event, but it did seem that an aggresive management campaign against "featherbedding" stood its best chances of success under present conditions when skilled labor is at a premium. It is claimed that straight time paid for but not worked, cost the railroads close to $98,000,000 last year. This alone would have offset about a third of the wage increase finally agreed upon. The time for recriminations and wishful thinking has passed, however, and prospects must be examined in the light of what actually happened.

The most important factor to bear in mind is that it will actually cost the railroads far less than the $300,000,000 or so arrived at by simply adding the increase to present payrolls. In the first place, with most roads now on a profitable basis and paying income taxes (some are even paying excess profits taxes), about $90,000,000 to $100,000,000 will be paid by the general public through a shifting of the tax burden. Secondly, recent payrolls, on which the additional cost has been estimated, do not represent normal wage costs under a continuation of similar traffic. A large proportion of the nation's carriers have been doing extraordinary maintenance work, not only to make up for work deferred during the depression era but also in anticipation of the higher wages. This actually has resulted in padded payrolls. Finally, history has proven conclusively that higher wage rates bring greater mechanization of maintenance forces, etc. Over a period of years the proportion of revenues absorbed by payrolls has varied no more than one or two percentage points regardless of wage rates, freight rates, or traffic volume.

So much for the readily discernible factors. Already, management throughout the country is taking steps to ease the impact of increased hourly rates and in the process many workers are facing the prospect of lower monthly wages and greater leasure. Overtime work is being done away with to reduce the cost of all service to the level of basic pay. Lines serving suburban areas have, or will in the near future, ordered Sunday closing of ticket offices. Solicitation offices are being closed or curtailed. Some of these moves may not seem important in themselves but in the aggregate they represent substantial potential savings and shed light on the trend of things to come. In passing it may be noted that the closings will go far towards nullifying the effects of vacations with pay.

The final consideration is that it is expected that at least some freight rate, and perhaps passenger fare, increases will be granted along the lines suggested by the Fact Finding Board. Conferences have been held and it is possible that by the time this publication has been released the actual proposals may have been filed. As an emergency matter, increased rates could become effective in seven days. An overall freight rate increase of around 6½%, with no change in passenger fares, would just about offset the gross estimated cost of the wage increase. Naturally, the wage increases are going to have a depressing effect on net in the closing months of the year as adjustments for the retroactive feature still have to be made by many carriers, control of expenses as outlined above will not be immediately complete, and any rate increase could hardly be effective in 1941. Starting in the new year, however, the effects will be modified, and, with traffic prospects still bright, a renewal of the upward trend of net is expected for at least the opening quarter.

Defaulted RR Bond Index

The defaulted railroad bond index of Pflugfelder, Bampton & Rust, 61 Broadway, New York City, shows the following range for Jan. 1, 1939, to date: High—34 5/6, low—14¾, last—29⅛.

Bank and Insurance Stocks

This Week — Insurance Stocks

Dealers and investors in insurance stocks who reaped substantial profits in the sharp recovery of casualty stocks during 1933-1938 often ask, in view of their more "normal" market action since then, whether casualty stocks should continue to be preferred.

Best's study shows that 20 casualty stocks rose 35% in 1934, 76% in 1935, 22% in 1936 and after a 30% drop in 1937, 32% in 1938. This compares with 50 fire stocks' record of gains of 47% in 1934, 38% in 1935 and 20% in 1938, offset in part by declines of 5% in 1936 and 27% in 1937.

However, in 1939 and 1940, the fire and casualty stocks showed approximately equal appreciation, and the better-than-average recovery in casualty stocks now appears to have run its course.

This should not be taken to mean that casualty stocks are no longer attractive, as they appear to enjoy a superior investment position in several important respects. The fact that market action is now more "normal" itself is indicative that the market now appreciates casualty stocks more.

The particular advantages which continue to justify preference for casualty stocks may be summarized as follows:

(1) Better underwriting position. During the depression, casualty underwriting losses were severe. This proved to be a blessing in disguise, as it forced the companies to insist on better rates, which had been neglected in the boom years. As recovery developed, therefore, the casualty companies emerged with a sounder rate structure, making possible good underwriting profits as volume expanded.

In addition, certain loss factors such as bank failures and guarantees of real estate mortgages and bonds, which caused heavy underwriting losses in the depression, have been eliminated. Expansion in premiums and economic recovery have also brought about good profits on workmen's compensation, an unprofitable casualty line for many years in the past.

The sharp turnabout in underwriting operations of casualty companies is illustrated by the fact that whereas the companies had shown underwriting losses in 11 of the 12 years 1923-1934, with the single profitable year showing ½ of 1% profit, profits have been shown in every one of the past six years, the best year (1939) showing 7.7% profit and the average for the six years being 5.6%.

The 1940 profit was 6.3%, or better than this average, and much better than late years' underwriting profits of fire companies.

Premium volume has expanded steadily from the 1933 low of $590,900,000 and for 1940 reached a new high of $869,600,000, topping the 1929 peak of $865,600,000. Judging from first half of 1941 expansion of 11%, another new high is in the making.

Casualty underwriting should continue well "in the black," now that rate structure is sounder, unprofitable lines have been eliminated and outlook for volume is favorable. Although rate reductions have been occurring in virtually all classes of casualty business, rate structure is much more reasonable than formerly and should remain so, in which event, underwriting profits may be expected as a normal development in the future—the result of establishing underwriting operations on a sound basis.

This probability of normal underwriting profits accordingly places casualty stocks in position to command real investment consideration. In investing for the long term, growth stocks should be preferred. The most important source of internal growth is "ploughed back" underwriting profits. Hence, if casualty companies have entered an era of normal underwriting profits, their growth factor should be higher than at any time in the past, as they follow the general practice of limiting dividends to investment income alone. Right now, therefore, in view of better underwriting profits, the growth factor of casualty stocks is generally higher than that of fire stocks.

For example, the 16 leading casualty stocks currently pay out in dividends an average of only 34% of operating earnings, yet at the same time afford current yields averaging over 4%. Twenty fire stocks currently pay out 62% of operating earnings and yield 3¾%.

(2) Higher leverage. As a group, casualty companies have lower capital and surplus in relation to volume of business and assets than fire companies. For 1940, premiums written ratio to capital funds was 1.4:1 for casualty companies, compared to 0.6:1 for fire companies. Assets to capital funds ratio was 2.5:1 for casualty companies, compared to 1.6:1 for fire companies.

This discrepancy is to be explained by the low growth factor of casualty companies in the past, high premium volume, the comparative "youth" of the casualty business, the combination of severe underwriting losses and depreciation in the depression and the fact that loss and claim reserves are carried for longer periods pending determination of loss claims.

Stockholders are obviously benefited by high leverage imparted to their equities, provided it is not at the sacrifice of safety. Safety factors exist, however, which minimize the factor of leverage: (1) Companies have voluntarily carried (and law now requires 50%) very liquid assets, such as cash, Governments and other "legal" investments, as coverage for policyholders' funds; (2) and companies have voluntarily carried a large percentage of highly liquid assets to offset the unstable character of underwriting in the past, as well as offset the high leverage itself.

Thus, as of Dec. 31, 1940, casualty companies kept 47% of assets in cash and Governments and another 26% in other bonds and agents' balances; compared to only 22% in total holdings of stocks. In view of the likelihood of more stable underwriting profits in the future, it is believed that casualty companies could justifiably increase their proportion of good common stocks if that course should prove prudent; but the nature of the business in any event would call for a normally high proportion of ultra-liquid assets.

(3) Liquidating values of casualty stocks, therefore, are based on highly liquid, conservative investments. During periods of common stock prosperity and appreciation, the investment results of stock-favoring fire companies could concededly be superior, but over the long-term, studies indicate that conservative investment companies with high growth factor from operating earnings have worked out since 1927 approximately the same equity growth as stock investing companies with high growth factor. If so, then it is obviously preferable to favor the conservative investing companies which incur less risk of market depreciation.

Once the "sleepers" and "forgotten stocks" in insurance stocks, therefore, casualty stocks have justified not only the non-recurring type of extra market rise resulting from appreciation from "behind the market" levels, but increased investment interest at this time, as superior growth stocks with high leverage and conservative investments.

Urges State Taxes On Defense Contracts

(Continued from First Page)

sell commodities to States and municipalities.

After all, Federal and State tax laws ought to apply to all citizens equally. Existing exemptions give a greater advantage to those who deal with Government than to those who deal with private enterprise.

So long as the taxation of business transactions is non-discriminatory, it can neither prevent nor impede either the national or State Governments in carrying on their operations nor restrict their choice of the means by which they might seek to discharge their functions.

On the other hand, if Congress were to exempt defense contractors for example, from nondiscriminatory State sales or use taxes, it could seriously interfere with the revenue-raising ability of taxing authorities which depend for substantial revenues on this form of taxation. For as our national economy becomes converted from a peace-time to a war economy an ever-increasing proportion of goods and supplies will be sold for the ultimate use of the national Government, and thereby the amount of business activity intended to be tapped by State transaction taxes will be reduced.

Mr. Kades pointed out that any cost to the national Government resulting from State taxation on defense purchases would be counterbalanced by an equivalent gain to State and local governments. "The national Government, however, has more effective fiscal powers than State or local governments," he continued. "And for it to pay nondiscriminatory taxes on its transactions with private business firms would help finance local public undertakings on an automatic and an impartial basis, without establishing any complicated formula for Federal aid."

Mr. Kades' address, according to a Treasury announcement, was the first declaration on the subject by a Treasury official since three recent Supreme Court decisions which attorneys say will have far-reaching influence on the principal of intergovernmental immunity. The three cases, in each of which the decision was unanimous, were Alabama vs. King and Boozer, in which the Court upheld the constitutionality of State sales taxation of contractors who purchase goods for use of the United States, Curry vs. United States, in which the Court held that defense contractors were not immune from the Alabama use tax, and Federal Land Bank vs. Bismark Lumber Company, in which the Court held that Congress has the power to exempt from State taxation any government agency and that a general exemption from State, municipal and local taxation includes within its bank a State sales tax which makes the purchaser liable for the tax.

Gordon Retiring From First Nat'l Bank of Chicago

CHICAGO, ILL. — Frank M. Gordon, Vice-President of the First National Bank of Chicago in charge of the bond department, will retire on Jan. 1st, after servicing the institution for almost 50 years. His only business connection has been with the First National Bank of Chicago and the First Trust and Savings Bank, its affiliate, of which he became a Vice-President in the bond department in 1916.

Mr. Gordon has been prominent in the affairs of the Investment Bankers Association of America for many years, being President of the organization in 1932-1933.

WHISPERINGS

Years ago we remember sitting in the movies when the newsreel came on. One of the subjects was the father of the now famous Dionne quintuplets. He was asked, "how does it feel to be the father of five such cute babies?" The proud father shrugged his shoulders and in a sort of minimizing voice replied: "Aw, that's nuttin." All this reminds us that **Sam Ross, statistician, of Luckhurst & Co.,** just became the proud father of twins. But unlike Papa Dionne Sam is going around with his chest out. Obviously to Sam "it's somethin'."

The other day we were told that **Jimmy Cleland, of James Cleland & Co.,** and **Bill Kumm, of Dunne & Co.,** bowled 19 games and that Jimmy was as hot as could be. For no reason at all this story brought to mind an early experience while learning how to bowl. A friend of ours, a pinboy at a neighboring alley, invited us in to teach us the game. It all looked very simple. All one does is to grab the ball by the middle finger and thumb and let fly. After listening to a few pointers on stance and other things we didn't pay any attention to we were told to take a shot. We removed our coat, rolled up our sleeves and picked up a ball. Right away we noticed that the ball was heavier than we imagined. Anyway we swung the ball back and forth a few times, stepped forward and let go. At least that is what we started out to do. But for some reason our thumb would not come out so we negotiated half the distance down the alley on our nose and chin. That was our first and only experience. Still if the New York boys, **Jimmy Cleland** and **Bill Kumm** want us to play on their team when they meet the Philadelphia contingent—well, all we can say is that it will serve them right.

Salt Lake City Commissioners recently hired a group of experts and paid them $25,000 to suggest improvements in the municipal government. After weeks of study the experts submitted their report. Among other things they advised was—abolish the Salt Lake City Commissioners.

Ralph Dimpel of E. A. Purcell & Co., entered a restaurant one day and after checking his hat and coat stood at the entrance to the main dining room waiting for a table. While standing there a lady approached him. "Are you the headwaiter?" she asked him. Startled by this question Ralph was nonplussed but not for long. He assured the lady that he wasn't a waiter at all. "Oh!" sniffed the woman, "not even a waiter!"

One of our West Coast correspondents writes that he was showing a visitor through the Hollywood studios when he and his guest came on a set where there seemed to be particular confusion. In the midst of all this a man (later identified as the producer) approached the director and pointing to a small man, one of the actors, demanded to know who he was. "He's going to play Napoleon Bonaparte," replied the director. "Are you crazy?" screamed the producer "casting such a little guy for such a big part!"

Over-Counter Review

Bristol & Willett, 115 Broadway, New York City, are distributing the December issue of their "Over-the-Counter Review," copies of which may be had upon request.

U. S. Treasury Offers $1,500,000,000 Bonds

(Continued from First Page)
ment will be made on such full-paid subscriptions.)

The Treasury's announcement further explained:

Notwithstanding the general limitations outlined above, the Federal Reserve Banks are authorized and instructed to continue to examine applications for cash offerings of securities issued by the Treasury, and to report to the Secretary of the Treasury any which, in their judgment, require special treatment, or which appear to be excessive from the standpoint of the resources or investment practices of the subscribers, or for other reasons, with recommendation as to the acceptance, reduction, or rejection of any such applications, which recommendations will be promptly acted upon by the Secretary.

The cooperation of banking institutions, and of the subscribing public generally, is earnestly solicited so that subscriptions forwarded to the Federal Reserve Banks and the Treasury will in each instance be for amounts not in excess of the limitation set forth above. Attention is again invited to the requirement that subscribers agree not to sell or otherwise dispose of their subscriptions, or of the securities which may be allotted thereon, prior to the closing of the subscription books.

It is also requested that banks and others refrain from making any unsecured loans, or loans collateralized in whole or in part by the securities subscribed for, to cover the initial deposits which are required to be paid when subscriptions are entered.

The Treasury Bonds of 1967-72 are identical in all respects with the 2½% bonds sold on Oct. 9, with which they will be freely interchangeable. The bonds are dated Oct. 20, 1941, and bear interest from that date at the rate of 2½% per annum, payable semi-annually on March 15 and Sept. 15, with the first coupon due March 15, 1942, for a fractional period. The bonds will mature Sept. 15, 1972, but may be redeemed, at the option of the United States, on and after Sept. 15, 1967.

The Treasury Bonds of 1951-55 will be dated Dec. 15, 1941, and will bear interest at the rate of 2% per annum, payable semiannually on June 15 and Dec. 15. The bonds will mature Dec. 15, 1955, but may be redeemed, at the option of the United States, on and after Dec. 15, 1951.

The total amount of 2½% bonds of 1967-72 allotted in the Oct. 9th offering was $1,589,647,550. This aggregate was made up of $1,307,419,400 allotted to the public for cash subscriptions, $93,256,850 allotted for Government investment accounts and $188,971,200 in subscriptions from holders of maturing 1¼% Treasury notes who exchange them for the new 2½% bonds.

Inasmuch as the 2½% bonds currently offered are an additional issue and are identical with those bonds sold on Oct. 9, we are omitting the Treasury's detailed description of the bonds since it appeared in our issue of Oct. 16, page 639.

Following is the text of the Treasury's official circular for the 2% bonds of 1951-55:

UNITED STATES OF AMERICA
2% Treasury Bonds of 1951-55
Dated and bearing interest from Dec. 15, 1941
Due Dec. 15, 1955
Redeemable at the option of the United States at par and accrued interest on and after Dec. 15, 1951. Interest payable June 15 and Dec. 15
1941
Department Circular No. 673

Fiscal Service
Bureau of the Public Debt
Treasury Department,
Office of the Secretary,
Washington, Dec. 4, 1941.

I. Offering of Bonds

1. The Secretary of Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par and accrued interest, from the people of the United States for 2% bonds of the United States, designated Treasury Bonds of 1951-55. The amount of the offering is $500,000,000, or thereabouts.

II. Description of Bonds

1. The bonds will be dated Dec. 15, 1941, and will bear interest from that date at the rate of 2% per annum, payable semiannually on June 15 and Dec. 15 in each year until the principal amount becomes payable. They will mature Dec. 15, 1955, but may be redeemed at the option of the United States on and after Dec. 15, 1951, in whole or in part, at par and accrued interest, from the interest day or days, on 4 months' notice of redemption given in such manner as the Secretary of the Treasury shall prescribe. In case of partial redemption the bonds to be redeemed will be determined by such method as may be prescribed by the Secretary of the Treasury. From the date of redemption designated in any such notice, interest on the bonds called for redemption shall cease.

2. The income derived from the bonds shall be subject to all Federal taxes now or hereafter imposed. The bonds shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The bonds will be acceptable to secure deposits of public moneys, but will not bear the circulation privilege and will not be entitled to any privilege of conversion.

4. Bearer bonds with interest coupons attached, and bonds registered as to principal and interest, will be issued in denominations of $50, $100, $500, $1,000, $5,000, $10 000 and $100,000. Provision will be made for the interchange of bonds of different denominations and of coupon and registered bonds, and for the transfer of registered bonds, under rules and regulations prescribed by the Secretary of the Treasury.

5. The bonds will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States bonds.

III. Subscription and Allotment

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Subscribers must agree not to sell or otherwise dispose of their subscriptions, or of the securities which may be allotted thereon, prior to the closing of the subscription books. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions

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Investment Trusts

Investment trust portfolio changes may prove a key to the markets during the crisis. To claim that the investment trust managers anticipated the sudden attack of last Sunday would be untrue. It is hardly probable that anyone anticipated either the direction, the fury or the timing of the outbreak of war.

On the other hand, most investment trusts have been prepared for any eventuality for some months. The methods of preparation have been varied. Some trusts have built up large cash positions—one had over 25% in cash and Government bonds at the time of its semi-annual report on June 30, 1941. Another fund, accustomed to substantial shifts in its portfolio as occasion has demanded had approximately 9% of its assets in cash and about 30% in preferred stocks and bonds.

A third fund has its assets almost entirely invested in sound income-paying common stocks. Other funds have taken other positions, each preparing to meet coming situations in its own way.

All of these courses cannot be perfect. Some one is going to prove better than the others. But which will prove the best no one knows. In this sense the trusts are no better off than the individual investors.

On the other hand, the trusts are alert and are studying the day to day developments. Their portfolios are liquid, and they will be able to discern the trends as they develop—to take advantage of them before the individual investor has become aware of any change in the situation.

* * *

Investment Company Briefs

The New York Letter

Volume 1, Number 1 carried this item, among others, last week:

"'TREND IN LONDON TO SPECULATION' was the heading of an article appearing recently in the New York "Times." The item opened with the observation that the London Stock Market on Nov. 17, under the stimulation of Churchill's recent more optimistic war reviews, had advanced to the highest levels since Mar. 6, 1940—before the fearsome days of Dunkirk. **On Nov. 17 our own stock market in the land of the munitions boom minus the air raids, was slumbering 32 points below Mar. 6, 1940.** The foreign corespondent opined that seemingly there was a decided change in the average Britisher's investment philosophy. With record deposits in the Bank of England, with money rates consequently abnormally cheap, English investors evidently are convinced that gilt-edge securities have about reached top prices. They are now looking to stocks for capital appreciation to meet their burdensome taxes—and the effects of inflation. I know rather intimately a professional investment technician quite successful in selling advice to important money in the metropolitan area. The London market is one of the gauges he uses in his forecasting work. Several times he has pointed out to me the remarkable similarity of trends between the London and New York Stock Markets and that usually the New York market follows a change in the London market three to six months later."

The New York Letter was introduced to the investment fraternity last week with little fanfare, but much good reading matter. Published by Hugh W. Long and Company, distributors of New York Stocks, Inc., Manhattan Bond Fund, Inc., and Fundamental Investors, Inc., this fortnightly letter, to judge by its first issue, is to become one of those rare dealer organs for which readers will vie for places on the mailing list.

* * *

First Investors' Digest

"The Directors of Wellington Fund have declared a dividend of 30 cents per share, payable Dec. 29, 1941 to stockholders of record Dec. 16, 1941. This divi-

(Continued on page 1452)

Municipal News & Notes

Declaration of a state of war between this country and Japan had repercussions early this week upon the municipal securities market. Although trading was comparatively light, State and local obligations displayed a reaction to the new status. Bids submitted for issues marketed on Monday and Tuesday showed that investment houses have revised their ideas of price, in line with the uncertainty which struck the securities markets. The number of houses competing for issues is said to have been decreased as some awaited a more stable market.

Reflecting the uncertainty and apprehension over the effect of the war on money market conditions and municipal credit generally, moderately lower bids for new issues were the rule in Tuesday's activities. These tenders resulted in the rejection of all bids received by the officials of two municipalities, while other borrowers were forced to accept higher interest cost bases on their new flotations.

Declines in Pacific Coast municipals were heaviest, naturally, since that area is most accessible to attack. Bonds of San Francisco, Los Angeles, Seattle and the State of California were off considerably from last Saturday's level and the current market is to some extent nominal, according to informed sources.

As Hemphill, Noyes & Co. of New York report in their latest bulletin:

The shock which staggered all markets on Monday was not that a shooting war had begun, but that our armed forces could be surprised. As we write, at noon on Tuesday, bewilderment is increased by the air raid siren and the suppression of news. Stocks and bonds, including municipals, are making new lows. Yesterday morning the sensitive, listed New York City Transit 3s, 1980, which had closed at 109% on Saturday, went off two points immediately on small transactions and nearly three by the end of the day. This noon they are 105 and probably would make a sharp dive if even one nervous seller should come into the market with a round block to liquidate. Other issues of city bonds, ports, triboroughs, and other money market issues are off sharply.

The first test of the new issue market came at 11 o'clock yesterday morning when the bids were opened for the $463,000 Niagara Falls Serials, 1943-54. Had those bonds been sold last Friday, municipal dealers believe that there would have been several bids, some naming at least a 1.20% coupon. Yesterday there were only four bids and the successful bidder, a bank, was awarded 2s, representing a drop of about six points from what would have been a logical price last week. Municipal men agree that the buyer actually got a real bargain which could have been resold at a good profit immediately. The bid was far below what the bonds were worth, with New York City 3s off only two points at that time. They also agree that for the present no issue is likely to be sold except at a bargain price. Cities not urgently in need of funds may withdraw their offerings or reject bids, as Scranton, Pennsylvania, School District did last evening when the only two bids called for 3s, whereas 2s and 1½s were taken in the last sale just a year ago. The issue will be reoffered on Dec. 29.

Federal Tax On Municipal Bonds Scored

The IBA convention last week heard a vigorous denunciation of the attempt being made by the Federal Government to impose a tax upon the income from State and municipal bonds. The latest attack upon the proposal was levied by Austin J. Tobin, assistant general counsel of The Port of New York Authority, acting as spokesman for the Conference on State Defense. (Mr. Tobin's remarks are covered in greater detail in a separate article which appears in this issue.)

Last week's column covered similar remarks on the subject delivered before the same convention by Pat G. Morris, Vice-President of the Northern Trust Co. of Chicago, and Chairman of the Municipal Securities Committee.

Judging from the several indictments of the proposal, it is evident that the municipal fraternity considers it the fundamental problem in their particular field.

Treasury Moves For Test On Pa. Turnpike Bonds

Notices of deficiency were sent to four bondholders of the Pennsylvania Turnpike Commission last Thursday as the Treasury moved to broaden its test intended to prove ultimately in the courts that the Federal Government has the right under the Constitution to tax the income from State and municipal securities.

Notices previously had been sent to a few bondholders of the Triborough Bridge Authority and the Port of New York Authority. Those sent most recently were addressed to four trusts which also hold securities of the Triborough Bridge Authority and the Port of New York Authority but had not received notices in connection with their bonds.

Local Housing Authority Bonds Analyzed

R. W. Pressprich & Co., 68 William St., New York City, have just issued an interesting and highly informative booklet, analyzing the merits of local housing authority, series A bonds. It is pointed out that a total of over $42,000,000 of these bonds have been currently issued since February, 1940, and they have proved attractive to many investors, including experienced officers of trust companies, commercial banks, and insurance companies. This brochure has been prepared primarily for the benefit of those investors who have not as yet become acquainted with the fundamental worth of these securities.

Boston Credit Rating Analyzed

The current financial position of the city of Boston has improved during the past three years through a substantial reduction in a threatening accumulation of tax debt, according to a financial study just released by Lazard Freres & Co., 120 Broadway, New York City, which concludes that the city's obligations merit a

"fairly good rating." They deserve this rating despite the fact that no fundamental correction of an extremely heavy tax burden or an unsatisfactory budgetary system has been achieved, according to the report.

Buffalo's Proposed Debt Equalization Plan

The following information is taken from the Dec. 1st issue of the Buffalo "News Letter," issued by Frank M. Davis, City Comptroller:

For the reason that the press has carried notices of a debt equalization or refunding plan which has been submitted to the Common Council of this city, I deem it important that readers of the Buffalo "News Letter" should receive accurate and prompt information.

First, let me say that I have not proposed refunding. All that has been done is to give the Council complete details of Buffalo's unusually high maturities for the next four fiscal years and to tell them that if there is to be any refunding, then the plan now offered is the best and most economical way to achieve it.

Briefly, the bank which proposes to head the syndicate to effect the plan, has suggested, if it be desired to stabilize Buffalo's tax rate at the present all-time high of about $31 per thousand for the next seven or eight years, and to avoid tax rates during the next four years only of from $33 to $38, then the city should now and at one time do all of the refunding which it would otherwise need to do annually for four years. Bonds to the extent of $21,655,000 would be authorized in exchange for bonds maturing in future years. The new bonds would carry until the maturity of the exchanged bonds the existing rate of interest, and beyond present maturities would carry a reduced rate of interest. If about one-half of the bonds maturing in that period could be obtained in exchange for the new bonds, Buffalo would accomplish two objectives:

1. It would never need to refund in the future.

2. The tax rate would positively be "pegged" at $31, as above explained.

It is my opinion that a once-and-for-all "clean-up" plan such as this is immeasurably better than a year-by-year approach to the problem.

I would like to stress one very important note: Buffalo is definitely not financially embarrassed. The Plan now suggested is not inspired by fear or despair. It has its basis in sane acceptance of the facts and cool thinking in the absence of anything that even verges on a crisis.

The Finance Committee of the Common Council has the entire subject matter under careful consideration.

Nebraska Properties Sold By Western P. S.

The Western Public Service Co. has sold its Nebraska properties to the Consumers Public Service Co., Columbus, Neb., for $6,800,000, W. M. Bird, President of Western Public Service, said last week. Five western Nebraska municipalities affected by the sale have agreed to proceed at once with formation of a public power district which would acquire the western division of the utility.

Municipal Forum To Meet

Henry Epstein, Solicitor General of New York State and Chairman of the Conference on State Defense, will be the principal speaker at a luncheon meeting of The Municipal Forum of New York, at Block Hall tomorrow. His subject will be "Fooling the People on Taxation," a discussion of tax exemption.

Alberta Defaults Dec. 1st Maturity

The Province of Alberta defaulted on Dec. 1st a $700,000 principal bond maturity, payable in New York, Toronto, Montreal and Edmonton. The present default carried the total since 1936 to slightly more than $22,000,000. As in previous defaults, the Province will continue to offer to pay interest at one-half the coupon rate.

Another maturity on Dec. 1st was a $6,192,000 treasury bill held by the Dominion Government as security against unemployment relief loans to the Province. The Province has asked the Dominion to renew this maturity, which bears interest at 3%.

Major Sales Scheduled

We list herewith the more important municipal offerings ($500,000 or over — short term issues excluded), which are to come up in the near future. The names of the successful bidder and the runner-up for the last previous issue sold are also appended.

Dec. 11th (Today)

$925,000 Boston, Mass.

The city awarded bonds in July to a syndicate headed by Lehman Bros. of New York, while Halsey, Stuart & Co., Inc., and associates, entered the second highest bid.

Dec. 16th

$550,000 State of South Carolina

Halsey, Stuart & Co., Inc., headed the syndicate which took the issue offered on Oct. 14, beating out the Union Securities Corp. of New York, and associates.

$2,000,000 Washington Suburban San. Dist., Md.

District awarded bonds in May to a syndicate headed by R. S. Dickson & Co. of Charlotte. Second best tender was a joint offer entered by Smith Barney & Co., and the First Boston Corporation.

Dec. 18th

$3,940,000 Minneapolis, Minn.

Syndicate headed by Phelps, Fenn & Co. of New York, high bidder for bonds in August. Halsey, Stuart & Co., et al, and Salomon Bros. & Hutzler of New York, and associates, second best on the two separate issues.

Dec. 29th

$3,944,000 Orleans Levee District, La.

Bonds were awarded by the district last April to a syndicate headed by R. W. Pressprich & Co. of New York.

$519,000 Scranton, Pa. (Sch. Dist.)

These bonds were originally offered on Dec. 8, but all bids were rejected. This district awarded an issue last December to a group headed by Fox, Reusch & Co. of Cincinnati. Runner-up was E. H. Rollins & Sons, Inc., and associates.

Jan. 5th

$2,700,000 State of Minnesota

Last August the State awarded similar certificates to a group headed by the National City Bank of New York. The only other bidder was the Wells-Dickey Co. of Minneapolis, and associates.

Our Reporter's Report

(Continued from First Page)

for the job of administering a resounding and all out defeat for the perpetrators of the attack against us while negotiations seeking a peaceful settlement were still in progress.

Ready to Proceed

As an indication of the manner in which investment bankers look at the situation, it was pointed out today that at least one group is ready to go to work on a small bond and stock undertaking contemplated by the Mobile Gas Service Corporation.

This group of eight firms, subject to their ability to bid, will be in the market next Tuesday if the utility decides to go ahead with its projected offering of $1,600,000 of bonds and $600,000 of 6% preferred stock.

The following day, Wednesday, Iowa Southern Utilities is slated to offer $10,000,000 of bonds and $5,100,000 of debentures. It will be interesting to note developments in that direction.

Public Service of Indiana

In present circumstances it may be necessary for potential issuers, who had launched projects before the outbreak of war, to revise their ideas of price somewhat.

For example, there is no gainsaying the fact that bankers would like to undertake, or underwrite, the proposed $42,000,000 of Public Service Co. of Indiana bonds which are scheduled for sale next Tuesday carrying a 3¾% coupon.

But according to reports one of the two banking groups which had figured on bidding for the bonds has had to withdraw from participation because the call for bids stipulates that no bid shall be less than 104. The other group is reported undecided on its position but is expected likewise to drop out.

How the situation has changed, pricewise, was indicated in the case of the City of Niagara Falls which received four bids for its offering of $463,000 bonds on Monday with the top tender fixed at 100.229 for 2s. It was calculated that had the war not intervened the city might have received a bid for the bonds as 1.10 per cents.

Seasoned Market

That institutions are quite disposed to hold aloof from outright jettisoning of high-grade corporates, along with being pledged to refrain from the selling side of Government issues, seems clear from the performance of the general bond market.

True, gilt-edge liens have been marked down pricewise anywhere from 1 to 4 points. But the recessions have not resulted from anything even suggesting "panicky" selling.

On the contrary there has been a complete absence of "block" selling and most bonds have fallen back in consequence of the offering of odd-lots and occasional small round-lots.

The high-grade market, in short, is viewed as greatly distorted at the moment and as reflecting chiefly the lowering of bids by potential buyers.

A Sketch of Price Levels

On only a smattering of offerings the pick of the top-grade utilities are found to be ruling 2 to 4 points or thereabouts under pre-war levels.

In only one such issue has the loss exceeded 5 points, that being Central Illinois Public Service 3⅜s, brought out in October at 107.

Syndicate bids for that bond were pulled this week and it has settled down to a 101¾ bid and 102⅛ asked basis. Pacific Coast utility issues, such as the Pacific Gas & Electric 3s of 1970, and Pacific Gas & Electric 3¾s quite naturally suffered the outside declines.

On the other hand in American Telephone & Telegraph and Illinois Bell Telephone issues declines have been less severe.

Thirtieth Annual IBA Convention Studies Changing Times

Debts And Taxes Threaten Free Enterprise
Connely Warns IBA—Capital Levy Prospect

Warning that a capital levy will be inevitable if the spiral of government debt and taxes continues, Emmett F. Connely, President of the Investment Bankers Association, addressing the Association's annual convention Dec. 1, made an appeal for the "restoration in American life of private enterprise." The burden of debt in Europe after the last war, said Mr. Connely, destroyed banking on a large part of the Continent and the functions of banking were assumed by the different governments. "Every country which experienced this trend now has a socialistic, totalitarian economy," he asserted. This trend, he added, has been running its course through the world since the 1917 Communist revolution in Russia and now appears in this country.

"Men are either slave or free," Mr. Connely declared, and if the banker here is destroyed, the social effects will extend to the whole American people. "Without private capital flowing freely into business and industry, he said, there can be no such thing as free private enterprise. And without freedom of enterprise, without freedom in the sphere of economics, there can be no political freedom, no religious freedom, no civil rights as we know them."

Mr. Connely's address follows in full:

It would be no less than usual procedure were I as the President of your Association to take the time afforded me this morning to give you a routine accounting of my tenure of office. But these are unusual times—grave times—probably as serious as any our country has ever faced, and I cannot bring myself to read you a commonplace report.

As you know, I have devoted my entire time these past two years to the work of our Association, more particularly to an attempt to make our fellow citizens conscious of the vital role the investment banker plays in the American system of free enterprise. I can truthfully say to you that these have been strenuous years for me, but they have also been fascinating and worthwhile years.

I have been privileged to travel the length and breadth of this land not once, but many times. I have talked with people in all walks of life. I have had days of deep discouragement and days of great hope.

Traveling America as much as I have, one realizes how great it is and how impossible it would be to tear it down or destroy it if the people were aroused as to what is necessary to defend it.

The grave questions that face us today will be answered by no one man, nor by any one group of men. In fact they will not be answered at all, if there are not among us men forthright and outspoken enough to set up and outline what they truly believe. I regard it as no less than the duty of those of us who have been privileged to travel over the country and learn what serious men are thinking about to set forth our conclusions for the benefit of all. Only in this way will the collective mind of America find the soundest course for our nation to pursue.

Hence, I give my observations to you for your serious consideration—not as hard and fast facts to be taken or left verbatim—but simply as thoughts.

I want to ask you why this organization should exist at all, or why any organization representing bankers should continue to function? Why are we meeting here? Why do we pay dues? Why have you asked me to travel about the country? Is it merely to perpetuate something which we, for reasons sentimental or selfish, are striving to preserve?

I have often asked myself these questions. They are challenging questions. They force themselves upon the mind with increasing pressure as the economic system of our country changes. There are Americans, some of them high in authority, who would give snap answers to these questions. They know all the answers to any questions that plain people like ourselves might ask and about which we are confused. They would speak to us of the "New Day" that is "dawning." They believe that a "New Order" is on its way, if it has not already arrived. They see no reason for many of the institutions that have been normal in American life during the whole existence of this country. They ignore the value of experience!

During the past year, we in our business have had a very convincing example of this attitude. The Securities and Exchange Commission imposed compulsory competitive bidding, a ruling based upon the all-too-simple proposition that if you can sell sheep at auction you can sell investment securities the same way. This proposal was fought vigorously by the Investment Bankers Association at public hearings in Washington. The decision of the SEC to enforce this rule was in direct opposition to the great preponderance of testimony provided by men of experience. Most of us were certain that this scheme would work the *greatest* hardship not on the investment banker, but on the small investor, the little man who seeks to improve his lot, and on the widow and the orphan. The record bears out our fears. The SEC decision has been in effect for only a little more than six months, and small investors, small insurance companies, endowment funds of colleges, have seen several issues of their high grade bonds called, with the refunding issue going entirely to a few large institutional buyers. The small investor is being driven out of the market. We said at the public hearings that this would occur, but, as happens so often with governmental bureaus, the voice of experience was not heeded. Now, however, there are indications that others are going to take up the fight, and we shall continue to press for revision of this rule which recent events have proved is most definitely not in the public interest.

It is disheartening to know that the wisdom of experience is being sacrificed to theoretical opinion. No man likes to waste his time or his energy or his money on a hopelessly lost cause. Is our cause hopelessly lost? Have we a cause at all? I still think we have!

We have gone down to Washington to Congressional hearings on proposed amendments to the Securities Acts of 1933 and 1934. We believe we are making a good case for many important revisions of these hastily enacted pieces of legislation. We believe that the changes we recommend are in the public interest and will remove some of the impediments that have all but dammed up the flow of private capital into industry. I sometimes wonder why we and the bureaus that regulate us see these things so differently.

I rather imagine that many Americans are asking similar questions about their own businesses. They, too, are wondering how they continue to fit into American life. So many changes are being forced on us with such swiftness that the individual man is left wondering what is being done to him by his own government.

At this point I want to make it clear that many of these changes are not related to the war. Long before this war started, or was even being dreamed of by anyone but Hitler, a course of events was set in motion designed to remake the world. Our problem is to focus our minds upon the future so that we shall not come out of this war with our economic system completely altered, our way of living completely changed, shattered. We particularly need to grasp the essential truth concerning our relations, the relations of the investment banker to American life—now, during the war period, and after the war is over.

We do know that the investment banker has served as the agency for the spread of capital, for the diffusion of the reservoirs of savings in a thrifty America. Those reservoirs were collected from many streams, from great deposits and from tiny trickling savings. They were placed at the disposal of the inventor, the manufacturer, the miner, the farmer, the State and municipality. Those reservoirs of capital opened our country to industry and commerce. They made it possible for the man with an idea to be brought into contact with the

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John S. Fleek, New IBA President, Pledges
Full Support to Government In Emergency

John S. Fleek, incoming President of the Investment Bankers Association, pledged to the Government "the allegiance and full support of our industry," in an address at the closing session of the Association's 30th annual convention at Hollywood, Fla., Dec. 5. "The task before us is long, tedious and exacting," he said, but urged that the future be faced with confidence and an indomitable spirit. Following is the complete text of Mr. Fleek's speech:

I am glad that custom does not call for an extended speech from your incoming President. It is altogether fitting that this should be so. This convention belongs to Spike Connely. It has been a great convention, a most constructive convention, the capstone of a notable administration.

Facing, in the last two years, new problems and new difficulties, suffering constant harassment, threatened by confusion, alarms, and discouragement, it has been a fighting administration led by a fighting man.

Whatever results have been accomplished—and I think they have been great—none can exceed the mobilization of our industry in united effort. Never before, have so many members expended so much in time and energy—not only for the good of the investment banking business as a whole—but more importantly for the common good of American business.

As individual members of this Association, we may differ at times on policy. We may frequently disagree on method, but we have again learned beyond a doubt the value of working together on a common front. In my opinion this unity of effort is the direct result of the public information work and this activity has revitalized our spirit of solidarity. The ground we have gained must not be lost. Our energies must not flag. We must be constant, vigilant, and indefatigable.

It is a coincidence that my partner, the late Warren S. Hayden, one of the group who organized our Association, became President of it in November, 1917, under conditions somewhat similar to those of today. His inaugural is in the 1917 year book and is an extraordinary address. His observations have a direct bearing on today's situation.

Let me quote a sentence here and there: He said, "We all like a fighting man, and unless a good many of us had been fighting men, this audience would be much smaller than it is today. We like the sort of man who does not quit until he is stopped; and we are not going to quit until we are stopped. . . . The reason for our existence is that we perform an indispensable service in the public interest. . . . The aim of our Association is to have the function of investment banking performed under the best conditions and by the best methods attainable. Progress toward this ideal is to the advantage of both the country and the investment bankers . . . members do not expect the Association to save them from burdens; but they do expect the Association to try to save them from burdens which they ought not to be asked to bear."

Hayden further went on to say that with the coming of a permanent peace (however remote that might be), investment bankers could look forward to the resumption of their normal activities as a matter of course. This time we cannot be so confident of such an automatic sequence of revival; for now, nothing is automatic. But, if we cannot be certain of the future, let us at least be certain of each other.

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INVESTMENT BANKERS ASSOCIATION OF AMERICA

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John S. Loomis

Paul W. London

Bennett S. Martin

Says Debts And Taxes Threaten Enterprise

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money that would make his idea a reality. The investment banker stimulated the utilization rather than the hoarding of surplus wealth. The thrifty found an outlet for their savings and a reward for their good judgment. The brilliant and competent were provided with a bridge which brought them to the thrifty. This combination of talent and capacity and means built our country.

The investor anticipated a financial return for the use of his money. But it was not only the return to the individual that was important. Of even greater advantage to this country, has been the fact that our commercial and industrial development, except for a few railroads built in the very early days, was accomplished without Government aid, without raids upon the public treasury, without subsidies of public funds for private enterprise, without increases in taxation, without the burden of Government debt. Our magnificent record of growth from coast to coast, across mountain and plain and forest, is the tale of the investment of private capital in private enterprise by private individuals. Nowhere else upon this earth is this equally true.

Ours was an experimental civilization. We did not reject progress and growth because of Governmental red tape or politics or class distinctions. We did not reject the ideas of the inventor because they had never been tried before, nor did we say to the laborer that he might not become a great merchant or manufacturer or banker because he came from the wrong side of the tracks. In the few exceptional cases when a man or a group of men stood in the path of progress, the dynamic flow of American life surged around them, engulfed them, and continued its course. We went ahead as individuals creating, building, expanding. And we did it without fear of being wrong or of losing our money. Ours was a way of trial and error, of profit or loss. Sometimes human judgment erred. Sometimes we were overly ambitious and received a setback and gloried in it. It was part of normal living to wipe away our mistakes and start to build again. Every brick that was laid, every foot of concrete that was poured, every piece of machinery that went into the making of this land, represents in some phase the activity of the investment banker. We have not been money changers; we have been the accelerators of growth and progress.

I have been using the past tense, thus far, in this discussion. Admittedly, the world has changed. There are those who believe that because change is inevitable, it is always for the better. It is supposed to be liberal to favor any change that comes along, just because it is a change, whether it makes sense and that frightened us for brief periods. Sometimes we changed over from the obsolete to the new too swiftly and suffered temporarily. But the over-all picture for more than three hundred years of economic development on this continent has been one of progress and the constant improvement of our standards of living. The American people exulted in their successes, but they did not whine over their losses. Those were the days of worthwhile risk-taking. We lived dangerously or not; and those who oppose change are supposed to be reactionaries, copperheads, even if all experience proves that the particular change is unwise, unsound, or inept. I recently read a brilliant passage in Herbert Spencer's "Man Versus the State," in which he says:

"They have lost sight of the truth that in past times liberalism habitually stood for individual freedom versus State coercion. . . .

"How is it," he continued, "that liberals have lost sight of this? How is it that liberalism, getting more and more into power, has grown more and more coercive in its legislation? How is it that, either directly through its own majorities or indirectly through aid given in such cases to the majorities of its opponents, liberalism has to an increasing extent adopted the policy of dictating the actions of citizens, and, by consequence, diminishing the range throughout which their actions remain free? How are we to explain this spreading confusion of thought which has led it, in pursuit of what appears to be public good, to invert the method by which in earlier days it achieved public good?"

How appropriate today are Spencer's queries! How surely do they apply to our current problems, particularly to the problems of our own industry.

Change is inevitable, yes, but I am not prepared to admit that rent changes are all for the better.

Looking back, we felt no anxiety when we changed from the horse and buggy to the automobile, when we changed from the kerosene lamp to the electric light, from the country mud road to concrete highways, from handicrafts to mass production. We were elated by those changes. We felt our own strength. We reveled in our sense of power when those changes occurred. That was yesterday. What about today's changes? The United States certainly is not better off with a $60,000,000,000 national debt than it was when the national debt was a billion and a quarter dollars. The United States certainly is not better off when taxes consume so large a share of the income of all elements of our people that there is no surplus left over the cost of living for investment in the growth of our economy. The United States is certainly not better off when industry expands not on the investment of the people's savings but on loans made by agencies of the Government. The United States is surely not better off when men fear the consequences of the changes which they were led to believe were inevitable.

Whatever progress has been made since the last war is being destroyed by this war, by national debt, by the increased burden of taxation and by the rise in the power of central government. I am not speaking of our country only, but of all the world. For even apart from the present war, the past three decades have witnessed social experiments leading to an end of private enterprise and designed to achieve one form of socialism or another. Starting in Soviet Russia, these experiments first assailed continental Europe, weakening the democratic, free countries, strengthening the totalitarian, slave countries. France, Belgium, Holland, the Scandinavian lands, Poland, Czecho-Slovakia fell before the onslaught of the slave countries. Even England is imperiled by the forces of slavery. Now our country is suffering from the consequences of these designs.

The course of the present war has proved thus far that the only two countries that had developed ample powers of destruction, Germany and Soviet Russia, were those which had devoted themselves solely to destruction. The constructive free States, which were concerned with the welfare of the individual, which were anxious to preserve the political, social and economic liberties of their own people, were neither prepared for war, nor desirous of war. But these other countries—these slave countries—are not striving just to win wars. They exist to enslave human beings. Their first step for such enslavement is the abolition of private capital.

Private enterprise obviously cannot exist without private capital. For the accumulation of private capital and its distribution into private enterprise, a system of private banks came into existence, which, while generally regulated by government, exercised freedom of judgment. For generations the banker was the most respected, the most honored personage in every country.

It was the investment bankers who brought capital from the richer countries to the weak and backward countries. They made possible the migrations of people from the continent of Europe to North America; they provided the capital which the colonists used to lay out plantations and to expand into new territory. They were the operators of the East India Company, the spearhead of the European development in Asia. They stimulated the trade between Europe and Africa, Australia and New Zealand. They brought the products of China and Japan to the countries that lie on the seven seas. They established agencies for the de-

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PRESENT GOVERNORS (Continued)

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John W. Newey

T. Edward O'Connell

Donald O'Melveny

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R. McLean Stewart

Winthrop E. Sullivan

Lowry Sweney

Albert R. Thayer

John W. Watling

J. N. Whipple

Pearson Winslow

John M. Young

LIVING IBA PAST PRESIDENTS

1939-40-41

E. F. Connely

1938-39

Jean C. Witter

1937-38

F. E. Frothingham

1936-37

Edward B. Hall

1935-36

Orrin G. Wood

1934

G. W. Bovenizer

1932-33

Frank M. Gordon

1931-32

Allan M. Pope

1930-31

Henry T. Ferriss

1929-30

Trowbridge Callaway

1927-28

Henry R. Hayes

1926-27

Pliny Jewell

Says Debts And Taxes Threaten Enterprise

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velopment of areas in remote parts of the world which no individual enterpriser could hope to handle. Can anyone say that a body of men so useful to all mankind, has no future?

This era of development was interrupted by the last World War.

It was the resulting burden of debt, the rise in taxation and the loss in the value of money that destroyed banking in much of Europe during the last war and its inflationary aftermath. Independent groups could not survive the destructive processes of that war. No private funds were of any value when governments went bankrupt. The result was that governments set up their own central banks to replace the banker, and replaced private investment by governmental lending and subsidy, paid out of taxes and government loans. Every country which experienced this trend now has a socialistic, totalitarian economy. The standards of living of the whole people have been lowered. The middle class has been turned into a proletariat, and the proletariat is enslaved to government.

Beginning with the Russian Communist Revolution in 1917, this trend is still running its course throughout the world. It is now part of a war tendency and it is accompanied by a new series of destructive processes normal to war conditions. This trend now appears in our country. Its fangs and claws—debt, taxation and inflation—are already showing themselves. The trend rides us hard and we can only protect ourselves by standing firm and fighting it. The danger is that many enterprises soon will be in hock to government, and from being in hock to government to being taken over by government is but a short step. In some countries, it has practically been a single step. One of the principal characteristics of this trend is for socialistic governments to tax savings out of existence, and then to use the money thus raised to put private enterprise in bond to government. The outcry of our small businessmen is an indication that these processes are already squeezing the middle class to the point of extinction. What happened to banking in Europe is beginning to happen to banking here and the principal sufferer is already the thrifty, investing public. They have been propagandized into distrusting us who have served them faithfully. They will one day find themselves reduced to having no one to serve them. They will be taken over by government.

Bankers are few in number and if, in the course of revolutionary economics, they, as individuals, are wiped out, it hardly matters except to them and their families. I am therefore not speaking to you today from the standpoint of what might happen to to us as individuals. In the whole scheme of things that is hardly important. What is important, what is socially significant to the whole American people, is what effect the elimination of investment banking will have upon the economic and social institutions of our country.

Without private capital flowing freely into business and industry there can be no such thing as free private enterprise. And without freedom of enterprise, without freedom in the sphere of economics, there can be no political freedom, no religious freedom, no civil rights as we know them.

Throughout the ages the institutions of representative democracy, of civil and religious liberties, and of private enterprise have gone hand in hand. All history, including that of present day Europe, proves that our liberties are woven together into a single fabric; they are won together, and are lost together. You cannot protect the freedom of the individual in one field and abolish it in another. Men are either slave or free.

Those who oppose the American way of life usually attack the institution of private enterprise, or one of its ramifications, while protesting their devotion to representative democracy and to the preservation of civil and religious liberties. They would have us close our minds to the record of mankind which has proved over and over again that political freedom quickly comes to an end when government attempts to control the economic system of a nation.

Today, the alternative to the American system of private enterprise and to the American way of life is plainly marked for us. Communism, Fascism, National Socialism—or just call it the "New Order"—all these isms demand complete physical and mental slavery from their citizens. All tolerate no challenge and no criticism, whether it be from individuals, church, or labor union. All strip the individual of the dignities and privileges of a free man and fashion him into a part of a gigantic machine, planned and operated for the glorification of the state.

You may ask why I am so anxious as to the future of our particular business and the country in general. The reason should be so apparent: it is that there is too little resistance to the socialistic trends already evident here. We now have in this country more than 30 governmental agencies and corporations engaged in lending money. To find funds for these organizations, the government has to increase the taxes of the people. The very businesses that borrow from the government have to tax themselves to keep these lending agencies in existence. When a bank loses money, usually only its stockholders suffer; when a governmental lending agency loses money, it goes to Congress for authority to wipe the losses off its books, and the people pay those losses in new taxes. Even before we became involved in an undeclared war, our national debt had multiplied twenty times since the beginning of the last war—and a growing national debt nearly always represents losses in national wealth. Ultimately it comes out of the earnings of the people in the form of taxes or through inflation of the currency.

The fact is that the spiral of debt and taxes is forcing upon the American government the necessity for considering a capital levy which will be inevitable. And the principal sources of taxation arise from the increased earnings of a thrifty people through investments in private enterprise. That is the goose that lays the golden egg for government. But when that goose is killed and smoked and dried up — then there are no golden eggs—there are no eggs at all. Then government takes the goose — and often it is so skinny that there is nothing left even for government. Many European countries during the

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LIVING IBA PAST PRESIDENTS (Continued)

1925-26

Ray Morris

1924-25

Thomas N. Dysart

1922-23

John A. Prescott

1920-21

Roy C. Osgood

1918-19

W. G. Baker, Jr.

1915-17

Lewis B. Franklin

GROUP CHAIRMEN 1941-1942

California

H. B. Wyeth Jr.

Canadian

R. E. Haldenby

Central States

John S. Loomis

Eastern Penn.

Edw. Hopkinson, Jr.

Michigan

Richard T. Purdy

Minnesota

Harold E. Wood

Mississippi Valley

E. Kenneth Hagemann

New England

John G. Flint

New York

Laurence M. Marks

Northern Ohio

W. Yost Fulton

Ohio Valley

Richard C. Crisler

Pacific Northwest

F. M. Blankenship

Rocky Mountain

D. F. Baker

Southeastern

J. Elliott Irvine

Southern

Errol E. Buckner

Southwestern

Dorman H. O'Leary

Texas

M. R. Underwood

Western Penn.

Hugh D. MacBain

Says Debts And Taxes Threaten Enterprise

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past twenty years have found that out.

Why can't we learn by example? Twenty-odd countries of European have gone through this experience. Their condition is not due to this war; the war is the product of their economic conditions. If we continue to follow in their footsteps, we shall fall where they fell and suffer as they suffered.

There is still time to check this drift toward a mixed economy in the United States. We are still free and we still have plenty of fat on our economic bones. We can still have private enterprise. But we—we, the American people, have to do that job. We have to understand our problems. We have to fight for our economic ideals. We have to resist the encroachments of socialism. We have to be big enough to stop thinking of our personal interests and to attack the broader problems involved not only in the revival of private investment banking in America but, more important, in the defense of the private enterprise system.

That is the system we are in danger of losing. We are about to learn—our planners say—that finance is a function of the State. When we have learned that, individual freedom will be next to go.

Is there any wonder that we see confusion all about us? Is it surprising that in these—as grave days as any our country has ever faced—we are disunited? Can thinking men be blamed for fearing for the future? Can the all-out defense effort go forward when it is hamstrung at its very source by those greedy for additional power?

We hear on many sides that capitalism has failed. Capitalism has not failed. It is because it is being thwarted that our country suffers. What we need, what we must have, is a return to capitalism, a return to the days when men and money again march together in harmony—not only for our future and that of free men everywhere, but for the more immediate problem of our defense efforts. The day America returns to true capitalism will be the day of Hitler's doom, and that of dictators everywhere. The sooner that day comes, the less the cost of this destruction will be.

I don't know how to get this story to America except by the laborious process of eduction. This Association has made an admirable start in that direction. More and more the eyes of America are being opened to the danger. I know of no greater service you can perform for your country and your children than to continue this educational work with ever-increasing vigor. If you fail after that, your consciences will at least be clear. But you will not fail. Ours is an understanding people. The average American has more reasoning ability than his counterpart in other countries. It is not without significance that in Great Britain this war has come to be "the worker's war," for the English worker has seen all too clearly what happens when tyrants come to power.

It was particularly encouraging to have Mr. Green address us last night. It was doubly gratifying his words carried to every nook and cranny of the country. Americans are thinking, and when America thinks it is not long before America demands action. We have come close to the precipice, but we have not fallen in. I honestly believe from what I have seen that if we act now we can edge our way back to safety.

Let each one of us, as Americans, make it our first and foremost duty to accelerate this reversal. After these years of world-wide depression, despair and war, there is so much for private savings to do. If we save private enterprise here at home, America can lead the world to greater accomplishments than any ever known. That is our destiny. We must not fail.

I don't think we will fail, because fortunately, the ranks of those who defend the institution of private enterprise are swelling with each passing day. Every segment of industry—manufacturers, retailers, investment bankers, railroaders, labor unions, each of us—has a sector of private enterprise to defend. Each of us, in our own sphere, has a portion of the line to hold against the forces of revolution and chaos. And I am encouraged when I see so many others aligned with us in interpreting private enterprise as a whole in its relation to the self-interest of individuals, and in building constructive public understanding of the place of their own industries in the broad social pattern.

The battle for understanding must go on unceasingly. It must be expanded, if we are to win this struggle against subversive world forces. And the next few years will tell the story. Even more significant than armed clashes in the war will be the clash of antagonistic social forces the world over. In our own country these forces will vie for support in every school room, from every rostrum, in every newspaper and periodical. Either the champions of free enterprise must tell their own story or permit others to describe them in unrecognizable terms, which means abdicating permanently—throwing in the sponge.

Gentlemen, you have nothing to lose, you can, therefore, each one of you, become a missionary for the restoration in American life of private enterprise, private investment banking, thrift, taxation that does not kill, and a national debt that does not impoverish the American people.

This is the true picture. It is not what you would like to hear. But it is the plain, stark truth.

Let's not crumple under the weight of a foreboding future. Let's accept the challenge and throw all of our courage, energy, resources and Americanism into the struggle. Let's recognize these truths as the call to action. Let's do both jobs—win the war and lick our economic problems, for one without the other will render *all* our efforts vain.

Despite the great emergency and the natural and proper desire to organize and build for defense, we must coldly, objectively, dispassionately appraise what we are defending. In our desire to protect ourselves from dangers from without let us not forget what goes on within. Let us not accept the fallacious theory of scrapping Democracy to save it.

Let us save Democracy by a close adherence to the principles that built Democracy. No other course of action will save us.

New Assistant To Secretary Of Treasury

Secretary of the Treasury Morgenthau on Dec. 1 announced the appointment of George Buffington of Chicago as an Assistant to the Secretary to aid in the Treasury's program to encourage saving for taxes.

Mr. Buffington was a Chicago resident partner of the New York Stock Exchange firm of Winthrop, Mitchell and Co. from 1933 to 1938. For the past three years he has maintained his own office in the Continental Illinois National Bank Building. He has tendered his resignation this week as a Vice-President and Director of the Campbell, Wyant and Cannon Foundry Co. of Muskegon, Mich., and as a Director of the Sullivan Machinery Co. of Michigan City, Ind.

Plan For Peace Return Slichter Advises IBA

Private enterprise, if it is not to be injured, must make plans for the transition back to a peacetime economy at the end of the war and not leave the responsibility with the Government, Prof. Sumner H. Slichter of Harvard University told the 30th annual convention of the Investment Bankers Association, meeting at Hollywood, Florida, Dec. 2. The shift from war to peace production is less formidable than generally believed, he asserted, and, to demonstrate the point, added: "In 1918, over one-fourth of the national product was devoted to the war. Nevertheless, the Armistice was not followed by a collapse but by a post-war boom which lasted until the Spring of 1920. This boom was made possible largely by the enormous shortages which had developed." Continuing, he said:

Great shortages will develop during the course of the present war—at least if it lasts well into 1943. In fact, by the end of 1943 shortages of industrial equipment and durable consumers' goods are likely to be somewhere between 15 and 25 billion dollars. If millions of Americans are persuaded to buy Defense Savings Bonds, they will gradually liquidate these bonds to make postponed purchases of automobiles, radios, houses, and a wide variety of other dubable goods.

The transition will be assisted by technological progress stimulated by the war and by the development of enlarged sources for some raw materials. The availability of aluminum at perhaps 13 cents a pound, or even less, will be enormously stimulating.

Business must not sit back, however, and rely upon such factors as these to provide a satisfactory transition from war through peacetime production. Now is the time for enterprises to redouble their efforts to develop new products, to improve old products, and to develop new methods of production. Now is the time for business to put itself in a more flexible position by reducing indebtedness wherever possible. In many instances a reduction in dividend rates for this purpose would possibly be desirable. Now is the time for business to encourage the public not only to buy Defense Savings Bonds, but to reduce its own indebtedness and, therefore, to get in a better position to buy goods after the war. Perhaps the most important single step that private enterprise can take to preserve itself and to facilitate the shift from war to peacetime production is to develop cheap, attractive housing. About one-half of the 25,000,000 houses in America were built in 1900 (i. e. standing in 1900—Ed.) If new and attractive housing can be provided by private enterprise at low cost, an enormous field for private investment will be opened up and a basis for prosperity will be created for 20 or 30 years to come. If modern technology can solve the problem of cheap and attractive housing, the uncertainties which now cloud the future of private enterprise will largely disappear.

Fleek Pledges Full Support In Emergency

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I thank you most sincerely for the high honor you have conferred upon me. I am aware of the magnitude of the job itself and especially of the task of trying to fill Spike's shoes. I promise you the utmost of service that is in me. I hope I shall be effective and justify your confidence.

But without your sound counsel and loyal support, as well as your forbearance, it would be idle for me to attempt it.

I approach the new year with this general outline of purposes:

1. In this time of national emergency, we again pledge to our Government the allegiance and full support of our industry wherever and whenever we can serve.

2. We shall continue to work earnestly for the good of the investor as well as for the good of the investment banking business as a whole, both for members and non-members alike, large and small, urban and provincial, north and south, east and west.

3. Mindful of stringent conditions, we shall follow a policy of rigid and well-reasoned economy in the accomplishment of our objectives.

4. We shall try to carry out the spirit that has so definitely emerged from this convention, particularly from our "meeting the overhead" forum on Wednesday; i. e., we shall combat defeatism in hardheaded realism.

5. Preoccupied as we are today with considerations of defense and of patriotic devotion to our country, when foreign tyrants are on the march, we shall not allow such preoccupation to blind us to our domestic problems which affect the lives and livelihood of all of us—of every citizen.

This is no time for fanfare. We have grave public responsibilities. The task before us is long, tedious and exacting —to be accomplished by men of *good will and firm resolve, ready for unselfish service.*

In our every endeavor we need be constructive and fearless in our thinking. We must strive for wisdom, patience and courage.

Let us stand together and, thus, with an indomitable spirit, face the future with confidence.

N. Y. Stock Exchange Amends Its Rule 125

The Board of Governors of the New York Stock Exchange has amended, effective Dec. 5, its rules to provide for dealings in variations of one thirty-seconds in all stocks selling below 50 cents per share. The notice to members explains that it is possible, under the rule as amended, that while a bid may be expressed in sixteenths, an offer may be expressed in eighths, such as 15/16 bid offered at 1⅛ and also that while a bid may be expressed in thirty-seconds, an offer may be expressed in sixteenths, such as 15/32 bid offered at 9/16.

The amended rule reads as follows:

> Rule 125. Bids or offers in stocks above one dollar per share shall not be made at a less variation than ⅛ of one dollar per share; in stocks below one dollar but above ½ of one dollar per share, at a less variation than 1/16 of one dollar per share; in stocks below ½ of one dollar per share, at a less variation than 1/32 of one dollar per share; and in bonds at a less variation than ⅛ of 1% of the principal amount; provided that the Exchange may fix variations of less than the above for bids and offers in specific issues or classes of securities.

Report Of The Federal Taxation Committee Investment Bankers Association Of America

At this time last year it had become evident that taxation was going to play an increasingly larger part in the personal and business lives of this country. Faulty taxation in the past has been harmful to business confidence and at times delayed recovery, and under these new conditions might well bring our whole economy to the verge of destruction. It was therefore clear that new programs must be properly conceived.

As one of the great trade associations of the United States, it was clearly the duty of the Investment Bankers Association to make every effort to assist in the formulation of a tax policy which though necessarily drastic must not be destructive. After several conversations between President Connely and your Chairman, it was proposed to the Finance Committee of the Association that we should engage the services of as good a tax consultant as could be found to assist in presenting a brief to the proper committees of Congress, which would raise the necessary amount required by the Treasury Department with the least possible damage to this country's national economy.

Accordingly, we engaged as a consultant for a period of one year, Mr. Lovell H. Parker, of Washington, then and now engaged in private business, but who for 12 years had been Chief of Staff of the Joint Committee on Internal Revenue Taxation, or, in other words, the technical advisor to the Senate Finance and House Ways and Means Committees.

At the same time, in view of the fact that the membership of the Federal Taxation Committee was widely scattered geographically, and because the new program required many more meetings than had customarily been held, a subcommittee of five, including the Chairman, was formed, who could meet at short notice and consult with each other and with Mr. Parker.

During the course of the year the sub-committee met several times in addition to frequent correspondence, and by Spring had begun to formulate a general program. It was at first our intention to submit these proposals in connection with the hearings before the House Ways and Means Committee. When these hearings began, however, it became evident that the original Treasury proposals would be substantially altered and that evidence given at that time might not be pertinent to the final ideas of the House Committee, and the form in which the Revenue Bill would pass the House. Accordingly, the sub-committee of your Federal Taxation Committee decided to wait until a definite bill had been approved by the House, and then to sit down with Mr. Lovell Parker and formulate its own program. This was done.

When the hearings before the Senate Finance Committee began, your Chairman presented this program—a copy of which, marked "Exhibit A," is attached to this report. [Ed. Note: Exhibit "A," submitted to the Senate Finance Committee on Aug. 11, 1941 is omitted here.]

Briefly, it called for somewhat lower income, estate, and gift taxes than did the House bill, but through excise taxes on tobacco, liquor, and gasoline, and by the addition of an ability-to-pay purchase tax, modeled on the British system, produced about $3,800,000,000 as compared with the $3,200,000,000 resulting from the bill enacted by the House. We also stressed particularly the fact that corporations, while not individuals, were composed of groups of ordinary men and women, and should, therefore, be given the same consideration which would be given to any citizen.

Some of the proposals we made were adopted by the Senate Finance Committee, many were not. We suggested a broadening of the base and lowering of exemptions to $750 for single persons and $1,500 for married couples, which was done. We also suggested that individuals having net incomes of from $2,000 to $10,000 could pay more. This suggestion was also adopted, and most of us will be accorded that privilege. One of our chief points was the simplification of the corporate tax structure, and this was accomplished to a limited extent. Other minor proposals were included in the final bill.

Our chief proposal, that of adopting a modified sales tax, was not acted upon, but it is not clear how the amount necessary to finance defense can be raised without some such step, and our proposal had the advantage of exempting necessities of life, while, without inflicting onerous rates, raising the sum of $560,000,000.

Enclosed with this report is Exhibit B, which is a thorough study of the effects of the tax on capital gains. This might well be a matter which the new Federal Taxation Committee might energetically pursue, since we believe a change in the provisions surrounding that subject would not only be a source of increased revenue to the Federal Treasury, but would be helpful in the flow of capital into private industry. [Exhibit "B" is presented below with the omission of Part I which deals with the history of the subject.]

In conclusion, I wish to dwell especially on the assistance of Mr. Parker, whose broad experience and careful judgment enabled us to make such a thorough presentation. All the members of the full committee, and Mr. William Price, who will be Chairman in 1941-42, Mr. Richard Dunn, Mr. Frederic Mullins, and Mr. Warren Hoysradt, the members of the sub-committee, gave freely of their time and were of invaluable help.

Respectfully submitted,
HARCOURT AMORY, Chairman
Federal Taxation Committee

Exhibit B

The Tax Problem With Respect To Capital Gains And Losses

I. History

(This section omitted.)

II. The Defects In Our Present System And Proposed Changes

While our capital gain and loss system might be worse, it still has serious defects. In our opinion, the principal defect is as follows: Investors cannot change their investments even though they retain no cash money, without being liable to tax.

It is true, that under our income tax law, you can trade a horse for a horse without paying a tax, but if you trade a horse for a buggy, then the tax effects must be figured. This is because the law provides that property of like kind can be exchanged without the recognition of gain or loss, but property of unlike kind cannot. The law specifically provides, moreover, that in the case of stocks and bonds, gain or loss must be computed on transactions.

It is difficult to see why two individuals cannot exchange bonds which they may hold in different companies without paying a tax. Certainly, there is no cash realization of profit in such a transaction, and still the law provides that each must compute his gain or loss at that time at the current market value in accordance with his particular basis. If, on the other hand, he exchanges one piece of real estate for another, there is no tax.

The same thing results when a man sells stocks or bonds, and immediately re-invests the money. It is a capital transaction, and no income results unless the man takes the cash from the transaction, and uses it as he would use

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IBA Federal Taxation Committee Report

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ordinary income. It must be recognized, of course, that, while highly desirable, it would be very difficult to administer the law in such a way so as to provide that persons could trade stocks and bonds for stocks and bonds. On the other hand, it must be recognized that we cannot permit a man, through sheer speculation, to make a million dollars, and use it as income for his personal living expenses and pleasure, without paying a tax thereon when we tax the long-term investor on a million dollars of income over 75% of such income.

The English system is undoubtedly preferable to ours, but unfortunately we did not start with that system, and our people are perhaps more prone to short term speculation than to long term investments.

The result of our system is to freeze investments, to prevent a free flow of capital, and even to deter diversity of investments.

Another defect in our system is that, because of the penalty imposed upon shifting investments, where gains must be realized in the process, the small taxpayer is handicapped in securing for himself a reasonable competence, while the wealthy taxpayer retains his fortune. This would seem to be contrary to our American ideals, which should give to every individual every incentive to increase his capital so long as such capital is productively employed.

A third defect in our system is, that it is a "heads the Government wins" system, and "tails the taxpayer loses." This element of unfairness runs throughout the system, whether it be long term capital gains and losses, or short term capital gains and losses. For instance, if you have a long term capital gain of a million dollars in one year, you will pay a tax on that gain at the rate of 15%. On the other hand, if you have a long term capital loss of $20,000, you get no tax benefit from that loss, unless you have income against which to charge it, and even in that case, of course, and properly, the reduction in tax cannot be more than 15% of the loss. You cannot carry forward a long term capital loss into the succeeding year. Coming to short term capital gains and losses, the situation is more serious. A man with an ordinary income of $10,000, and a net short term capital gain of $15,000, will pay the Government over $5,500 on that gain. If he has a net short term capital loss of $15,000, he cannot deduct any of this loss against his ordinary income. Therefore, he pays a tax, although, as a net proposition, he is far in the red. He can carry the loss forward for one year to apply against net short term capital gains of that year, but if he has no gains, he receives no benefit whatsoever. This is so unfair as to be beyond argument, and the only reason for such a provision being included in the law, was because of the grave period of depression which we experienced in 1932, when it was feared that short term losses, if allowed outright, would seriously reduce Governmental revenue. However, this fact is no real excuse, if we consider that principles of justice must govern our tax laws, even more strongly than the need for revenue.

Finally, since transactions cannot be made until the tax results have been measured, our system, as a whole, results in the freezing of capital. In other words, instead of transactions taking place naturally, according to the economic situation, they are governed, to a large extent, by the effect of our internal revenue laws. It seems obvious that this is not as it should be.

We come now to the proposition of what can be done about this situation. As previously stated, we believe the English system of treating capital gains and losses is the best, but it seems impractical to go to this system suddenly. A half way step is, therefore, suggested. First, segregate capital gains and losses, regardless of the time for which the asset has been held. Second, if a capital net gain results, tax the first $5,000 of such gain at 5%, the next $20,000 at 10%, and the balance over $25,000 at 15%. Third, if a capital net loss results, do not allow such loss against ordinary income, but permit the loss to be carried forward for two years to apply against any capital gains which occur in such subsequent years. Fourth, define one who engages in speculation so as to take in the day-by-day trader. In other words, if a person makes his living by stock transactions, for example, he should pay the same tax on his income as is paid by a man with the same income from a salary. We appreciate the difficulties of such a definition, and it may be that arbitrary rulings would have to be made. The graduated 5%, 10%, and 15% rates are proposed in order to give the small taxpayer a proportionate relief with respect to the large taxpayer. Such a change would, in any event, give us the necessary information as to how to treat capital gains and losses.

Conclusion:

III. The Revenue Effects Of The Proposed Changes

We believe that the changes proposed in the capital gain and loss system would be particularly important for the Government. In the first place, in the case of a declining market, the Government cannot lose because, since it is proposed to segregate all capital gains and losses in one group, and not allow any net loss against ordinary income, the Government will, at least, secure a full tax on ordinary income without diminution. On the other hand, during a period of prosperity, tax receipts will increase, even though they are somewhat retarded, as they should be, by the carry forward of losses. However, such a system is obviously fair, because in the case of capital transactions, what is gained over a period of years should be the criterion rather than the results of a single year.

It should be noted that the present system, according to the statistics for 1938, which we have given, is especially hard on the small taxpayer, and the taxpayer of moderate means. In the case of smaller taxpayers, long term losses alone far exceed short term gains and long term gains combined, without taking into account the large amount of short term capital losses which must have been suffered. On the other hand, larger taxpayers do not take losses to any great extent and will take gains only under a reduced rate of tax.

During the present period of emergency, with high rates of tax, we must have an equitable basis if we desire ordinary business transactions to be made. It is necessary, also, for the sake of the necessary revenue, to encourage capital transactions. It must be remembered that it makes little difference to the Government whether Mr. X or Mr. Y owns a bond or a share of stock as long as the capital is productively employed.

We fully appreciate the Treasury's need for revenue, and we have endeavored to provide a method by which, over a period of years, the Treasury will receive, on the average, larger sums than afforded under the present system. Indirectly, we are convinced that an additional amount of revenue will be secured through the increased freedom with which capital will operate. Money flowing into new ventures creates wealth, adds to employment, and affords greater stability to our economic structure, as well as furnishing through ordinary income taxes greater revenue. Such a change is not only desirable, from a revenue point of view, but may be of vast importance in bridging the gap between our present defense economy, and a return to normal business conditions.

Report Of Industrial Securities Committee Investment Bankers Association Of America

As we all know, the greater part of the enormous defense program is being financed by Washington. As a result of the government's willingness to assume virtually all the risks of investing new capital in defense plants, the investment banker has been called upon to obtain only a small fraction of the new funds necessary for plant expansion, enlarged inventories and other business needs. The reasons for this situation have been discussed in previous reports of this Committee and are well understood by the investment banking community.

The statistics of industrial financing for the first 10 months of 1941 clearly reflect this by-passing of the investment banker and, through him, the investing public. Flotations by industrial corporations for new capital and refunding purposes declined in the first 10 months of 1941 to $693,000,000 from $950,000,000 for the first 10 months of 1940. Flotations for new capital purposes for the first 10 months were approximately the same as in the like period in 1940 and amounted to about $237,000,000. By way of comparison the government financed new plant construction to the amount of $4,000,000,000 in the 15 months ended Sept. 30, 1941.

Private placements of industrial issues amounted to about $230,000,000 for the first 10 months of 1941, or about 33% of total industrial financing, compared with 36% in the calendar year of 1940, 51% in 1939 and 48% in 1938. The shortening of the waiting period for the registration of new securities late in 1940 is believed to have had some beneficial effect in increasing the proportion of public issues although the registration process continues to be expensive and complicated and involves more delay than private offering without registration.

The acceleration of the government's invasion of the normal functions of private enterprise during the emergency has been watched with growing anxiety by the business world, for, while many of the steps taken closely parallel the program of the last war, it is believed that the spirit in which they are taken is substantially different. In 1917 and 1918 business subjected itself to the centralization program confident that the government would not remain a permanent partner in industrial management, and would return its powers promptly after the end of the emergency. Government control was, in fact, terminated soon after the Armistice. The business man of 1941 undoubtedly understands the necessity for temporary regulation of industry during a war-time emergency but he cannot escape the conviction that the seizure of additional power by the present government has become too habitual to be reversed readily after the expiration of the emergency.

As has already been demonstrated during the current year, there is little likelihood for the necessity of any appreciable amount of new capital financing on the part of non-defense industries during the period of the war emergency, the duration of which is anyone's guess, for the output of non-defense goods and services presumably will be more and more curtailed. However, it is also evident that the dislocations resulting from the defense program will create some new opportunities for the services of the investment banker. For example, in some industries funds have been necessary to carry greater inventories; in other industries increased activity has required substantial new investments to offset the obsolescence of many years. These factors in some cases require additional permanent capital. Furthermore, it is quite probable that the heavy demands which are being made upon some growing industries, such as the oil and chemical industries, will be utilized by some companies to enlarge and consolidate their financial positions. A period such as the present must, of necessity, be accompanied by major shifts in the industrial structure of the country and as a result a fair demand for additional fixed capital may develop from various private sources.

For many years the supply of private funds available for investment has far out-stripped demand. The seriousness of the problem which this condition has presented to all those responsible for keeping funds invested was emphatically brought out in hearings conducted a few weeks ago before a Committee of the New York State Legislature to consider whether or not life insurance companies should be permitted to invest in common stocks. It was pointed out that new capital bond issues of domestic corporations for the 10 years ended 1940 amounted to only 5.4 billions as compared with 23 billions for the 10 years ended 1930 and, as all of the 5.4 billions for the past decade was offset by repayments, amortizations and readjustments of debt, including defaults and reorganizations, the actual volume of outstanding securities declined during the period. To make matters worse the actual quality of many of the outstanding securities became impaired, because of the net reduction in corporate property values and working capital during the period.

One effect of the shortage of suitable investment media has been to force increasing recognition of the investment merit of the better-grade industrial securities. During the past five years a number of States have liberalized their laws relating to legal investments to permit increased investment in industrial issues. New York State, for example, has permitted the addition of certain industrial bonds to the savings bank and trust fund legal list with the specific approval of the banking commissioner. New Jersey has revised its laws governing trust investments and savings banks to include a substantially broader list of industrial securities than before and Connecticut in 1939 adopted the prudent investor theory for trust investment.

The broader acceptance of industrial securities for institutional purposes is not of outstanding importance so long as the supply continues to be limited, but it can lead to industrial financing on a considerably more favorable basis when conditions become more encouraging for the extended use of private capital.

It is not too early to give consideration to post-war financing. Unless conditions then are such that business will be willing to risk capital in new industries and in the rehabilitation of the economy into a peace time one, the country will eventually again be faced with the problems of economic stagnation, leading to further government regimentation, deficit financing and a complete breakdown of confidence in the capitalistic system. In the meantime, to make the post-war transition a sound one it is essential that the tax structure be balanced so as not to discriminate against new enterprise, that nonessential government expenditures be reduced in order that the accumulated deficit will not reach gigantic figures, that small business be preserved, that labor relations be improved, and that the folly of the world wide tariff barriers be recognized.

Respectfully submitted,

INDUSTRIAL SECURITIES COMMITTEE

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F. Edward Bosson
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James Coggeshall, Jr.
John H. Crago
Louis J. Cross
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Judson S. James, Jr.
Charles B. Merrill
R. Verne Mitchell
Robert E. Moroney
Joseph D. Murphy
Leonard D. Newborg
Percy M. Stewart

1941 Cotton Loans

The Department of Agriculture reported on Dec. 3 that Commodity Credit Corporation had made 635,710 loans on 1,183,859 bales of 1941 crop through Nov. 29, 1941. Of the total, 74,772 loans on 247,835 bales were made by cooperative associations. At the same time last year loans had been made on approximately 2,240,000 bales.

Report Of State Legislation Committee Of Investment Bankers Association of America

During the year most State Legislatures have been in regular session. Some modification was made in the securities law of each of the following 19 States: California, Connecticut, Florida, Illinois, Indiana, Iowa, Kansas, Massachusetts, Michigan, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Texas, Utah, West Virginia, Wisconsin and Minnesota.

These amendments vary in degree of importance. In some States the amendments were minor, such as relating to the personnel of the administrative officials, the items of fees, etc., while in other States the amendments amounted to a revision of the entire Act. This latter was particularly true in the State of Minnesota and Wisconsin where even the fundamentals were modified to some degree.

* * *

It is well to note . . . that, generally speaking, there has been evidenced a tendency toward liberalizing some of the laws as related to the registration or qualification of securities and a like tendency toward making more stringent the requirements of the statute with respect to the registration or licensing of dealers and salesmen and, particularly, the regulatory requirements and supervision as to the competency and financial responsibility of dealers. There is a growing tendency of the States toward the establishment of capital requirements by those who seek registration or licensing as dealers or brokers in the State, and a very definite tendency toward periodic financial statements by, or Commission examination of, dealers as to their financial status, the handling of customers accounts, including the monies and securities on deposit with the broker or dealers for safekeeping or otherwise, the practice with respect to the hypothecation of customers' securities and compliance with the State laws. This is particularly true with respect to those States which seem to have determined that the States should assume this responsibility independently of the corresponding activity of either the National Association of Securities Dealers or the Securities and Exchange Commission.

Some Commissioners now have the power for such examination but have not obtained a proper appropriation of funds to put the power into effect. Some have the permissive power but do not deem it appropriate to exercise it, and some do not have the power. Every time a broker or dealer encounters financial difficulties of sufficient degree to bring about public notice there is agitation and even demand in some quarters that a closer scrutiny and more intensive periodic examination of the books and affairs of all dealers and brokers be brought about, usually through some proposed amendments to the existing law.

* * *

Cooperation and Uniformity of Forms

For the past several years we have been stressing the importance of as much uniformity as possible in the several State securities laws, the procedure thereunder, and, particularly, the forms necessary to the compliance with the registration provisions thereof. This effort has begun to bear fruit. State Securities Commissioners have responded to a wholesome degree in their contribution toward solving the expensive, time-delaying and uneconomic bottlenecks heretofore occasioned by duplications in effort, time and cost in setting up the same factual information under the several State securities laws, but in a different form, to meet the exigencies of an independently prepared and independently administered State law.

One of the bright spots of this report is the fact that this year the State Securities Commissioners, through their Association, have gone somewhat further than heretofore toward eliminating bottlenecks arising from duplicate authority and the heretofore necessity of multiple forms when securities were to be offered in two or more States.

This year the Association had a number of active committees, two of which gave extended thought and effort in doing their part toward the elimination of these bottlenecks. These committees were:

The Committee to Cooperate with the SEC, NASD and IBA on Administrative Problems.

The Standard Registration Forms Committee to Cooperate with IBA and NASD.

Early in the year the Committee of the NASC on Cooperation with the Investment Bankers Association, National Association of Securities Dealers and the Securities and Exchange Commission, of which Mr. Paul L. Selby of Ohio was Chairman, contacted each of the other agencies and discussed with them the problem of cooperation and coordination of activities. This Committee made a progress report at their Biloxi Convention which includes an outline or tentative statement of policy for future cooperation. The report was considered, placed on file, and the Committee continued for further study. Copies of the report have been obtained, made available to the Legislation Committee and to Board members, and will be available for study during the year by all those who are interested in the problem. Should it be possible to crystallize some of these tentative thoughts into a definite policy of closer cooperation between all the regulatory bodies and between those bodies and the industry, the possibilities for more efficient administration and law enforcement with a material reduction in duplications of time and effort and costs of compliance with the respective laws are great indeed.

* * *

Mr. Zeller, Director of Securities of Wisconsin, was designated as Chairman of the Committee on Uniformity of Forms. Early in the year he suggested to your Chairman that to make an intelligent and constructive recommendation as to a form which would substantially meet the requirements of all the regulatory securities laws, it would first be necessary to make a survey of the requirements of the respective laws and the forms which have grown up through the administration of them. He expressed the thought that a competent survey or research should be made from which it would be possible to draw conclusions as to a reasonable method of stating the facts common to all the laws; and, perhaps, some appropriate procedure for extraordinary situations and recommendations as to amendments by which the uniformity theory might be extended still further. Such a comprehensive survey was carefully made under Mr. Zeller's direction and supervision. He worked constructively and frequently consulted this Committee as well as a Committee of the NASD.

Mr. Zeller, and his Committee, has now produced the draft of a form of application for registration of securities which are being registered under the Federal Securities Act of 1933, and which must be qualified under State laws otherwise than by notification. The purpose is not to establish any qualification requirements in addition to those now existing. This form of application is, therefore, not to be used if the securities or the transaction in regard thereto are exempt, or if the securities can be qualified by notification which is a more simple procedure than that provided by the Uniform Application. In other words, the form is wholly designed toward simplification, reduction of costs, and the saving of time, etc.

This form has been submitted to underwriters and dealers and their attorneys in different parts of the country and has undergone the scrutiny of those from the business, as well as the Commissioners, in the interest of workability and efficiency.

Printed copies of this form with explanatory notes have been sent out broadly. Additional copies are available through this Committee for the asking. It is believed actual experience with this form will demonstrate its practicability. Especially do we urge our members, and their attorneys, to extend full support to the use of this form and that they in turn urge its adoption by all States having the regulatory type of securities law.

Respectfully submitted,
State Legislation Committee,
Mark Baxter, Chairman
John F. Fennelly
Rucker Agee
Rollin G. Andrews
Waller C. Brinker
Charles W. Diekroeger
Leslie J. Fahey
Ernest O. Dorbritz
E. J. Flinn
P. B. Garrett
H. Lyman Greer
Frederick L. Moore
Frank H. Richey
Joseph T. Walker, Jr.
Sewell S. Watts, Jr.
Lyle F. Wilson
Alexander C. Yarnall

Obituary

John A. Mahoney, of the Department of Admissions of the New York Curb Exchange, died of heart disease on Nov. 27 at his desk at the Exchange. Mr. Mahoney, who was 31 years old, started with the Exchange as a stenographer 15 years ago. At the time of his death he was assistant to James S. Kenny, Secretary of the Committee on Admissions.

Preservation Of Private Enterprise Common Interest Of Capital And Labor Green Tells IBA

Because "liberty and security are inseparably associated with the vital principle of free enterprise and private ownership of property" management and workers stand united in defense of this system, William Green, President of the American Federation of Labor, averred in an address Nov. 30, before the Investment Bankers Association convention, meeting at Hollywood, Florida. He warned, however, that periods of economic stress make men's minds receptive to socialistic panaceas and that, therefore, we should plan now the ways and means of cushioning "the economic shock which will occur at the close of the prevailing conflict." He asserted it will be better to undertake huge home-building and public works programs to provide employment for those forced out of defense industries at the end of the emergency than to supply relief.

The following is from Mr. Green's address:

The chief menace to the preservation of free enterprise within a democracy is met when destructive economic changes take place. Long distressing periods of unemployment which cause widespread hunger and human distress, heavy losses in investments, deflation and forced liquidation of valuable assets tend to destroy public confidence in our so-called capitalistic system.

Those who advocate Government ownership of all the means of production and distribution charge that all our woes are directly traceable to the faults of private ownership. This, of course, is not true. But, even so, distressed minds do not function normally nor do the victims of violent economic changes think clearly when they become panic stricken. Instead, they become receptive to any plausible plan which allegedly supplies a remedy for existing economic ills. These experiences which we have all too frequently met make clear the necessity for the establishment of a sound system of economics which will guard against recurring periods of widespread unemployment and industrial chaos.

This requires sound thinking and constructive planning. The shifts which take place in our changing economies should be anticipated and preparations should be made to meet them.

* * *

We know that a decided change is inevitable when the post-war period is reached. No doubt the principle of free enterprise and private ownership in all free, democratic countries throughout the world will be called upon to meet a most severe test. Undoubtedly its virtues and its value in meeting the economic needs of an impoverished and debt-ridden world will be definitely challenged. There is grave danger that the pendulum of political expediency may swing far to the left just as it did in some countries following the close of the World War. The call of the moment is for preparation now and if we are successful in planning we may cushion the economic shock which will occur at the close of the prevailing international conflict.

* * *

In conclusion, he said:

As I have frequently stated to the membership of the great organization which I have the honor to represent, we are Americans, first, and members of our union, second. That sentiment can be repeated here.

The American Federation of Labor, with its five millions of paid-up members, skilled and unskilled, men and women who work for wages, workers who believe in various creeds and spring from various nationalities, has set itself to prepare for the onslaught of dictators and their militaristic forces. It is a Herculean task, one that calls for the highest type of individual and collective service. The American Federation of Labor has pledged itself to see the program through, to support the Government in the completion of its defense program and to go wherever our Government may send us. We are determined that our common heritage of freedom, liberty and justice shall be preserved in the Western Hemisphere. We, of labor, are confident that those in attendance at this great convention and those whom you have the honor to represent share this point of view and that all of us together will stand united in defense of America, American institutions and our American form of Government.

Allocates Tin Plate For Latin America

The Supply, Priorities and Allocations Board on Dec. 2 announced steps to export 218,600 metric tons of tin plate to Latin American nations in the next twelve months. It was explained that this tin plate policy was adopted at the request of the Economic Defense Board and constitutes the first step in a simplified program designed to assure delivery of essential commodities to meet the import needs of Latin America." It is said that there are serious shortages of this important metal necessary for the canning of foodstuffs.

Plans call for shipment of 35% of the 218,600 metric tons of tin plate in the next three months to countries where the canning season is now under way.

In preparation for the new program, all licenses for the export of tin to Western Hemisphere nations were ordered revoked as of Dec. 15. As rapidly as possible each individual case will be reviewed and licenses reinstated, after which licensed shipments will be charged against the total allotment.

Report Of The Ratings Special Committee, Investment Bankers Association Of America

During the early months of this year it appeared probable that the regulation of the Comptroller of the Currency governing the purchase of investment securities by banks would be subjected to thorough inquiry by the Senate Committee on Banking and Currency.

The Senate Committee addressed broad questionnaires concerning banking policy to the American Bankers Association, to the Reserve City Bankers Association and to a number of Federal agencies. Certain of the questions to which replies were sought were concerned with the methods whereby control is exercised over the credit quality of bonds purchased and held by banks and with the use of ratings in connection with such control. It is our understanding that replies were submitted on these and other questions by those to whom the questionnaires were addressed.

It was expected that hearings on banking policy would be held by the Senate Committee during the late spring and summer but no date was set for the commencement of these hearings owing to the illness of the Chairman of the Committee on Banking and Currency. It now seems unlikely that an effort will be made thoroughly to scrutinize the banking system until the present emergency is over.

The Ratings Special Committee kept in touch with these developments and made certain information available to the committees of other associations at the time they were formulating replies to the banking questionnaire.

In order to gain first hand information about opinion among commercial bankers concerning the regulations issued by the Comptroller of the Currency defining and governing the purchase of investment securities by member banks, the Ratings Special Committee, in October, sent out its own questionnaire to a large number of banks of varying size. Four questions were asked in this questionnaire, as follows:

1. What is your opinion of current methods whereby supervisors exercise control of the credit quality of bonds purchased and held by banks?
2. More particularly, what is your opinion of any use made by supervisors in this connection of ratings by rating agencies?
3. What is your opinion of the requirements concerning the marketability of securities purchased and held?
4. What is your opinion concerning the use of ratings in determining valuations for securities for purposes of bank supervision and examination?

The replies brought a wide variety of opinions ranging from statements that the present methods are "entirely satisfactory" to an expression of opinion that they are "fundamentally unsound." In general, the consensus of opinion among banks seems to be that there is a need for regulation of investments and that present methods are reasonably satisfactory although far from perfect.

Many of the replies made a distinction between banks and indicated that the larger and stronger banks with established investment departments could operate satisfactorily under the regulation because they were equipped to convince examiners that sound judgment had been used in purchasing bonds questioned by the examiners. Those submitting replies along these lines often felt that the regulation was helpful to the smaller banks not equipped with investment departments because it established a yardstick which, although not perfect, at least had the merit of curbing a tendency to seek income beyond a reasonable and sound rate.

The following were among the principal criticisms leveled against the regulation by banks submitting replies to our questionnaire:

1. Variation of interpretation among examiners and supervisory authorities makes for confusion.
2. The regulation gives to the authorities dictatorial powers over banks with respect to bond portfolios.
3. It is impossible to write an all-inclusive regulation which is fair and justifiable.
4. The use of ratings is overdone. Ratings should be used only in conjunction with scientific appraisal of each particular security. Although the Comptroller's regulation allows power of interpretation to the examiner, few examiners have a working knowledge of a large variety of bond issues.
5. The use of ratings tends to result in a disregard of true values—low price, low rating; high price, high rating. Reliance on ratings therefore at times tends to result in purchase at high prices and subsequent sale at low prices.
6. The marketability requirements are unfair in respect of small local issues. Soundness of an issue can be more important than marketability, particularly if a bank's assets are in general highly liquid.
7. The methods by which 18-month average prices are used in valuing under-rated securities for examination purposes result in artificial valuations based on past sales. Some banks, however, believe that there is more merit in the use of ratings for this purpose than for determining the eligibility of an investment.

On the whole, we were well satisfied with the response to our questionnaire. The replies clearly indicate that banks throughout the country are keenly interested in the question of finding a satisfactory solution to problems arising from the Comptroller's regulation.

Respectfully submitted,
Ratings Special Committee.

John J. McKeon, Chairman
Albert H. Gordon
Robert B. Hobbs
Edward D. Jones
Franklin T. McClintock
Burdick Simons
Winthrop E. Sullivan
Lowry Sweney

Minute Biography

Julius A. Rippel, President of Julius A. Rippel, Inc., 744 Broad St., Newark, N. J. Born July 22, 1901. Educated at Dartmouth College. Previously with J. S. Rippel & Co., Newark, 1923-38. Organized own firm 1938. Member of Municipal Division Council, Investment Bankers Association of America, 1938 to present.

Julius A. Rippel

Chairman New Jersey Division IBA Public Information Program. Former President, The Bond Club of New Jersey.

Member: Municipal Bond Club of New York; Essex Club and Down Town Club, Newark; Trustee, Welfare Federation of Newark and Morris Community Chest; Chairman Welfare Council of Newark.

FDIC District Changes

Major Vance L. Sailor, on military leave as Supervising Examiner of the Sixth Federal Deposit Insurance Corporation district with headquarters at St. Louis, has been appointed Chief of the Division of Examination of the corporation, it was announced Dec. 3. Major Sailor will succeed John G. Nichols, former chief of the division, who died Nov. 10. The St. Louis post will be taken over by Neil G. Greensides, since November, 1933, Assistant Supervising Examiner of the Seventh FDIC district, with headquarters at Madison, Wis.

Now serving on the headquarters staff of the Sixth Division at Fort Leonard Wood, Missouri, Major Sailor will assume his new FDIC duties upon his release from military service. Greensides will take over the St. Louis assignment about Jan. 1, 1942.

Eicher Stresses SEC Cooperation Before IBA

The SEC has genuinely wanted to help investment bankers and dealers in their distributing problems, Edward C. Eicher, Chairman of the Commission, told the Investment Bankers Association 30th annual convention on Dec. 4. At the recent conferences between the Commission and representatives of the industry, he said, considerable advances were made toward agreement on the difficult proposition of the industry that some means be worked out to permit solicitation of investments with respect to a new issue prior to the effective date of the registration statement. He described the progress of the discussions as follows, in part:

It was perfectly apparent when the conferences opened that the representatives of the securities industry were acutely interested in recommending some amendment which would allow solicitation during the so-called waiting period. It must also have been perfectly obvious to your representatives that the Commission was pretty definitely opposed to any proposal which would permit the investor to be sold either on incompleted information or before the effective date of the registration statement. These positions were very far apart—so far apart indeed that less conscientious conferees might have immediately thrown up their hands in despair of ever making any progress. But our men and your men were made of sterner stuff. Your men did not place their claims on any high-sounding economic level. They freely admitted, and we respect them for it, that they were faced with a serious business problem in not being able to circulate sales literature prior to the effective date of a registration statement. They pointed out that under present statute the prospectus for many issues does not get to the investor until the time of the confirmation of the transaction after he has decided to buy. They also pointed out that in areas of more scattered population it was unduly expensive to send a full prospectus to a lot of prospective customers, only one or two of whom might be interested in buying. In other words, they put their arguments on a straight business basis. We, in turn, made no bones of the dilemma we faced in assuring investors adequate protection. We pointed out that the Securities Act in not a Blue Sky law but a disclosure law. The backbone of the Act, we asserted, was information for the investor before he buys so that he can have the facts on which to make his decision. We admitted that the law gives the investor recourse against the issuer and the underwriter for false or misleading statements, but we took the position that the important thing is to protect the investor before rather than after he has bought.

There were many long hours of discussion of these respective points of view before anything concrete developed. I think we were slower in reaching specific suggestions under this section than anywhere else during our conferences. Finally the proposal was made, and I really don't know who made it first, that dealers might be authorized to distribute *after* the effective date something like the present newspaper prospectus to find out if potential customers were interested. We agreed on that, with the understanding that something would have to be done to make sure the customer was not finally sold on the basis of this piece of paper but on the basis of the full prospectus. Then, we went a step further. We agreed on the use of this short-form prospectus for circularization of information *before* the registration statement became effective, again with the same proviso as to the full prospectus. Then we came to the point at which it was noted that it might be well to legalize the so-called red-herring prospectus, which some houses have used to circularize dealers before the effective date under SEC rules. From this discussion there sprang the proposal now before Congress for what has come to be known as the "priceless" prospectus. This name was given to that prospectus not because of what it contains but because of what it omits. This prospectus is as complete as possible but does not include price, spread and underwriting data. It may be legally employed *before* the effective date of the registration statement. This was another big step towards agreement—and very significantly—towards meeting the problems of your industry. In short, the Commission had conceded that it was willing to let the underwriters circularize the dealers and the dealers their customers with admitted partial and incomplete information before the registration statement became effective—with but one important question mark.

How, with this new speeding up of the selling machinery, were investors to be adequately protected? How were they to have the opportunity of availing themselves of the full and complete information and to avoid the risk of being misled by partial information? And here, as you well know, was where we reached a point of disagreement which has not yet been resolved.

Paralysis Fund Campaign

Plans for the ninth annual fund campaign for the National Foundation for Infantile Paralysis were announced on Nov. 23 by Keith Morgan, National Chairman of the Committee for the Celebration of the President's Birthday. The campaign will be inaugurated incident to the celebration of President Roosevelt's 60th birthday on Jan. 30, 1942. Mr. Morgan made public a letter from the President praising the expanded activities of the Foundation and pointing out the need for continuing the work. The 1942 observance will be known as the Diamond Jubilee Birthday Celebration. The President's letter said:

I have received a report from Basil O'Connor, President of the National Foundation for Infantile Paralysis, which shows that the Foundation has vastly expanded its activities during the past year, and has not only added hundreds of new chapters in the various communities, but has swung into action on a dozen fronts where epidemics raged during the Summer months. It also has made noteworthy progress in the field of research and in many other ways.

These many serious epidemics have again proved the necessity for continuing this work and renewing it on an even larger scale. As you know, nothing is closer to my heart that the health of our boys and girls and young men and young women. To me it is one of the front lines of our national defense.

IBA Municipal Securities Committee, Annual Report Made At Convention

We present below in major part the annual report of the Municipal Securities Committee of the IBA:

For two successive years the municipal bond market has set record highs. At the close of 1940 it reached a then all time high. Following a rather sharp recession during the fore part of this year, it again started on an upward course which carried on to a still higher record level.

Sales of new issues of State municipal bonds including those of U. S. territories and insular possessions and their governmental units reported by "The Bond Buyer" show the total during the past 12 months (November to November) to be about $238,000,000 less than the amount of like financing during the preceding 12 months. Long term issues were less by about $58,000,000, while short term issues were approximately $180,000,000 lower.

Priority and allocation will, of course, have their effect on public as well as private operations and on the volume of new issues. During the present crisis there will, we believe, be practically no new construction work started other than that necessary for national defense or clearly essential for the health and safety of the civilian population. We understand, however, that where a project has been started and a substantial portion completed, efforts will be made to allocate the material needed to complete the work.

Tax Immunity

Last March the Treasury levied Federal income taxes on certain holders of bonds of the Port of New York Authority, and in July followed up in like manner respecting certain holders of bonds of the Triborough Bridge Authority. In our Interim Report of last May we referred to the first mentioned action and commented upon it. Simultaneous with these actions the Treasury announced intent to ultimately establish the right of the Federal Government to levy income taxes upon all State and municipal securities.

Recent indications are that there may soon be a renewal of effort to accomplish the purpose through statutory enactment in some form or another. It is contended by some that the sixteenth amendment to our Constitution granted the Federal Government this power. To so contend is to overlook or disregard, not only the several opinions of the U. S. Supreme Court on the subject, but also the solemn assurances given and accepted in good faith at the time the amendment was under consideration by the States. The U. S. Supreme Court respect these assurances. It refers to them as convincing expositions of the purpose of the amendment.

The subject goes far beyond the matter of revenue. The power sought, unless granted by the States in the form of a constitutional amendment clearly defining the authority and with protective limitations, opens a path to Federal control and domination of the States and their governmental units.

* * *

The State of Maryland in its Declaration of Rights declares: "the provisions of the Constitution of the United States and of this State, apply as well in time of war as in time of peace; and any departure therefrom or violation thereof, under the plea of necessity, or any other plea, is subversive of good government and tends to anarchy and depostism."

Removal of Taxable Property From the Tax Rolls

From time to time we have called attention to the problem resulting from removals from the tax rolls of substantial amounts of taxable property, either in bulk or bit by bit. With transfers of property from private to public ownership there is immediately present this problem, unless with the transfer provisions are made for replacement of the revenues.

In our annual report of 1939, the situation in Tennessee resulting from substantial transfers through the medium of the TVA was referred to. Through Congressional recognition of this problem, some relief has been afforded.

* * *

Adverse Decisions of State Courts

The work of your committee in compiling comparatively recent decisions of State Courts, tending to impair the integrity and security of municipal obligations, which was started the fore part of this year, is progressing. We necessarily have to depend upon municipal bond attorneys for essential information concerning these decisions and a clear understanding of their legal effect. We have been in communication with various municipal attorneys throughout the country and have found that they are, in the main, very much interested in the undertaking. To date we have had the benefit of informative advices from a great many of them.

Bureau of Census, Department of Commerce, Washington

Through the courtesy of the Division of State and Local Government of the Bureau of Census, we receive a large number of informative reports on State and municipal finances. In our annual report of two years ago, we outlined briefly the information then being compiled by this Division. So that you may know of the expansion in this work, we recently solicited from Mr. C. E. Rightor, Chief Statistician of the Division, a summary of current activities of the Department and information available through it. Mr. Rightor's response is informative.

* * *

Court Decisions and State Legislation

Appended to this report also are references to both court decisions rendered and State legislation enacted during the year. Only decisions and legislative enactments considered to be of general interest to the municipal trade or of special significance locally are included. Your attention is directed to these decisions and enactments.

* * *

Official Depositary

Attention is further directed to the Report of the Official Depositary for Approving Opinions and Legal Transcripts of Proceedings. During the past year a large number of opinions were added to those already in hand, bringing the total well over 82,000. Among these are many covering old issues, which are frequently very difficult to locate. In addition to the legal opinions there are filed with the Depositary over 25,000 transcripts of legal proceedings. The Depositary now reports early prospects of a still further increase of both opinions and transcripts deposited with it.

In its report the Depositary in brief paragraphs touches upon various phases of its operations. It calls attention to certain existing problems. It also directs attention to the cooperation of various banking institutions, bond houses, insurance companies and municipal bond attorneys. Sincere appreciation of their courtesy and assistance is expressed.

The Depositary renders the entire field of municipal financing an invaluable service. Full support of it, in its work, and greater use of its facilities are urged.

Respectfully submitted, Municipal Securities Committee, Pat. G. Morris, Chairman; Edgar M. Adams, Edward Boyd, Jr., John S. Clark, Samuel K. Cunningham, D. Ripley Gage, George H. C. Green, H. Fred Hagermann, Jr., George C. Hannahs, John G. Heimerdinger, C. Edgar Honnold, Sidney B. Hook, S. E. Johanigman, I. A. Long, James D. MaGee, James F. Miller, Lewis Miller, Augustus W. Phelps, J. Creighton Riepe, Alton E. Robertson, Jones B. Shannon, William A. Smith, F. Kenneth Stephenson, Robert C. Webster, Harry H. White and Paul E. Youmans.

(Ed. Note—We regret that because of lack of space the various appendices submitted by the above Committee, detailing developments mentioned in the preceding paragraphs, cannot be included in this issue. Any inquiries on these developments will be answered by our municipal department.)

Report Of Railroad Securities Committee Of Investment Bankers Association Of America

The market for railroad securities continues to tell the story and it portrays all too clearly the uncertainty of the railroad picture. . . .

Most investors in appraising the outlook for the rails give special thought to the period following the end of the war, which should bring higher costs, including higher wages, dislocated and lowered traffic and increased forms of subsidized competition. Current developments of air transportation, highways and trucks, greater coastline shipping facilities, etc., will put additional problems up to the railroads.

To meet these problems, steps must be and are being taken now. Earnings are being plowed back into the properties through increased expenditures for maintenance and rehabilitation of the plants. The present increased efficiency of the railroads has been brought about largely by the huge capital expenditures made since the last war. Most of these were made from 1920-1930, but the value is apparent now. At present the roads, to meet the defense program, are making large purchases of equipment that will greatly add to their efficient operation. In addition to this new, modern and more powerful equipment, it is necessary to continue to modernize the properties with improvements in the track and structures, bridges, signal systems and terminal facilities. To continue this modernization and improvement, the roads will need credit as well as earnings.

In believing that there is good reason to hope that railroad credit may be restored we are (leaving out general economic conditions) counting on the increased efficiency of the railroad plant and its operation.

* * *

Reorganizations And The Tax Problem

There are still 34 Class I railroads in the process of reorganization, representing nearly 30% of the total railway mileage, and therefore any important development that specifically affects reorganized railroads is of importance to the entire industry, and this is definitely true of the serious tax situation that confronts them. Unless this situation changes, we cannot see how any road can afford to be reorganized.

A railroad reorganization is supposed to put the road in a stronger financial condition and provide for it a sound capitalization. In doing this a railroad should not be subjected to a severe penalty by the Government by being subjected to a substantial increase in its tax contribution quite out of proportion to the contribution of other railroads that have not been reorganized. Such a result would operate to defeat the sound purpose of reorganization and tend to impair the credit of the railroad. It is, however, just such a penalty that confronts reorganized railroads today.

Briefly the story is this. The present interpretation of the Internal Revenue Code by the Bureau results in a substantial reduction in the taxable basis of the property of a reorganized road. In one case the Bureau of Internal Revenue held that this basis should be the par value of the new liabilities plus the fair market value of the stocks of the reorganized road. It can easily be seen that this lower valuation would substantially increase taxes. The increase would result from:

1. Lower deductions for depreciation and retirement.
2. Decrease in "invested capital credit" for the purpose of computing excess profits taxes.

The Association of American Railroads and the Railroad Security Owners Association, in a joint memorandum on this subject, give an actual example of one of the largest railroads now in bankruptcy and show how it might pay in 1941 normal and excess profits taxes of $5,842,000 under the above interpretation instead of $2,264,000 with no change in the tax base.

Why should a road with the same property and the same income pay a lot more in taxes if it is reorganized than it would otherwise?

* * *

Increase In Efficiency

During recent years the railroads have made great progress in operating efficiency and we hope that it will be possible for this progress to continue. John W. Barriger, until recently chief examiner of the railroad division of the RFC, in a recent address said, "To hold their own in the competitive race of the future and regain part of the traffic previously lost to other forms of transportation, railroads must have a constantly improving plant and equipment and all related facilities. Since the end of the last war, the railroads have undergone a transformation of their physical plant. More progress has been made in railway development over the last 20 years than in the entire first century of the railway era. Railways have developed a remarkably high standard of design, construction and maintenance of plant and equipment and facilities, but, owing to a lack of adequate capital, too small a proportion of the total investment is represented by the best and most modern part of it."

The substantially better operating performances made today are largely due to expenditures in the last 18 years of approximately $10,000,000,000 on plant and equipment. Today the cars are larger, the locomotives much more powerful, the speed of freight trains greater, and there has been a marked improvement in methods of operation and the utilization of cars. The following results have been accomplished:

Today one car does the work that it took 1.3 cars to do in 1929.

The average speed of freight trains has been increased about 21% since 1930 (50% since 1922).

Gross ton miles per freight train hour has increased about 31% since 1930 (and 100% since 1921).

Gross ton miles per ton of fuel consumed is about 9% higher than 10 years ago (over 40% higher than 20 years ago).

All of these improvements in performance tend to decrease operating expenses and increase net earnings. Because of the defense program, the heavy expenditures being made today for new equipment will of course further increase the efficiency of operation.

When the present emergency ends, the railroads will be left with a much improved plant and with better equipment to face the problems presented by more severe competition and probable lower traffic. Capital expenditures made by the Class I railroads from Sept. 1, 1939 (the start of the war) to Sept. 1, 1941, amount to $554,398,000 for equipment and $305,241,000 for roadway and structures, making a total of $859,639,000.

The sharp increases in maintenance charges as shown in our sub topic "Earnings" should prove of great benefit. We hope that earnings will be available for their continuance.

The repair and rehabilitation of old equipment has reduced the bad order percentage to 4.8%, the lowest in history. If after the end of the war there is a drop in traffic, there will also be quite a savings to the railroads in the elimination of this upkeep and repair of old equipment. The new modern equipment will replace a certain amount of the old, which will then be retired.

In spite of the sharp increase in efficiency that has already been accomplished, there is still room for much more. For example, the average freight car today, although in service for a full 24-hour day, has a daily forward movement, on the basis of average performance, of 42.6 miles and an average time of only 2½ hours. This performance is certain to be bettered. Also, as the new locomotives are so much more powerful than the old, it is easy to see how much room for improvement exists in the replacement of the old as, according to Interstate Commerce Commission statistics, there were 21,000 steam locomotives out of an aggregate of 41,000 on Dec. 31, 1939, that were at least 25 years old and over half of these were at least 29 years old.

The continued modernization of plant and equipment, that will result in further increases in efficiency and savings in operating expenses, can be carried on only through the plowing back of earnings and the restoration of credit.

Tobin Assails Proposed Federal Tax On Income From Municipal Securities

Any attempt to disguise proposals to tax income from State and municipal securities as a defense necessity is sheer hypocrisy, asserted Austin J. Tobin, Assistant General Counsel of The Port of New York Authority, and Secretary of the Conference on State Defense, in his address last Thursday before the IBA convention in Hollywood, Fla. He went on to report that such Federal taxation would be a threat to the very existence of the States as independent units of government.

The Conference on State Defense has been opposing the imposition of a Federal tax on municipal bonds for the past four years. The organization consists of Mayors, Corporation Counsels, Attorney Generals of the States, and other local public officials throughout the Nation, who have united to resist Federal interference with their local fiscal affairs.

In discussing the fiscal effects of the proposed tax, Mr. Tobin pointed out that while all experts were agreed that such a tax would increase the cost of local borrowing from 20 to 30%, that the ultimate effect of such an increase would in many cases destroy altogether the power of the cities to finance themselves at all. He said, "a Federal tax on municipal bonds would in many cases and in many times make it impossible for the local governments to exercise their borrowing powers at all. The Constitution guarantees to every local government throughout the country, the weak as well as the strong, in times of high as well as in times of low money rates, the absolute right to finance the operations of its own government without Federal interference. It is one thing for a municipality to promise to pay a higher interest rate as the direct result of a higher tax on its bonds; it is another thing to be able to pay it. If, in the judgment of the money market, a State or city cannot meet that rate over the life of the security, its power to carry on local government has been effectively destroyed. In the words of the Supreme Court, the doctrine of immunity 'recognizes the direct effect of a tax which would operate on the power to borrow before it is exercised and which would directly affect the government's obligation as a continuing security.'"

Stressing the fact that centralization of government on a large scale inevitably resulted in a loss of real democracy, Mr. Tobin traced the beginnings of the various totalitarian governments and pointed out how each of them, as their first step toward complete control of the people, had first removed all power from local governments.

"Since local government is the whole basis of democracy," Mr. Tobin said, "you will find neither free states nor free cities in the dark lands of the Axis."

In summing up the effects of a Federal tax on local securities, Mr. Tobin said:

"1. If the Congress has the power 'by simple statute' to tax State and municipal bonds, it has, inevitably, the power to control State and municipal financing, for whether or not the power to tax is the power to destroy, it is very positively the power to control.

"2. Without the independent control of its own financing, no government can continue as a free and independent State:

"3. Unless our States and cities continue free and independent autonomous local government is at an end.

"4. And local and self-government is the entire basis of political democracy."

Propaganda vs. Propaganda Advised By Muir

The use of factual propaganda to combat forces seeking to undermine democracy in the United States was advocated by Malcolm Muir, President and Publisher of "Newsweek," in an address Dec. 3, at the 30th annual convention of the Investment Bankers Association at Hollywood, Fla. If confidence in investment bankers is lost, he said, the Government will become the sole collector and distributor of the savings of the people, "thus destroying the private enterprise system." He urged, therefore, that bankers avail themselves of the "weapons of honest education and wise public relations." Following is a portion of Mr. Muir's address:

America has become the arsenal of democracy to forge the weapons with which to fight these evil forces from without. Let us be no less the arsenal to produce and utilize weapons of counter-propaganda and public relations to fight these forces from within. This work is already under way. You are probably all familiar with the National Industrial Information Committee of the National Association of Manufacturers which, through use of the radio, the movies, press services to country editors, public addresses, cooperative programs with the church, the teaching profession, and other professional groups, is spreading a factual story of the private enterprise system and what it means to every American. Since this recognition in 1933 by the manufacturers that it was necessary to appeal to the people for the strength to save the private enterprise system much of business industry and finance have come to recognize the necessity for honest public education. Your own Public Information Program, now well along in its second year, is an outstanding example of what I mean, but there is still not enough of this work being done. I could wish, for example, that there was closer cooperation on the part of the American Bankers Association and the Association of Stock Exchange Firms with the excellent work that you are doing. Each of these organizations and your members will stand or fall—will exist in the future—to the extent that there is a free flow of private savings into expanding industry.

If government becomes the source of credit for industry, then a system of State Capitalism has been substituted for free enterprise.

Because you do have this common problem, you should seek its solution with a common front, with joint appeals to the public.

Speaking to you as one from outside of your business, I know of no more constructive proposal that I can make to you than that you people of finance work cooperatively in the various communities of the nation to inform the public.

The times demand greater and not less cooperation. For the forces of destruction do work together.

It is neither effective, economical, nor wise that you of investment banking, the commercial banks, and the stock exchange firms each go off in different directions.

Every industry has a definite responsibility to tell its own story to the public. Collectively, this story then becomes a composite of the private enterprise system.

I have the greatest admiration for the educational work which you are carrying on in telling over and over again the function of the investment banker, and his importance in the lives of every person and every family. You have a strong story which you must keep repeating, stressing the necessity for savings and thrift, the importance of paying one's bills and keeping out of debt, and of providing for the future through individual savings as against leaving it entirely to Government plans and programs. The reiteration of these points has laid the basis for a sound public relations program. It will finally result in Mr. John Q. Public understanding the self-interest to him in supporting the private enterprise system rather than the government's social policies.

Moore Would Bar Regulations Threatening Democratic Fundamentals—Addresses IBA

Private enterprise can best be preserved by saving Democracy itself, Roy W. Moore, President, Canada Dry Ginger Ale, Inc., declared in an address before the 30th annual convention of the Investment Bankers Association on Dec. 2. The fundamental test to which all public questions in a Democracy should be subjected, he said, is how the issue effects the consistency and continuity of representative Democracy itself. "The burden is upon the various groups of the social order, he said, to determine for themselves whether any regulation, which to them may seem desirable for some special purpose, is worth a threat to the perpetuity of Democratic fundamentals and consequent disorder in the processes of our way of life."

He listed the following requirements for the preservation of free enterprise:

1. When we learn the essentials of the democratic way of life and living, and each day dedicate ourselves to them.

2. When we are as well acquainted with the functional processes of our institutions as Hitler is with his. In this event we shall be enabled to offset the temptation of our people to become intrigued by the false and vicious pretenses of totalitarianism.

3. When we are convinced that special privileges are contrary to the spirit of free institutions, and destructive of the democratic fabric.

4. When our people satisfy themselves that human freedom, with all its incidental faults, is preferable to well-fed slavery.

5. When we outlaw hunger and nakedness, but cease in our attempts to gratify all whimsical forms of want.

6. When our governors and rulers and the elected representatives of our people become imbued with the beauty of truth, and abhor the falsity of petty political expediencies.

7. When statesmanship is the criterion for public office.

8. When we cease to mislead, and particularly by the means of subtle propaganda.

9. When labor ceases to defy the arbitrament of a cause arrived at by the operation of established processes.

10. When honestly acquired and merited wealth becomes the mark of accomplishment and public admiration, and not the object of a people's condemnation.

11. When culture and not wealth is the criterion of personal importance.

12. When it is realized that domestic peace is necessary to the happiness and prosperity of a people, and that the encouragement of class hatred renders such peace impossible.

13. When we learn to apply the fundamental principles of Democracy to all our economic differences.

14. When we acquire the art of compromise and cooperation.

15. When we are united for the sake of the good that there is in the American Way.

John F. Hughes Is Now R. L. Day Co. Partner

John F. Hughes, member of the New York Stock Exchange, has become a partner in R. L. Day & Co., of Boston and New York. He will make his headquarters at the firm's New York office, 14 Wall Street. Mr. Hughes has recently been in business as an individual floor broker prior thereto he was a partner in Hughes & Co. and was assistant to the President of the U. S. Steel Corp.

Henry B. Day, senior partner of the firm, died Dec. 1.

R. L. Day & Co. are members of the New York and Boston Stock Exchanges and other leading Exchanges.

Stebbins & Noble To Join DeCoppet & Doremus

Henry S. Noble and E. Vail Stebbins, both members of the New York Stock Exchange, will become associated with the Exchange firm of DeCoppet & Doremus, 42 Broadway, New York City, as of Jan. 1, 1942, Mr. Noble as a general partner and Mr. Stebbins as a limited partner. Both were formerly in business as individual floor brokers in New York City.

THE BOND SELECTOR

SCULLIN STEEL COMPANY 3s-6s, 1951

Scullin Steel Company convertible 3s-6s, 1951, currently selling on the Curb at 82, offer a current return of better than 7% on the basis of the full 6% interest paid in 1941, and expected to be paid in 1942. The 3% rate is fixed, with the additional 3% payable as earned as a maximum and non-cumulative. The bonds have ranged between 87¼ and 75¾ in 1941.

The present company was formed in 1926 as successor to a business originally established in 1899. In 1937, the company emerged from reorganization, and the present outstanding 3s-6s were issued in exchange, par for par, for the old first mortgage 6s, due 1941. Scullin manufactures miscellaneous steel castings, bolsters and truck frames for freight cars and locomotives and general steel castings for numerous heavy industrial purposes. The railroads constitute the principal outlet for the company's products, with the building industry next in importance.

In addition to the large volume of business flowing to the company as the result of the high level of railroad traffic, Scullin is actively engaged in defense work for the Government. At present, the company's plant and equipment at St. Louis is being expanded at a cost of $2,600,000 to provide facilities for a contract for welded armor plate for U. S. Army tanks. Among other work, the company is also engaged on an order amounting to $1,485,000 from the Government for bomb material.

Under the terms of the reorganization effected in 1937, the Scullin Steel 3s-6s, 1951, were to pay 3% fixed interest annually, payable in April and October, plus a maximum of 3% on April 1st in each year to the extent earned the previous year. This so-called income interest is non-cumulative and is not to be paid if working capital would thereby be reduced below $750.000. (At the end of 1940, net working capital was in excess of $2,000,000). Since the reorganization plan went into effect, fixed interest has been earned and paid in every year. The full 3% income interest has been earned in 1937 and 1940, and paid on April 1st of the following years, namely, 1938 and 1941. In 1939, $12.42 was paid and in 1940, $25.09.

The bonds are convertible into 30 shares of the company's common stock for each $1,000 principal amount of bonds. Since the stock currently sells at 9 and has not been over 15½ since reorganization, this conversion feature has no immediate value. However, this privilege, good to Oct. 1, 1944, may have a substantial potential value. There are outstanding (as of Dec. 31, 1940) $520,740 warrants, four of which entitle the holder to purchase one share of common stock at $10 per share up to May 1, 1942. Until such time as these bonds have been reduced to $2,462,500, they will, in an aggregate amount not to exceed $590,000, be accepted by the company at face value in payment for common stock purchased by holders of the warrants. Consequently, the effective subscription price for anyone holding bonds costing 82 is $8.20 per share rather than $10 per share. The warrants are now selling at 3/16, so that four warrants cost $0.75, or a total of $8.95 as the cost of a call on the common.

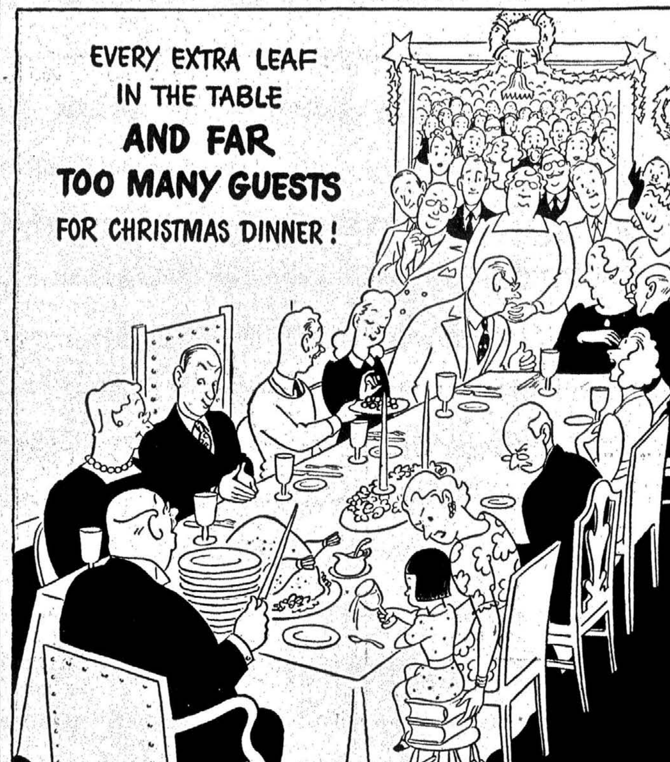
There has been some talk of a plan being worked out by which the bonds may be retired if conditions are such that sufficient bonds are retired through exercise of the warrants. At present they are callable at par. The bonds are a first mortgage on all the company's land, buildings, machinery and equipment. The indenture provides that dividends cannot be declared if by so doing working capital would be reduced below $750,000 nor can dividends be declared until all interest paid. In addition to these bonds, outstanding in the amount of $3,052,500, there was a note, payable in serial amounts, of $243,000, 29,940 shares of 5% convertible preferred and 136,025 shares of common.

Net working capital at the end of 1940 amounted to $2,295,000. Total current assets of $2,926,000 included $929,000 of cash, $1,157,000 of accounts receivable and $776,000 of inventories. Current liabilities totaled $631,000 and consisted solely of trade payables and accruals. Current ratio was 4.6 to 1.

As with most heavy industry companies, sales and earnings tend to fluctuate widely. One advantage possessed by Scullin, however, is that during some of the lean years railroads are inclined to rehabilitate existing rolling stock instead of purchasing entirely new equipment, so that this company tends to balance out more evenly from both sources. The 3% interest which is fixed has been earned regularly since 1937 as the following figures from the income account show:

	Net Sales	Oper. Income	Total Income	Deprec.	Avail. for Int. Chgs.	Fixed Interest	Fixed Int. X-Earned	Income Int. X-Earned
1940	$3,167,712	$701,241	$826,422	$218,011	$492,075	$91,757	5.37	4.35
1939	1,687,132	276,186	392,875	216,928	168,180	91,598	1.84	0.83
1938	1,670,384	286,148	357,777	216,599	129,804	91,826	1.41	0.41
1937	5,616,805	1,258,076	1,363,557	83,537	1,107,782	91,875	11.06	10.60

Obviously, any undertaking in bonds of this calibre necessitates a complete understanding of the risks involved in an essentially speculative venture tied in closely with the short-term fortunes of a heavy equipment manufacturer. It is likely, however, that earnings in 1941 will be substantially higher than last year, and any reversal in the unfavorable regard in which speculative bonds seem to be held should benefit the market for these bonds, the stock and the warrants.



Rail Stock Attractive

The current situation in the 5% preferred stock of Vicksburg Shreveport & Pacific Railway Company is particularly interesting at this time in view of the liberal yield of better than 8% at its present price, according to the Dec. 1st issue of "Guaranteed Stock Quotations," published by B. W. Pizzini & Co., 52 Broadway, New York City. Copies of the "Quotations," which also contain quotations on guaranteed railroad stocks throughout the country may be had from B. W. Pizzini & Co. upon request.

Special Memo On Request

Fuller, Cruttenden & Co., 120 South La Salle Street, Chicago, Ill., members of the Chicago Stock Exchange, are distributing a special memorandum describing the Michigan Chemical Corporation and particularly the Company's common stock. Copies of this interesting memorandum may be obtained from Fuller, Cruttenden & Co. upon request.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1427)

better than any other group in the United States, know that finance is not national; it is definitely international. A minor incident in a far off country, rating perhaps a stick on the back page of your daily newspaper, may affect securities markets here tremendously. This is understandable when it is remembered that American corporations do business all over the world. So when we awoke Sunday to discover that the Japanese had given our strongest naval base a severe blow we were horrified.

* * *

As this is being written the news coming over the radio is bad. Very bad. We have been told so often about the obsolescence of the Jap air arm and the lack of skill of it's aviators that we have been lulled into a false sense of security. So when on top of the news of the succesful raid against our insular possessions we are suddenly faced with the additional news that Britain's mightiest warships, the Prince of Wales and the Repulse, were attacked and sunk by Jap aircraft, we were stunned.

* * *

It is difficult to understand and condone our tactics which permitted this to happen. Until last summer we insisted on sending the raw materials to Japan, the materials that went into the making and the arming of the Japanese war machine. If you doubt this take a look at the following figures:

According to the United Press in 1938 we supplied Japan with more than 90% of it's scrap metal (part of the 6th Ave. "L" is now being thrown at us); 68% of all its oil; 98% of all its alloys; 92% of all its copper; 63% of all its aircraft and parts; 77% of all its automobiles and parts. Even in the first quarter of 1941 we sent Japan more than 8,000,000 pounds of lead, more than three times the amount we sold her in the same period of 1940. An in the first quarter of this year we sent her 1,097,000 bbls. of gasoline, nearly five times as much as in the same period of 1940. Crazy isn't it?

* * *

However, all this is over with. It can do no good to look back on what might have been.

* * *

The question now is: what now? Yet, like all such things, the questions are easier than the answers.

* * *

As this is being written the market is down. Stocks you have bought have broken their critical levels and are now lower. The only stocks that have managed to hold their heads up were Warner Bros. and Gulf, Mobile & Ohio pfd., and in the latter there is a $2.50 dividend declared a few days ago. Now, to get back to the what now.

* * *

Obviously the news from the Pacific will control prices. This news may change hourly. Naturally I cannot say what this news will be. But I can tell you how markets act. The first shock of the attack caught everybody, including the market, unprepared. So the market went down. As the additional details began filtering in, all bad, it went down still further. Most of the selling was of the panic variety. But as soon as the news changes in our favor this same kind of selling will turn into buying. I therefore believe that within the next two days the market will stage a reversal. It is on this reversal that changes will become important. If stocks manage to hold all gains, the worst, so far as we can know it, will be over. If it runs into fresh resistance we can look for lower prices. In any case, my advice is to hold off fresh buying but to hold on to the two stocks you still have.

More next Thursday.

—Walter Whyte

[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.]

Investment Trusts

(Continued from page 1431)

dend represents the forty-eighth consecutive quarterly distribution on the shares of Wellington Fund. Approximately 12 cents per share of this dividend is from ordinary net income and the balance of 18 cents per share from net security profits realized during 1941.

"Between Jan. 1 and Nov. 25, 1941 Wellington Fund has shown an increase in Market Value per share of 1.7% after adjustment for dividends paid. This appears to be a favorable showing when it is realized that during the same period general stock prices, as measured by the Dow Jones Composite Average, declined approximately 5.5% after adjustment for estimated dividends paid. The Wellington results were principally accounted for by the following factors: The maintenance of a substantial cash reserve during the early part of the year; the investment of a considerable portion of this reserve at the low prices prevailing during May and June; the subsequent increase in these reserves from $480,635 at June 30 to almost $1,000,000 in early October and the increase in market value of most of the medium grade senior securities in the portfolio. Following the recent market decline a portion of the October cash reserves has been invested, and the Fund is now in a position to invest the balance of the reserves at prices considerably below those prevailing a few months ago."

U. S. Treasury Offers $1,500,000,000 Bonds

(Continued from page 1431)

except for their own account. Subscriptions from banks and trust companies for their own account will be received without deposit. Subscriptions from all others must be accompanied by payment of 10% of the amount of bonds applied for. The bases on which subscriptions will be entertained from various classes of subscribers are contained in Treasury press statement of Dec. 3, 1941, a copy of which is attached. [This statement is given above.—Ed.]

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of bonds applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subscriptions for amounts up to and including $5,000 where the subscribers specify that delivery be made in registered bonds 90 days after the issue date will be given preferred allotment. In each such case a subscriber may not enter any other subscription, and payment must be made as provided in Section IV of this circular. Allotment notices will be sent out promptly upon allotment, and the basis of the allotment will be publicly announced.

IV. Payment

1. Payment at par and accrued interest, if any, for bonds allotted hereunder must be made or completed on or before Dec. 15, 1941, or on later allotment. In every case where payment is not so completed, the payment with application up to 10% of the amount of bonds applied for shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfeited to the United States. Any qualified depositary will be permitted to make payment by credit for bonds allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits, when so notified by the Federal Reserve Bank of its district.

V. General Provisions

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective districts, to issue allotment notices, to receive payment for bonds allotted, to make delivery of bonds on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive bonds.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

UP-TOWN AFTER 3

NEW MOVIES

"Babes On Broadway" (MGM), with Mickey Rooney, Judy Garland, Fay Bainter, Virginia Weidler, Ray McDonald, Richard Quine, Donald Meek, Alexander Woolcott, James Gleason and others. Directed by Busby Berkeley.

This is one of the most interesting of the Rooney-Garland pictures yet released. It has everything an amusing movie needs. Its plot is fresh, its music excellent, its dancing grand and the singing of Judy Garland and the comedy antics of Mickey Rooney, top drawer stuff. The story involves a group of youngsters with Broadway ambitions who make their headquarters in a New York drugstore. Incidentally if the locale is not authentic it is taken from real life. There is a drugstore (Walgreen's—B'way & 44th) which is the meeting place of youngsters trying to get a start in show business. It is in this drugstore that they meet to exchange job notes, gossip and other show business tid-bits. In any case the drugstore thespians under the management of young Rooney get together and put on their own show for the benefit of a settlement house. Complications follow complications but everything works out well in the end. The picture is fast, the music is catchy (some of the songs will be hits) and acting is excellent.

"Paris Calling" (Universal), co-starring Randolph Scott and Elizabeth Bergner; with Gale Sonderberg and Basil Rathbone. . . . A poorly conceived and an improbable yarn about the Paris of just before and just after the German invasion. Story is about a lady and her Laval-like friend; an American flyer with the RAF who is caught in France while sleeping off a drunk, the Gestapo and lots of other fantastic people and things. At best it's a marines-have-landed-and-have-the-situation-well-in-hand kind of story. . . . **"Kathleen" (MGM)**, with Shirley Temple, Herbert Marshall, Laraine Day, Gail Patrick and others. The motherless poor little rich girl with imagination whose father is planning to marry a lady the little girl doesn't like. The little girl has her heart set on arranging marriage for her father with a child psychologist. But don't worry, everything works out well in the end. Shirley Temple is becoming a big—a very big—girl. Finding parts for what was once a cute little girl, but who now gives promise of looking like a weight lifter may not be so easy.

THE DAWN PATROL

The gang of newspapermen rolling off their seats at **Jimmy Dwyer's Sawdust Trail (W. 44th)** while listening to Dorothy Kay as she describes her romance with a reporter who promises her reams of page one publicity, roto pictures, etc., if—. And publicist Dorothy Kay insisting that she and the stripper have only one thing in common—the same name. Just as stripeuse gets through with her act a singer begins warbling, "Why Don't We Do This More Often?" . . . From the sawdust saloon to the soignee **Colony Restaurant (61st off Madison Av.)** is quite a jump. It's like coffee in the morning in a one armed joint to a State dinner in the evening at Buckingham Palace. But if you like food that is out of this world in surroundings that are ne plus ultra then **Gene Cavellero's Colony** is the place for you. **The Colony** (in case you don't know) is the place where the Duke and Duchess of Windsor lunched almost daily, and it's a poor day when the quiet room isn't filled with equally glamorous people. . . . **The Coq Rouge (E. 56th)** has gone supper clubbish with a bang! Twice nightly it has on display James Copp III who bellows forth the sagas of the bulb snatcher; the lady with a penchant for flies and other varied fauna. Maggi McNellis, a real honest to goodness member of the lifted pinky set, who can actually sing, and Tony Kraber who warbles amusing things about the lone prair-ee-ee. Dancing by Nick D'Amico's band, good, too! . . . **Ruban Bleu (4 E. 56th)** has a new show: Paula Laurence—you know about her. She's tops! The Peter Sisters, three sepian warblers weighing three tons on the hoof, but can they sing! Right now they are almost as good as the famed Andrews Sisters. . . . **The Cotillion Room (Pierre Hotel 61st & 5th Av.)**, one of the eye fillingest places in the East, also has a new show. Adelaide Moffett, who knows how to sing and how to use a microphone, and the Chandra-Kaly Dancers, two girls and a man, probably the grandest dancing trio in New York today. Their interpretations of Javanese dances, and Latin rhumbas put all other dancers to shame. The abandon with which they dance and their costumes are both breath taking as well as eye filling. The room itself is beautiful but now with the new show it belongs at the head of any night life "must" list. Music is continuous. Stanley Melba and his orchestra, and Bizony's Ensemble beat out the rhythms. Don't miss Melba's performance when he conducts his outfit. The faces he makes, the contortions, and at times the arguments he seems to get into with members of his orchestra are something to see.

Calendar of New Security Flotations

OFFERINGS

MERCK & CO., INC.
Merck & Co., Inc., registered with SEC 53,690 shares 4½% cumulative preferred stock, $100 par, and 30,000 shares common stock, $1 par

Address—Rahway, N. J.

Business—Manufactures and sells chemicals for medicinal, household and industrial purposes

Underwriting—Names of underwriters, and number of shares of preferred and common stock each has agreed to purchase, are as follows:

	No. Shares Pfd.	Com.
Goldman, Sachs & Co., N. Y.	11,595	6,480
Lehman Bros., New York	11,595	6,480
Baker, Weeks & Harden, N.Y.	1,500	838
Bodell & Co., Inc., Providence	1,500	838
Bristol & Willett, New York	1,000	560
Dillon, Read & Co., N. Y.	5,000	2,794
Drexel & Co., Philadelphia	2,500	1,396
First Boston Corp., New York	3,500	1,956
Harriman Ripley & Co., Inc. New York	3,500	1,956
Hemphill, Noyes & Co., N. Y.	2,000	1,118
Kidder, Peabody & Co., N. Y.	2,500	1,396
Laird, Bissell & Meeds, Wilmington, Del.	2,500	1,396
Merrill Lynch, Pierce, Fenner & Beane, New York	2,500	1,396
Union Securities Corp., N. Y.	2,500	1,396

Offering—The preferred and common stock will be offered to the public, at prices to be supplied by amendment to registration statement

Proceeds to company from sale of the 53,690 shares preferred stock, will be applied to payment of a $3,000,000 1¾% serial bank loan; balance will be added to company's general funds

Registration Statement No. 2-4902. Form A2. (12-1-41)

Effective 4:45 p. m., E.S.T., on Dec. 8, 1941

Offered—53,690 shares of preferred stock offered Dec. 9 at $105 per share. The proposed offering of 30,000 shares of common stock has been postponed

FLINTKOTE CO. (THE)
The Flintkote Co. registered with SEC 35,000 shares common stock, no par.

Address—30 Rockefeller Plaza, New York, N. Y.

Business—Directly or through subsidiaries, engaged in manufacture and sale of various asphalt and asbestos-cement roofing and siding products, structural and decorative insulation board products, asphalt emulsions, chipboards and boxboards, solid and corrugated containers, set-up and folding boxes, dry and saturated felts, rubber compounds and allied products.

Underwriters—None.

Offering—The 35,000 shares of common stock will be reserved for issuance by company to certain officers and employees of company and its subsidiaries from time to time, at not less than the then prevailing market price for company's common stock.

A total of 13,510 shares offered Dec. 4, 1941, to officers and employees at $11 per share under this registration. The balance, 21,490 shares, will be offered not later than Dec., 1942, to certain officers and employees of company and its subsidiaries at a price equivalent to the then prevailing market

Proceeds will be applied toward, or will be used to reimburse company for expenditures made in connection with, construction or acquisition of additional felt mill facilities in Vernon, Cal.

Registration Statement No. 2-4885. Form A-2. (11-13-41)

Effective 4:45 p. m., E.S.T., on Dec. 3, 1941

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern Standard Time as per rule 930(b).

Offerings will rarely be made before the day following.

THURSDAY, DEC. 11

PUBLIC SERVICE CO. OF INDIANA, INC.
Public Service Co. of Indiana, Inc., registered with SEC $42,000,000 first mortgage series D 3⅜% bonds, due Dec. 1, 1971

Address—110 N. Illinois St., Indianapolis, Ind.

Business—Incorporated in Indiana on Sept. 6, 1941, as result of consolidation of Public Service Co. of Indiana, Central Indiana Power Co., Northern Indiana Power Co., Terre Haute Electric Co. and Dresser Power Corp. Company is a public utility operating in State of Indiana and is engaged principally in production, generation, manufacture, purchase, transmission, supply distribution and sale of electric energy and gas, and in the supply, distribution and sale of water.

Underwriting and Offering—The bonds will be sold under the competitive bidding Rule U-50 of the SEC's Public Utility Holding Company Act. Names of underwriters, and public offering price, will be supplied by post-effective amendment to registration statement

Proceeds, plus other funds of company if necessary will be applied to redemption, within 40 days after issuance of the bonds, of the $38,000,000 of Public Service Co. of Indiana first mortgage series A 4% bonds, due Sept. 1, 1969, at 106½ and accrued interest; and $4,000,000 of the net proceeds will be deposited with the trustee under the series D indenture and will be used in accordance with the provisions of the indenture

Registration Statement No. 2-4893. Form A2. (11-22-41)

Effective—10 a.m. E.S.T. on Dec. 6, 1941

Bids will be received by the company for the purchase of the bonds at Room 758 Field Bldg., 135 South La Salle St., Chicago, Ill., up to 12 noon C.S.T. on Dec. 16 1941

SATURDAY, DEC. 13

KANSAS-NEBRASKA NATURAL GAS CO., INC.
Kansas-Nebraska Natural Gas Co., Inc., registered with SEC 48,468 shares common stock, $5 par value

Address—Phillipsburg, Kan.

Business—Company is an operating public utility company engaged in the purchase of natural gas in Kansas, and in its transmission and wholesale and retail distribution in the States of Kansas and Nebraska

Underwriting—Names of underwriters, and number of shares underwritten by each, are as follows: First Trust Co., Lincoln, Neb., 11,108 shares; Harold E. Wood & Co., St. Paul, Minn., 15,132; Estes, Snyder & Co., Inc., Topeka, Kan., 10,012; United Trust Co., Abilene, Kan., 5,552; Beecroft, Cole & Co., Topeka, Kan., 6,664

Offering—The 48,468 shares are subject to purchase, under certain options, by the above underwriters, from the company, at a price of $5.4545 per share for a block of 8,468 shares, and at a price of $5.50 per share for the remaining 40,000 shares. The underwriters, upon exercise of their various options, propose to reoffer such shares to the public at a price of $6.50 per share

Proceeds will be added to working capital of company

Registration Statement No. 2-4894. Form A2. (11-24-41)

CHESAPEAKE CORPORATION OF VIRGINIA
Chesapeake Corporation of Virginia registered with the SEC an unstated number of shares of common stock, $5 par value. Company estimates that the number of shares to be involved is 135,000 shares

Address—West Point, Va.

Business—Company is engaged in the manufacture and sale of sulphate pulp, Fourdrinier kraft board and kraft specialties

Underwriting — Principal underwriters named are: Scott & Stringfellow, Richmond, Va., and Blyth & Co., Inc., New York. Names of other underwriters will be supplied by amendment to the registration statement

Offering—The shares of common stock to be offered under this registration statement are already issued and outstanding, and are to be offered to the public for the account of certain selling stockholders. Public offering price will be supplied by amendment

Proceeds will be received by the selling stockholders

Registration Statement No. 2-4895. Form A2. (11-24-41)

MONDAY, DEC. 15

NEW ENGLAND TELEPHONE & TELEGRAPH CO.
New England Telephone & Telegraph Co. registered with the SEC 222,243 shares of common stock, $100 par value

Address—50 Oliver St., Boston, Mass.

Business—This subsidiary of the American Telephone & Telegraph Co. is engaged in the telephone business in Maine, New Hampshire, Vermont, Massachusetts and Rhode Island

Underwriting and Offering—The 222,243 shares of common stock are to be offered pro rata by company for subscription at $100 per share, to its common stockholders of record Dec. 19, 1941, in the ratio of one share for each 6 shares then held. Subscription rights evidenced by warrants to be issued to such stockholders, will expire on Jan. 15, 1942. The company may sell, at not less than $100 per share, such portion of the 222,243 shares as may not be purchased through the exercise of subscription rights, and in such event company will file an amendment to the registration statement stating the proposed number and offering price of such shares, the manner of sale and all other matters required to be stated in connection with such sale. The offering of the 222,243 shares is not underwritten

Proceeds will partly reimburse company's treasury for uncapitalized expenditures to its telephone plant; a portion of such treasury funds will be used to repay the parent AT&T for advances of approximately $13,500,000; and the remainder of the proceeds will be used for general corporate purposes

Registration Statement No. 2-4896. Form A2. (11-26-41)

THE MARYLAND DRYDOCK CO.
The Maryland Drydock Co. has filed registration statement with SEC for 112,740 shares of common stock, $1 par value

Address—Fairfield, Baltimore, Md.

Business—Engaged in a general line of ship repair, reconditioning and conversion work on ocean-going vessels, including freighters, passenger ships, tankers, colliers, dredges, lighthouse tenders. Coast Guard cutters, mine layers, troop ships and Navy destroyers, and also bay and river craft of most types

Underwriters—Shields & Co., New York, is named as principal underwriters; other underwriters will be named by amendment

Offering and Proceeds—The 112,740 shares of common stock are already outstanding and are owned by Koppers Co., which will receive all of the proceeds from the sale thereof. Upon consummation of the sale of these shares, Koppers Co. will not own any shares of common stock of company. The public offering price will be supplied by amendment to registration statement

Registration Statement No. 2-4897. Form S2. (11-26-41)

TUESDAY, DEC. 16

SOUTH CAROLINA INSURANCE CO.
South Carolina Insurance Co. registered with SEC 12,500 shares common stock, $8 par value

Address—1400 Main St., Columbia, S. C.

Business—Engaged principally in the writing of fire insurance

Underwriting and Offering—The shares will first be offered for subscription to present stockholders, under their preemptive rights, at price of $16 per share. Unsubscribed portion of such shares will be offered to public at $18 per share, within 30 days after effective date of registration statement. Underwriters will be named by amendment; underwriting commission will be $2 per share

Proceeds will go directly to capital ($100,000) and the residue to surplus. Company deems it essential to comply with laws of New York State, soon to become effective requiring a minimum capital of $250,000 and with the laws of Massachusetts requiring a minimum capital of $300,000

Registration Statement No. 2-4898. Form A2. (11-27-41)

WEDNESDAY, DEC. 17

ABBOTT LABORATORIES
Abbott Laboratories registered with SEC 30,000 shares 4% cumulative preferred stock, $100 par

Address—14th St. & Sheridan Rd., North Chicago, Ill.

Business—Engaged in business of manufacturing fine pharmaceutical preparations, important medicinal chemicals and biologies, and widely used vitamin products

Underwriting—Underwriters, and number of shares which each has agreed to purchase, are: A. G. Becker & Co., Inc., 15,000; F. S. Mosely & Co., 7,500; Shields & Co., 7,500 (all of Chicago). Underwriting commission is set at $2.75 per share

Offering—Public offering price will be supplied by amendment

Proceeds will be used as follows: $1,382,654 to redemption, at $107 per share, of all outstanding 4½% convertible preferred stock; $400,000 to replace working capital heretofore or hereafter expended by company in connection with construction activities at company's plant; and balance for working capital

Registration Statement No. 2-4899. Form A2. (11-28-41)

Effective 4:45 p. m., E.S.T. on Dec. 8, 1941

THURSDAY, DEC. 18

GENERAL SHOE CORPORATION
General Shoe Corporation has filed a registration statement with the SEC for $2,500,000 of 15-year 3¼% sinking fund debentures, due Dec. 1, 1956

Address—513 Gallatin Ave., Nashville, Tenn.

Business — Manufactures and sells a range of low-priced and medium-priced men's and boys' shoes, including work shoes; boots; children's shoes; and growing girls' and women's shoes. Principal advertised trade names are Jarman, Fortune, Skyrider, Betty Barrett and Friendly

Underwriting—Smith, Barney & Co., New York, is named principal underwriters; others will be named by amendment

Offering—The debentures will be offered to the public, at a price to be supplied by amendment

Proceeds will be added to company's general funds

Registration Statement No. 2-4900. Form A2. (11-29-41)

SATURDAY, DEC. 20

TIME FINANCE CO.
Time Finance Co. registered with SEC $400,000 10-year 5% sinking fund debentures, due Dec. 1, 1951, and option warrants for 20,000 shares common stock, $1 par value

Address—Louisville, Ky.

Business—Engaged in the "small loan" personal loan business in Kentucky and Minnesota

Underwriting—Underwriters of the debentures are Piper, Jaffray & Hopwood, Minneapolis, and Bankers Bond Co., Louisville, Ky. Underwriting commission is 6%

Offering—The debentures will be offered to the public at 100. Purchasers of each $1,000 debenture will receive an option warrant entitling holders to purchase 50 shares of common stock on or prior to Dec. 1, 1943, at $2.75 per share; purchasers of each $500 debenture will receive option warrants entitling holders to purchase 25 shares of common stock on or before Dec. 1, 1943, at $2.75 per share

Proceeds will be added to working capital

Registration Statement No. 2-4901. Form A2. (12-1-41)

R. L. SWAIN TOBACCO CO., INC.
R. L. Swain Tobacco Co., Inc., has filed registration statement with SEC for 1,000 shares 6% non-cumulative preferred stock, $100 par; 3,500 shares class A voting common stock, $1 par; and 50,000 shares of class B non-voting common stock, $1 par

Address—108 Market St., Danville, Va..

Business—Manufacture and sale of Pinehurst cigarettes and other brands and smoking tobaccos treated with the company's patented Panax Process

Underwriting—None. Securities will be sold by officers and licensed salesmen of company, and by John W. Yeaman, of Martinsville, Va. Commission to selling agents is $12.75 per share of preferred and 75 cents per share for the class A and B common stock

Offering—The securities will be offered to public at following prices: $85 per share for the preferred stock, and $5 per share each for the class A and class B common stocks. The preferred and class B common may also be sold in units of one share of preferred and 3 shares of class B stock at $100 per unit

Proceeds will be used to purchase a manufacturing plant, equipment, advertising campaign expenses, and for working capital

Registration Statement Nc. 2-4903. Form A1. (12-1-41)

SUNDAY, DEC. 21

KEARNEY & TRECKER CORP.
Kearney & Trecker Corp. filed registration statement with SEC for 198,083 shares common stock, $3 par value

Address—6784 W. National Ave., West Allis, Wis.

Business—Manufactures and sells milling machines, which are machine tools widely used in industry for the facing, removal and shaping of metal through the application of a multiple toothed rotating cutting tool to a work piece secured to a moveable table

Underwriters—Blyth & Co., Inc., New York, and The Wisconsin Co., Milwaukee, Wis., are named principal underwriters, others will be named by amendment. Underwriting commission will be $3.50 per share

Offering—The shares registered are already outstanding and are to be sold to the public for the account of certain selling stockholders; public offering price will be supplied by amendment. Proposed maximum offering price, based on the SEC filing fee, is $30 per share

Proceeds will be received by the selling stockholders

Registration Statement No. 2-4904. Form S2. (12-2-41)

PITTSBURGH STEEL CO.
Pittsburgh Steel Co. has filed a registration statement with the SEC for $2,000,000 of first mortgage series B 4½% bonds, due Dec. 1, 1950

Address—1600 Grant Building, Pittsburgh, Pa.

Business—Engaged primarily in manufacture and sale of semi-finished steel products, wire products and tubular products

Underwriting—Kuhn, Loeb & Co., and A. G. Becker & Co., Inc., both of New York, each have agreed to purchase $1,000,000 principal amount of the bonds

Offering—The bonds will be offered to the public, at a price to be supplied by amendment

Proceeds to extent of $1,040,000 will be deposited with Trustee and will be withdrawn from time to time in the future against property additions which are now contemplated; balance for working capital

Registration Statement No. 2-4905. Form A2. (12-2-41)

VULTEE AIRCRAFT, INC.
Vultee Aircraft, Inc., filed registration statement with SEC for 260,000 shares $1.25 cumulative convertible preferred stock, no par; and 650,000 shares $1 par value common stock, latter reserved for later issuance upon exercise of conversion privilege of the preferred stock

Address—Vultee Field, Downey, Calif.

Business—Engaged in development, design, construction, manufacture and sale of aircraft, and sale of aircraft accessories manufactured by outside interests

Underwriting — Blyth & Co., Inc., and Emanuel & Co., both of New York City, are named principal underwriters; names of other underwriters will be supplied by amendment

Offering—The preferred stock will be offered to the public, at a price to be supplied by amendment to registration statement

Proceeds from sale of the preferred stock will be applied to the purchase, on or before Dec. 26, 1941, of 440,000 shares common stock of Consolidated Aircraft Corp. from Major R. H. Fleet, members of his immediate family and others for whom he is agent, at a total price of $10,945,000. Of such purchase price, $1,665,000 will be paid with a 3% note of company in that amount due June 30, 1942. Provision is made that the company may discharge the note at its election either by payment of principal amount thereof in cash, or issuance of 225,000 shares of its common stock to Major Fleet or on his order. The balance of the cash required will be obtained from sale of 150,000 shares of company's common stock to Aviation Corp. at $10 per share, from the company's general funds, and from additional bank loans or deferment of current liabilities

Registration Statement No. 2-4906. Form A1 (12-2-41 San Francisco)

TUESDAY, DEC. 23

FOOD MACHINERY CORP.
Food Machinery Corp. filed registration statement with SEC for $4,000,000 sinking fund debentures, due 1956. Interest rate will be supplied by amendment to registration statement

Address—San Jose, Cal.

Business—Manufacture and sale of food cleaning and packing machinery

Underwriters—Kidder, Peabody & Co., and Mitchum, Tully & Co.

Offering—The debentures will be offered to the public, at a price to be supplied by amendment

Proceeds will be applied toward payment of outstanding bank loans, and for working capital purposes

Calendar of New Security Flotations

Registration Statement No. 2-4907. Form A2. (12-4-41 San Francisco)

THURSDAY, DEC. 25

INTER-MOUNTAIN TELEPHONE CO.
Inter-Mountain Telephone Co. filed registration statement with SEC for 25,000 shares common stock, voting, $10 par value

Address—Sixth and Crumley Sts., Bristol, Tenn.

Business—Supplies telephone service in portions of Virginia and Tennessee

Underwriters—Alex. Brown & Sons, Baltimore; Mason-Hagan, Inc., Richmond, Va.; Stern, Wampler & Co., Inc., Chicago; Equitable Securities Corp., Nashville, Tenn.; Courts & Co., Atlanta, Ga.; R. S. Dickson & Co., Inc., Charlotte, N. C.; Minnich, Wright & Co., Inc., Bristol, Tenn.

Offering—The 25,000 shares of common stock will be offered to the public, at a price to be supplied by amendment to registration statement. The shares are to be offered for the account of the underwriters, who are to acquire such shares as follows: Southern Bell Telephone & Telegraph Co. and Chesapeake & Potomac Telephone Co. of Virginia, have agreed to sell to above underwriters, a total of 25,000 shares of 6% non-cumulative convertible preferred stock, $10 par, of company, at a price to be supplied by amendment (20,665 shares of such preferred to be sold by former, 4,335 shares by latter). Underwriters agree that immediately following delivery to them of such shares of preferred stock, each will convert same, share for share, into a total of 25,000 shares of common stock of company

Proceeds will be received by the underwriters

Registration Statement No. 2-4908. Form A2. (12-6-41)

SATURDAY, DEC. 27

BOND STORES, INC.
Bond Stores, Inc., filed registration statement with the SEC for 50,000 shares common stock, $1 par value

Address—261 Fifth Ave., New York City

Business—Business consists principally of retail sale of men's and young men's clothing at 59 stores located in 48 cities, and the manufacture by the company of most of the clothing sold at such stores

Underwriters — Lehman Brothers, and Wertheim & Co., both of New York

Offering—The 50,000 shares are already outstanding and are to be offered to the public for the account of Benj. J. Friedman, President of the company. Public offering price will be determined in accordance with a formula, evolving around the then price of such common stock on the New York Stock Exchange

Proceeds will be received by Benj. J. Friedman, President of company

Registration Statement No. 2-4909. Form A2. (12-8-41)

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AIR ASSOCIATES, INC.
Air Associates, Inc., registered with SEC 50,000 shares $1.37½ Cumulative Convertible Preferred Stock, no par; and maximum of 100,000 shares $1 par common stock, latter reserved for issuance upon conversion of the preferred.

Address—Bendix Airport, Bendix, N. J.

Business—Company is manufacturer and distributor of airplane parts, equipment, material, supplies and accessories.

Underwriter—White, Weld & Co., New York, is principal underwriter; others to be named by amendment. Underwriting commission is $2.25 per share.

Offering—Preferred stock to be offered amendment.

Proceeds—$300,000 to prepay outstanding bank loans; $200,000 for purchase of additional machinery; balance for plant additions and working capital.

Registration Statement No. 2-4851. Form A-2. (9-27-41).

The company has filed an amendment to its registration statement with the Securities and Exchange Commission disclosing that its 50,000 shares of $1.37½ cumulative convertible preferred stock will be offered to the public by the following underwriters:

	Shares
White, Weld & Co.	12,500
Jackson & Curtis	10,000
Merrill, Lynch, Pierce, Fenner & Beane	10,000
Stern, Wampler & Co.	5,080
E. H. Rollins & Sons	4,000
Pacific Co. of California	4,000
Mitchum, Tully & Co.	1,500
Cohu & Torrey	1,000
Fuller, Cruttenden & Co.	1,000
Vietor Common & Co.	1,000

Amendment filed Nov. 25, 1941, to defer effective date

AMERICAN BAKERIES CO.
American Bakeries Co. registered 15,000 shares Class B no par common stock

Address—No. 520 Ten Pryor St. Bldg., Atlanta, Ga.

Business—Manufacturing and distributing bakery products in souther states

Underwriter—None named

Offering—Stock will be offered to public at price to be filed by amendment

Proceeds—All proceeds will be received by L. A. Cushman, Jr., chairman of board of company, for whose account the stock will be sold

Registration Statement No. 2-4714. Form A-2. (3-28-41)

Amendment filed Dec. 8, 1941, to defer effective date

BEACON ASSOCIATES, INC.
Beacon Associates, Inc. registered SEC $500,000 6% Participating Sinking Fund Debentures, due July 1, 1971

Beacon Associates, Inc. interest rate on $500,000 Participating Sinking Fund Series A Debentures, due July 1, 1971, changed from 6% to 6½% per annum, according to amendment filed with SEC July 21, 1941

Address—216 Turks Head Bldg., Providence, R. I.

Business—Engaged in the small loan business in Rhode Island and Massachusetts

Offering—The Debentures will be offered to the public at 100 by F. L. Putnam & Co., Inc., Boston; underwriting commission is 15%, leaving net price to company of 85

Underwriter—F. L. Putnam & Co., Inc., Boston

Proceeds—Will be advanced to subsidiary for their working capital or will be used for payment of debt incurred on providing funds for advances to subsidiaries

Registration Statement No. 2-4790. Form A-2. (6-27-41)

Effective—3:00 P.M. E.S.T., August 22 as of July 17, 1941

BEAR MINING AND MILLNG COMPANY
Bear Mining and Milling Co. registered 153,145 shares of common stock, $1 par

Address — 513 Majestic Bldg., Denver, Colo.

Business—Mining and milling

Underwriter—None

Offering—Stock will be offered publicly at $1 per share, selling commission, 35%

Proceeds — For development equipment and operation mining property near Breckenridge, Colo.

Registration Statement No. 2-4571. Form A-1. (11-12-40)

Amendment filed Dec. 3, 1941, to defer effective date

BONWIT TELLER, INC.
Bonwit Teller, Inc. registered 39,334 shares of 5½% cumulative convertible preferred stock, $50 par, and 131,202 shares of common stock, $1 par

Address—721 Fifth Avenue, New York City

Business—Operation of specialty store in New York City

Underwriters—To be filed by amendment

Offering Terms — Preferred and common will be publicly offered at prices to be filed by amendment, except that 106,202 common shares will be reserved for conversion of preferred

Proceeds—Stock will be sold by Atlas Corp. and the American Co., parents, and no proceeds will be received by the company

Registration Statement No. 2-4748. Form A-2. (4-30-41)

Amendment filed Nov. 24, 1941, to defer effective date

CAROLINA TELEPHONE & TELEGRAPH CO.
Carolina Telephone & Telegraph Co. registered with SEC 10,625 shares common stock, $100 par, and subscription warrants evidencing rights to subscribe for such 10,625 shares common stock

Address—122 St. James St., Tarboro, N. C.

Business—This operating company is engaged in the telephone business in the eastern part of North Carolina. About 31.67 of its common stock is owned by Southern Bell Telephone & Telegraph Co. (a subsidiary of AT&T)

Underwriters—There is no underwriting involved in connection with this financing

Offering—Common stockholders of record Nov. 26, 1941, are being granted transferable warrants to subscribe at $100 per share for the 10,625 shares of common stock, at the rate of one share for each 4 shares then held. Warrants expire Dec. 29, 1941. Company reserves right to reoffer for sale, at a price in no event less than $100 per share, such of the 10,625 shares of common stock as are not subscribed for by stockholders in the exercise of the warrants

Proceeds to payment of $830,000 of bank loans, balance for plant and equipment additions and betterments, and for working capital

Registration Statement No. 2-4875. Form A2 (11-4-41)

Effective 4:45 p. m. E.S.T. on Nov. 19, 1941

CHAMPION PAPER & FIBRE CO.
Champion Paper & Fibre Co. registered with SEC $8,500,000 of first mortgage bonds, due Nov. 1, 1956 (interest rate to be filed by amendment); 40,000 shares $5 cumulative convertible preferred stock, no par; and an indeterminable number of shares of no par common stock, to be reserved for issuance upon conversion of the preferred stock

Address—Hamilton, O.

Business—Largest domestic manufacturer of the types of paper known in the trade as white papers and book papers, and is one of the largest domestic manufacturers of coated papers

Underwriters are W. E. Hutton & Co. and Goldman, Sachs & Co., both of New York, N. Y.

Offering—The bonds and preferred stock will be offered to the public, at prices to be supplied by amendment

Proceeds will be used to redeem the outstanding aggregate of $8,660,000 of 4¾% sinking fund debentures ($4,125,000 principal amount due 1950, at 104½; $4,535,000 principal amount of the 1938 Issue at 102¼), requiring $8,947,663. Balance of net proceeds will be added to working capital

Registration Statement No. 2-4867. Form A2. (10-25-41)

Amendment Filed—Company has filed an amendment with the SEC to its registration statement disclosing that the bonds would bear interest at the rate of 3½% per annum. The public offering price of the bonds and the preferred stock will be supplied by later amendment

Also disclosed in the amendment is the names of the underwriters for the bonds and preferred stock, together with the each, as follows (all of New York City, unless otherwise indicated):

	Prin. amt. of bonds	No. of shs. of pref. stk
W. E. Hutton & Co.	$1,700,000	8,000
Goldman, Sachs & Co.	1,700,000	8,000
R. S. Dickson & Co.	127,000	600
Drexel & Co., Phila.	425,000	2,000
Field, Richards & Co., Cincinnati	85,000	400
First Boston Corp.	425,000	2,000
Harriman Ripley Co.	425,000	2,000
Hemphill, Noyes Co.	255,000	1,200
Hornblower & Weeks	340,000	1,600
Johnson, Lane, Space & Co., Savannah	85,000	400
Kidder, Peabody Co.	765,000	3,600
Kuhn, Loeb & Co.	850,000	4,000
W. C. Langley & Co.	340,000	1,600
Lee Higginson Corp.	511,000	2,400
Piper, Jaffray & Hopwood, Minneapolis	127,000	600
White, Weld & Co.	340,000	1,600

Offering Deferred—Company announced Nov. 17 that the offering of the securities has been postponed for the present.

COLUMBIA GAS & ELECTRIC CORP.
Columbia Gas & Electric Corp. registered $28,000,000 serial debentures, due 1942 to 1951, and $92,000,000 sinking fund debentures due 1961

Address—61 Broadway, N. Y. C.

Business—Public utility holding company

Offering—Both issues will be publicly offered at prices to filed by amendment

Proceeds—To redeem $50,000,000 Deb 5s, 1952; $4,750,700 Deb. 5s, due April 15, 1952; $50,000,000 Deb. 5s, 1961; to purchase $3,750,000 4% guaranteed serial notes due 1942-46 of Ohio Fuel Gas Co., a subsidiary, and $3,750,000 guaranteed serial notes of United Fuel Gas Co., a subsidiary, from the holders thereof; and to make a $3,402,090 capital contribution to Cinn., Newport & Covington Ry Co. to enable that Company to redeem its outstanding $3,303,000 1st & Ref. 6s, 1947

Registration Statement No. 2-4736. Form A-2. (4-10-41)

Amendment filed Dec. 6 to defer effective date

COMPOSITE BOND FUND, INC.
Composite Bond Fund, Inc., registered with SEC 32,500 shares $1 par common stock.

Address—601 Riverside Ave., Spokane, Wash.

Business — Open-end investment trust, limited to investments in bonds.

Underwriting—Murphey, Favre & Co., Spokane, Wash., is underwriter and distributor, purchasing said shares at the net asset value then in effect for distribution to public at such net asset value plus 8½%.

Offering—To be offered to the public at the then prevailing market price.

Proceeds—Will be used for investment purposes.

Registration Statement No. 2-4825 Form A-1. (8-28-41)

Amendment filed Nov. 8, 1941, to defer effective date

CONSOLIDATED AMUSEMENT CO., LTD.
Consolidaaed Amusement Co., Ltd., registered with SEC 50,000 shares common stock, no par

Address—Honolulu, Hawaii

Business—Engaged in exhibiting motion pictures in theatres owned or operated by it on the Islands of Oahu, Hawaii and Kauai in the Territory of Hawaii and of distributing motion pictures for exhibition purposes to other exhibitors on the Islands of Oahu, Hawaii, Maui, Lanai, Molokai and Kauai in the Territory of Hawaii

Underwriters—None

Offering—The shares will be offered for subscription at $10 per share pro rata to holders of common stock of record Oct. 15, 1941, on a one for three basis, through warrants, exercisable up to and including Dec. 27, 1941. Unsubscribed portion of such 50,000 shares will be sold at public auction in Honolulu. There is no underwriting in connection with this offering. Of the 50,000 shares so offered, 33,813 shares will upon their issuance be subject to the Voting Pool Agreement, as extended to April 15, 1950

Proceeds will be used to redeem, on Dec. 10, 1941, the outstanding 6% Series A cumulative preferred stock of company

Registration Statement No. 2-4880. Form A2. (11-7-41)

Effective 4:45 p. m. E.S.T. on Nov. 19, 1941

Consolidated Amusement Co., Ltd., also filed registration statement with SEC covering voting trust certificates to be issued for a maximum of 33,813 shares of common stock, no par, registered above (2-4880)

Registration Statement No. 2-4881. Form F1 (11-7-41)

Effective 4:45 p. m. E.S.T. on Nov. 19, 1941

FLORIDA POWER & LIGHT CO.
Florida Power & Light Co. registered with SEC $45,000,000 First Mortgage bonds, due Oct. 1, 1971; $10,000,000 Sinking Fund Debentures, due Oct. 1, 1956; and 140,000 shares Cumulative Preferred Stock, $100 Par. Interest rates on the Bonds and Debentures, and the dividend rate on the preferred stock, will be supplied by amendment

Address—25 S. E. Second Ave., Miami, Fla.

Business—This subsidiary of American Power & Light (Electric Bond & Share System) is an operating public utility engaged principally in generating, transmitting, distributing and selling electric energy (also manufacture and sale of gas), serving most of the territory along the east coast of Florida (with exception of the Jacksonville area), and other portions of Florida

Underwriting and Offering—The securities registered are to be sold by company under the competitive bidding Rule U-50 of the SEC's Public Utility Holding Company Act. Names of underwriters and price to public, will be supplied by post-effective amendment to registration statement

Proceeds will be applied as follows: $53,170,000 to redeem at 102¼, the $52,000,000 of company's First Mortgage 5s of 1954; $15,693,370 to redeem at $110 per share, the 142,667 shares of company's $7 preferred stock, no par. Further details to be supplied by post-effective amendment

Registration Statement No. 2-4845. Form A2. (9-17-41)

Amendment filed Nov. 27, 1941, to defer effective date

HASTINGS MANUFACTURING CO.
Hastings Manufacturing Co. registered with SEC 140,400 shares common stock, $2 par value

Address—Hastings, Mich.

Business—Manufactures and sells piston rings and expanders

Underwriters—Schroder, Rockefeller & Co., Inc., are principal underwriters. Other underwriters are Smith, Hague & Co. and Carlton M. Higbie Corp., Detroit, Mich.

Offering—23,100 shares are unissued and are to be offered to the public for the account of the company; remaining 117,300 shares are outstanding and are to be sold to public for account of certain selling stockholders

Proposed offering as amended: 23,100 shares by company, 105,756 shares by certain stockholders

Public offering price is $9.50 per share

Proceeds to company will be used for general corporate purposes, including purchase of new equipment and for working capital

Registration Statement No. 2-4890. Form A2. (11-19-41 Cleveland)

ILLINOIS COMMERCIAL TELEPHONE CO
Illinois Commercial Telephone Co. registered with SEC $5,750,000 of first mortgage 3⅜% bonds, due Oct. 1, 1971; and 24,000 shares of $5 cumulative preferred stock no par

Address—607 E. Adams St., Springfield, Ill.

Business—This subsidiary of General Telephone Co. is engaged in providing, without competition, telephone service to 180 communities and surrounding territories in Illinois, including Kewanee, Monmouth, Macomb, Lincoln, Belvidere, Harrisburg, Olney, Mendota and Mt. Carmel

Underwriters, and amount of bonds and preferred stock underwritten by each, follow:

	Amt. of Bonds	No. of Shs. of pfd. stk.
Bonbright & Co., Inc., New York	$2,875,000	12,000
Paine, Webber & Co., New York	2,156,000	9,000
Mitchum, Tully & Co., Los Angeles	719,000	3,000

Offering—Bonds and preferred stock to be offered to the public at a price to be supplied by amendment to the registration statement

Proceeds from sale of the bonds and preferred stock, together with $105,000 received from sale of 7,000 additional shares common stock, will be used in part to retire following securities of company: $5,750,000 First Mortgage Series A 3¾% bonds, due June 1, 1970, at 105½; 17,098 shares $6 preferred stock, at $110 per share; 1,108 shares $6 preferred stock, owned by parent company, at latter's cost Balance of net proceeds will be used to purchase from General Telephone Corp the outstanding capital stocks of Central Illinois Telephone Co. and Illinois Standard Telephone Co., to make additions and betterments to company's plant and property, and for other corporate purposes

Registration Statement No. 2-4866. Form A2. (10-24-41)

Amendment filed Nov. 26, 1941, to defer effective date

LA CROSSE TELEPHONE CORP.
La Crosse Telephone Corp. registered 32,080 shares of common stock, $10 par

Address—La Crosse, Wisconsin

Business—Telephone service to La Crosse Wis.

Underwriter—Alex. Brown & Sons

Offering—All stock registered will be publicly offered at price to be filed by amendment, except that 2,406 shares will be sold to Central Electric & Telephone Co.

Proceeds—Stock registered is owned by parent company, Middle Western Telephone Co., which will donate a portion to La Crosse Telephone Corp. and latter will use proceeds to retire outstanding preferred stock

Registration Statement No. 2-4717. Form A-2. (3-29-41)

Amendment filed Dec. 8, 1941, to defer effective date

MIDWEST TOOL & MANUFACTURING CO.
Midwest Tool & Manufacturing Co. registered with SEC 50,000 shares common stock, $1 par.

Address—Detroit, Mich.

Business—Manufacturer of precision cutting tools, etc.

Underwriter—Keane & Co.

Offering—The 50,000 shares will be offered to the public at $2 per share. Of the shares registered, 27,125 shares are to be offered for the account of the company, and the remaining 22,875 shares (already issued and outstanding) will be offered for the account of two selling stockholders.

Proceeds to company from sale of the 27,125 shares will be used for payment of outstanding bank loans, final installment on sales contract, and the balance for working capital.

Registration Statement No. 2-4886. Form S-2 (New form) (11-13-41 Cleveland).

Amendment filed Nov. 28, 1941, to defer effective date

Effective 4:45 p. m., E.S.T., on Dec. 5, 1941

MOBILE GAS SERVICE CORP.
Mobile Gas Service Corp. registered with SEC $1,400,000 first mortgage bonds, due Dec. 1, 1961 (interest rate to be supplied by amendment), and 6,000 shares 6% cumulative preferred stock, $100 par.

Address—162 St. Francis St., Mobile, Ala.

Business—An operating utility subsidiary of Consolidated Electric & Gas Co., company furnishes natural gas service at retail in Mobile, Ala., and vicinity.

Underwriting and Offering—The bonds and the preferred stock will be sold by company under the competitive bidding Rule U-50 of the SEC's Holding Company Act, as soon as practicable after the registration statement shall have become effective. Names of the underwriters and public offering prices will be supplied by amendment.

Proceeds will be applied as follows: To the redemption, at 100 and accrued interest, of the outstanding $876,700 of first mortgage 5% bonds of 1956, the outstanding $637,750 of first mortgage income bonds series A (9%) of 1956, and the outstanding $236,950 of first mortgage income bonds series B (7%) of 1956; balance of $75,000 will be used to establish a construction fund to provide for acquisition or construction of additional property.

Registration Statement No. 2-4887. Form A-2 (11-15-41).

Effective 3:30 p. m. E.S.T. on Dec. 2, 1941

Bids will be received for the purchase of the securities at 90 Broad St., New York, before 11 a. m. E.S.T. on Dec. 16

NORTHERN NATURAL GAS CO.
Northern Natural Gas Co. registered 710,500 shares of common stock, $20 par

Address — Aquila Court Bldg., Omaha, Nebraska

Business—Production and transmission of natural gas

Underwriter—Blyth & Co., and others to be named by amendment

Offering—Stock will be publicly offered at price to be filed by amendment

Proceeds—All proceeds will be received by selling stockholders, United Light & Railways Co., and North American Light and Power Co.

Registration Statement No. 2-4741. Form A-2. (4-21-41)

Northern Natural Gas Co. filed an amendment to its registration statement of shares of its $20 par value common stock proposed to be offered to the public has been reduced from 710,500 shares to 355,250 shares. According to the amendment, such 355,250 shares are those that are presently owned, and outstanding, by North American Light & Power Co., and are to be offered to public for the account of American Light & Power Co. The 355,250 additional shares orginally registered with the SEC on April 21, 1941, for public offering, and withdrawn from registration were subsequently registered and became effective. These shares constituted the stock outstanding and owned by United Light & Railways Co., a subsidiary of United Light & Power Co.

NORTH SHORE GAS CO.
North Shore Gas Co. registered with the SEC $3,700,000 of first mortgage series A bonds, due 1961, and $700,000 serial notes due $50,000 semi-annually in 1942-1948, inclusive. Interest rates and maturity dates will be supplied by amendment

Address—211 Madison St., Waukegan, Ill.

Business—This public utility company is engaged principally in the production, distribution and sale of gas for heat, light, power and other purposes; gas sold consists partially of water gas and partially of coke oven gas. Territory served comprises 270 sq. miles, including all of the communities situated along the shore of Lake Michigan from the Illinois-Wisconsin State line on the north to the south boundary of Winnetka, Ill., on the south

Underwriters—Central Republic Co., Chicago, is named principal underwriter; names of other underwriters will be supplied by amendment

Offering—The bonds and notes will be offered to the public, at prices to be supplied by amendment.

Proceeds, plus other funds of company, will be applied to payment, at 100 and accrued interest, of the $4,604,000 of joint first mortgage 4% Series A bonds, due Jan. 1, 1942, of company and North Shore Coke & Chemical Co.

Registration Statement No. 2-4889. Form A2. (11-18-41)

Company has filed an amendment with the SEC disclosing that the $3,700,000 first mortgage series A bonds of company would bear an interest rate of 4% per annum, and would mature on Dec. 1, 1961. Also, that the $700,000 of serial notes would mature $50,000 on each June 1 and Dec. 1, from June 1, 1942, to Dec. 1, 1948, both inclusive. The public offering prices of the bonds and notes, and the interest rates on the notes, will be supplied by a subsequent amendment to the registration statement

The underwriters, and the principal amount of the bonds and notes which each has agreed to purchase, are as follows:

(000 omitted)	Bonds	Notes
Central Republic Co., Inc., Chicago	$1,050	$200
E. H. Rollins & Sons Inc., New York	900	170
Stern, Wampler & Co., Inc., Chicago	650	120
Coffin & Burr, Inc., Boston	600	115
A. C. Allyn & Co., Inc., Chic.	500	95

PACIFIC TELEPHONE & TELEGRAPH CO.
Pacific Telephone & Telegraph Co. registered with the SEC 656,250 shares of common stock, $100 par value.

Address—140 New Montgomery St., San Francisco, Calif.

Business—Company and its subsidiaries provide telephone service in about 650 exchanges in California, Nevada, Oregon, Washington and northern Idaho, including San Francisco, Oakland, Berkeley, Sacramento, Portland, Seattle, Spokane, Tacoma, Los Angeles, San Diego and Pasadena. Company is controlled by American Telephone & Telegraph Co.

Underwriters—No underwriters named in registration statement.

Offering—The 656,250 shares common stock will first be offered by company to its stockholders of record Dec. 1, 1941, through warrants at a price of $100 per share. The warrants will expire on Dec. 31, 1941. The unsubscribed portion of such shares will later be offered to the public, at not less than $100 per share. Further details as to the offering will be supplied by amendment.

Proceeds will be used to repay advances from the parent company, and any excess is to be used for plant extensions, additions and improvements, and for working capital.

Registration Statement No. 2-4879. Form A2. (11-6-41-San Francisco)

PANAMA COCA-COLA BOTTLING CO.

Panama Coca-Cola Bottling Co. registered with the SEC 33,750 shares common stock $1 par

Address—19-A Avenue Jose Francisco de la Ossa, Panama, R. de P.

Business—Engaged in business of bottling Coca-Cola and other carbonated beverages and in manufacture of ice-cream and ice, all of which are sold wholesale in the Republic of Panama and in the Canal Zone

Underwriters—Elder & Co., New York, is the sole underwriter

Offering—The shares will be offered to the public at $12.50 per share; underwriting commission is $2.50 per share

Proceeds—Will be used to increase the company's working capital

Registration Statement No. 2-4870. Form S-2 (New Form) (10-29-41)

Effective 3 p. m. E.S.T. on Nov. 25, 1941

RAILROAD EMPLOYEES CORP.

Railroad Employess Corp. registered with SEC $750,000 5% convertible sinking fund debentures, due Dec. 1, 1956; and undetermined number of shares $1 par class A common stock, reserved for issuance on conversion of the debentures

Number of shares reserved for conversion purposes, 107,142

Address—155 E. 44th St., N. Y. City

Business—Through subsidiaries, engaged in the "small loans" business in New York and New Jersey

Underwriters—E. H. Rollins & Sons, Inc., New York, is principal underwriter; others to be named by amendment

Offering—Debentures will be offered to public, at price to be supplied by amendment

Price supplied by amendment, $98

Proceeds will be added to general funds, and used in part to reduce bank loans and commercial paper

Registration Statement No. 2-4891. Form A2. (11-19-41)

TEXAMERICA OIL CORP.

Texamerica Oil Corp. registered with SEC 119,891 shares common stock, $2 par.

Address — Milam Bldg., San Antonio Tex.

Business—Engaged in production and marketing of crude oil, acquire mineral leasehold interests in producing or proven oil properties in Texas, drilling of oil wells thereon, acquire royalty interests in proven and developed oil properties.

Underwriter—Willard York Co., San Antonio, Tex., has agreed to purchase 44,-750 shares at $1.75 per share and 74,157 shares at $2. from company.

Offering—118,907 shares to be offered to public at $2.375 per share; remaining 984 shares registered constitute shares issued July 1, 1941, by company, as dividends.

Proceeds—Will be used to pay outstanding mortgage indebtedness ($200,000), and remaining $26,626 will be added to working capital

Registration Statement No. 2-4824 Form A-1. (8-27-41)

(This List is Incomplete This Week)

Columbia Aircraft Products Offered $2,000,000 Hub Subcontracting Order

One of the largest subcontracting orders yet offered Columbia Aircraft Products, Inc., involving an original order of approximately $2,000,000 for propeller hubs, is presently under negotiation. This, it is said, is a difficult production order and company is assured that it has been approached because of the excellency of its management and the confidence of the contractor that Columbia can satisfactorily make and deliver. The order requires the use of equipment which Columbia does not now have but delivery on the equipment has been promised on or about March 1, which company believes will satisfy the contractor. Equipment involved is approximately $100,000 and the cost of the equipment will be added to the price of the first 5,000 pieces ordered and will be amortized as delivered. If the equipment is not fully amortized in the event that the order is canceled, then the contractor will pay the balance of the equipment. The initial order for $2,-000,000 will, it is anticipated, be repeated continuously until at least the end of the present war. The directors believe that this order would be in line with the policy of the company and they therefore authorized the engineering staff to devote the necessary time to its negotiation.

A new direct order from Glenn L. Martin for an additional lever has been received. This is the second new lever on direct order from Glenn L. Martin. The company has been producing sets of levers for Glenn Martin as a subcontractor for some time. Each set consisted of 18 levers. Only recently, however, has the company received its orders direct from Glenn Martin and since then additional levers have been added to the sets so that now they total 20 to a set. An entire set of 20 is used in each of their bombers. The receipt of this order indicates that complete sets in the future will total 20 to a set.

It is understood that Bendix officials who looked over the new plant and are said to have been satisfied with it have asked the company to quote on approximately $150,000 worth of generator parts and definite word on these orders is expected within a short time.

It is understood that another large important order is pending.

Columbia on Oct. 9 last expanded its production facilities by leasing for a five-year period a new and modern plant at Somerville, N. J., consisting of 32,000 square feet of floor space. This plant was recently opened. Company's other plant is at Dunellen, N. J.

Company is engaged in the manufacture of vital precision parts and essential equipment for airplane engines and airplanes. It manufactures aviation equipment for such companies as Wright Aeronautical, Bendix Aviation, Sperry Gyroscope, Air Associates, Glenn L. Martin and Curtiss Wright Propeller Co.

[A digest of the company's earnings for the three months ended Oct. 31, 1941, will be given in the Investment News Section of this Saturday's "Chronicle."]

The Securities Salesman's Corner

A MAILING IDEA FOR ACQUIRING NEW CUSTOMERS

Last week, we pointed out the desirability of having certain "direct mail" objectives. For instance, let us take the type of mailing which is specifically directed toward obtaining qualified new prospects for the sales force. The following is a sample of one of the most effective and simple mailings that we have even seen. This column passes it along without any guarantees, except to say that it has been tried on certain lists and has produced replies as high as thirty odd percent.

Have your printer prepare a supply of cards as shown below.

You will notice that the bottom part of this card can be detached (since it is perforated in the middle). This lower part is detached and signed by the recipient, and he can return it to the Dealer, simply by dropping it in the mailbox. No postage is necessary. The Dealer must, however, receive a permit number from the Post Office Department, which will enable him to use such a business reply card. This permit number must be printed on the card as shown in figure (1).

The top of the card (figure 2) is where the Dealer places the address of his prospect. Then it is folded along the perforation in the middle, with side (figure 2) on the outside. The only other steps necessary in preparing this mailing is to have the office stenographer either type in or rubber stamp the name of the security which the report describes on the upper part of the card in figure (1) and also on the space provided on the card shown in figure (2). Then the two sides of the card are joined, by attaching a cent and one-half stamp to the middle of the two sides which have now been brought together by bending the card down the middle, where it has been perforated.

It is essential to select a stockholder's or bondholder's list that is reasonably up to date, for a mailing of this type. Results are also more effective in a situation where unusual news items or happenings of current interest are taking place at the time of the mailing. The person who receives such an offer of information at a time when he may have heard some news (either good or bad) about the situation in which he has an interest is more likely to desire more information.

When these cards are returned, the sales department should follow them up. The main purpose of the first card is to make a contact—in other words, gain attention. From here on, it is a matter of creating confidence and eventually acquiring new customers. The law of averages will work, and direct mail carefully followed up by an intelligent and alert sales organization will bring new customers.

No Postage Stamp Necessary if Mailed in the United States

BUSINESS REPLY CARD

First Class Permit No. ... (Sec. 384½, P. L. & R.) New York, N. Y.

JOHN DOE & CO.
42 MAIN ST.
ANYTOWN, U. S. A.

Postage Will be Paid by ...

Telephone --

City ---------------------------- State --------

Address --

Name --

Kindly furnish me, without cost or obligation, a free copy of your report on

Dear Sir:

John Doe & Co.
42 Main Street
Anytown, U. S. A.

SEC. 562, P. L. & R.

MAIL THE ATTACHED POST-PAID CARD TODAY!

FOR

A FREE COPY

of a Special Report on

____

To obtain your free copy, fill in your name and address.

No postage required. This offer entails no cost or obligation.

(figrue 1)

(figure 2)

Now Is Time To Invest Says Jackson & Curtis

In a newspaper advertisement headed "Isn't This Logical," Jackson & Curtis, members of the New York Stock Exchange, point out that investors should now make their decisions on two fundamental points. Urging that investors put sentiment entirely aside and take a strictly objective view of the situation, the firm states that these two questions are: "Will the democracies win the war?" and "Will capitalism survive?"

"If the answer to either question is no," the firm observes, "What possible reason is there for assuming that wealth in one form, even cash, is safer than wealth in any other form?

"Does it not follow logically that, by basing their decisions on the assumption of victory in the war and a survival of capitalism, investors are following the course likely to lead to conservation of purchasing power? If to this realistic analysis is added even a modicum of faith and courage, a study of investments available at current markets should suggest interesting possibilities."

Commenting on this advertisement, a representative of Jackson & Curtis said: "Although we recognize that investors may have sound reasons for holding cash in preference to securities at any particular time, we believe that a policy of complete inaction is likely to prove costly. Once investors make up their minds on the two fundamental questions set forth in our advertisement, they should be ready at least to explore the possibilities available with an open mind."

Dealer Patriotism Shown

The following telegram sent Dec. 8, by Thomas Graham, manager of the investment department of the Bankers Bond Co., Kentucky Home Life Building, Louisville, Ky. to Robert H. O'Brien, Director of the Public Utilities Division of the Securities and Exchange Commission, speaks for itself:

"Regarding Kentucky Utilties Company hearing this morning at 10 o'clock suggest you introduce letters as a matter of record only and please withdraw protest. In view of the war situation it would seem best to let peace time controversies rest and have the Kentucky Utilties Co. go ahead with its previously mentioned commitment. Thank you for your courtesies in this matter."

Our Reporter On "Governments"

HOLLYWOOD, FLORIDA, Dec. 6th—The Treasury's two new issues of 2½s and 2s hit the market while the nation's leading investment bankers were here attending the 30th annual convention of the Investment Bankers Association. . . . And the Treasury may be pleased to learn that it did a lot to spoil the fun of many of these bankers. . . . When they read the new regulations on subscriptions—or, since we can be frank, new regulations on "free riding" by dealers — their complaints and cries could be heard for miles around. . . . And at this writing, no one has come up with a really "good" suggestion for side-stepping the restrictions. . . . Apparently, this time the Treasury came through with some mean ones. . . .

The limitation on subscriptions may have hurt the dealers around the country—and, make no mistake about it, they have been free-riding on a monumental scale these last few years—but it didn't make the insurance companies unhappy. . . . On the contrary. . . . And there again, the Treasury's activities fit in with the prediction made in this column weeks ago. . . . The Treasury is out to distribute its obligations among insurance companies and permanent investors, such as savings banks and trust funds. . . . It is scared stiff of the temporary holders at this crucial financing time. . . . Secretary Morgenthau actually pales—or so the observers say—at the thought of what might happen to the market at a bad time if it's not in safe, sound hands. . . .

Anyway, the issues are out of the way. . . . Again, they were successful, although the issuance of another billion dollars of 2½s may not have been so happy a thought. . . . At least, the market's first response indicates it wasn't a happy thought at all. . . . But they were sold. . . . The Treasury has another $1,500,000,000 at its disposal. . . .

And now we can look forward to the refunding operations of January. . . .

One thing is certain: this is a bonanza period for traders in Governments; for any one who can subscribe to enough bonds to make the trouble worthwhile; for individuals and estates interested in investing their funds in Government obligations. . . . The growth of the bond and note lists since 1933 somehow seems a story in itself. . . .

Interest Rates

More about the financing next week. . . . At this time, the news of significance is the attitude of the close to 600 investment bankers at this convention toward the future of interest rates, toward the possibilities for a stable market in the future, toward the possibilities of elimination of tax-exemption. . . . Bankers from virtually every major securities house in the nation have been attending sessions at this conference for six days. . . . And among the subjects that have received most interest in official and private meetings has been "the future of interest rates." . . .

Surveys of opinion indicate that this is how the majority of bankers feel about the situation:

First and most important: They believe that interest rates will remain low.

They believe the Government has the power and the means at hand to do whatever it wants to about the money market.

They believe the Treasury's financing needs and its part in the defense program makes continued stability of the Government market essential.

Operating from this point, they hold that since the need is present and the power is present, the continued stability of the Government market is assured.

They believe that if nations with minor amounts of gold or virtually no gold and nations at war and in economic stress can keep interest rates at record-low levels, the United States can keep them there without much trouble.

They hold that any changes that take place on the upside (for interest rates, of course) will be minor. Any changes that take place on the downside will be the result of considerable thought on the part of the Government and these they're not worried much about anyway, because declining rates imply rising prices. . . .

That pretty much covers it. . . . On this subject, the unanimity of opinion is impressive. . . . And it might be added that these bankers deal in one-eighths and one-sixty-fourths. . . . They know the value of a penny difference in bids as well as anyone in the country. . . . Their opinions on this matter, therefore, may be given weight. . . .

Quotes On Rates

To be more specific, Dr. Arthur B. Adams, dean of the college of business administration of the University of Oklahoma, expressed the general viewpoint this way:

"If a shortage of loanable funds occurs before the war ends (Dr. Adams had previously predicted this possibility due to the terrific borrowing of the Government and the defense program boom) it is not likely that interest rates on government loans will rise very much, or that the market price of such securities will decline greatly. The fact that the government now has outstanding more than forty billions of dollars of low interest bearing obligations will retard, if not prevent, either a rise in the interest rates on these obligations or a decline in their market price."

Another outstanding banker of New York City put it this way:

"If any shortage of funds occurs before the war ends, the Government can easily change the situation so that rates cannot rise either on public or private loans. I see no possibility of an upset in the Government, corporate or municipal markets, since all go together, as long as so great a financing program lies ahead."

A third banker, from the South, put it this way:

"If the Govetrnment wanted a rise in interest rates, I can see the chances of such a condition being brought about, for the market would be left to its own devices and with such uncertainties in the world, an unsettled market would be only natural. But the Government cannot conceivably want a rise in interest rates now. And therefore, I have no worries about the matter—for two to five years anyway."

That's enough to indicate the general viewpoint in all probability. It's an impressive array of opinion. . . .

Tax Exemption

On the tax exemption question, there's a surprise in store for the worriers too. . . . For again, a survey indicated that these experts believe the Government will not succeed in any efforts to remove the tax-exemption privileges from municipal bonds in the near future. . . . "Maybe four or five years from now," said one dealer in municipals, "but at the moment, the opposition is too strong."

"We have powerful sources on our side too," said another dealer—this one, an acknowledged expert in tax-exemption—"and it is my belief that despite the repeated attempts of the Treasury and other fiscal authorities, we'll be able to hold off the movement for some time." . . .

This is frank talk—practical talk. . . . Removal of the present tax-exemption privileges or elimination of the exemption of outstanding issues still are in the "talk" stage, not in the "action" stage. . . .

Speaking before the convention, Austin J. Tobin, Secretary of the Conference of State Defense, denounced the attempt of the Government to levy a tax upon the income from state and municipal bonds as threatening the very existence of the States as independent units of government. . . .

Said Tobin: "A Federal tax on municipal bonds would in many cases and in many times make it impossible for the local governments to exercise their borrowing powers at all." . . .

One of the angles out of all this is that these statements and predictions indicate the feeling that there will be little change in the general money and bond market setup over the coming months. . . .

That's an important observation. . . .

N. Y. Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following weekly firm changes:

Transfer of the Exchange membership of Robert Lovell to Harral Straat Tenney, Jr., will be considered on Dec. 11th. It is understood that Mr. Tenney will engage in business as an individual floor broker in New York.

Charles A. Lees, Jr., retired from partnership in Garvin, Bantel & Co., New York City, on Dec. 1st.

Frank G. Quinn withdrew from partnership in Vietor, Common & Co., Buffalo, as of Nov. 30th.

James B. Colgate & Co., New York City, dissolved as of Dec. 3rd.

Drummond & Sierck, New York City, was dissolved as of Nov. 29th.

Transfer of the Exchange membership of Alexander M. White, partner in White, Weld & Co., New York, which will continue as a member firm, to Charles Martin Clark, Jr., partner in Charles Clark & Co., will be considered on Dec. 18th.

Transfer of the Exchange membership of Robert R. Atterbury, deceased, to Ferris S. Hetherington, New York City, will be considered on Dec. 18th. It is understood that Mr. Hetherington will act as an individual floor broker.

Transfer of the Exchange membership of Walter A. Quinn to Henry L. Goldberg, who, it is understood, will engage in business as an individual floor broker, will be considered on Dec. 18th.

In accordance with the provisions of section 13 of Article IX of the Constitution, the Exchange has approved the application of Davenport & Co., Richmond, Va., for permission to continue its status as a member firm for a period of 45 days from Nov. 30, 1941, the date on which Saunders Hobson, the firm's sole Exchange member partner, died.

Walter T. Rice retired from partnership in Daniel F. Rice & Co., Chicago, Ill., on Nov. 29th.

Ernest B. Humpstone withdrew from partnership in Sweetser & Co., New York City, on Nov. 29th.

Howard Eric, special partner in Eric & Drevers, New York City, died on Nov. 28th.

James A. White, partner in Lamson Bros. & Co., Chicago, died Dec. 3rd.