Insists Over-The-Counter Dealer Be Protected

We give below the major portion of the statement made last month by Edward E. Chase (representing the Maine Dealers Committee) before the House Committee on Interstate and Foreign Commerce opposing the adoption of the proposed Proxy Amendment to the Securities Exchange Act of 1934 unless supplemented by the adoption of another amendment to protect over-the-counter dealers from extermination:

"This proposed proxy amendment, if adopted, would extend greatly the application of the existing law relating to the publication of corporate information, by bringing within its scope many thousands of corporate enterprises. According to the Conference Report, it is sponsored by the New York Stock Exchange and the New York Curb Exchange; while the National Association of Securities Dealers and the Investment Bankers Association neither favors nor opposes, on account of a conflict of interest within their memberships. The Securities and Exchange Commission, giving the proposal rather fair treatment in the direction of desirability of more financial information being made available.

"The position of the distributing dealers whom we represent is analogous to the position of the Commission. We would welcome such additional information upon corporations whose securities are publicly outstanding. The possible purpose is so worthy, and the additional information which we would receive is so beneficial, that we do not wish to be placed in a position of asking the impossible. It is as if you would ask the impossible or impossible ownership and speculate in securities without its consent.

"This existing situation, we believe, would be much worse if the Exchange-proposed proxy amendment should be adopted; for there would then be available to the public an astonishing amount of unlisted information on small companies, which to us, the distributing dealers, is not available. We have unlisted trading privileges in hundreds of securities, the distribution of which is now our principal business.

"It is true that such unlisted trading privileges must be granted by the Commission, and that the Commission must base its decision upon its conception of the public interest. However, you will see that this is not an adequate ground for the adoption of such a proposal as has been submitted. The practical situation is this: the public interest, we believe, would be better served by the present situation than by the proposed one. We do not urge that Congress should not regulate securities. The Securities and Exchange Commission is vested with the power to regulate such matters, and we respect the organization. But the distributing dealers are virtually a part of the Exchange where the public interest is served.

"Finally, I should like to point out that these studies, calculation that the chances favor the un-listed, and that the securitization of 1 share of the New York Stock Exchange membership is certain to result in the building of a new and better stock exchange.
Newpaper Quotation Spreads Should Not Deprive Dealers Of Adequate Compensation

By An Anonymous Dealer

There can be but two justifiable reasons for the spreading of newspaper quotation and ask prices on Over-The-Counter Industrial and Public Utilities securities.

1. Substantial public complaints of gouging by brokers and dealers.

2. Inordinate profits accruing to the securities dealer.

In view of the recent report by NASD the first reason appears unfounded. This report by NASD on its 2,003 members for the year 1941 indicated 120 violations of good business conduct. Of these, 30 persons were expelled, others suspended, fined or admonished. When seen in the light of millions of transactions handled by perhaps 25,000 to 30,000 salaried, traders, custodians or partners during the year the record is not too bad. The 30, so expeditiously represented about 1/10 of 1% of the persons engaged in this work. While it lists 120 complaints it does not define the type of violation, therefore it is quite impossible to state whether or not these complaints were gross or other reasons. I am sure that the whole of the violations of the NASD would like to see a Simon-pure regulation of the profession. However, it has not been revealed that gouging is a cause for public complaints.

The second reason for narrowing the newspaper quotations is different the "inordinate profits."

No one in authority can accurately determine the costs of doing business in the securities industry. The banking or investment dealer is as another's another's "business" under a microscope. Ten traders identical in type of business, might have varying charges for telegraph, telephone, etc., thereby varying the profit accruing to the different firms. Similarly, production costs differ in the business of units comprising a single money market or industry. Under such conditions it is impossible to determine whether or not identical transactions by several firms will result in an excessive profit to one of the parties. The continuous decrease in the number of registered dealers, the reduction in dealers' sales staffs and the incorporation of office space used by the industry, the continuous consolidation of firms, Becker & Co., of the sale of salary and wages received by the people, the phenomenon of the lack of efficient business and declining business profits.

The individual investor is a victim in any line of business. Investment trust issues appear in the newspaper at quotations which their sponsors set to allow a small margin of profit to set as an incentive for their customers, and stocks can not be bought from the members of NASD at prices other than those quoted. Who, then, should not other Over-The-Counter issues appear at prices above and below specialists market which would allow a profit to the dealer? Charles D. Morse, president of the Chicago Board of Trade, has been widely quoted as stating the transactions by several firms will result in an excessive profit to one of the parties. The continuous decrease in the number of registered dealers, the reduction in dealers' sales staffs and the incorporation of office space used by the industry, the continuous consolidation of firms, Becker & Co., of the sale of salary and wages received by the people, the phenomenon of the lack of efficient business and declining business profits.

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138 Broadway New York 6, N.Y.

Charles D. Morse

Morse Brothers & Co., Inc., Boston

During his time as the manager of the municipal trading department.

Corporate Reports

Eastern Printing Corporation, 100 Sixth Avenue, New York City, has prepared a most attractive folder showing samples of typographical equipment in connection with corporate reports, proxy solicitations, registration and listing statements. These are in the same style as the company's annual report, and the folder also contains a timetable for proxy procedure and questions with respect to annual reports to stockholders. Copies of the folder may be had upon request by writing to Andrew F. Beldon, manager of the corporate division.

Forms Eric Marks & Co.

Eric H. Marks, member of the New York Stock Exchange, will form Eric H. Marks & Co., in partnership with James Campbell, Jr., Feb. 10. Officers of the firm will be at 42 Broadway, New York 3, and 1000 Broadway, New York 18. All records of the firm will be at 1000 Broadway. New York., and all correspondence will be addressed to Eric H. Marks, 1000 Broadway, New York 18. All mail orders of the firm will be at 125 Broadway, New York 3, and 1000 Broadway, New York 18.

Boker To Be Partner

Hermann D. Boker will be admitted as a partner of the firm of S. Mooney & Co., 14 Wall Street, New York 5, and 300 Congress Street, Boston, Mass., members of the New York Stock Exchange and agents in the Boston Stock Exchange.

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"JOTTINGS"

The new Price Control Act does not seem likely to be either as harmful or as useful as it looks. Events have run ahead of it and plugged most of its holes.

True, it seems to permit a vicious price spiral shutting back and forth between wages and farm prices; because wages may be adjusted upward to farm prices (by cost-of-living bonuses, direct or indirect) and farm "parity" prices are automatically adjusted upward to the higher cost of industrial products.

But in the first place the Department of Agriculture apparently has both the will and the means at this time to hold farm prices down by release of CCC holdings, particularly of grains and cotton. The present corn-hog ratio, for instance, is highly favorable to hog-growing, but it can remain so only if corn is held down and it can easily be held down at this stage by CCC sales.

But the principal fact which limits the importance of the Price Control Act is that it has meaning only where it applies to a free market and unfettered, and that market is steadily being shrubered.

There are some of the ways it is being shrubered:

More and more commodities are now being entirely by-passed from the open market by Government ownership through the commodity interests, and arrangements for the Navy relief show to high places at Madison Square Garden on March 10th.

Edward Boehm, formerly Vice-President of H. B. O'Connell & Co., Ltd., will go to Detroit as a Director of the Fire of Grain Wood Industries, Inc.

Municipals vs. Fire Stocks

An interesting circular has been issued by Harrer's Ltd., 15 Exchange Place, New York, comparing the relative investment advantages of municipals and fire stocks, and stressing the particular attractiveness of fire stocks at this time. Average annual yields in 1923 through 1941, relative certainty of income as compared with market value and appreciation. Copies of the circular may be had upon request from Harrer's Ltd.

Irwin B. Harris
delegates at the meeting.
Mr. Blizard also announced that Irwin Harris of Scherck, Girber & Logan has been appointed Chairman of the Association's Public Relations Committee.

I. D. Berg Retires
CHICAGO, IIL--I. D. Berg, office manager of A. G. Becker & Co., 240 La Salle Street, has retired after more than 20 years of service with the firm and its predecessors. Herman Schaffner & Co. Mr. Berg's experience in the investment field has helped him to make a war effort under the Defense Savings Bond division of the Treasury.

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Results of Treasury Bill Offering

Secretary of the Treasury Morgenthau announced on Feb. 9 that the tenders for $130,000,000 in three-month or thereabouts, of 91/2-Treasury bills to be held for maturity May 13, 1942, which were offered on Feb. 8, were opened on Feb. 9. The auction at the Federal Reserve Bank of New York was opened on Feb. 9 as well. The total range for accepted bids (exclusive of two tenders totaling $239,000) was from 99.80 to 99.93. The approximate average price of 99.87, equivalent to approximately 0.250% (17% of the amount bid for at the low price accepted.)

There was a maturity of a similar issue of bills on Feb. 11 in amount of $100,001,000.

Stokes, Wolf & Co. Add Wm. Garley To Staff

CHICAGO, ILL. — William Mortimer Carley has become associated with Stokes, Wolf & Co., 115 S. Dearborn St., here. Mr. Carley, who has been active in the real estate business in Chicago for many years, is formerly a shareholder of Garley & Co., and prior thereto was a director of Garley, Patton & Co. and its predecessors, Philip J. Patton & Co. and with Merrill, Clark & Stret.

Denton with Dean Witter

STOCKTON, CALIF.—Leo D. Denton has been made financial manager for H. R. Baker & Co. Inc., Associated American Distributors, Inc., has become associated with Dean Witter & Co., 18 South But¬

ter Street.

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N. Y. Curb Re-Elects Moffat Chairman

At the annual election of the New York Curb Exchange on Feb. 9, Fred C. Moffat was re-elected as Chairman of the Board of Governors for a term of one year. In addition to Mr. Moffat, five Class "A" Governors, four Class "B" Governors, and two trustees of the Grant Fund were elected for a term of three years, one Class "B" Governor for a two-year term, one Class "B" Governor for a one-year term, and one trustee of the Grant Fund for a one-year term.

The newly elected Governors and their firm affiliations follow:

Members of the Board of Governors (Class "A")

William H. Hastings, Garvin, Bancet & Co.; William S. Mul¬

Members of the Board of Governors (Class "B")


Trustees of the Grant Fund (Three-Year Term)


Members of the Board of Governors (Class "B")


Members of the Board of Governors (Class "B")

Charles E. Judson, C. E. Judson & Co.

Members of the Board of Governors (Class "B")

Benjamin B. McAlpin, Laid & Co.

Trustee of the Grant Fund (One-Year Term)

George Herrel, Wagner, Stott & Co.

"Class A" Governors, of which there are 15, are regular members of the Exchange.

RR Issues Look Good

According to B. H. Plisner, 52 Broadway, New York City, a leading railroad securities expert, the 9% stock of Atlantic & Charlotte Air Line Railway led the list. The narrow-gauge Central Railroad are particularly attract¬ive. The quotations in these two issues is discussed in the B. H. Plisner Co. Great news is expected in short order for February which also contains prices and other interesting data, according to Mr. Plisner. He notes throughout the nation, copies of the "Quotations" may be had from the firm upon request.
Tomorrow's Markets

Walter Whyte

Says

Price decline again places market in critical position. Foreign and domestic issues partly responsible. *Stops* should not be ignored.

By WALTER WHYTE

So it happened again. For months the column has been telling you that the market didn't look good, and for two weeks the market did nothing or it went up. Anyway the rails did. So last week I decided I was wrong. I happened to turn down. I wasn't sitting waiting for a couple of stocks. But it seems that no sooner did I come out with this world shaming intelligence than the market, as if to prove a keen observer I am, began turning down. I wasn't happy sitting way out on a limb. I had to crawl back. So I got caught on a branch and cannot move either forward or back. If I move forward, the market will turn the other way. Backward, I'll rip my pants. It's a case of I'll be damned if I do and damned if I don't.

One of the bane's of this business of buying and selling stocks. If the market is going to be profitable, is the ever present danger of being whipped sawed. That is just where I am. I have been turned bearish now, the market may go up and leave me with nothing. (Continued on page 699)

SEC Registration Revoked

The SEC, denying the application of the Boston Corp. of Dea Mollis, Iowa, to withdraw its registered securities, noted that it had opposed the registration and excused the corporation from members of the Securities Exchange of the SEC. The corporation, it said, had at a time when it had not net capital employed in its business as a broker, owned substantial sums to various customers and others and has not had the sale of securities held by an investment company controlled by it and had become involved in notes collateralized by stock of the corporation which was insolvent.

gets Suspended Sentence

ST. PAUL, MINN.—A suspended sentence of $250 and five years of probation was given David Golden, a former SEC executive, on charges of offering for sale unregistered securities. Mr. Golden's counsel indicated he would probably appeal.

Defaulled RR Bond Index

The defaulded railroad bond index of Pflugfelder, Bampton & Rust, 61 Broadway, New York City, shows the following range for Jan. 1, 1939, to date: High—26%, low—14%, last—34%.

RAILROAD SECURITIES

The outstanding performance of Western Pacific (in process of reorganization under Section 77) from a traffic and earnings standpoint has been directing a growing interest among investors. Activity in the mortgage of 1946, on relatively heavy volume these bonds have recently advanced close to the 1941 high and are selling almost 100% above last year's low. One reason for the renewed speculative interest in the bonds has been the growing belief that the reorganization has to be completed with the bondholders almost certainly receive either a substantial cash payment or interest or materially better treatment in a reorganized company. Thus the possibility of further delinquency in payment of a bond organization holds ample compensation. The Western Pacific reorganization was the first to be brought before a securities court on the basis of inadequate valuation data and this decision will most likely set a precedent to be followed.

Under the ICC plan of reorganization, the first mortgage is to be paid in cash. The issue of new fixed interest debt, aside from equities already fixed interest bonds that are allotted to the out-of-court equity holders, is not a par for par basis. The first mortgage bonders are to receive the current interest on their bonds, a payment in 5% which has been sunk in 5% preferred and 4.87 shares of common for each bond. The trustee has allotted interest to Jan. 1, 1939, the effective date of the plan. Under this plan holders of the first mortgage bonds would receive more than 85% of the new interest plus about 75% of the new common. The balance of the new interest plus about 75% of the new common. The balance of the new common stock is to be distributed among the ICC, the RCO and the public who has not been paid.

Even aside from the phenomenal earnings rebound, the possibility of selling the bond of the company has been enhanced materially by the recent rush in exchange of the cashless mortgage, a proposal that has been devoutly held at rates of 20% and more. Cashless mortgage, as of Nov. 30, aggregated $9,500,000, or approximately two-thirds higher than a year ago, and it is believed that this was increased in December. Increased heavy traffic the road needs a world-wide balance of less than $2,000,000 cash. There is an expected net balance of some $7,500,000. The company last year reorganized the Bank and has $5,000,000 of the cash to retire half of the trustee's mortgage bonds. The bond was refused by the Circuit Court of Appeals. It was held that the cash belonged to the bondholders as earnings on their new securities, to which the old mortgage was attached as evidence of the plan. Accumulated earnings of the road (on payment of new common) to be received by holders of the old mortgage are indicated at $49 per bond as of the end of 1941. This is equal to an increase of $550,000, the third of the present market value. Payment of accumulations on the new income bonds and preferred stock would involve an outlay of less than $4,000,000, and still leave a substantial excess cash balance.

If the plan is remade to the ICC, and changes are made therein, it is possible that cash would then be used for payment of trustee's certificate. On that basis it would be possible, without increasing the proposed fixed interest, to allocate 20 close. The first mortgage bonds to holders of the old 1st S. Either angle holds interesting price implications. Accumulating the possibility of highly favorable reorganization developments, the road has turned in the best operating performance of any of the Class I roads coming and has increased 10% more than 50% above the like.

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Bank and Insurance Stocks

This Week

One of the most satisfactory and investor with whom they would be the largest banks toward more complete reporting of earnings. Possibly stimulated by New York State Banking Superintendent William H. Wise, numerous responses from the Federal Reserve banks that have furnished stockholders with more operating data, two "old-line" New York banks have furnished stockholders with more complete earnings data. Another trust company that is new to the list of banks include a number of shareholders, has also furnished the statistical services with comparative income accounts for the first time.

The number of leading New York institutions publishing complete income accounts has risen to eight, while the other eight commercial banks have not furnished Federal Reserve member banks have also shown a disposition to issue more complete earnings information, although they do not furnish the statistical services with comparative income accounts of gross and types of expenses to stockholders. All of these banks, of course, furnish the Federal Reserve with detailed half-yearly and annual income accounts; in all likelihood, the figures are published only in the aggregate for the 18 banks and are not made available to stockholders by the individual banks.

Not all earnings data is important. From an accounting point of view, a statement of condition, for instance, is only a "picture" but of a particular date as attested to by the "as of" phrase of the defined form; figuring "indicative earnings" statements is not subject to the condition, by taking into account compensation of income accounts and earnings. The unsatisfactory method for stockholders of these banks is that because of the wide differences in income accounts, the 18 banks, with different profits, building up profits of reserves from operating earnings, and a trend toward increasing "interest" and "interest" charges-off. Frequently, such a trend will not be corrected, and it will be a balancing act.

At this particular time, when rising taxes and other costs are making stockholders uncertain about the future of dividends and causing them to ask bank managers, making more complex reporting methods of the washable number of similar inquiries from the stockholders, to which we are an answer: publishing an income account. This is a sound step; it is clearly understandable and available—it is just a question of whether the banks would make it.

Some bankers feel that releasing gross earnings, for example, would provide the public with any particular figures in the many areas where the value of the gross earnings reports is reduced is from the income accounts. Bankers are interested in such data are likely to mislead the point that gross earnings and operating ratios are at particular levels because of this data-precision on the earnings.

Other bankers feel that figures don't mean anything—it is a management that counts. Unfortunately, the 1929-1922 deflation ranged from 6.3% to 5%. The seven as a group, however, showed an average gain of 3% in net operating earnings, which meant that the group of net earnings was a net book amount. This is a smaller proportion than the 1929-1922 deflation, but of course reflects the rising trend in operating earnings. However, this upward trend in bank earnings is being sustained by the banks could meet it by increasing capitalization, and they have a larger volume of Government securities. However, the figures appear necessary, to cover increased expenses and for the loan and of course higher taxes, so that size of capital funds may be required to set a limit on volume expansion.

Comparative gross earnings, operating expenses, net operating earnings and operating ratio of the banks above referred to shows to be the first result, as the big size, go out for the duration. The information displays also another good deal of first-grade material.

North American Union Electric, Inc., is on the market. It is the largest power company in the Mississippi Valley and a possible acquisition by a company, thanks in considerable part to North American, whose largest power company would be a house and put in a new President, W. T. McWilliams, who looks like to bring a much-needed improvement and rationalization of the company's fair point. A banking report on last year's earnings is $3 a share. And it serves to remind us that the company has the coal, water, labor and, most of all, the capital that is needed to develop and build the railroad.

Censorship begins to hinder. More and more manufacturers are seeing the need of reducing production; eliminating their production achievement. The sunlight of the "full disclosure" provisions of the 33 Act is gradually being replaced by the idea that the New York Times' of whom you know the name said in one of his columns: "The public has and some of the stuff had to be yanked out of the press forms bear a certain resemblance to the articles.

Australians and New Zealanders

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Fla Battery

Florida municipal bonds seem particularly attractive at current prices, according to a memorandum just issued by Allen & Co., 30 East 42nd Street, New York City, since the stagnant condition of the bond market has created an unwarranted falling off in the market value of the memorandum, discussing in some detail many favorable factors in the situation, may be had upon request from the firm.

Allen & Co. 20 Year Old

Allen & Co., 30 East 42nd Street, New York City, over-the-counter specialty dealers, is celebrating the 20th anniversary of the founding of the firm.
CARRIER CORPORATION Conv. 4.5%, 1948
Company’s Attempt to Revise Sinking Fund
Provisions of Interest to Bondholders

Carrier Corporation is the leading company in the air conditioning industry. The company designs, fabricates, and installs air conditioning and refrigeration systems, including heating, humidification, control and other apparatus and equipment related to air conditioning and refrigeration.

In the 1941 federal tax law, the Carrier Corporation’s debt was included. The company believed that the effect of the 1941 tax law would be to decrease the amount of cash the company had available for investment purposes. The company was concerned that the increased tax burden would affect its ability to maintain its current level of operations and growth.

To address this issue, the Carrier Corporation proposed to revise its sinking fund provisions. The company believed that the new provisions would allow it to maintain its current level of operations and growth while still paying the required taxes on its debt.

The company’s proposal was supported by a number of factors. First, the company believed that it could continue to maintain its current level of operations and growth even with the increased tax burden. Second, the company believed that its sinking fund provisions were too restrictive, and that the new provisions would allow it to invest more in its business.

In conclusion, the Carrier Corporation’s attempt to revise its sinking fund provisions was a significant step towards ensuring that the company could maintain its current level of operations and growth. The company’s proposal was supported by a number of factors, and it was hoped that the new provisions would allow the company to continue to grow and thrive in the years to come.
The Securities Salesman's Corner

Reversing English. Back in the day when the writer was exerting his 'strenuous efforts trying to become a first-string substitute on the village high school team he learned the game of "Reverse English." We would run under the basket, make a sudden twist and simultaneously twirl the ball in an opposite direction of the baseline, to give the baskeball player chasing the ball 'nestly push squarely through our left foot, back'.

The other evening we were dis¬
cussing the tax exempt market with Mr. Cohen. The two of us were sunk in a conversation, he told us about the "reverse English" on his sales efforts in con¬

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Investment Trusts

Investment Trusts (Continued from page 655)

value of broad diversification as if it were an individual selection even by professional investment advice. It also serves to indicate why those who have owned shares in diversified, management investment companies during recent years have seen such investments gave them more satisfaction and fewer regrets and time, and pocket money than many other investments they have made.

While the foregoing discussion employs Dividend Shares as a basis for illustrative purposes, this department wishes particularly to declare that Dividend Shares is not "the exception that proves the rule." It has been emphasized here again and again that the mutual investment companies taken singly or as a group, and probably of only an even smaller proportion of investors.

Though the investor has about the same chance of picking a stock that does better than the average, on the other hand, the chances are two to one that the stock he picks will not do as well as the average. But if he picks an investment company that closely resembles the "average" he'll know he is doing better than two-thirds of the market.

Investment Company Briefs

Investment Company Briefs (Continued from page 531)

Lord, Abbott & Co.'s Abstracts: The Lord, Abbott & Co. Fund participates in a fund which invests in American industry. There are no special investment policies or preferences. However, the company feels that its investment policies are more typical of American industry are without peer.

The company believes that the country can work without the benefit of its own efforts from international sources.

"This country is now in the process of feeding off and ultimately eliminating a pair of tag-alongs in the market police job it is selling Defense Bonds."

The owner of shares that have been held for some time is almost sure to see that some Defense Bonds are available. It should be kept in mind that of those Defense Bonds are available which have been sold to the public, any company that is a member of the National Exchanges or the National Securities Exchange Corporation has a certificate of ownership in American industry.

National Exchanges & Securities Corporation feels that the investor has a better chance of picking a company than the average of all American companies. Therefore, there is no reason why a company that closely resembles the "average" will not do as well as the average.

Here is the National Securities Exchange's way to meet this problem. "Each quarterly period the company reports the percentage of return on available funds that has been divided into the cash and expenses. The following tables show what proportion of the return that is paid as dividends to the shareholders of the National Bond Series or the National Bond Series for the nearest quarter and how the . . . determines that the secure the required rate of return.

Investment bankers have their shoulder to the wheel in this period of national emergency, and are confident that the net result will be the making of many more investments for the future.

As noted in the experiences of the first World War's Liberty Loan financing and how many of the buyers of those bonds subsequently developed into good- 

Chicago Bond Traders

Chicago Bond Traders Hold Annual Dinner

CHICAGO, ILL., Sept. 14. The War Relief Fund is $237 richer as the result of voluntary contributions by members of the Bond Traders Club and guests of the Bond Traders Club at the annual dinner. Assisting in the collection, and those who have derived splendid support from all in attendance.

The dinner was attended by 152 members and 49 Chicago guests, out.

The company had originally planned a take-up of $10,000,000 to include $10,000,000 of first mortgage $25,000, but the deal was reduced to present proportions.

For Filling Away

The cash bond financing is looked upon in banking circles as a most promising and promising of those bonds that are to set the way of new business after the war is over. The best investment bankers have their shoulder to the wheel in this period of national emergency, and are confident that the net result will be the making of many more investments for the future.

As noted in the experiences of the first World War's Liberty Loan financing and how many of the buyers of those bonds subsequently developed into good-
Urges Protection For Dealer

(Continued from First Page)

New York Stock Exchange development of a putsch by New York City dealers to maintain the Curbs. It would require much

money and time to organize for a putch of that sort and it is the sort that would vary among cases, it might not even succeed for each case. If you knew theConn.

trick would be done in uniting dealers behind the simple proposition which can be popularly presented, then there is a fair chance that the scheme might work and some money might be made for thousands of distributing dealers

all over the country.

That is the thought that has been put forward, and for other reasons which follow, we believe that the Curbs and a protective amendment, unless supplemented by our own amendment, which would prevent in future the granting of unlisted privileges, Exchange dealing should be securely

fully listed by application of the issuance amendment.

"Expressed from the broader viewpoint that we have taken, we contend that when a company or issue begins to distribute securities, its trading is unsecurable because it causes unsecurable

transactions and unsecurable trading, or because such distribution, or otherwise does it, it is a matter for the management of the security and its securities on any Exchange

should be able to prevent trading on an unsecurable basis.

The present situation with respect to sales, when viewed according to our view, is unfair to the distributor and the investor in unlisted securities; and it would be aggravating greatly by the adoption of a protective amendment. When a certain dealer is covered, or admitted to unlisted trading privileges, he has a seeming advantage by being barded in his dealings to it. It may make a better market than the unlisted stock, but that is because people are market

mindet, gets its principal adver-

tising for nothing. Frequently, the distributor makes the investor with information and advise at considerable cost.

Have the order go to an Exchange member who has done nothing to authorize him to distribute the stock. The emphasis is on information, has little if any emphasis on price. The

investor, unfortunately, is not informed, not informed. He is willing to buy at wholesale, if he is lucky enough to get the price of a single sale on the Curbs, which trade in a very lively market, may ruin the effort of the investor and lose the amount that he might have been ready to accept.

I realize that these unfortunate facts alone would not determine the action of Congress. If it should find that the public interest is opposed to ours. Therefore, I seek the firm of ground to show you why it is in the public interest that the dis-

tributing dealers should not be sacrificial pieces in the development of the Exchange.

I consider the financial conditions which the Securities Act affect. I think you will agree that the principal objectives are to curb speculation, to prevent the manipulation of false and misleading infor-

mation and to preserve a market free from unjust prices, considered by investors, and to prevent the benefit of the most responsible ownership. Reason-

ing from these premises, and remembering that the Exchange has no

only the beginning of a desirable relief, I think that we should consider what kind of a business organization should be able to adapt itself into practical effect the intent of Congress.

Distributing dealers, such as those for whom I speak, constitute the essential element of the business, those best designed to attain the objectives of the Securities Act. I

grant that there are some dis-

tributing dealers whose financial condition is so poor as to affect their commitments, and that the fly-by-night collector, who makes a fair retail profit reflects an exaggerated notion of the value of securities and the Exchange law, it is perhaps too easy to get the exchange; and this is no reason however, can be remedied. The securable nature and the responsibility of the distributing dealers is done by responsible firms on a fair basis.

"The reliable distributor pro-

vides the buyer with the information of sound and stable financial econo-

mics, and will have a contact with his customer. He provides the customer with the information that he needs. The distributor is an active investor, and not in activity with a view of manipulations. His customer who buys securities to keep and not to turn around. His record of continuous distribution affords the only sound basis for reliable market. The demand which assures stability and salability.

"Exchanges have virtues, of which the number of people in the essential functions of raising capital, of services, is not a minor one. In the context, of ability to create invest-

ment in the buying of the securities, and of promoting stably, and for a reasonable purpose, we find them lacking in these essentials.

The conflict in interest between the distributing dealers and the investor and his investor's own, his issuer, and other arguments, is fund-

damental, essential, and to the opposed economic philosophies, the interest of the distributor, as a class, is an interest in keeping the stock in the market, in maintaining the price at a level not much higher than the price of distribution in stabilized more than in activity; in the long term more than in the short, an interest in the stock as opposed to centralized economic interests in the ownership of the securities, instead of the over-chippery, of ownership.

"I have always believed that the securities and Exchange Commis-

sion must eventually recognize that the distributing dealers are not in the public interest to the purposes of the Securities Act. They will be relieved of some of the em-

barrassments under the protection of the Exchange with the Ex-

changes. In the meantime, all we want. We are not demanding that dealers

retain from granting to the New York Stock Exchange, an advantage over the distributing dealers, by refusing exchange trading privileges for unlisted

provision amendment unless our amendment con-

cerning unlisted trading privileges is also enacted.

Seeks To Void Expulsion

Edward F. McCormack has been placed in the Curbs for failing to void his expulsion as member of the New York Curb Exchange, which was the effect of the stock transfer from selling or sel-

ing, the Curb Exchange, in the month of March on charges splitting fees or commissions on the amount for the telephone-order clerk for bus-

ness of stock, and one. Mr. McCormack, as defendant and sells $7,500 damages, Mr. McCormack charged the "special offerings". It is significant that the fact that he had been brought because mem-

bers of the members or others having split com-

missions, but that the situation required an inves-

tigation, without action being taken against them.

We support the SEC for

the SEC that Mr. McCormack had not even been "suggested of com-

petition splitting prior to the

investigation."}

NYSE Facilities For

Special Offerings

Emil Schram, President of the New York Stock Exchange, an-

nounced that the Board of Gov-

ernors on Jan. 29 rules providing for "special offerings" to be made by members of the Exchange. Mr. Schram explains that the present plan, which the Commission has announced the amend-

ment to exempt from the restrictions of the SEC, declaring the plan em-

bodied in a report by the Exchange. In his explanation of the policy regarding "Special Offerings," Mr. Schram states that it is not the purpose of these rules to supercede the auction market or supplant approved secondary distributions, but to provide means for the handling of blocks of listed stocks through the Exchange, for example, where such blocks, under cur-

rent practices, would be absorbed in the auction market, in which there is no action, and at a reasonable price.

"When there are special of-

ferings of the same security by the same offeror, and offerings in the same

period, should be made by

the Special Offerings must be the owner (as defined in the Exchange's E-400 of the Directory and Guide) of the entire block of stock in question.

A Special Offering must re-

quire at least one full hour of trading on the Ex-

change. The order for the off-

ering is announced on the tape at 2 o'clock in the afternoon, and the tape at 2 o'clock of the following trading day. The offering may be made in the

market. \n
Once an order is placed, the floor shall be completed on the Exchange at the opening of the next market ses-

sion.

It should be noted that, under Rule 492 (d), an offeror may withdraw any order for a Special Offering at any time, and offer any shares of the stock in the regular auction market.

Commissioners earned by mem-

bers in connection with Special Offerings will be paid to the registered dealers. Compen-

sation will be paid for the first, or business, as in the case of all listes

stated, commission. Copies of which will be on file with the Commission and will be available for public inspection.

Benjamin To Manage

Newburgh, Loeb Branch

Members of the New York Stock Ex-

change, announce that Benjamin

C. Horn, joined the firm of

"Horn & Co.," now is asso-

ciate manager of their branch office at 83 Madison Avenue, New York City.

John S. Costa Joins

A. Webster Dougherty

PHILADELPHIA, PA.—John S. Costa has become associated with A. Webster Dougherty & Co., Luzerne, a division of the local office of Bancamerica

corporation. Mr. Costa was formerly manager of the bank department for A. C. Wood, Jr., & Co.

E. F. Kezer Is With

B. J. Van Ingen & Co.

B. J. Van Ingen & Co., Inc., 57 William Street, New York City, has announced that B. J. Van Ingen, formerly with Outwater & Weiss, New York, is now associated with the firm. Mr. Outwater is now associated with B. J. Van Ingen & Co., Inc., 57 William Street, New York.

Hermon Broocknett With

Scherck, Richter Co.

ST. LOUIS, MO.—Hermon L. Broocknett is now associated with Scherck, Richter Co., 111 Market Street, St. Louis, Mo.
SEC Adopts Single Report Form for Management Cos.

As a further step in its program of simplifying filing requirements for registrants, the SEC announced the adoption of a single report form by management investment companies. The Investment Company Act of 1940, Section 30-A-1, will largely supercede the Securities Exchange Act of 1934, Section 15A-1, and the report form to be adopted under the Investment Company Act.

The announcement further explained:

For N-30-A-1 is designed to bring up to date, as of the close of the calendar year, the information originally supplied by each management investment company in its registration statement under the Investment Company Act. Most of the items of the form require information only if some change in the data previously reported has occurred during the calendar year.

Prior to the adoption of Form N-30-A-1, the filing of all management investment companies was accomplished by Public Utilities Publication Unit of the Commission, Washington, D.C., as well as by various Regional Offices.

In addition to the adoption of Form N-30-A-1, the Commission adopted two new rule amendments under the Investment Company Act.


Heads SEC Utilities Div.

Robert H. O'Brien was sworn in as the new head of the Public Utilities Division of the SEC. He is now Chief Justice of the United States District Court for the District of Connecticut and was formerly the Commissioner of the New York Telephone Company.

He is a director of the New York Telephone Co., United Illuminating Co., and United Illuminating Co., of New Jersey.

Real Estate Tax Rise Held Unlikely In 1942

There is at least one tax which it seems likely will show no increase, or at least may be reduced in the near future — the mortgage bankers' tax on real estate transactions. This tax was imposed by the Congress as a provision in the Revenue Act of 1917.

The tax is a percentage of the value of the property involved in the transaction. It is charged with the collection of the tax by the local taxing authorities, and it is not charged to the States, as is the case with other taxes.

The tax is levied on the sale of real estate, and on the sale of bonds and stocks.

Canadian Sugar Use Up

Consumption of refined sugar in the Dominion of Canada during the year ended March 31, 1942, was 1,000,000 tons, or approximately 4,400 lbs. per capita.

This compares with the consumption of 850,000 tons in 1940-41.

FDR To Report On War

President Roosevelt is expected to make a full report on wartime activities in a radio address from the War Rooms at 9:30 p.m. on Wednesday, Feb. 22, in the White House. The President will be in Washington on his trip to Texas and California, and will speak from the War Rooms at 9:30 p.m. on Wednesday, Feb. 22, in the White House.
Tomorrow's Markets

**Whisperings**

(Continued from page 653) but a handful of memories. If I hold on it may go lower.

I realize that in talking like this, I am giving away some of the closely held secrets of the trade. For no trader ever admits that he is wrong or even worried. Forecasters, in order to gain respect, may sometimes go in every tower and hand down their considered edicts on the state of everything to the people below. It's one of the written laws of the business, that stock marker soughthayers shall never admit mistakes. But being naive and not particularly interested in what other clairvoyants say, I don't tell what I know. At least I try to if I can put it in words.

One of the principal reasons is that I know it is to take losses and profits.

I know that when you approach the order window, you can't give the order clerk a speech on the state of the world, then expect him to make up your mind for you and buy or sell stocks that will go up. You have to be definite. You either know what stock you're going to buy, and say it, or you don't. If you don't, then all the learned articles as to why a certain commodity may or may not affect securities won't help you, though they may pass the time away.

But to get back to realities. Last week I wrote that the steels go so the market. And we know what has happened to the steels, particularly U. S. Steel, were beginning to make encouraging noises. True, there weren't a nature to make buying them a good idea, but good enough to say they should have an effect on other stock.

The second, American Car & Foundry...breaks 19, it, too, should be sold.

The third, American Steel Founders has a similar zone, beginning at 231/2 and reaching to about 34. If either of these stocks breaks, I would not be surprised, and if no volume appears, and if the rest of the market is lacking, my suggestion is that you sell them.

By the time the next column appears, I may be wrong again, but that's the chance.

More next Thursday.

—Walter Whitey

*The prices expressed in article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.*

**UP-TOWN AFTER 3**

NEW MOVIES

"How to Parse," (MGM), with Conrad Veidt and Ann Ayars, in a thriller about spies, saboteurs and German consuls, who direct them from behind diplomatic curtains. With the United States at war with the rest of the country (at least I assume they are), the picture is behind the times. Still the story is exciting and fresh, and a few of the scenes are good. I hope the German machine gunner who fights alone against massive German forces and wins is not carried away to Paris by the girl he loves. For this is a movie in which the Japs are supposed to do all the fighting. That changes the picture completely.

"Ride 'Em Cowboy," (Universal), is a comedy that usually is a little more than this time supported by the Merry Macs, Elsa (Ticket), A (Tasket) Fitzgibbons, Dick Haney, Danny Manley and others. Like all good Abbott & Costello pictures this one is funny only when the pair are on the screen. When they are off and the plot tries to unwind itself, it is quite unsatisfactory. The picture involves a pair of hucksters at a circus, one, of hot dogs, and the other, pancakes, who get tangled with cowboys on a dude ranch. Involved is also the ranch owner's daughter, who is the famous author of wild west yarns, because he is (1) a phony; (2) he made her lose the prize money in the rodeo, and (3) she love him. To those on you know the story by heart. The best bit in the picture is when Abbott and Costello each tell a story so often before. The boy and the girl finally understand each other; whereupon the ranch is saved from foreclosure, and Abbott & Costello are heroes.

**TABLES 'N BARS**

Because I felt under the weather (and believe me, with the weather I've been having, I feel under the weather much last week; but a friend (7) of ours, Seymour Jacobs, a press agent for the Press Association's name, never gets a cold, and I wish I had the chance to ask him how this time supported by the Merry Macs, Elsa (Ticket), A (Tasket) Fitzgibbons, Dick Haney, Danny Manley and others. Like all good Abbott & Costello pictures this one is funny only when the pair are on the screen. When they are off and the plot tries to unwind itself, it is quite unsatisfactory. The picture involves a pair of hucksters at a circus, one, of hot dogs, and the other, pancakes, who get tangled with cowboys on a dude ranch. Involved is also the ranch owner's daughter, who is the famous author of wild west yarns, because he is (1) a phony; (2) he made her lose the prize money in the rodeo, and (3) she love him. To those on you know the story by heart. The best bit in the picture is when Abbott and Costello each tell a story so often before. The boy and the girl finally understand each other; whereupon the ranch is saved from foreclosure, and Abbott & Costello are heroes.

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OFFERINGS

CORNWELL-DICKER ELECTRIC CORP.

Company has filed with the SEC a registration statement with the SEC for $3,000,000 of 30 year mortgage bonds. The bonds will be sold at $1.00 par, to be secured by mortgages on 300 acres of real estate in Franklin County, Ohio. Proceeds will be used to refinance existing obligations and for other corporate purposes.

IOWA SOUTHERN UTILITIES CO. OF IOWA

Company has filed a registration statement with the SEC for $50,000,000 of 30 year mortgage bonds. The bonds will be sold at $1.00 par, to be secured by mortgages on 100 acres of real estate in Iowa. Proceeds will be used to refinance existing obligations and for other corporate purposes.

THURSDAY, FEB. 19

LEXER STORES CORP.

Company has filed a registration statement with the SEC for $10,000,000 of 30 year mortgage bonds. The bonds will be sold at $1.00 par, to be secured by mortgages on 150 acres of real estate in Lexington, KY. Proceeds will be used to refinance existing obligations and for other corporate purposes.

SATURDAY, FEB. 21

ATLANTEC CORP.

Company has filed a registration statement with the SEC for $10,000,000 of 30 year mortgage bonds. The bonds will be sold at $1.00 par, to be secured by mortgages on 200 acres of real estate in Atlanta, GA. Proceeds will be used to refinance existing obligations and for other corporate purposes.
Calendar of New Security Flotations.


Underwriting and Offering—The bonds will be offered to the public by the U.S. Government, New York, 50 West 33rd St. Public offering date is Jan. 21, 1942. Section 40, Act of July 2, 1910.

FINANCIAL CHRONICLE
The commercial and financial chronicle

Federal Reserve Bank of St. Louis
Digitized for FRASER

Utility

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Our Reporter On "Governments"

There's no point in guessing now the terms of tomorrow's boiler-plate, or what we'll know them within a few hours. . . . Bonds plus notes are the general expectation. . . . Some for commercial bank, some in times of financial urgency, with enough investor's eagerness to buy to assure heavy oversubscription of the $1,500,000,000 cash bond issue. Despite the hustle there will be free riding. . . . Despite the choice of a day squeezed in between a holiday and a week-end and marked in red letter on the government sell-off calendar, that is this first cash financing since Pearl Harbor.

The details, these things may be predicted: The issue will be heavily oversubscribed; allotments may range from 12 to 15, depending on the political issue and 15% on the October issue; still considering the free riding regulations, that will be good.

The securities should rise at least to a ½ point premium and to 1 point, depending on the fluctuations of the market.

The issue will be a success, because it must be, because Secretary Morgenthau cannot afford to fail. Pick up the bonds and/or notes to the limit of your ability. . . . If you want to sell them later and shift into safer securities, fine—do so. What will be the best of these now and then opportunities to build up your margin of profit.

With tomorrow's borrowing the main topic of conversation in Government bond circles today, the prediction of a top Government official on the total debt before the war ends appears of unusual significance. . . . In an off-the-record talk, he said the debt would reach $200,000,000,000. . . . That Treasury officials and other spokesmen for the Administration now were speaking in those terms makes it clear that the important question is not whether the war will be eventually, but how best they could acclimate the public to this outlook.

The debt now is $61,000,000,000. . . . The debt limit is $65,000,000,000. . . . This month, about $600,000,000 defense bonds will be issued to pay for current expenditures of the government, and to have on open market investors. . . . In other words, the borrowing leeway is getting smaller.

There are several side angles to this prediction, which must be given a wide range. (1) Apparently, officials are anticipating a war of at least three to four years duration or they wouldn't be forecasting a $200,000,000,000 debt before the end of the conflict. (2) They also are expecting a tremendous speed-up in borrowing, a speed-up which will dwarf the $15,000,000,000 debt increase in the last 12 months. . . . To build up the debt to four times its present total in a few years is going to mean serious issues of almost incomparable size.

(3) They're resigned to paying for the major costs of the war through borrowing—borrowing from individuals, from commercial banks, from insurance companies, from the Federal Reserve Banks. . . . Otherwise, a debt total of this magnitude wouldn't be dreamed of. Borrowing, with interest, will make up to 50 to 60% of the war costs; taxation, only 1½ to 4½. . . .

That is the reason why the world prepared today World War by any appreciable magnitude. . . . We paid 25% of the extraordinary expenditures of the World War through taxation; 50% through the volume of Liberty bonds to the public.

Removal of Limit

And, finally, we may be confident now that the Treasury will fight it out with nothing but a new issue of its debt certificates for the limit. . . . Raising the maximum once or twice a year will become a now recurring event, with little note to be made of this size. . . . The semi-annual or annual discussions simply underline the defect of morality, public expense confusion, open and closed power fights. . . . We might as well resign ourselves to a suspension of the limit for the duration and give the public as little opportunity as possible to speculate on the limit.

At the rate of debt increase currently, it would be natural to think of a new issue during the debt question within a month or so.

Removal of any and all limits on borrowing should follow shortly thereafter.

Tax Exemptions

Latest reports from Washington, State centers and experts indicate growing belief that the Treasury won't succeed in its attempt to tax outstanding State and municipal securities. . . . That, at best

Bacon, Whipple & Co.

To Be NYSE Member

CHICAGO, ILL.—Bacon, Whipple & Co., dealers on the Chicago Board of Trade, members of the Chicago Stock Exchange, will become a member of the New York Stock Exchange on Feb. 16th, when William T. Bacon, president of the firm, acquires the Chicago Board of Trade membership. Mr. Bacon also holds the firm's Chicago membership exchange.

Partners of the Chicago firm are William T. Bacon, Jay N. Whipple, James W. Marshall, William D. Kerr, George A. Silloway, Donald M. Hazeltine.

Moore, Leonard & Lynch

Admitting Frothingham

Charles F. Frothingham will head the newly-tapped Moore, Leonard & Lynch, 14 Wall Street, New York City, members of the New York Stock Exchange and other leading exchanges. Mr. Frothingham was recently a broker on the floor of the New York Stock Exchange. He succeeds Mr. Leonard under section 15, article IX.

John E. Wheeler To Be Hicks-Price Partner

CHICAGO, ILL.—John E. Wheeler will become a partner in the Hicks, Price & Company, 92 Wall Street which recently was formed as a New York bond building, members of the New York Stock Exchange. Mr. Wheeler has recently been a partner in Fuller, Carpenter and Company here. Mr. Wheeler was with Ernst & Co. and has been with the CWS & Company and Chicago Board of Trade, both for many years. Mr. Wheeler is a member of the Chicago Board of Trade.

It will certainly secure the only tax future issues of States and municipalities.

Which is exactly in line with the repeated suggestions of this column. With its recommendation that you view the tax-exemption fight calmly and take advantage of the upsets to build up your profits and income position.

Assuming the opinions now being expressed are correct, there is little doubt that many more of the outstanding state and municipal tax-exempt Federalals . . . If the Treasury has to fight so fiercely for taxation on outstanding States and municipalities, it is bound to obtain taxation on outstanding Federal obligations.

Maybe, Congress eventually will vote taxation of outstanding local obligations. . . . The timing of this is a more crucial point than the ultimate decision.

We are sure that the taxation of outstanding Federal tax-exempt bonds won't come until after taxation of local bonds has been definitely decided upon.

And we may be sure that all tax-exempts now out are safe for a while. . . . You can guide your actions accordingly. . . . And when the word "safe" is used, it includes "indirect" as well as "direct" action.

Tax Exemptions

Don't count too heavily on the tax payments March 15. . . . For the fact is, Secretary Morgenthau already has collected billions of dollars in tax-exemption anticipation sales. These are the result of tax-anticipated bond sales from Aug. 1, 1941, on. . . . And these sales are continuing, indicating that April and May are likely dates when the Treasury will increase the tax-anticipated bond sales. . . .

To keep this market going, its factors straight in your mind, you have to follow the basic rules of the game, as you'll find them in the financing setup as before.

That is, the importance of March 15. . . . And the question of easy access to the March 15 tax-exempt. . . . And the "timing" of market borrowings. . . . Once there were definite rules of the game, but that has changed. . . . The number of sales March 15 isn't as important as the total sales throughout the year of tax-examination anticipation issues. . . . The control of the Federal government, that has been the key control—no matter how the government tax-exempt.

And market borrowings are timed to necessity, not to the

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