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The Myth Of Excess Profits In The Electric Utility Field

By ERNEST R. ABRAMS

In the century and a half that has lapsed since our nation was founded, wars largely have been responsible for increased Federal taxation. During each of the six periods of major conflict in which we have been engaged, the exactions by the Federal Government have been expanded by amounts so vast they would have been considered utterly impossible of collection in preceding peace years. Not only that. Since the war-time need of Federal revenues always has been so pressing, little opportunity has existed for the development of a well-grounded and well-balanced tax program. Like the Irishman's roof, repairs were impossible when it was raining—and when it wasn't raining, the roof required no repairs.

Under the impact of increasing war demands, which vastly have been stimulated by the mechanization of land forces and the increased play of aircraft, expediency, rather than an objective search for virgin fields of revenue, has dominated Federal tax policy. It has dictated the boosting of existing levies, and has led to further "goose plucking"—to the getting of the most feathers with the least amount of squawking.

Just thirty-five years ago the States of Wisconsin and New York, the first of our States so to do, embarked upon a policy of regulating the rates and service conditions of public utilities operating within their boundaries. To date, thirty-seven States and the District of Columbia have established public service commissions with almost complete jurisdiction over electric utility rates and service, while all of the States but Delaware now to some extent regulate some form of public service. Moreover, with the establishment of the Federal Power Commission in 1920, and with the vast expansion of its powers since the New Deal came into control, the Federal Government has gained considerable jurisdiction over interstate charges for electric energy and natural gas. And as a result of the adoption by Congress of the Public Utility Holding Company Act in 1935, the Securities and Exchange Commission, although it was granted no direct authority over local rates and service conditions, nevertheless has acquired certain indirect control of charges for public services to ultimate consumers.

The fundamental and basic purpose of all this governmental regulation admittedly has been to insure that public utilities, and particularly those rendering electric power

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Our Reporter On "Governments"

The most significant angle about this week's extraordinary financing deal, according to experts, was the indication that Secretary Morgenthau expects only about $350,000,000 from his offering of 2½% bonds due in 20 to 25 years. . . . That's the "tap issue," the offering favored so heavily by Federal Reserve Board Chairman Eccles and the issue restricted to buyers other than commercial banks. . . . $350,000,000 is not much money . . . . Long-term 2½s which can't be bought by banks appear to be no unusual bargain either. . . . And as for leaving the books open for two weeks and alloting all subscriptions in full as received, those developments represent the entering by the Treasury upon an uncharted course too. . . .

Figure it out for yourself. . . . Morgenthau has raised $1,250,000,000 from his sale of 2% bonds—in the ten-year range recommended by all private sources and forecast in this column frequently in the last few months. . . . He is getting another $400,000,000 through increasing the weekly bill offerings from $150,000,000 to $250,000,000 throughout the month of May. . . . What does that leave? . . . $350,000,000 to be borrowed through sales of the 2½s "on tap"—not much money, considering the way the Treasury is borrowing these days and the $4,000,000,000 two-month financing program. . . .

TO PROVE WHAT?

Of course, the tap method of financing is new. . . . And the Treasury is wise to make sure that it's not "out on a limb" and expecting too much from an innovation. . . . The American market always has had to be groomed for new things. . . . (Remember the way the guaranteed issues were sold in the mid-30s? For years, those bonds were cheap in comparison with other issues.)

There's some gossip around, though, that Morgenthau doesn't like and has never liked the tap method. . . . And that this issue is being tried to please the Reserve authorities and others who have recommended it. . . . And that it's being sold this way to prove that the method is not too satisfactory. . . . That's gossip—take it for what it's worth as such. . . .

With the banks prevented from buying the 2½s for 10 years and with insurance companies believed to be the only large-scale buyers, the chances are there'll be no market for these bonds even after the 60-day restriction period on transfers has expired. . . . If there is a market, the price quoted will be lower than on comparable 2½s, it is forecast. . . .

To make that prediction more telling, just consider what would happen to any bond issue already outstanding if the bank support of the issue were to be withdrawn entirely or prevented by regulation. . . . The banks are the backbone of the Government market—that's a fact and there's no point in ignoring it. . . . Without their support, these 2½s may turn out to be a pretty "doggy" issue, if they are traded at all. . . .

CONCLUSION

As this is being written, details on how the deal went over are completely unavailable. . . That's one of the disadvantages of the Government market these days—the lack of information and the fact that nearly every story is rumor. . . . And most of the rumors are discovered later to have been without foundation. . . .

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OUR REPORTER'S REPORT

With the United States Treasury getting a "clear track" for its enormous war financing program, the corporate new issue market was in a state of suspended animation this week.

The Treasury had only a modicum of competition, from the municipal field, but since projected new issues in that quarter were scant at best it can be said to have had the market entirely to itself.

More than that the rank and file of underwriting and brokerage houses joined in a solid formation to speed along subscriptions for Uncle Sam's immense war chest following the same course originated in the case of the April financing.

That the Treasury's new 2% issue, maturing in nine years, but callable in seven years met with a rousing reception from banks throughout the country was evident from the fact that subscription books were closed as of Mon-

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Regular Features

Brown In Air Corps; Stone Continues Firm

DENVER, COLO. — Donald F. Brown is leaving the securities business to enter the service of the Government as Captain in the United States Army Air Corps; he will be stationed in Miami, Fla.

The business of Donald F. Brown & Company, U. S. National Bank Building, will be continued as a corporation by Ernest E. Stone, formerly sales manager of the firm, who had been associated with Mr. Brown for about twelve years.

Officers of the new corporation, Donald F. Brown & Co., Inc., are Ernest E. Stone, President, and James C. Moore, Secretary and Treasurer. William J. May will be in charge of sales and Mr. Stone will manage the municipal and trading departments. Mae M. Webber will be cashier of the firm.

In Armed Forces

John M. Young, partner in Morgan Stanley & Co., 2 Wall St., New York City, has taken leave of absence for service in the naval forces. He will assume civilian duties in the Navy and expects to receive a commission.

Benjamin Philipson, Philipson & Co., 219 Genesee St., Utica, N. Y., is on leave of absence, having enlisted in the United States Navy. Mr. Philipson is now stationed at Quonset Point, R. I.

Harry B. Graefe, Graefe & Co., Equitable Building, Des Moines, Iowa, has entered active military service and is discontinuing his investment business for the duration.

Harry Herb, Farwell, Chapman & Co., 208 South La Salle Street, has been granted leave of absence from the firm for the duration; Mr. Herb is a captain in the Army Air Corps and has left for Florida where he will be on duty.

The Utah-Idaho Sugar Co.

The Utah-Idaho Sugar Company is one of the larger beet sugar manufacturers in the United States. The company owns 13 beet sugar factories located in Utah, Idaho, Washington, Montana and South Dakota.

Net earnings for the year ended Feb. 28, 1942, after deducting a full year's preferred dividends, amounted to 35¢ per share compared with 45¢ per share for the previous fiscal year. However, if no change had been made in the inventory method, net earnings would have amounted to 53¢ per common share, the highest net income for any period in recent years.

Book value as of Feb. 28, 1942, amounted to $6.56 per share common. The company appears to have a sufficiently high invested capital tax base to permit a satisfactory level of earnings.

The production outlook for the 1942 crop year is excellent. The company expects to secure from 25 to 35% more beet acreage this year than in 1941. From present indications it appears that the company may produce more sugar than in any previous year in its history.

The company has followed a conservative financial policy in recent years, applying a substantial portion of earnings to the improvement of working capital and to the reduction of funded debt. A continuance of satisfactory earnings should mean that the company will eventually pay more liberal dividends on the common stock than the 15¢ per share paid in each of the past two fiscal years.

Utah-Idaho Sugar Common is currently selling at a substantial discount below the 1942 high.

H. S. Brown Joins Lawrence Turnure Co.

Henry S. Brown, formerly a partner in C. E. Welles & Co., is now associated with the New York Stock Exchange firm of Lawrence Turnure & Co., 50 Broadway, New York City.

L. & M. McFie, Diehl, Summerell At Merrill

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Lyman R. McFie, formerly local manager for Schwabacher & Co., W. W. Diehl, Donald E. Summerell, and Milbank McFie, also with the Schwabacher office in Los Angeles, have become associated with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street. Members of the Schwabacher sales staff now connected with Merrill Lynch, Pierce, Fenner & Beane are: Cornelius Cole, Thomas J. Collins, Lothar G. Frank, John S. Fraser, Henry Friedman, Don L. Greenwood, Samuel Grodin, Kenneth C. Hardy, Sam E. Hedquist, Irving H. Hellman, William Hopkins, Carleton B. Lyon, David Mannick, Roscoe E. Miller, Lewis A. Morris, Donald A. Nasby, Andrew M. Neff, Donald C. Pousette, Donald W. Redfern, Brown A. Thomas, Robert M. Vaillancourt, and Theodore R. Walker.

Own Firm Formed By H. A. Throckmorton

Harold A. Throckmorton has formed Throckmorton Company with offices at 120 Broadway, New York City, to conduct a securities business. Mr. Throckmorton was formerly a partner in Throckmorton & Gillen and prior thereto was with Reynolds & Co. and F. A. Willard & Co. and in the past was a partner in Charles D. Robbins & Co.

N.Y. Analysts To Hear Stolper; Nominations

The New York Society of Security Analysts, Inc. announce that the May general meeting, to be held today at 12.30 p.m. at Block Hall Lunch Club, 23 South William Street, New York City, will be addressed on the subject "Is Private Enterprise Dying?" by Dr. Gustav Stolper, economist and author. Dr. Stolper during the first World War was head of the research department of the Imperial Austrian General Commisariat for War Economy; later he became the founder and editor of the economic weekly "Der Deutsche Volkswirt" and the Berlin correspondent of the London "Economist," later he was a member of the Reichstag, serving also on its Budget Committee. In 1933, when Hitler came into power, Dr. Stolper came to this country and is now an American citizen.

The Nominating Committee of the Society announces the following slate for the general election which will be held on May 21st. Named for President is Albert W. Kimber, White, Weld & Co.; Vice-President, Wm. Hamilton Swartz Goodbody & Co.; Secretary, Hamilton Hagar, First National Bank of New York; Treasurer, Marvin Chandler, Barrett Associates, Inc. Nominated as directors for two-year terms are: Benjamin Graham, Graham-Newman Corp. Charles Tatham, Jr., Institutional Utility Service, Inc. and C. J. Vanderhyde, of the Securities & Exchange Commission. Directors elected in 1941 and who hold office until May, 1943, are James F. Hughes, Smith, Barney & Co.; William Loss, and Bradford F. Story, Brundage, Story & Rose. The retiring President became ex-officio a director for one year.

E. F. Hutton Absorbs Turner, Knight Co.

E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange and other leading national exchanges, announce that they have absorbed the business and personnel of Turner, Knight & Sholten. Arthur C. Turner, Morris E. Knight, and William A. Sholten, partners of Turner, Knight & Sholten, will be in charge of the enlarged bond department of E. F. Hutton & Co., which will handle a general dealer and brokerage business in United States government and municipal issues foreign government, corporate bonds, and unlisted securities.

Mr. Turner had been with the First Boston Corporation from 1919 to 1941, as manager of the trading department, when he resigned as Vice-President, to become a partner in Turner, Knight & Sholten. Mr. Knight was Vice-President of E. H. Robins & Sons until 1932 when he formed Knight & Co., municipal brokers, which he conducted until 1941 when he joined Turner, Knight & Sholten. Mr. Sholten began his business career with the First National Bank of Boston serving as an executive in the Buenos Aires branch until 1926 when he became associated with the First Boston Corporation, from which he resigned as Assistant Vice-President, to become a partner in Turner, Knight & Sholten.

Lester Pett, Jr., Now R. H. Johnson Partner

Lester W. Pett, Jr., has been admitted to partnership in R. H. Johnson & Company, 64 Wall Street, New York City. Mr. Pett was in the past a partner in Alfred J. Mayer & Co. and was an officer of Hammons & Co., Inc.

Henry J. Stone, Boston, Mass., has withdrawn from partnership in the firm.

W. E. Hutton Absorbs Dominick Cinn. Branch

CINCINNATI, OHIO — W. E. Hutton & Co., First National Bank Building, members of the New York Stock Exchange and other leading national exchanges, announce that they are taking over the local office of Dominick & Dominick and that W. Maxwell Fuller, William Dohrman, Gilbert Davis, Eugene Mulhauser, and other members of the Dominick & Dominick Cincinnati staff will become part of their organization as soon as necessary details are complete.

It is understood that Dominick & Dominick's branches in Dayton, Ohio and Jackson, Mich. will also be closed in the near future.

Allan Melhado Opens Own Office in N. Y.

Allan L. Melhado has opened offices at 120 Broadway, New York City to conduct a securities business. Mr. Melhado recently acquired a seat on the New York Stock Exchange. He was formerly president of Fundamental Group Corporation and was with E. A. Pierce & Company.

H. Gersten To Manage Bittner Trading Dept.

Henry B. Gersten has become associated with Bittner & Co., 80 Broad Street, New York City, as manager of their trading department. Mr. Gersten was previously manager of the trading department for Alexander Kremer & Co., Inc.

Carreau Admitting Hassell

Carreau & Co., 63 Wall St., New York City, members of the New York Stock Exchange, will admit Charles L. Hassell to partnership in their firm on May 15.

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Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of Mar. 3, 1879.
Subscriptions in United States and Possessions $26.00 per year; in Dominion of Canada, $27.50 per year; South and Central America, Spain, Mexico and Cuba, $29.50 per year; Great Britain, Continental Europe (except Spain), Asia, Australia and Africa, $31.00 per year. NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Am. Sulphur Industry In Good Position

The American sulphur industry finds itself well able to cooperate with industrial users of sulphur who recently were advised by the War Production Board to build up stocks of sulphur at their plants so that possible future transportation tie-ups would not halt their operations. All sulphur production and shipment records were broken in 1941 and stocks at the mines decreased about 7%. The sulphur industry, however, during the first three months of this year, was able to exceed by about 8% the 1941 rate of production and increase by about 20% the rate established during the first quarter of 1941. As a result, stocks of sulphur at the mines on March 31 of this year were slightly in excess of the stocks at the end of 1941 in spite of the present accelerated demand and shipments. Producers of sulphur, therefore, have available ample stocks from which consumers may build up their reserves during the summer and so relieve the strain on the railroads during the fall and winter.

Lewis, Sprague On Bd. Of N. Y. Business Bur.

Mead A. Lewis, of Dick & Merle-Smith, New York, and C. O. M. Sprague, Wood, Walker & Co., New York City, both of which firms are members of the New York Stock Exchange, were elected to the board of directors of the Better Business Bureau of New York City at its annual meeting. Eighteen other directors were re-elected.

Orr Opens In Orlando

(Special to The Financial Chronicle)

ORLANDO, FLA.—Clifton W. Orr has opened offices at 706 Lake Davis Drive to engage in a securities business, specializing in municipals. Mr. Orr was formerly Vice-President of W. B. Rogers & Co., Inc.

SEC Applications For Broker Dealer Registry

The following applications have been made for registration as brokers and dealers with the Securities and Exchange Commission on the dates indicated:

April 1, 1942—Harmon Curtis has withdrawn from partnership in Newton, Abbe & Co., 60 Federal Street, Boston, Mass., remaining partners being Edwin M. Newton, Carleton H. Simmons and H. Wadsworth Hight.

April 2, 1942—King and Adams, 406 State Line Avenue, Texarkana, Ark., Jewel Warren King and Robert Tumbs Adams, partners.

April 3, 1942—Merritt Banning Chastain, 725 Giddens Lane Building, Shreveport, La., a sole proprietorship; Brooks Van Horn, 443 Gladstone Blvd., Shreveport, La., a sole proprietorship.

April 4, 1942—Clarence R. Hoffer, 177 Ockley Drive, Shreveport, La., a sole proprietorship.

April 8, 1942—Davenport & Company, 1113 East Main Street, Richmond, Va., filed application to report the adoption of a new partnership agreement.

April 10, 1942—Newman, Davis & Company, 918 DuPont Building, Miami, Fla., Frank D. Newman, Irene J. Hickey, and Paul Davis, officers; Irving Stein & Company, 25 Beaver Street, New York City, Irving Stein and H. Landau Stein, partners, Nathon Lukow having withdrawn.

April 11, 1942—Roy Bochum, 303 West Methvin Street, Longview, Tex., a sole proprietorship; Rawson Lizars & Company, 135 South La Salle Street, Chicago, Ill., Howard R. Mullins admitted as a general partner, Rawson G. Lizars retired as a general partner; Umber & Company, 232 West First Street, Reno, Nev., Howard E. Umber and Stanley R. Geminiani, partners.

April 13, 1942—Case, Bosch & Company, 208 South La Salle Street, Chicago, Ill., Gaylord J. Case, sole proprietor, Logan A. Rozelle and John M. Sherly having withdrawn from partnership; Negley, Jens & Rowe, 917 Jefferson Building, Peoria, Ill., Don L. Negley and John W. Rowe, partners, R. C. Adams having withdrawn from the former corporation; Russell L. Irish Investments Corp., 1424 Old National Bank Building, Spokane, Wash., Russell L. Irish, formerly an individual dealer, H. Dorothy Irish and Patricia Herboth, officers.

April 14, 1942—Fred Ruff, 160 Orange Avenue, Irvington, N. J., a sole proprietorship.

April 15, 1942—Richard H. Godfrey & Company, P. O. Box 217, Levelland, Tex., Richard H. Godfrey and C. G. Slough, partners.

Turner With Milwaukee Co.

(Special to The Financial Chronicle)

WAUSAU, WIS.—Wells E. Turner is now connected with The Milwaukee Company, 207 East Michigan Street, Milwaukee, Wis. Mr. Turner was formerly Secretary and Treasurer of the Northern Wisconsin Securities Co. and prior thereto was with the First American State Bank of Wausau.

John M. Winetzki, also for many years with the Northern Securities Co., has joined the staff of The Milwaukee Company.

Edgar Phillips Joins Sutro & Co. Staff

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Edgar M. Phillips has become associated with Sutro & Co., Van Nuys Building. Mr. Phillips was recently with Schwabacher & Co. and prior thereto for many years was an officer of M. H. Lewis & Co.

Maurice Schwarz, Jr., also previously with Schwabacher & Co., is now connected with the staff of Sutro & Co.

R. E. Swart Elected Pres. of Huyler's

R. Emerson Swart has been elected president of Huyler's effective May 1, according to an announcement by Winston Paul, Chairman of the Board of Directors. Mr. Swart, one of a group who recently acquired the Schulte interest in Huyler's, will succeed Charles J. Gregory, president of the Southeastern Gas & Water Co. and a voting trustee of Huyler's, who has been acting president pending election of a successor. Mr. Gregory will continue as a director of Huyler's and Chairman of its executive committee.

As a result of Mr. Swart's election to the Huyler's presidency, R. E. Swart & Co., Inc. will cease operations on May 1. Mr. Swart will, however, retain the post of Chairman of the Board of Southeastern Gas & Water Co. and his directorships in several other companies. The entire personnel of the firm will join Craigmyle, Rogers & Co., members of the New York Stock Exchange.

Sees Bright Outlook

The outlook for the future is far from stormy according to a bulletin issued by Karl D. Pettit & Co., investment managers and counselors, 20 Exchange Place, New York City. It is likely that we are near the turning point of the war, the bulletin declares, and continues that the deflationary forces seem to have run their course and the forces of inflation are about to be reflected in the stock market, which should soon see an important rise in security prices, and a renewed popularity in common stocks as the spread between yields on fixed income securities narrows.

Copies of this interesting analysis of the current situation may be had by writing to Karl D. Pettit & Co.

Am. Lt. & Trac. Interesting

Shepard, Scott & Co., 44 Wall Street, New York City, have prepared a statistical study covering the liquidation probabilities in American Light and Traction Co. shares.

A limited number of copies is being made available for distribution.

Interested In Sugar?

Analyses of Utah-Idaho Sugar and Amalgamated Sugar have recently been compiled by Edward L. Burton & Company, 160 South Main Street, Salt Lake City, Utah. Copies may be had from Edward L. Burton & Company, upon request.

Frank J. Garceau Is Now With Keane & Co.

(Special to The Financial Chronicle)

DETROIT, MICH.—Frank J. Garceau has become affiliated with Keane & Co., Penobscot Building, members of the Detroit Stock Exchange. Mr. Garceau was formerly with S. R. Livingstone & Co.; prior thereto he was manager of the trading department of the Detroit office of Schouten, White & Co., Inc., and was manager of the unlisted department for Alison & Co.

Ira Ayers Associated With Minsch Monell

Minsch, Monell & Co., Inc., 115 Broadway, New York City, announce that Ira C. Ayers has become associated with their firm and will represent them in New Jersey. Mr. Ayers was formerly with John B. Carroll & Co. Prior thereto he was manager of the municipal bond department of Nugent & Igoe of Newark, was sales manager for Ira Haupt & Co. and for 17 years was with the Guaranty Trust Co.

Schmitt Retires from Hayden, Miller & Co.

CLEVELAND, OHIO.—Hayden, Miller & Company, Union Commerce Bldg., announce the retirement on May 1, 1942 of Ralph S. Schmitt, a general partner, who will become associated with the Cleveland Twist Drill Co., of which he is already a director, the largest manufacturer in the country of twist drills and reamers.

For the last four years Mr. Schmitt has represented his firm on the Cleveland Stock Exchange. His membership has been transferred to another partner of the firm, Mr. Theodore Thoburn, who is also taking Mr. Schmitt's place as Secretary and Treasurer of Western Reserve Investing Corporation, an investment trust closely associated with Hayden, Miller & Company.

Leweck With Loewi Co.

(Special to The Financial Chronicle)

MILWAUKEE, WIS. — Seymer M. Leweck has become affiliated with Loewi & Co., 225 East Mason Street. Mr. Leweck was formerly with John A. Toennessen & Co. and prior thereto was a principal in Securities Distributors Corporation and the West Side Trading Co.

Fred S. Kelly Joins Stifel, Nicolaus Co.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—Fred S. Kelly has become associated with Stifel, Nicolaus & Co., Inc., 314 North Broadway. Mr. Kelly was formerly manager of the statistical department of Crago, Smith & Canavan and prior thereto was an officer of McCourtney-Breckenridge & Co.

Pfd. Stock Looks Good

The preferred stock of E. W. Bliss offers an interesting situation at the present time, according to a circular just issued by Wyeth & Co., 40 Wall Street, New York City. Copies of the circular may be had from the firm upon request.

Lillge With Paine-Webber

(Special to The Financial Chronicle)

WAUSAU, WIS.—Harry W. H. Lillge has become associated with Paine, Webber & Co., 605 North Broadway, Milwaukee, Wis. Mr. Lillge was previously cashier of Northern Securities Co. of Wausau and prior thereto was with the First American State Bank.

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)
CHICAGO, ILL. — **Charles E. Dick** and **Lawrence Wallwork** have become associated with **Goodbody & Co.,** 135 South La Salle Street. Mr. Dick for many years was with Hallgarten & Co. Mr. Wallwork was with Hallgarten & Co. and prior thereto for a number of years with Lamborn, Hutchings & Co.

(Special to The Financial Chronicle)
CHICAGO, ILL.—**John W. Bullock** and **William B. Daniels** have become affiliated with **Thompson Ross Securities Co.,** 39 South La Salle Street. Mr. Bullock was formerly with A. G. Becker & Co. for many years; Mr. Daniels was with Addison Warner & Co., Investment Analysis Associates and Webber, Darch & Co.

(Special to The Financial Chronicle)
CLEVELAND, OHIO — **Joseph M. O'Connor** has joined the staff of **Otis & Co.,** Terminal Tower. Mr. O'Connor was previously with Johnson, Kase & Co., Jackson & Curtis, and Paine, Webber & Co.

(Special to The Financial Chronicle)
DETROIT, MICH. — **George C. Morgan,** previously with Campbell, McCarty & Co., is now with **Smith, Hague & Co.,** Penobscot Building.

(Special to The Financial Chronicle)
KANSAS CITY, MO. — **J. Harvey Foster** has become connected with **McDonald and Co.,** 1009 Baltimore Avenue. Mr. Foster in the past was with John J. Seerley & Co. and Alexander, McArthur & Co.

(Special to The Financial Chronicle)
LOS ANGELES, CAL. — **Leonard E. Graham,** previously with W. Mel Wilson & Co., has been added to the staff of **Fewel, Marache & Co.,** 453 South Spring Street.

(Special to The Financial Chronicle)
LOS ANGELES, CAL. — **Adelaide S. Newinger** is now with **Samuel B. Franklin & Co.,** 215 West Seventh Street.

(Special to The Financial Chronicle)
LOS ANGELES, CAL.—**William R. Scull** is now affiliated with **Hopkins, Hughey & Co.,** 609 South Grand Avenue.

(Special to The Financial Chronicle)
ORLANDO, FLA.—**Roy D. Kennedy** has become connected with **Corrigan, Miller & Co.,** whose main office is in the Alfred I. du Pont Building, Miami, Fla. Mr. Kennedy was formerly with W. B. Rogers & Co., Inc.

(Special to The Financial Chronicle)
ST. LOUIS, MO. — **Harry Soulard Shaw,** formerly with Francis, Bro. & Co., has been added to the staff of **Newhard, Cook & Co.,** Fourth & Olive Streets.

(Special to The Financial Chronicle)
SAN FRANCISCO, CALIF. — George A. Curran has become associated with **Conrad, Bruce & Co.,** Russ Building. Mr. Curran was previously with Bankamerica Company and Donnellan & Co.

(Special to The Financial Chronicle)
SHEBOYGAN, WIS.—**Benjamin W. Harff** has joined the staff of **Heronymus, Ballschmider & Co.,** Security National Bank Building.

Rubin Elected Pres. Selected Am. Shares

CHICAGO, ILL. — Edward P. Rubin was elected President of Selected American Shares, Inc. at the April meeting of the Board of Directors. Mr. Rubin, a director of the Company, has been Vice-President for the past year, and since the company's inception in 1933 has been President of Security Supervisors, Inc., managers of the portfolio of the fund.

Mr. Rubin succeeds Robert S. Adler, former President and Treasurer, who is leaving for service in the Army. Mr. Adler, who has been a principal officer and director of the company since its incorporation, will not for the duration of the war be active in the management of its affairs although he is retaining his directorship.

Richard S. Cutler and Roy E. Campbell, who have been connected with the managing agent for some time, were elected Vice-President and Treasurer respectively.

H. E. Wilder Is Now With Illinois Co.

CHICAGO, ILL. — Harry E. Wilder, who has been active in investment security circles in Chicago for 20 years, has joined The Illinois Company of Chicago, 231 South LaSalle Street.

Mr. Wilder entered the investment business in 1922 with the Federal Securities Company, an organization formed by a group of "Minute Men" prominent in the Liberty Loan Campaign of World War I, and continued with its successor, the Central Republic Company, until 1936.

He then joined Brown, Harriman & Company, and continued with their successor organization, Harriman, Ripley & Company, until joining The Illinois Company of Chicago.

Jas. Tucker Now Partner In Barcus, Kindred & Co.

CHICAGO, ILL. — James C. Tucker has been admitted to a general partnership in the firm of Barcus, Kindred & Co., municipal bond specialists, it is announced. He will continue to direct the company's Austin, Texas, office as he has for the past five years. Mr. Tucker has been engaged in the financial field for a number of years.

Fischer Co. Enjoined

On the complaint of John J. Bennett, Jr., Attorney General for the State of New York, a permanent injunction has been issued by the Courts against Fischer & Co., 39 Broadway, over-the-counter securities firm, Harry Q. Fischer and his wife, Anna, partners in the firm, and Alfred H. Lewis, restraining them from doing business in New York. The Attorney General's office charged that Fischer & Co. had misappropriated customers' securities, so that the company was insolvent for more than $10,000. John F. McGowan, 11 West 42nd St., New York City, was named receiver.

UP-TOWN AFTER 3

NEW MOVIES

With warm weather already here and audiences looking for light, frothy escapist themes, the picture people are busily engaged in releasing their musical comedies for public consumption. The best of the coming and recent lot is **"Ship Ahoy" (MGM), starring Eleanor Powell and Red Skelton, with Virginia O'Brien, Bert Lahr and Tommy Dorsey and his orchestra.** "Ship Ahoy" has about everything a good musical should have. Good music, catchy tunes, fine dancing, rib-tickling comedy and even the story, which musicals are seldom burdened with, is not too impossible. The plot is built around a pulp writer, his male secretary, a dancer, a theatrical troupe and how they all get tangled up with a spy ring. Eleanor Powell as the dancing star, and Red Skelton as the writer meet on shipboard and the inevitable romance springs up. Bert Lahr as Skelton's secretary and Virginia O'Brien as the singer of the troupe make up the other pair. Lahr is as funny as only he can be. In fact, he's funny enough to steal scenes from Skelton whenever the two appear. The dialogue, the comedy scenes and the situations are all aimed at getting laughs. It succeeds all the way. . . . **"My Gal Sal" (20th Century-Fox), with Rita Hayworth and Victor Mature.** The red plush biography of Paul Dresser, the Irving Berlin of the 90's, it drips nostalgia with its songs—"Banks of the Wabash," "My Gal (they call her frivolous) Sal" and other favorites of the mustache cup days. Picture stresses the story and so far as that is concerned it is too much of one of those success things to be actually biographic. Paul Dresser, brother of Theodore Dreiser, played by the petulant Victor Mature is slated for the ministry. But Paul runs away, joins a medicine show, gets laughed at by city slickers and the ridicule drives him to become the top song writer of his day. Rita Hayworth as Sally Elliott, musical comedy star of the 90's, dances well and looks beautiful in technicolor. Victor Mature as the Man with the Body Beautiful poses well if not forcefully as her sweetheart. Incidentally the songs sung by Miss Hayworth are pleasant but the voice is someone else's dubbed in. . . . **"Grand Central Murder" (MGM).** Van Heflin as the private detective and his wife Patricia Dane in an amusing whodunit, with the murder committed in the Grand Central Station. Sam Levene as the police inspector blusters his way along but finally loses to the boyish Van Heflin. . . . **"Tarzan's New York Adventure" (MGM),** in which Johnny Weissmuller and Maureen O'Sullivan leave their jungle fastness for the streets of New York in search of their kidnapped boy. A field day for the youngsters with Tarzan doing a Brody off Brooklyn Bridge and finally licking the bejabbers out of the dastardly villains.

RESTAURANTS

The Olney Inn (12 E. 49th) keeps buzzing along with its colored Mammy dispensers serving the Southern fried chicken and other dishes that helped the Olney Inn become famous from the deep South to Washington—and now New York. The hot biscuits, cottage cheese and jams on each table give it the right homelike atmosphere.

AROUND-THE-TOWN

Carol Dexter, the lovely songbird, offering samba lessons to Paul (Morning Telegraph) Martin—for free. We step in and ask "how about me?" Naturally, we don't admit that we have yet to get around to the waltz. . . . **The Penthouse Club's** bartender, George, describing the magnificense of his new "wine cellar." "It's that big," he says, pointing to Central Park. . . . Also at the Penthouse, Marine Colonel Morrison telling of exciting times during old campaign in Santo Domingo. Anxious to hear more but afraid to ask questions. We'll be taken for a spy or something. . . . Aside to Mrs. Stone: Sorry about that mistake. Even we ought to know the correct initials are AWVS. But our memory is something that even our friends laugh at . . . and we know of it only by hearsay. Sylvia (N. Y. Post) Porter can verify . . . for which abject apologies. At **Armando's** . . . an Army officer coming in . . . a General no less . . . and Armando, eager to play the host, goes over and greets him, "Good evening, Captain!" . . . At the **Cafe Pierre** . . . head-bartender Oscar Haimo rolling his eyes as he describes the palate tickling delights of his latest creation, The President Manuel Quezon Cocktail. "It's a secret, but delicious," he adds. . . . At the **Versailles** . . . Lana Turner wearing a red handkerchief on her blonde head (Miss Shepard of the "Chronicle" staff says it's called a babushka), but no sweater, sitting with her ma and some guy named Joe, at a table way back, the place is that jammed. We occupy the next table and close enough to touch her. We are tempted to try it but scared that if we "doose it someone will bwake our wittu arm." . . . That George Morris music-making outfit at Armando's comes closest to giving out with those John Kirby rythms than any orchestra we know of. . . . Murray Korman, the photographer who makes 'em glamorous when they're not tells us the following: Hanley Stafford, who plays the daddy opposite Fanny Brice on the Maxwell Coffee radio program recently cabled his son Graham, who is flying in England with the RAF, asking if he could hear his broadcasts. Weeks went by and when he finally received the answer "Yes," he had forgotten his question. So he sent another cable to his son, asking, "Yes, what?" Back came Graham's wire, "Yes, sir."

F. V. Nixon Now With Hopkins, Hughey Co.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—Francis V. Nixon has become associated with Hopkins, Hughey & Co., 609 South Grand Avenue, members of the Los Angeles Stock Exchange. Mr. Nixon was formerly in business in New York City, and prior thereto was an officer of Distributors Group with headquarters in Los Angeles, and was with Rutland, Edwards & Co. and Laswell & Co.

Tomorrow's Markets Walter Whyte Says—

Tax talk boosted from unofficial sources now big talking point. Market having reached previous resistance point is waiting for tax bill to reach Congress before committing itself. Expect reaction to take place from present levels. If base develops will recommend "buys."

By WALTER WHYTE

The last few market sessions have largely been given over to a more talkative consideration of the tax question and its possible developments. No one really knows how the whole thing will come out, but that doesn't stop the grapevine from vibrating like mad.

* * *

Last week everybody was scratching their heads at the $25,000 income limit. This week—at this writing anyway—the same people seem convinced that no such top will become law. The fact that these people know little about the whole thing, doesn't seem to make any difference. With brokerage commission business limited to just talking about it, what better conversational subject could come in for a thorough tossing around than the income level, what it is supposed to be and what it will do to securities.

* * *

I'm as uninformed about taxes as the next guy, but that doesn't stop me from shooting off my mouth either. I figure if I make a loud enough noise people will kind of look up to me as a sort of fountainhead of knowledge. And anybody knows that being looked up to, is a most satisfying position to be in.

* * *

From things I read in the papers as coming out of the august House Ways and Means Committee it begins to look like some kind of general sales tax is in the immediate offing. Of course, nothing definite has come out of the Committee but if you study the Washington news and read between the lines, you will find the same thing.

* * *

The method by which this Committee works, by the way, is very interesting. It argues everything out in secret session. So secret are these proceedings, that even the Committee's own experts are kept out of the room. This prevents leaks and keeps the people back home from knowing who wants what, who voted for, and who is against it. Finally, a bill is evolved and brought to the floor of the House. An independent Congressman has no choice but to vote for or against it. Tax bills under an archaic House rule usually prohibit consideration of amendments. Your Congressman has to vote yes or no. If he votes "No" he is placed in an embarrassing position of having blocked an important piece of fiscal legislation.

* * *

This as you can see, is a nice, cozy arrangement. The eminent lawmakers who are actually responsible for bringing an inadequate bill to the floor, can remain unknown. They can go back and tell their constituents that they had nothing to do with the bill, if it proves unpopular. They can claim credit, if it is. It's all very nice and nobody gets hurt, except the poor taxpayer. He is used to it.

* * *

Obviously, any conjecturing on what may happen to securities in the face of a nebulous tax measure that is so hush-hush, must remain that—a conjecture. Then too, there is a war going on. Or haven't you heard? That stocks will go up in the face of this bunch of "ifs" is nice to ponder on, but even one's imagination must give way to realities.

* * *

Up to this writing the market has puffed and huffed its way up about four points. A good deal of this was started by the shorts. Still, even shorts can start a ball rolling with enough momentum to label it bull market; though short lived.

* * *

Last week I wrote that if the market showed enough

(Continued on page 1769)

NYSE Borrowings

The New York Stock Exchange announced on May 4 that the total of money borrowed as reported by Stock Exchange member firms as of the close of business April 30 aggregated $335,147,820, an increase of $4,786,801 over the March 31 total of $330,361,019.

The following is the Stock Exchange's announcement:

The total of money borrowed from banks, trust companies and other lenders in the United States, excluding borrowings from other members of national securities exchanges reported by New York Stock Exchange member firms as of the close of business April 30, 1942, aggregated $335,147,820.

The total of money borrowed, compiled on the same basis, as of the close of business March 31, 1942 was $330,361,019.

RAILROAD SECURITIES

The belief has been growing that the trustees of New York, New Haven & Hartford may seek authority to make some payments on account of back interest in the near future, rather than wait until the end of the year as has been their custom in the past. Earnings have been showing progressively wider year-to-year gains so far in 1942. For the first quarter net operating income amounted to $4,789,237 compared with $3,177,697 reported a year earlier. The high rate of armament plant activity in the area is now being augmented by increased passenger and freight rates and there is little possibility of curtailment throughout the balance of the war at least. At the same time, the road will be benefiting more and more as time goes on from the easing of the competitive situation which has long been a major adverse factor in its operations.

Rationing of gasoline and the shortage of rubber for tires will cut even further into highway transportation of both passengers and freight. Shortage of oil and submarine interference with barge shipments will mean increasing dependence of New England industry on railborne coal. This combination of circumstances apparently assures "New Haven" of a far better earnings in 1942 than even the 1941 showing when old fixed charges were earned 1.45 times and there was a balance of $1.63 a share on the old common.

Coincident with the earnings betterment, and despite the substantial interest disbursements made late in 1941, financial position has been improving rapidly. As of the end of February cash items totaled $23,676,218, a gain of $6,229,361 over a year earlier. With this background there certainly seems ample justification for the expectation of fairly liberal interest payments this year, and there appears to be no reason for any serious delay.

The Interstate Commerce Commission now has under consideration a compromise reorganization plan designed to meet the objections of the court to its earlier proposal. It is expected that the revised final plan may be filed in the relatively near future, but, nevertheless, consummation of the reorganization is still a long way off. The Commission will probably move the effective date of the plan forward to Jan. 1, 1942 or 1943, and therefore, it may be expected that interim interest payments will continue to be on the basis of the old bonds and existing interest rates rather than on the basis of reorganization treatment.

The back interest payments made last December aggregated approximately $14,900,000 and at least that much should be distributed this year. Nevertheless, payments on individual issues will not be the same as last year. Some of the divisional liens which are nearly up to date will probably receive less than in 1941 while others will get more. The following tabulation shows payments made last year, and also the amount of back interest still unpaid. This will afford some inkling of what may be expected on some of the bonds this year:

period, or until earnings turned sharply lower.

If the trustees and the court judged that the company was in position to make aggregate disbursements in excess of those made last year, and this seems logical in view of the improved earnings and finances, the bonds under the 1st & Refunding Mort-

	*Last Coupon Paid	1941 Disbursement	§Accrued Unpd. Interest
Central New England 4s	7-1-40	$80.00	$60.00
Housatonic 5s	11-1-40	100.00	75.00
New England 4s	7-1-39	80.00	100.00
New England 5s	7-1-39	100.00	125.00
New Haven & Northhampton 4s	12-1-38	80.00	120.00
Harlem River & Port Chester 4s	11-1-40	80.00	60.00
‡New Haven first & refunding 4½s	6-1-37	50.63	202.50
New Haven Sec. 6s, 1940	10-1-38	101.25	210.00

*Where principal has matured, and there are no coupons attached, we have computed to the regular interest dates.

§Based on coupons matured and unpaid to May 1, 1942, inclusive.

‡Debentures secured under this mortgage but not listed in the tabulation received proportionately the same payment and have proportionately the same unpaid accruals.

Of the $14,900,000 disbursed last December, roundly $4,300,000 went to the divisional bonds listed, with the balance distributed to the Secured 6s, 1940, and bonds secured by the 1st & Refunding Mortgage. Payment of the entire balance of back interest due on these divisionals to and including May 1, 1942, would absorb only about $4,200,000. It appears, therefore, that there is an excellent chance that all of these arrears may be cleared up this year, after which the bonds might go on a regular interest basis for the balance of the reorganization gage might look for payment of one and one-half to two years' interest this year, with a proportionate increase in payments to the 6s, 1940. In such an event, however, it is not likely that the entire payment would be made at this time. Part would probably be postponed until December.

Atkinson & Moore Now With E. W. Clucas Co.

E. W. Clucas & Co., 70 Pine Street, New York City, members New York Stock Exchange, and other national exchanges, announce that William G. Atkinson, George G. Moore, Jr., formerly officers of Craig Colgate & Co., and Louis I. Tuttle, also of that firm, have become associated with them. The firm of Craig Colgate & Co. has discontinued business as of May 1, 1942.

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—40⅜, low—14¾, last—38⅛.

THE BOND SELECTOR

Seattle Gas Company furnishes gas to the City of Seattle and environs without competition, serving a population in excess of 400,000: The present capitalization of the company is as follows:

$158,000	First Mortgage 5% Bonds due March 1, 1944
$4,725,000	First and Refunding Mortgage 5% Bonds due Oct. 1, 1954
47,250	shares of $5 First Preferred Stock (prefer. in liquidation at $100 per share)
27,556	shares of Second Preferred Stock
23,825	shares of Common Stock

War conditions which brought about larger sales also brought higher costs of operation. New wage rates granted to the company's employees amounted to approximately $100,000 per year effective Sept. 1, 1941. The cost of industrial gas oil went up 5¢ per barrel, or approximately $25,000 per year, effective Jan. 1, 1942.

An application for a rate increase was made to the State Department of Public Service on Oct. 6. Prompt hearings were held and a decision was rendered on Dec. 10, effective Dec. 15, granting rates calculated to increase the company's revenue 6.91¢ per m.c.f. on the average, or 8.26%, which will raise total sales revenue approximately $168,400 per annum. This is slightly more than enough to offset the definitely anticipated immediate increases in expense. At the same time the rate structure was simplified by dropping a number of schedules and combining them with others. The heaviest increases were effected in the heating and industrial brackets where existing rates were disproportionately low and in many cases actually below the cost of service.

During the years 1937 and 1938, the company constructed a new oil gas plant which was expected to produce gas at a low cost. For several years, difficulties beset the management, and economy of operation in the new plant was a hope and not a fact. During all this time, however, careful study of the plant was being made, and in the fall of 1941 certain corrections were made, and net income for that year showed, in part, results of these improvements.

From that time, earnings have continued to improve, and figures for the first three months of 1942 show net earnings of $92,000 (nearly equal to the earnings for the entire year of 1940).

Seattle Gas Company's problems have been mechanical ones—the company has consistently increased the volume of gas sold. With the major difficulties solved and minor ones in the process of correction, the outlook for the company is good.

Some months ago, Mr. N. Henry Gellert of Philadelphia, a man of known ability and many years of experience, was retained as consulting engineer by the company. He is spending considerable time at the plant assisting greatly in bringing about economical operation of the system.

Net earnings for the 12 months ending March 1, 1942, are $207,831.74 against $93,822.25 for the preceding 12 months. The period ending March 31, 1942, shows $4.39 available for each share of the preferred stock as compared to $1.98 a year ago.

At the present time, several important changes are in prospect. During the next few weeks, the company expects to sign a contract for the sale of all lampblack at a satisfactory price which will eliminate many phases of operation and insure full value for this by-product.

The current position of the company is reflecting improvement in operation. The Dec. 31, 1941, balance sheet shows cash of $117,138, and two months later the Feb. 28, 1942, balance sheet shows a cash position of $254,073.85. Federal income taxes for 1942 are not expected to be heavy because depreciation for that purpose was figured on at a substantial property value.

Net current position as of March 31, 1942, was $187,113 as compared to $95,294 on Dec. 31, 1941.

It is interesting to note at this time, that if all the preferred stock outstanding could be purchased at $12 per share, the purchaser would have a total investment of $567,000, and net earnings available for this stock of $207,831.74.

Below is a condensed comparison of the net income for the 12 months ended March 31, 1941, and March 31, 1942.

	Mar. 31, 1942	Mar. 31, 1941	Increase
Total Gross Earnings	$2,234,928.90	$1,999,651.48	$235,287.42
Total Operating Expense	1,564,533.69	1,448,078.32	116,455.37
Total Net Earnings (gross corporate inc.)	670,395.21	551,563.16	118,832.05
Total Deductions from Gross Corporate Inc.	462,563.47	457,740.91	4,822.56
Net Income to Surplus	207,831.74	93,822.25	114,009.49
Times annual bond interest covered	1.85	1.39	
Earned per share first preferred stock	$4.39	$1.98	

Special Cover For NYSE Sesqui-Centen.

The Stock Exchange Philatelic Society, composed of employees and members of the Exchange, as well as partners of member firms, will distribute, on May 17, an interesting souvenir cover commemorating the 150th Anniversary of the New York Stock Exchange.

The price is ten cents for each cover or twelve for one dollar, mailed to you or your friends. Any profit derived from the sale of these covers will be turned over to a War Service Organization.

Requests for covers should be addressed to Harry Thie, Room 628, 11 Wall Street, New York City, together with payment.

The Philatelic Society will also hold a large stamp exhibition during the week of May 18th, on the 14th floor of 11 Wall Street, and you are cordially invited to attend.

Bank and Insurance Stocks

This Week — Bank Stocks

A sharp market turnabout in the bank stocks, stimulated by House Committee vote to recommend increase in surtax much more moderate than that recommended by the Treasury, is reviving investment interest in bank shares and revising critical opinion about the earning ability of banks under wartime conditions.

On May 1, the House Ways and Means Committee voted to recommend a surtax of 16%, as compared with 31% proposed by the Treasury. Thus, the combined income and surtax would be 40% under the Committee proposal, compared to 55% proposed by the Treasury, and 31% prevailing in 1941.

The House Committee also recommended a flat 94% rate on excess profits taxes, and lowered the rates that may be earned upon invested capital before excess profits tax applies. Excess profits credit would be 6% on invested capital of over $10,000,000 and 5% on invested capital of over $200,000,000. This would compare with last year's 8% credit on the first $5,000,000 of invested capital and 7% on the remainder.

On balance, banks and other companies having large invested capital would find the proposed 16% surtax, instead of 31% suggested by the Treasury, to be of great help in trying to maintain earning power in wartime. Among the leading New York City banks, for example, only two have capital funds of over $200,000,000, the majority falling in the 7%-6% excess profits credit bracket of $10,000,000 to $200,000,000. For 1941, Federal Reserve study shows that the 17 largest member banks in Greater New York earned an average of 5.6% on capital accounts.

Even among those banks which apparently earned more than 6% on capital funds for 1941, the stated capital funds do not necessarily measure the full extent of invested capital, because of the general practice of carrying large undisclosed equity reserves.

Compared to such moderately increased exposure to excess profits taxes, the banks would find a 16% surtax, compared to 7% in 1941, a much fairer burden than the 31% proposed by the Treasury. Roughly speaking, earnings would have been affected 25%-30% by a 31% surtax, but under a 16% surtax would be affected about 10%-15%, which would give banks a better chance to try to make up the increased tax load by expanding earning assets.

A bank, for example, having $4,000,000 subject to normal tax and surtax would on a 40% basis have $360,000 additional taxes compared to 1941 rate of 31%. To make up such taxes on medium term Government securities yielding, say, 1% gross and .6% net after taxes, an added volume of $60,000,000 in Governments would be necessary. This compares with $960,000 higher tax burden under a 55% normal and surtax scale, which would be covered by expansion in Governments, yielding 1% gross and .45% after taxes, totaling $213,000,000.

Banks figuring "backwards," therefore, would be faced with less strain on capital ratios in their figuring of earning asset volume necessary to carry in order to create earnings to cover expenses (including higher taxes), pay a reasonable dividend, and plough back a reasonable portion of earnings to capital funds.

But such concern over capital ratios in wartime seems academic. All available purchasing support must be mobilized for the huge amount of war financing to be forthcoming, so that preconceived notions of capital ratio strength would have to be secondary to necessities of war financing. Nevertheless, a fairer burden of taxes would allow the banks to plough back a larger portion of improved earnings accruing from Government securities expansion, and thus help to keep capital ratios from getting entirely out of bounds.

For the stockholder, lower burden of taxes enhances the outlook for maintenance of dividends, since bank earnings would not be hit so severely, and ratio of ploughed back earnings could be maintained or improved with lower given expansion in earning assets and diminution of capital ratios.

At one time, the tax laws gave banks and insurance companies a fair preferential tax treatment, on the ground that such moneyed corporations should be given every opportunity to improve net worth and thus build up a capital cushion for deposits, unearned premiums and similar "other people's money." It seems illogical that this differential should have been eliminated in recent years, at the very time when volume of deposits and other liabilities to the public were mounting to new highs, capital ratios were becoming smaller, and low money rates made the task of maintaining ploughed back earnings more difficult than ever. Now, under the necessities of wartime, all classes of taxpayers must contribute more than ever, but it seems wise to set tax rates at a point where moneyed corporations, which are not outstanding earners in wartime anyhow, could contribute their share of the tax load and at the same time fulfill their obligation of maintaining capital strength relative to liabilities to the public.

The heavy tax burden recommended by the Treasury influenced several dividend reductions by banks in the past six months, led to investor suspicion of other dividends, and has been a chief factor in the break-through of bank stock prices through the record 1932 low. On April 28, 1942, a published bank stock index declined to low of 30.01, compared with 1932 low of 31.34. By contrast, industrial share prices (Dow-Jones average) at their 1942 worst, held at 2¼ times their 1932 low of 41.22. Bank stocks were severely depressed, and had been under pressure, except for a brief year-end period, since last October.

A rally seemed overdue, for the proposed 55% normal tax and surtax rate seemed to be quite well discounted. Consequently, on news of the House Committee's action in recommending a 40% scale, bank stock prices have responded sharply. The cited index to May 2, showed over 8% appreciation from the record low set on April 28. This was much better than the rise of the general market, only the utilities comparing in appreciation.

If this recommended surtax of 16% is enacted, then the tax load would not be so hard to carry, considering that the estimated 10%-15% effect of such an increase in the surtax could very well be offset by forthcoming expansion in Government securities volume. Consequently, it would seem that dealers and investors would do well to re-examine the investment position of bank stocks at present levels still not far from the record low.

Registration Simplified

The Securities and Exchange Commission announced on April 7 the adoption of a rule under the Securities Act of 1933 providing a greatly simplified registration procedure for securities of certain companies which are entitled to use form A-2. According to the Commission, the new procedure may be used if the registration statement is filed within 90 days after the date on which a previous registration statement of the issuer on form A-2 became effective, and the previous statement is not subject to proceedings under section 8 of the Act or an order entered thereunder. From the Commission's announcement we also quote:

Under the new rule, the prospectus will comprise the principal part of the new registration statement. Information contained in the prospectus is not required to be duplicated elsewhere in the registration statement except insofar as such information is contained in the required exhibits. Certain items of the form are required to be answered insofar as the information does not appear in the prospectus. However, the answers to these items may be incorporated by reference to the extent that the information was given in the previous registration statement.

The Securities Salesman's Corner

This Seems To Be A Good Time To "Single Shot!"

"Pick out a situation that you like and stick to it!" This was the advice a successful investment dealer gave to his salesmen back in the dark days of 1932-33. This procedure actually pulled his firm through those hard times. Business picked up as a result, any many news friends were made because investor clients of the firm were induced to make their commitments when prices were low. Then, as now, the securities outlook was clouded. Pessimism and uncertainty prevailed while nearly everyone was befuddled regarding their investments.

The sound principles which underlie this suggestion appear to be two-fold. Proper sales effort can be directed toward more definite objectives when an entire organization becomes sold on a specific issue. Enthusiasm is cumulative. One salesman sees another taking hold and making some sales, and he begins to feel like doing the same. Likewise the correct investment procedure is incorporated in this idea of picking out a "winner" and selling it. The main point in this respect is to be as certain as is possible that you have really picked a "winner."

From the standpoint of the sales psychology involved, let us look at the state of mind of our investor today. He probably has few, if any, convictions concerning what should be done with his present holdings. If he has any size portfolio worth mentioning it is almost a certainty that competent analysis would show that he owns some securities that should now be sold. He also must be acutely aware of the possibilities of further impairment in the value of his portfolio due to the advent of total war.

What should be the most effective approach to an investor who is in such a state of mind? The salesman, we think, should first of all be direct and definite in his recommendations. His reasons for believing in his offering should be concise and convincing. In this way doubts are replaced by confidence in the mind of his prospect.

Then again, one of the best ways of getting a sales presentation "down pat" is to specialize in a single offering. The more we tell a story the better we tell it. This is the way to cut out extra talk and hit the "high lights" in a manner that carries conviction and builds up confidence. Once the salesman gets his listener to thinking about the new offering in a constructive manner rather than allowing him to dwell upon his troubles and disappointments the way begins to clear for business. Then the salesman can suggest the sale of unattractive holdings and the purchase of the new offering.

When it comes to the correct procedure involved in replacing weakened situations with those of greater promise, there can certainly be no argument. This column, for instance, firmly holds to the opinion that many common stocks could well be replaced with medium grade bonds. The fact that bond interest is a charge before taxation is a vital consideration in respect to present day investment problems. The salesman should stress this point because its a powerful argument for bond investment as against the purchase of common stocks. The position of certain medium grade railroad bonds, is also something to be brought to the attention of today's investor. Their popularity is likewise deserved. Also there are the bonds of traction and urban transportation systems that should enjoy greatly increased revenues as a direct result of the war program. There are other companies that have been in a famine for many years that also are the recipients of greatly increased business. These are the kind of situations that should be dug up and presented to today's disgruntled securities buyers. Of course, each separate offering must stand on its own feet. Every firm has its special methods of looking up situations and deciding what it is going to push—the main job is to pick a real bargain and then **go out and sell it!**

As a word of warning, there is also a danger in making a "one issue" drive. If the security is sold to many of the firm's customers, or the salesman loads up his clients with an issue, and it later turns out that the recommendation has been unwise—look out for trouble. It is therefore important that every angle of investigation is covered with great care and that the evidence in favor is overpowering, before any specific security is decided upon.

Our Reporter's Report

(Continued from First Page)

day night, the first day of the offering.

The new so-called "tap" 2½s, maturing in 25 years, but callable in 20 years, likewise appeared assured of early absorption to the amount desired by the Treasury.

Designed for institutional investors, other than commercial banks, that issue evidently carried real appeal for the major insurance companies, for whom it was primarily intended.

"Big Five" Steps Up

Indicative of the response of the insurance world was the performance of the "Big Five" group. All told this aggregate of insurance capital, probably the largest in the world, subscribed for close to $400,000,000 of the long-term 2½s.

Equitable Life Assurance Society of the United States, and Prudential Insurance Company entered subscriptions for $100,000,000 each of the "tap" bonds, while Mutual Life Insurance Company and New York Life Insurance Company took down $60,000,000 and $50,000,000 respectively. Equitable in addition subscribed for $50,000,000 of the new 2s.

Metropolitan Life took down $100,000,000 of the new 2½s. This company had previously subscribed for $72,000,000 of the certificates of indebtedness, marketed in April.

Interior Banks Buy 2s.

Commercial banks around the country, that is outside New York, it was understood, were proportionately more receptive to the new 2s than the metropolitan institutions.

That is, the ratio of their subscriptions, in proportion to their assets, was on a higher plane. The new 2s have been quoted at a slight premium, even though it is understood that the Federal Reserve extended some support to other sections of the government list during the week.

Estimates in investment quarters indicated that it was expected allotments would run from 35 to 50% probably averaging around 40% of subscriptions.

Definitely On The Fire

Two new corporate issues moved definitely nearer to actual marketing, provided nothing happens to stall the flow of investment funds, as the necessary registration was filed with the Securities and Exchange Commission.

Public Service Electric & Gas Co., filed for the sale of $15,000,000 of 3% first and refunding mortgage bonds of 30 years maturity. Originally the company had contemplated private placement, but at the behest of the SEC decided to throw the sale open to competitive bids.

Meanwhile the Philip Morris & Co., Ltd., filed for an issue of 49,666 shares of $100 par value preferred stock and the "rights" which will be offered first to present stockholders. This company, incidentally, is expected to go into registration very shortly on about $6,000,000 additional of debentures.

Maybe Yes and Maybe No

There was considerable stirring in municipal bond circles coincident with reports that several groups were organizing with a view to bidding for a possible issue of some $140,000,000 for the City of Cleveland.

But enthusiasm generated by such reports chilled rather quickly in consequence of the rearks of Edward L. Shea, President of the North American Company, with regard to prospects for the sale of that company's control of Cleveland Electric Illuminating Company.

North American Co. must divest itself of its holdings in the Cleveland utility, and there has been sporadic discussion of the idea that the City will seek to purchase the properties.

But Mr. Shea made it plain that North American is not inclined to entertain anything in the way of a bid based on current market prices for the securities, holding that such prices do not represent the real value.

His remarks indicated, the parent company was not particularly expectant so far as bids, at this time, are concerned.

Stern In New Location

Frederick M. Stern, member of the New York Stock Exchange, has moved his office to the main office of E. F. Hutton & Co., 61 Broadway, New York City. Mr. Stern is a specialist in foreign securities and is known as a writer and analyst of Latin American commerce and finance. Before becoming a member of the Stock Exchange last year, Mr. Stern managed the trading department of Albert Graef, Inc. He is a member of the Security Traders Association of New York, Inc.

Investment Trusts

How have the investment companies stood the test of the war? Did professional investment managers recognize the trends, foresee the developments? The answer is "yes," if investment company management is any criterion. Twenty-five leading open-end investment companies, without exception, outperformed the Dow Jones Industrial Average from Aug. 31, 1939 through April 30, 1942.

The outbreak of war between England and the Axis in September, 1939, gave management the first real chance to prove itself after the 1937 recession. Since 1937, markets had been churning; the economic pattern seemed meaningless. But with the outbreak of war the economic background of future developments was made clear. Investment managers had a foundation on which to base their operations. The problem then became one of interpreting political and social developments in light of the known economic situation and thus determining investment policy.

Obviously, a haphazard policy of investing in a little of everything would be folly in modern war times. So also would be a policy of trying to pick a few winners. No one knows where price ceilings, priorities, or labor troubles are going to strike next.

In the last war some industries supplying principally war materials reaped huge profits. Others, considered vital, found the prices of their products restricted or set by the Government—or else their very operations were put under Government control. Still other industries were unable to secure essential materials from abroad, or found their foreign markets so restricted that rather than reaping unsual profits they suffered unusual losses. Incomes and profits of all corporations were heavily taxed.

In present times all political operations are being carried out on a far grander scale. The war itself is much greater in scope. Government regulations and controls, shortages of materials, restrictions of markets, taxes will all far exceed anything conceived of in the first World War.

Against this background investment companies have been quietly revamping their portfolios as conditions require—liquidating this, adding that. Today the results show. Let's look at the record.

In the first phase of the war, the 15 months from the outbreak of war till Pearl Harbor, the Dow Jones Industrial Average (adjusted for theoretical dividends amounting to 5% annually on the closing price, Dec. 6, 1941) made a net loss of 3.49%. Twenty of the 25 trusts studied during this period registered net gains, including dividends, amounting to as much as 20% in some cases. Of the other five, the worst record was a loss of 7.47%.

In the second phase of the war—Pearl Harbor through April 30, 1942—the Dow Jones Industrial Average, adjusted for dividends actually paid, showed a loss of 16.05%. Over this relatively short period 21 of the 25 trusts outperformed the Average—the best showing a decline of only 8.54% and the poorest a loss of 18.93%.

And over the full period every one of the trusts turned in a better record than the Dow Jones Industrial Average.

The trouble generally, with war-time investing, is that no one can tell beforehand just which securities will suffer and which will gain. Individual companies fare differently in war as do individual industries.

It is in just such a situation that the principles of diversification and continuous supervision upon which the investment companies have been founded prove their worth. By spreading its funds over a wide field an investment trust loses only slightly from a company that falls by the wayside, and still stands to gain substantially from those that survive and prosper. By continuous supervision, the portfolio is adjusted to eliminate many of those companies that are likely to gain.

Performance proves that this works in practice as well as in theory.

* * *

Investment Company Reports

Incorporated Investors—March 31, 1942

Incorporated Investors reports total net assets of $28,056,024 on March 31, 1942. This equals $11.99 per share on 2,340,341 shares of capital stock outstanding and compares with net assets of $36,632,142 on March 31, 1941, equivalent to $13.71 per share on the 2,672,264 shares then outstanding.

(Continued on page 1769)

Municipal News & Notes

Following the recent purchase by the City of Cleveland, Ohio, of the transportation system previously owned by the Cleveland Railway Co., through the sale of $17,500,000 3¾% transit revenue bonds, municipal bond circles were justly excited Tuesday by reports that the same city was considering the issuance of about $140,000,000 revenue bonds. It was understood the proceeds of such sale would be applied to the acquisition of the Cleveland Electric Illuminating Co., a North American Company subsidiary.

It must be realized, however, that the prospects of any such deal reaching a concrete stage in the near future, is most vague. In fact, it was emphasized by Edward L. Shea, President of the North American Company, that, in view of the disturbed and uncertain conditions as reflected in present market prices, it is extremely doubtful that North American would receive an offer for the Cleveland Electric stock which the company would be justified in accepting. He added, however, that North American would, of course, give consideration to any bona fide offer approximating "the fair and equitable value of any of its holdings."

Will Bombs Affect Municipal Credits?

Since bombing attacks on these shores have become a possibility, the question has been brought up as to the possible effect severe damage would exert upon the credit of the bombed cities and towns. In a current bulletin, Kaiser & Co., San Francisco municipal dealers, report in part as follows:

"It seems unlikely that such damage could be sufficiently great (in the absence of actual invasion) to affect the security of a municipality's bonds. An excerpt from a letter written to us by a large Canadian life insurance company, which has a substantial investment in British municipals, is enlightening on this point:

"'Our experience with British municipal securities has been excellent. To my knowledge there has never been a default involving any British municipality, and despite all the destruction, deaths and sorrow caused by the German air attacks, this record still stands. I wonder if the Germans will stand up as well when their turn comes.

Arizona Legislature Adopts Municipal Tax Resolution

The Arizona Legislature adopted recently a concurrent resolution, memorializing Congress to resist the passage of any legislation calling for the taxation of municipal bonds. This resolution was forwarded to the proper authorities in Washington. If every State in the Union were to adopt similar resolutions, we feel that the Administration might take cognizance of the attitude displayed on a national scale.

FPHA Statements Received

The Commissioner's office, National Housing Agency of the Federal Public Housing Authority, Washington, D. C., has furnished us with the income and expense statement for 18 low-rent housing projects of 15 different local authorities, whose fiscal year ended Dec. 31, 1941. Also available to interested subscribers is the general balance sheet as of Dec. 31 1941, for each of said projects.

State Governments Council Conference

The Council of State Governments announces that 200 or more representatives of 13 Eastern

States will attend the regional conference on emergency fiscal problems at the Hotel Roosevelt in New York tomorrow and Saturday. Delegates to the conference will include State budget, finance and tax officials and representatives of governors, commissions on interstate cooperation and councils of defense.

Many municipal officers also are expected to attend. States to be represented at the conference are Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia and West Virginia. Harold D. Smith, U. S. budget director, Carl H. Chatters, executive director of the Municipal Finance Officers Association of the U. S. and Canada, and tax and budget officials of several of the 13 States are included among the speakers on the conference program.

N. Y. City's Fiscal Condition to Be Studied

Mayor La Guardia launched last Friday the most comprehensive and farreaching study of municipal finances and tax problems to be undertaken in the recent history of New York.

The Mayor appointed to make the study a joint multi-partisan board of city and State officials, three former Governors, bankers, business men, real estate owners, labor leaders, representatives of civic organizations and finance and tax experts. Some of the 35 members have been bitter critics of the Mayor's fiscal policies, and all shades of economic and political opinion are represented.

New Jersey Railroad Tax Legislation

The New Jersey Legislature recessed last Friday, until May 18, after passing a bill modifying a 1941 law setting up a new system for taxing railroads. A companion measure to relieve the carriers of an additional $6,000,000 interest on unpaid taxes for 1932 and 1933 was defeated.

N. J. State Water Authority Will Aid Cities in Emergency

A State water authority set up for New Jersey by its 1942 Legislature will help meet the increased demand for water supply to cities and towns in war-industry areas, the American Public Works Association said Saturday.

The State water agency will study possibilities of existing water supplies and bring about their interconnection where practicable. It is estimated that the combined capacity of the interconnected systems would be sufficient to meet all demands without construction of new facilities.

A $300,000 revolving fund has been set up to establish the authority, which is the first of its kind, according to the Association.

Allegheny County Bids Very Close

A revival of interest in the market, which has been marking time pending further developments in the Government's plan to eliminate municipal bond tax exemption, was seen Tuesday as dealers competed for a $5,800,000 isssue of Allegheny Co., Pa., bonds. The sale was marked by unusually active and close bidding, in fact, the competition was as keen as any witnessed in a long time.

Halsey, Stuart, & Co., Inc., and associates, were the successful bidders, naming a price of 100.419 and a coupon rate of 1⅞%. The bonds were reoffered at prices to yield 0.50 to 2.10% for 1943 to 1972 maturities. They were issued for the following purposes: $1,550,000 for road construction; $350,000 for an airport, $500,000 for parks, $100,000 for building improvements and $3,300,000 for uncollected taxes.

Second highest bid was submitted by a group headed by the Chase National Bank, which named a rate of 100.17 for 1⅞s. The National City Bank and Harriman Ripley & Co., and associates bid 101.209 for 2s, which is equivalent to about 100.13 for 1⅞s.

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.

May 7 (Today)

$4,348,000 Syracuse Hous. Auth., N. Y. (refund.)

These bonds are being issued to take up original bonds put out in February, 1940, and purchased by a group headed by Phelps, Fenn & Co. of New York.

$608,337.72 Utica, N. Y.

Last September, the city awarded bonds to Dick & Merle-Smith of New York. Second best offer was submitted by Lehman Bros. of New York, and associates.

May 19

$505,000 Albuquerque, N. Mex.

This city last sold bonds in February, 1940, the award going to Sidlo, Simons, Roberts & Co., and the J. K. Mullen Investment Co., both of Denver, jointly.

DIVIDEND NOTICES

Atlas Corporation

Dividend No. 23 on 6% Preferred Stock

NOTICE IS HEREBY GIVEN that a dividend of 75¢ per share for the quarter ending May 31, 1942, has been declared on the 6% Preferred Stock of Atlas Corporation, payable June 1, 1942, to holders of such stock of record at the close of business May 14, 1942.

WALTER A. PETERSON, *Treasurer*

April 30, 1942.

Borden's

COMMON DIVIDEND No. 129

An interim dividend of thirty cents (30¢) per share has been declared on the outstanding common stock of this Company, payable June 1, 1942, to stockholders of record at the close of business May 15, 1942. Checks will be mailed.

The Borden Company

E. L. NOETZEL, *Treasurer*

THE BUCKEYE PIPE LINE COMPANY

26 Broadway

New York, April 25, 1942.

A dividend of One ($1.00) Dollar per share has been declared on the Capital Stock of this Company, payable June 15, 1942 to stockholders of record at the close of business May 29, 1942.

J. R. FAST, Secretary.

CHRYSLER DODGE **Chrysler Corporation** DE SOTO PLYMOUTH

YOU GET THE GOOD THINGS FIRST FROM CHRYSLER CORPORATION

DIVIDEND ON COMMON STOCK

The directors of Chrysler Corporation have declared a dividend of one dollar ($1.00) per share on the outstanding common stock, payable June 13, 1942, to stockholders of record at the close of business May 15, 1942.

B. E. HUTCHINSON

Chairman, Finance Committee

EATON MANUFACTURING COMPANY

CLEVELAND, OHIO

Dividend No. 69

The Board of Directors of Eaton Manufacturing Company has declared a dividend of Seventy-five Cents (75c.) per share on the outstanding common stock of the Company, payable May 25, 1942, to shareholders of record at the close of business May 11, 1942.

April 29, 1942

H. C. STUESSY, *Secretary*

Esso

The Board of Directors of the

STANDARD OIL COMPANY

(Incorporated in New Jersey)

has this day declared the following dividends on the capital stock, payable on June 15, 1942, to stockholders of record at close of business, three o'clock, P. M., May 15, 1942:

Regular semi-annual cash dividend of 50¢ per share; and

Extra cash dividend of 50¢ per share.

Checks will be mailed.

A. C. MINTON, Secretary

May 1, 1942

Newmont Mining Corporation

Dividend No. 55

On May 5, 1942, a dividend of 37½ cents per share was declared on the capital stock of Newmont Mining Corporation, payable June 15, 1942 to stockholders of record at the close of business May 22, 1942.

H. E. DODGE, *Secretary*.

Tucker, Anthony Anniver.

Tucker, Anthony & Co., members of the New York Stock Exchange, is celebrating the 50th anniversary of its founding by William A. Tucker and S. Reed Anthony in May, 1892, when the firm opened its first office in Boston to engage in a general brokerage business as members of the Boston Stock Exchange.

Our Reporter On "Governments"

(Continued from First Page)

One thing stands out, though: Margenthau got his money and he'll get the rest of the $2,000,000,000 he wants for this month. . . . This deal had to be a success, for the reason that the Government can't afford a failure now and buyers can't afford a failure either. . . . If banks show in any way their reluctance to support the financing of the war, the Treasury has—and will use—its authority to make investors react. . . . Again, it is suggested that you interpret the meaning of that sentence with full recognition of its importance. . . .

And that's about as much as should be said about the May financing now. . . . We'll see a refunding of the HOLC 2¼s this month too, it is believed. . . . The call of the $875,000,000 issue, maturing July 1, 1944, went out May 1, as anticipated. . . . The bonds are going to be refunded into direct Treasury obligations. . . . The call cuts the outstanding unmatured bonds of the HOLC to about $2,109,000,000, which is down $936,000,000 from the total at the end of June, 1936, when the lending period closed. . . .

OFFICIAL SUPPORT

But there are other stories in the Government market today which seem of equal or even more importance than the terms of a single borrowing. . . . And they all bear upon this current deal. . . .

After the announcement of the $4,000,000,000 financing program early last week, the Government market slipped off several 32nds. . . . On the official closing price cards, the decline seemed minor. . . . In fact, unless you were in direct contact with a bond dealer, you'd probably think the reaction was so slight as scarcely to deserve mention. . . .

But the truth of the matter is that for a while, there were no real bids in the market. . . . Dealers reported that for hours, about the only buyer around was the Federal Reserve. . . .

And that's the significant sentence—"the only buyer around." . . . For the fact is that buyer was there, ready to take offerings and it did absorb whatever liquidation occurred. . . . And the fact is the market was maintained at a level close to the prices before the giant financing program was disclosed. . . .

It may be that we won't know just how many bonds and short-terms were bought by the Federal during the pre-financing period for some weeks, for delayed deliveries and/or direct Treasury buying may hide the statistics. . . . But to guess at it, we might say the support ran to more than $50,000,000. . . .

There's considerable question in the minds of some professionals, it was learned, as to whether the Federal can—or will—maintain long-terms at a 2.50% average basis. . . . Judging from the way the Federal comes to the support of the market every time a slight need is indicated and judging from the increasing talent the authorities show in handling controlling devices, a forecast might be that the agencies in charge can—and will—do all within their power to keep the market at this level. . . . Maybe they won't be able to cut the yield while offerings are coming out at such speed, but they should be able to prevent any major decline in prices. . . .

GIVING US INFORMATION

If it's difficult to write a column of comment on Government securities more than 12 hours in advance of publication, it must be doubly hard to determine an investing policy more than an hour ahead of a new issue announcement. . . . It was only a while ago that the market and the timing and terms of financings could be analyzed calmly and comfortably. . . . Now, though, guesses on anything are next-to-impossible (if you want to approach accuracy). . . .

The Treasury and the Federal Reserve System are at fault in this. . . . Particularly the Treasury. . . . Of course, with the war budget expanding all the time (expenditures in the 1943 fiscal year are now estimated at $70,000,000,000), Secretary Morgenthau is in a bad position for predicting. . . . He doesn't know the outlook himself. . . . But it's about time the authorities gave us some hints on financing policy. . . . It's about time we received some accurate information on what to expect in the way of new issues and what to anticipate in the way of debt distribution and maturity distribution. . . .

Keeping every source—professional traders and buyers and even advisers—in the dark about financing until the last moment is not too smart an idea during this crucial time. . . . Maybe in peace years, when speculators are so important, this coy policy may help confuse the in-and-out buyers. . . . But not now. . . . It doesn't seem to be too much to request at least a general outline of policy. . . .

RESERVE REQUIREMENTS?

That action will be taken to give the banks in the largest cities additional reserves seems a probability in the near future. . . . Banks in New York City particularly are losing reserves at a terrific rate. . . . Totals for reserve cities and for nation as a whole are down to lows of 1938—when moves were made to build up reserves, you recall. . . .

There are two ways to increase reserves now. . . . By selling bonds directly to the Federal Reserve System, the Treasury can ease the money market situation. . . . Thus, there is some feeling that part of its new authority may be used by the Treasury in the next 60 days. . . .

Or, naturally, the objective can be reached by lowering requirements. . . . On this point, there's growing pressure on the Reserve to reclassify the member banks in New York and Chicago from Central Reserve City Banks to Reserve City Banks. . . . This would cut their requirements from 26 to 20% under current regulations. . . . And it is estimated the step would expand the excess reserves of these cities by around three-quarters of a billion dollars. . . .

Incidentally, it's probable that most of the excess reserves in the bigger cities are held by a few big banks and that the great majority of smaller banks are down to an extremely low point. . . .

The increasing gossip about this move suggests that feelers are being sent out on it—and it's probable something may be done by the Reserve Board along this line soon. . . .

INSIDE THE MARKET

More and more favor being shown for the tax-exempts. . . . As each taxable issue comes out, investors realize more clearly that the tax-exempts are getting a real scarcity value. . . .

Spreads between tax-exempts and taxables widening steadily. . . . If you hold tax-exempts, don't sell them unless you can without changing your tax liability. . . .

Long-term tax-exempt notes, though, are reported to be overpriced. . . . Especially, the ¾s of 3/15/45. . . .

Investment Trusts

(Continued from page 1767)

Keystone Custodian Fund, Series "S1"—March 31, 1942

Keystone Custodian Funds, Series "S1" in its annual report for the year ended March 31, 1942, reports net assets as of March 31, 1942 of $189,923, equivalent to $17.90 per share. This compares with net assets of $246,056 equivalent to $21.71 per share on March 31, 1941.

Income from dividends and sale of stock rights totalled $14,728 for the year. Expenses amounted to $2,378, leaving net income of $12,350.

* * *

Keystone Custodian Fund, Series "S3"—March 31, 1942

Net assets of Keystone Custodian Fund, Series "S3" at the close of the fiscal year ended March 31, 1942 totalled $349,238, equivalent to $7.18 per share. This compares with total net assets of $390,241 on March 31, 1941, equivalent to $8.07 per share.

Dividend income for the year ended March 31, 1942 totalled $27,721. Expenses amounted to $4,546, leaving net income of $23,175.

* * *

Wellington Fund, Inc.—March 31, 1942

The quarterly report of Wellington Fund, Inc. states that net resources of the company on Mar. 31, 1942 totalled $5,331,778, or $11.97 per share.

In the letter to shareholders the following statement is made regarding recent portfolio operations: "Shareholders were advised in the December report that the management had invested a substantial part of the cash reserves during the low point in December following the attack on Pearl Harbor, so that at the close of the year the uninvested cash reserves and defense bonds owned by the Fund amounted to $391,871.

"From the low point in December, the Dow Jones Industrial prices advanced from 106.34 to a high point in January of 114.22. Following this advance, and with the uncertainties still confronting our economy, your management eliminated a number of securities, so that on March 31, 1942, cash reserves and defense bonds were increased to $835,207. This action places the Fund in a position to invest at prices considerably lower than those which prevailed a few months ago."

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1765)

gumption to keep its head above the previous week's lows, it would have accomplished a noteworthy feat. So far it has managed to do just that. But one can't tell if a base was made, unless the base is tested.

* * *

As of last night most of the averages were back to the levels of about April 18, from which they previously broke down. This means that the market is in the midst of offerings. How well these will be absorbed (if, as and when) will be interesting to see. Already the shorts, who covered two weeks ago, are beginning to put out feelers.

* * *

From everything I can see, and from a lot more that I don't, I think the next wiggle will be down. It is when this down move gets started, that watching for a base will begin having more than academic interest.

* * *

Using the "Times" average as a gauge, I look for increasing upward resistance at the 67 level, then a side slip followed by a down move that ought to meet support at about the 64-65 range. A point one way or another makes little difference. My guess is that the figures will be made simultaneously with tax news from Washington. It is this news that will give the cue to whether the market will turn up, highlighting a base, or go down through it.

* * *

The war must also be taken into reckoning. By that I mean military victories or setbacks. But these are so unpredictable that, despite their paramount importance, no one has yet discovered about them before their occurrence.

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.]

Colombia Bonds Attractive

An interesting analysis of the current situation for Colombian bonds has been prepared by Arnhold and S. Bleichroeder, Inc., 30 Broad St., New York City. The analysis discusses the favorable development of Colombia's foreign trade, present exchange position, which the analysis declares is now satisfactory, Colombia's external debt, debt record, present status of government bonds, corporate bonds with government guarantee, and other corporate, departmental, and municipal bonds. The outlook, in view of the improvement in the economy of Colombia, which should continue provided scarcity of shipping space will not interfere too severely with the trade between Colombia and this country, would appear, according to the analysis, to provide ample basis for the service on the government debt, especially as internal debts of the government are not too high; government action in connection with bonds other than government bonds also should have an interesting effect on their value.

Copies of this analysis may be had from Arnhold and S. Bleichroeder, Inc., upon request.

Has Interesting Bank Study

Blyth & Co., Inc., 14 Wall Street, New York City, is distributing a new study showing first quarter changes in assets and deposits of 38 important banks throughout the country. The figures, including deposits-capital funds ratios, are tabulated for major financial sections as well as for institutions. Copies may be had from the firm upon request.

Macauley, Davies Partner

SAN FRANCISCO, CALIF. — Palmer C. Macauley is today being admitted to partnership in Davies & Co., Russ Building, members of the New York and San Francisco Stock Exchanges.

Robert R. Platt retired from the firm effective April 30th.

"Death (Sentence), Destruction & (Dis-) Integration"

Sometimes the story of the death sentence for utility holding companies seems to be getting downright silly.

We get this impression, for instance, from a sentence in the recent order to North American Co. by the Securities and Exchange Commission to sell everything except its big St. Louis property, the Union Electric Co., which it tried in vain to sell last month.

The Commission says, dragging its feet through the English language in its usual sticky manner:

"We have stated, and we again emphasize the fact, that, under the standards of the Act, difficulties of disposition have no bearing at all on whether any particular interest is retainable; and that such difficulties are pertinent only to the question **when** compliance with our order of divestment should be enforced. Consequently, respondents' references to adverse market conditions for the sale of securities have no relevancy **at this time.** The statute provides a year. . . . We may grant an additional year. And even at that time our orders . . . are not self-enforcing. . . ."

In English this means: "We have told you already, and why do we have to say it again, that it doesn't make any difference how hard it is to get rid of the stuff. You've got to do it just the same. It's no good saying you can't sell it now. We give you a whole year to try it. After that we might give you another year—or still another."

Now the Commission knows that on the Union Electric deal the company and the bankers were miles apart on price. And it knows that the company's lovely ideas of price were pretty much the same as the Commission's—i.e., way above the market. It also knows that right after that Mr. Morgenthau's proposal to lift the normal tax and surtax on corporate income to a total of 55% knocked utility prices still further down into the sub-cellar. And it knows that the dumping of millions of shares of stocks of disinherited affiliates of holding companies into the market would further depress utility operating stocks.

So, in effect, it seems to be passing the buck to the North American Co. by requiring it to undertake an impossible task and then come back to the Commission with bona fide proof that it could not be done. In short, the company is in fact sure to be damned by its stockholders if it actually tries to liquidate this year, and damned by the Commission if it doesn't. It all amounts to a precious legal run-around due to last for years, in which the Commission keeps all the authority, the company takes all responsibility, the Commission's face is always saved, and the company's face is always red.

So (say we) let the Commission either order the company to shed the properties, and then hurry the case to court, or else let it accept the repeated proposals of the industry that death-sentence legalities be put off for the duration.

Of course the Commission has a quick answer, and there is something to it, too. The utility people would probably hope that if the death sentence were put off for the war it would be put off for good. As the SEC says, the utilities have hoped for three miracles: first, that the Act of 1935 would be declared unconstitutional; second, that Mr. Willkie would be elected; and third, that the war would put the whole thing off.

But if putting it off "for the duration" means putting it off for good, then it had better be put off for good right now. There are plenty of good arguments for it. Utility holding systems mean lower rates. They take the place of competition in the power industry in keeping operating company executives on their toes and they fill the role, for operating companies, of directors who do not direct.

However, there is no sound reason for the Commission to suppose that, if the sentence of death to holding companies is put off for the duration it need be put off for good. Does the Commission fear that by that time it will have changed its mind? Or does it fear that by that time a new and different Administration will mean a new and different Commission? Does it therefore want to hurry and get the thing done now?

But if it wants to hurry and get the thing done now, why doesn't it do it—hurry and get it done now? There is, as Confucius might say, no time like the present. Anyone who has followed railroad reorganizations in the past 10 years knows that no time is a "good time" for capital reorganization. Perhaps the security market will go up from here, but then again perhaps it will go down. The Commission is in effect condemning utility executives and stockholders to the role of the figure on Keats's "Grecian Urn"—forever pursued, forever fleeing, or however it is phrased. Let the Commission strike, or sheath its dagger—for the duration.

But the Commission has become the fanatic—redoubling its efforts after it has lost sight of its goal. The goal is **integration**, not disintegration.

Section 30 of the Utility Act of 1935 states:

"The Commission is . . . directed to make studies . . . to determine the sizes, types, and locations of public utility companies which do or can operate most economically and efficiently . . . ; upon the basis of such . . . studies the Commission shall make public from time to time its recommendations as to the type and size of geographically and economically integrated . . . systems which . . . can best promote and harmonize the interests of the public, the investor, and the consumer."

(Continued on page 1773)

Bureaucracy-As-Usual

A recent best-seller, "Flight from Arras," relates how the machinery of French government administration continued to grind on, in its habitual grooves, oblivious of the war, until the world collapsed about it. Examples of the same thing—devotion to paper work and legalism—in our own government machinery at Washington were spelled out by OEM's idea-man, Wayne Coy, in the April issue of the "Atlantic Monthly."

Since then two notorious and striking instances of this "bureaucracy as usual" have appeared in Washington to the annoyance and indignation of American business. They are first the obvious effort of the Anti-Trust Division of the Department of Justice to continue its mammoth anti-trust prosecutions come hell and high water, and second the similar intention of the Securities and Exchange Commission, made all too clear in its recently published annual report, to do the same thing with its death-sentence sling-shot.

In both cases the evil in this pig-headed persistence in destructive efforts does not lie in the actual destruction likely to be accomplished. Neither anti-trust nor the SEC are in line to accomplish anything, destructive or constructive, by their efforts. The staff of the former, whose legal incompetence was indicated in their goose-egg score of losing on 140 counts out of 140 against the Aluminum Corp., are skilled only at trying their cases in the newspapers and at winning consent decrees from big corporations by a sort of refined blackmail and, even if they did win in the courts, they could only obtain punishment for actions long since discontinued. The SEC, likewise, cannot possibly hope by its persistence in handing down death-sentence orders, to actually force their execution, for the reason which must be obvious even to SEC Commissioners, that the securities markets will not now bear the weight of death-sentence system disintegrations and capital-structure simplifications. The fiascos of the effort to market Union Electric Power, and of National Power & Light's exchange offer to the Houston Light & Power stockholders, have made that obvious to the veriest tyro in the securities business.

No, the trouble does not lie in the destruction these scalpel-wielding bureaucrats are likely to achieve. It lies in the distraction from useful labor which their annoying persistence imposes upon the managements of American business. Industrial executives must knock off work, whatever it is, to defend themselves and their corporations from criminal charges. Utility executives are perhaps not appreciative enough of the fact that their position is not quite

(Continued on page 1775)

Forms H. E. Hoffman Co.

Horace E. Hoffman is now engaging in a securities business under the firm name of H. E. Hoffman Company, 52 William Street, New York City. Mr. Hoffman was previously a partner in Hoffman & Neacy.

Bergen Named Chairman

John J. Bergen, of John J. Bergen & Co., Ltd., 40 Wall Street, New York City, has been elected chairman of the executive committee of Gar Wood Industries, Inc.

Swart Staff With Craigmyle Rogers

Craigmyle, Rogers & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, announce that the personnel of R. E. Swart & Co., Inc. which discontinued its investment business on April 30, 1942, has become associated with them. This action is designed to continue uninterrupted the service to all the R. E. Swart & Co., Inc. clients. George E. Deming, Irwin B. Kranz, Wylie W. Macer, N. Irving Maxfield, Olin R. Stoll and Frederick D. Vought will join the New York office of Craigmyle, Rogers & Co.; M. Peirce Cook and Horace C. Moffet will be associated with them in Pittsburgh; Hamilton B. Harvey in Syracuse; and Gerald L. Pierce in Elmira.

The Myth Of Excess Profits In The Electric Utility Field

(Continued from First Page)

and light service, made no excess profits. Yet, in the great need for revenue for the prosecution of this war, both the Treasury Department and the Congress seemingly have chosen to close their eyes to the obvious.

Vastly expanded revenue, of course, is essential to the successful conduct of this war, but the continued and ever-increasing production of vital material is even more necessary. And because the residential consumption of electricity has steadily increased not only through war years but through preceding depression years as well, Federal tax gatherers have seized upon its sale as a vehicle for the plucking of additional taxes from the American public; particularly from that portion of low intellect, which, unable to identify hidden taxes, imagines it pays none. To be sure, the present Administration, alone, has not made a tax dupe of electric utilities; that has been in the process of development for several decades. But it greatly has expanded the use of privately owned utility systems as tax gathering agencies.

For instance, despite the collapse of quoted security values in the fall of that year, most of us look upon 1929 as the banner year, profit-wise, since the turn of the century. To what extent have governmental imposts in this field of public service increased since then? Between 1929 and 1941 the gross revenues of our privately owned power companies have increased 36.2%; the combined gross corporate income before taxes has increased 24.1%, and the aggregate amount exacted from them by governments—Federal, State and local—has increased 192%. In other words, the total tax bill of our electric utilities has increased five and a third times faster between 1929 and 1941 than their gross operating revenues, and eight times faster than their aggregate gross corporate income, before taxes.

To shorten the comparative period a bit, while the gross operating revenues of privately owned electric utilities increased 30.7% between 1930 and 1941, and combined operating, maintenance and depreciation costs increased 8.7%, their tax liabilities increased an even 100%. As a result, only 30 cents per dollar of operating revenues was available in 1941 for the hire of capital and for plant expansion, compared with 44 cents in 1930. That's a decrease of approximately 46.7%.

And when the comparative period is limited to the last two years, the effect of Federal exactions becomes even more apparent. In the aggregate, Federal, State and local governmental impositions in 1941 were 26.4% in excess of those of the preceding year. But when that tax bill is taken apart, it becomes evident that State and local exactions, to only a minor extent, were responsible for this expanded tax bill. For Federal exactions in 1941 were 54.7% greater than those of 1940, compared with a mere 1.4% boost in State and local imposts. Moreover, when the Federal tax bill of electric utilities is dissected, it develops that while the general normal income and surtax liability increased some 29.5% in 1941 over 1940, their excess profit taxes increased roughly 650%. This, of course, was wholly an indecent and improper exaction.

When Secretary of the Treasury Morgenthau appeared on March 3 before the House Ways and Means Committee to plead for higher corporate taxes, he said, among other things:

"A substantial share of the increased corporation tax should fall on excess profits. Taxes paid from such profits have less disrupting effect on business than taxes which are generally applicable to all corporate earnings irrespective of the rate of return. A tax which absorbs excess profits still leaves the corporate taxpayer with a sufficient margin of income for dividends and safety."

But, as President Justin R. Whiting of The Commonwealth & Southern Corporation pointed out in his statement filed with the House Ways and Means Committee:

"The principles of taxation outlined in the Secretary's statement are excellent. The proposals accompanying such statements, however, are in direct conflict with such principles."

Particularly is this true when electric utilities are compared with other types of private enterprise. As the National City Bank and the National Industrial Conference Board have pointed out in respective publications, the net income of electric utilities, due almost entirely to increased Federal exactions, was some 3.3% lower in 1941 than in 1940. But the 1941 net income of all non-regulated business in the United States was roughly 20% higher than in the preceding year, despite Federal seizure through excess profit taxes of a vastly expanded proportion of gross earnings. The major reasons for this divergence in net earning patterns between regulated and non-regulated business should be apparent to Treasury officials and members of Congress.

There are certain types of expenses incurred in the operation of an electric utility over which its management has some degree of control. Among these are the costs of fuel, materials and supplies, and the hire of operating and administrative personnel. But with experienced utility executives de trop in regulatory circles, and with acquaintance with utility problems held prima facia evidence of prejudice in their favor, electric utility managements have not the slightest degree of control over the tax burdens heaped upon them. In this connection, it is worth noting that municipally and governmentlly owned electric utility undertakings are exempted from all Federal taxation, on the theory that they must supply the public with an essential service as cheaply as possible, while privately owned electric utilities are dunked in taxation up to their eyebrows. It's small wonder that the late Alex Dow said, in a recent annual report of Detroit Edison Company, after a recital of all the taxes his company had collected, directly or indirectly from its customers, "We also sell electricity."

If the Congress of the United States, elected in theory, at least, to represent the owners of electric utility common stocks as well as public ownership advocates, wants to "shoot straight pool," it should recognize that the contracts covering rates these service institutions have made with the public preclude any possibility of their making excess profits, and exempt them from that portion of Federal tax regulation.

There are two major reasons for this:

1.—The great proportion of increased electric output consumed in the past two years has been utilized by industrial concerns engaged in the production of vital war material. Moreover, this expanded use of electricity largely has fallen within the lowest price bracket, in which little opportunity for profits is possible, although it swells gross revenues; and

2.—Privately owned electric utilities, regulated as they are by Federal, State and local governments, have no excess profits to tax.

More than a hundred and fifty years ago—on April 19, 1774, to be exact—Edmund Burke, the famed Irish statesman, said to the British Parliament, in the course of a speech on taxation of the American colonies:

"Taxing is an easy business. Any projector can contrive new impositions, and any bungler can add to the old. But is it altogether wise to have no other bounds to your impositions than the patience of those who are to bear them?"

Treasury officials and members of Congress profitably might ponder that question.

"Death (Sentence), Destruction & (Dis-) Integration"

(Continued from page 1770)

In May, 1935, Senator Wheeler said the bill expressly directed the SEC and the Federal Power Commission to make a study of rearrangement possibilities to aid such rearrangement on a voluntary basis during the next five years. In September, after the bill was passed, SEC Chairman Landis said that Congress had given the Commission two years to draw up a plan for economic and geographic integration.

And Professor Leslie T. Fournier, one of the SEC's prize idea-men, had the interesting conceit (before he went to work for the Commission) that "there is no basis for the fear that Section 11 will jeopardize the interest of investors nor for the belief that the Commission will initiate a wholesale program of compulsory disintegration of holding company systems in 1938, since the Commission does not have to take the initiative until it is practical to do so. A reasonable expectation is that the companies will be given ample opportunity for voluntary compliance. In the meantime the Commission can direct its staff to make the engineering and financial studies called for by Section 11 (a) and 30, which will provide it with the necessary data for positive action should it be necessary finally to resort to compulsion . . ." (XIII Journal of Land and Public Utility Economics, pp. 138-152, 1937.)

But the Commission has no plan. It asked the companies to sit around the table and work out a plan, some years ago, but they stayed away, still hoping for the miracle that never happened. So now the Commission is asking Commonwealth & Southern to streamline its capital structure without knowing whether it will have to shed Consumers', Georgia, Alabama, or Mississippi Power, or all, or any. Wendell Willkie used to pound the table and say: "I asked them whether they would allow our Southern companies to stay together in the same system or not. They wouldn't say." And they have not said since. It is a mystery. Does the Commission know or not?

But there is no mystery as to whether the three companies **should** be kept in the same system. The program of war-time industrial development in the South makes it imperative. But when the Commission keeps mum about its intentions the folks over at 20 Pine Street sweat; and if the Commission said "Break 'em up," the boys at 20 Pine Street would scream to high heaven and probably also to Donald Nelson. So the Commission says nothing, hiding behind some legal twist too involved for a financial writer to understand, and Commonwealth & Southern cannot smoke it out. Does this threesome of operating companies produce too much power? Consolidated Edison produces more. Does it have too many hydro dams? TVA has more. Is it too far-flung? The Bureau of Reclamation is farther-flung. Does it have too much political power? The SEC has more.

Anent that Section 30 requirement that the Commission have a plan, it was curious how for some years the Commissioners used to object to the phrase "death sentence." "This isn't disintegration," they would say, "it is re-integration." But they don't say that any more.

However, it is certain that they have read Section 30. For it was there that they received the authorization which led to the Investment Trust Act of 1940. They acted on that quickly enough, for it gave them power. The part they neglected only gave them responsibility.

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 L. Gill to James N. Wallace will be considered by the Exchange on May 14th.

Transfer of the Exchange membership of Waters S. Davis, Jr. to Julius Klorfein will be considered on May 14th.

Transfer to Stuart Logan of the Exchange membership of William J. Warburton will be considered by the Exchange on May 14th.

Willard D. Litt, general partner in W. R. K. Taylor & Co., New York City, became a limited partner effective May 1st.

John F. Fennelly, Chicago, withdrew from partnership in Glore, Forgan & Co., New York City, effective January 26th.

Philip D. Laird retired from partnership in Laird & Co., Wilmington, Del., as of April 30th.

Percy Owen, Jr., member of the New York Stock Exchange, has retired from partnership in S. R. Livingstone & Co., Detroit, Mich., as of April 30th; S. R. Livingstone & Co. as of that date ceasing to be a New York Exchange member.

Charles Tifft withdrew from partnership in Tifft Brothers, Springfield, Mass. as of April 30th.

DeCoppet & Berdan, New York City, dissolved as of April 30th.

Grant Keehn & Co., New York City, dissolved partnership, on April 30th.

Russell E. Gardner, Jr. has resigned as a member of the Board of Governors of the Stock Exchange.

PUBLIC SERVICE CORPORATION OF NEW JERSEY

and Subsidiary Companies

Combined Results of Operations

For the Twelve Months Ended December 31—	1941		1940	
SUBSIDIARY COMPANIES—				
Operating Revenues:				
Electric Operations	$ 88,160,612.61		$ 80,857,668.27	
Gas Operations	32,119,125.52		31,149,541.89	
Street Transportation Operations	29,882,976.42		27,312,628.48	
Ferry Operations	996,219.42	$151,158,933.97	1,007,412.67	$140,327,251.31
Operating Revenue Deductions:				
Operating Expenses	$ 56,446,762.42		$ 53,041,613.13	
Maintenance	11,919,751.53		11,469,444.48	
Depreciation and Retirement Expenses	12,320,160.15		11,314,367.84	
Total	$ 80,686,674.10		$ 75,825,425.45	
Federal Income Taxes	$ 11,338,399.45		$ 9,368,302.15	
Federal Excess Profits Taxes	4,425,203.06		--------	
Other Taxes	18,638,957.54		17,323,740.82	
Total Taxes	$ 34,402,560.05		$ 26,692,042.97	
Total Operating Revenue Deductions		115,089,234.15		102,517,468.42
Operating Income		$ 36,069,699.82		$ 37,809,782.89
Other Revenue	$ 246,827.37		$ 28,706.64	
Other Revenue Deductions:				
Expenses	$ 973.33		$ 2,300.27	
Federal Income Taxes	$ 19,481.25		$ 24,650.80	
Federal Excess Profits Taxes	1,869.73		--------	
Other Taxes	16,202.64		17,221.12	
Total Taxes	$ 37,553.62		$ 41,871.92	
Total Other Revenue Deductions	$ 38,526.95		$ 44,172.19	
Total Other Income		208,300.42		(Debit) 15,465.55
Gross Income		$ 36,278,000.24		$ 37,794,317.34
Deductions:				
Income Deductions:				
Interest on Long-Term Debt	$ 8,077,667.93		$ 7,899,832.39	
Amortization of Discount and Miscellaneous Deductions	828,803.66		743,243.97	
Appropriations for Reserves and Special Amortization	2,100,000.00	11,006,471.59	500,000.00	9,143,076.36
		$ 25,271,528.65		$ 28,651,240.98
Dividends paid to the public:				
Public Service Electric and Gas Company:				
7% Cumulative Preferred Stock	$ 1,113.00		$ 1,113.00	
$5 Cumulative Preferred Stock	1,500,000.00		1,500,000.00	
Common Stock	18.02		15.40	
Lessor Companies	2,790.67	1,503,921.69	156,126.64	1,657,255.04
Balance applicable to securities owned by Public Service Corporation of New Jersey		$ 23,767,606.96		$ 26,993,985.94
PUBLIC SERVICE CORPORATION OF NEW JERSEY AND SUBSIDIARY COMPANIES CONSOLIDATED—				
Income of Public Service Corporation of New Jersey (exclusive of interest and dividends from subsidiary cos.):				
Interest on United States of America Treasury Bonds and Notes, and income from real estate owned and from other investments		169,454.36		87,941.18
		$ 23,937,061.32		$ 27,081,927.12
Expenses and Taxes of Public Service Corporation of N. J.:				
Expenses	$ 461,290.87		$ 483,232.63	
Depreciation	1,200.00		1,200.00	
Total	$ 462,490.87		$ 484,432.63	
Federal Income Taxes	$ 1,030,282.39		$ 1,083,860.92	
Federal Excess Profits Taxes	--------		--------	
Other Taxes	284,879.30		226,972.19	
Total Taxes	$ 1,315,161.69		$ 1,310,833.11	
Total Expenses and Taxes of Public Service Corporation of New Jersey		1,777,652.56		1,795,265.74
		$ 22,159,408.76		$ 25,286,661.38
Income Deductions of Public Service Corporation of N. J.:				
Interest on Perpetual Interest-Bearing Certificates	$ 1,091,736.60		$ 1,091,736.60	
Provision for Depreciation of Investments	*--------		1,000,000.00	
Miscellaneous Interest and Other Deductions	5,289.37	1,097,025.97	6,500.00	2,098,236.60
Consolidated Net Income after deduction of dividends on capital stocks of subsidiary cos. held by the public		$ 21,062,382.79		$ 23,188,424.78
Dividends on Preferred Stocks of Public Service Corporation of New Jersey:				
8% Cumulative Preferred Stock	$ 1,715,944.00		$ 1,715,944.00	
7% Cumulative Preferred Stock	2,023,560.00		2,023,560.00	
6% Cumulative Preferred Stock	3,523,872.00		3,523,872.00	
$5 Cumulative Preferred Stock	2,587,560.00	9,850,936.00	2,587,560.00	9,850,936.00
		$ 11,211,446.79		$ 13,337,488.78
Dividends on Common Stock of Public Service Corporation of New Jersey		10,731,226.35		13,207,663.20
Balance transferred to Consolidated Surplus		$ 480,220.44		$ 129,825.58

*See appropriations made by Subsidiary Companies, shown above.

NOTES—Under the Uniform Systems of Accounts certain revenues from interdepartmental electric and gas sales aggregating approximately $350,000 per annum are included in operating revenues. Also certain intercompany revenues aggregating approximately $275,000 per annum, which cannot readily be eliminated, are included in the consolidated operating revenues.

The Consolidated Statements of Public Service Corporation of New Jersey and Subsidiary Companies include the accounts of the following companies:

Public Service Corporation of New Jersey.

Subsidiary Companies in which Public Service Corporation of New Jersey owns, directly or indirectly, more than 50% of the voting power, as follows: Public Service Electric and Gas Company, Atlantic City Gas Company, County Gas Company, Peoples Gas Company, Public Service Coordinated Transport, Public Service Interstate Transportation Company, The Riverside and Fort Lee Ferry Company, Yellow Cab, Inc., The Holland Company and Newark Plank Road Company.

Subsidiary Companies (including lessor companies) liquidated or merged into certain of the above companies during 1940 and 1941.

Calendar of New Security Flotations

OFFERINGS

LIPE-ROLLWAY CORP.
Lipe-Rollway Corp. filed a registration statement with the SEC for 80,000 shares $1 cumulative convertible preferred stock, $10 par, and 160,000 shares class A stock, $1 par, latter reserved for issue upon conversion of the preferred stock

Address—208 S. Gedded St., Syracuse, N. Y.

Business—Incorporated in 1924 as W. C. Lipe, Inc., on March 16, 1942, the name was changed to Lipe-Rollway Corp. Part of the proceeds of this financing is intended to be used for acquisition by the company of all or at least a majority of the outstanding stock of Rollway Bearing Co., Inc., of Syracuse, N. Y. Business of the company, including that of Rollway Bearing Co., Inc., includes the manufacture and sale of machine tools, reamers, cutters, clutches, clutch parts, bearings, etc.

Underwriter—Barrett Herrick & Co., Inc., New York, is the sole underwriter

Offering—The preferred stock will be offered to the public at $14 per share; the underwriting commission is $2.10 per share

Proceeds will be used in part to acquire all or as many shares as possible of the outstanding capital stock of Rollway Bearing Co., Inc., the balance will be used for additional working capital

Registration Statement No. 2-4971. Form A-2. (3-23-42)

Registration effective 11:30 a.m. E.W.T. on April 25, 1942, as of 5:30 p.m. E.W.T. April 13, 1942

Offered April 30, 1942, at $14 per share

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.

SATURDAY, MAY 9

STANDARD AIRCRAFT PRODUCTS, INC.
Standard Aircraft Products, Inc., filed a registration statement with the SEC covering $300,000 5½% convertible serial and sinking fund debentures, due 1943-1947

Address—Dayton, Ohio

Business—Company manufactures and develops aircraft products, etc.

Offering—The 1943 maturity ($48,105) will be offered to the public at 100. The other maturities will be offered in exchange for 33,586 shares ($7.50 par) 40 cents cumulative preferred stock on a par for par basis as follows: debentures maturing 1944, $62,000; debentures maturing 1945, $62,000; debentures maturing 1946, $62,000; and debentures maturing 1947, $65,895

Underwriting—The debentures aggregating $251,895 may be sold through underwriter at 100. R. N. Webster, President, has agreed to sell through underwriter the $190,537 debentures he has agreed to exchange for his 25,405 shares of preferred stock. G. Brashears & Co. is named principal underwriter. R. N. Webster may be an underwriter

Proceeds of $48,105 (1943 maturity) will be used for working capital

Registration Statement No. 2-4988. Form A-1. (Filed in San Francisco 4-20-42)

TUESDAY, MAY 12

HUNTER MANUFACTURING CO.
Hunter Manufacturing Co. filed registration statement with the SEC for 109,560 shares of common stock, of 25 cents par value

Address—Croydon, Pa.

Business—During two years ended Sept. 30, 1940, operations of company consisted of the manufacture and sale of Rex railroad signal lights and the manufacture and sale, on an experimental basis, of munitions. Since that date, the company has been primarily engaged in the munitions business

Underwriters—Nelson Douglass & Co., Los Angeles, Cal., and Barrett Herrick & Co., Inc., New York, each have agreed to underwrite 46,500 shares of the common stock registered, or a total of 93,000 shares

Offering—The 109,560 shares registered will be offered to the public at $4 per share; the underwriting commission is 80 cents per share. 93,000 shares are unissued and are to be offered to the public for the account of the company; the remaining 16,560 shares registered are to be purchased by the underwriters, under purchase option, from certain stockholders, and will be publicly offered

Proceeds will be used to purchase or redeem all the outstanding 36,000 shares of 6% cumulative preferred stock, $5 par value, and for other corporate purposes

Registration Statement No. 2-4990. Form S-2. (4-23-42)

MUTUAL INVESTMENT FUND, INC.
Mutual Investment Fund, Inc., filed registration statement with the SEC for 50,000 shares common stock, of $1 par value each

Address—15 Exchange Place, Jersey City, N. J.

Business—Company is an open-end investment company of the diversified management type, and is qualified to do business in States of Maryland and New Jersey

Underwriter—Mutual Management Co.

Offering—The common stock will be offered to the public at the market at the time of the offering (at present, approximately $7.35 per share)

Proceeds will be used for investment purposes

Registration Statement No. 2-4989. Form A-1. (4-23-42)

MONDAY, MAY 18

NATIONAL DISTILLERS PRODUCTS CORP.
National Distillers Products Corp. filed registration statement with SEC for $15,000,000 7-year sinking fund debentures, due March 1, 1949. Interest rate will be supplied by amendment

Address—120 Brodway, New York City

Business—Company is chiefly engaged, directly or through subsidiaries, in the distillation, storage and sale of various types of American whiskies, including "Old Grand-Dad," "Old Taylor," "Old Overholt," "Mount Vernon," "Crab Orchard," etc.

Underwriting—Glore, Forgan & Co. and Harriman Ripley & Co., Inc., both of New York City, are named principal underwriters. Names of the other underwriters will be supplied by amendment.

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

Proceeds to the extent of $11,000,000 will be used to repay presently outstanding bank loans of company, and the balance will be used for general corporate purposes

Registration Statement No. 2-4991. Form A-2. (4-29-42)

TUESDAY, MAY 19

CALIFORNIA UNION INSURANCE CO.
California Union Insurance Co. filed a registration statement with the SEC for 29,659 shares common stock, $10 par value

Address—San Francisco, Calif.

Business—Engaged in the underwriting of fire, automobile and other forms of insurance

Underwriting—Paul H. Watson is named principal underwriter; Don B. Wentworth may be an underwriter

Offering—The common stock registered will be offered to the public at a price of $22 per share

Proceeds will be used for additions to capital and surplus

Registration Statement No. 2-4992. Form A-1 (4-30-42 San Francisco)

DESPINA GOLD MINES, LTD.
Despina Gold Mines, Ltd., **refiled** a registration statement with the SEC for 1,030,000 shares common stock, $1 par

Address—Montreal, Quebec, Canada

Business—Company is engaged in the gold mining business

Underwriting—Underwriter is Canadian Securities Distributors

Offering—The 1,030,000 shares of common stock will be offered to the public at 35 cents per share; 1,000,000 shares will be offered for the account of the company, and the remaining 30,000 shares for the account of a selling stockholder

Proceeds to company will be used for working capital purposes

Registration Statement No. 2-4636, refiled with SEC 4-30-42

WEDNESDAY, MAY 20

THE DELAWARE & HUDSON CO.
Committee for first and refunding mortgage 4% bonds, due May 1, 1943, of the company, filed a registration statement with the SEC for certificates of deposit to be issued for first and refunding mortgage 4s, due May 1, 1943, of the company

Address of Company—New York, N. Y.

Composition of Committee—Members of the committee calling for deposit of the bonds, are: Charles True Adams, Chairman; Howard Elliott, Jr., Vice-Chairman; Allen K. Brehm; James J. Minot; H. Duncan Wood. Secretary for committee: Douglas G. Wagner, 40 Exchange Place, New York City. Depository: Continental Bank & Trust Co., New York, N. Y.

Terms of Issue—The certificates of deposit are to be issued by the committee for deposit of the outstanding first and refunding mortgage 4% bonds, due May 1, 1943, of the company, under a deposit agreement dated April 15, 1942. There are $49,890,000 principal amount of such bonds outstanding, of which $5,000,000 principal amount are to be called initially by the committtee. Committe states that the deposit of the bonds is desired in order that concerted action on the part of the holders may be obtained, in view of the approaching maturity of the bonds, with the view, if possible, of formulating a plan for meeting the maturity of the bonds

Registration Statement No. 2-4993. Form D-1 (5-1-42)

SUNDAY, MAY 24

PHILIP MORRIS & CO., LTD., INC.
Philip Morris & Co., Ltd., Inc., filed a registration statement with the SEC for 49,666 shares of cumulative preferred stock, $100 par value (dividend rate to be furnished by amendment), and 893,988 rights, latter to be issued in connection with issue of subscription warrants evidencing rights to subscribe for the 49,666 shares of preferred stock

Address—New York, N. Y.

Business—Engaged in manufacture and sale of cigarettes and smoking tobaccos, principally "Philip Morris," "Paul Jones," "Marlboro" and "English Ovals" cigarettes

Offering—The 49,666 shares of preferred stock will be offered for subscription to common stockholders of company, on the basis of one share of preferred stock for each 18 shares of common stock held. The subscription price per share, the stock of record date, and the expiration date of subscription offer, will be furnished by amendment

Underwriting—Such of the 49,666 shares as are not issued under the subscription offer, will be sold to the public by underwriters, at a price to be supplied by amendment. Principal underwriters are Lehman Brothers and Glore, Forgan & Co., both of New York, N. Y. The names of the other underwriters will be furnished by amendment

Proceeds will be used to reduce outstanding bank loans

Public Sale of New 3% Debentures also Proposed—In the registration statement summarized above, the company stated that its board of directors intend to authorize the sale of 20-year 3% debentures, due May 1, 1962, in an aggregate amount not to exceed the difference between $11,500,000 and an amount equal to the aggregate par value of the shares of new preferred stock which presently are proposed to be sold by the company. The company states that this new issue of debentures is proposed to be sold shortly after the expiration of the rights to purchase the new preferred stock, following the filing of a registration statement with the SEC covering such debentures

Net proceeds to the company from sale of such debentures would be used to pay the unpaid balance of the company's bank loans, and the balance would be added to working capital

Registration Statement No. 2-4994. Form A-2. (5-5-42)

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.

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 southern 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)

Proposed offering as amended Dec. 10, 1941, 9,000 shares at $54.25 per share

Amendment filed May 1, 1942, to defer effective date

AXTON FISHER TOBACCO CO.
Axton Fisher Tobacco Co. filed a registration statement with the SEC for aggregate of 149,944 shares 5% cumulative prior preferred stock, $25 par.

Address—Louisville, Ky.

Business—Engaged in the manufacture of cigarettes (Clown, Spud, and Twenty Grand) and various brands of smoking and chewing tobaccos.

Offering—The 149,944 shares new preferred stock will be issued under a plan of recapitalization, as follows: (1) 56,544 shares in exchange for 14,136 shares outstanding 6% preferred stock on basis of 4 shares new preferred stock plus $17.25 cash for one share of old 6% preferred stock; (2) 54,558 shares in exchange for 45,465 shares outstanding Class A common stock on basis 1 1/5 shares new preferred stock plus $16 cash for one share Class A common stock; and (3) 38,852 shares will be sold first to stockholders of company other than Transamerica Corp., parent company, at $25 per share, with the unsubscribed portion to be sold to Transamerica Corp. at same price. The cash payments in (1) and (2) exchange offers represent unpaid cumulative dividends to Dec. 31, 1941; in connection with offering under (3) above, a cash offer is also to be made in an amount necessary to cover cash payments in the above exchange offers.

Registration Statement No. 2-4947. Form A2 (2-13-42—San Francisco)

Amendment filed May 4, 1942, to defer effective date

BELLANCA AIRCRAFT CORP.
Bellanca Aircraft Corp. filed a registration statement with the SEC for 57,412 shares common stock, $1 par. Further details as to the financing, including details of distribution, application of proceeds, underwriters, if any, etc., are to be supplied by amendment to registration statement. SEC withheld much of material filed by company, presumably in conformity with military censorship policy

Registration Statement No. 2-4975. Form S-2 (3-30-42)

Amendment filed April 18, 1942, to defer effective date

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 May 5, 1942, to defer effective date

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 April 17, 1942, to defer effective date

HAMILTON WATCH CO.
Hamilton Watch Co. filed registration statement with SEC for 39,382 shares 4½% cumulative preferred stock, $100 par

Address—Lancaster, Pa.

Business — Company manufactures and sells various models of high grade (17 to 23 jewel) pocket and wrist watches for men and wrist watches for women

Underwriting and Offering—Company is making a conditional offer to holders of its 32,054 shares of outsanding 6% preferred stock of the privilege of exchanging such stock for 33,054 of the 39,382 shares of 4½% preferred stock on basis of one share of 4½% preferred stock, plus $1.50 (equal to current quarterly dividend payable March 1, 1942, on one share outstanding 6% preferred stock), plus an unstated amount (difference between the public offering price of one share 4½% preferred stock and $105, the redemption price of the 6% preferred), for each share of outstanding 6% preferred stock. Exchange offer expires Jan. 22, 1942. Any shares of 4½% preferred not issued under the exchange offer, plus the 6,328 shares not reserved for such exchange offer, will be offered to the public, at a price to be supplied by amendment. Harriman Ripley & Co., Inc., Philadelphia, is named principal underwriter; other underwriters will be supplied by amendment.

Proceeds will be used to redeem, on March 1, 1942, at $105 per share, all outstanding 6% preferred stock; balance for expenditures in connection with construction and equipment of plant additions

Registration Statement No. 2-4926, Form S2 (12-30-41)

Amendment to defer effective date filed April 27, 1942

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)

Amendment filed May 2, 1942, to defer effective date

HYGRADE SYLVANIA CORP.
Hygrade Sylvania Corp. filed registration statement with SEC for 50,000 shares 4½% cumulative convertible preferred stock, $40 par; and 105,000 shares common stock, no par, the latter reserved for conversion of the preferred stock

Address—60 Boston St., Salem, Mass.

Business—Engaged in manufacture and sale of electric incandeseent lamp bulbs, radio receiving tubes, fluorescent lamps and fixtures, and other electronic products and certain chemical products directly or indirectly related to the foregoing. Regular and special products, to a large and increasing extent, are being supplied to the military services and for other war uses

Underwriters of the preferred stock, and the number of shares which each has agreed to underwrite, are as follows:

Jackson & Curtis, Boston	14,000
Lee Higginson Corp., Boston	10,000
Estabrook & Co., Boston	7,500
Merrill Lynch, Pierce, Fenner & Beane, New York	7,400
Putnam & Co., Hartford, Conn.	2,000
Hale, Waters & Co., Inc., Boston	1,600
Graham, Parsons & Co., New York	1,500
Whiting, Weeks & Stubbs, Inc., Boston	1,500
Yarnall & Co., Philadelphia	1,000
Minsch, Monell & Co., Inc., New York	1,000
Brush, Slocumb & Co., San Fran.	500
Herbert W. Schaefer & Co., Balt.	500
Stein Bros. & Boyce, Baltimore	500
Van Alstyne, Noel & Co., New York	500
Wyeth & Co., Los Angeles	500

Offering—The preferred stock will be offered to the public, at a price to be supplied by amendment to registration statement. The underwriting commission is $2 per share

Proceeds will be used for additional working capital

Registration Statement No. 2-4974. Form A2 (3-30-42)

Amendment filed May 2, 1942, to defer effective date

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)

Illinois Commercial Telephone Co. on March 19, 1942, filed an amendment to its registration statement disclosing that it now proposes to offer to the public $5,750,000 first mortgage 3½% bonds, due March 1, 1972. Previously, in original registration statement filed on Oct. 24, 1941, company had proposed to sell $5,750,000 of first mortgage 3⅜% bonds, due 1971, and 24,000 shares of $5 cumulative preferred stock, no par value

Proceeds from sale of the $5,750,000 of first mortgage 3½% bonds, due 1972, together with other funds of the company, are to be used to retire the outstanding $5,750,000 of first mortgage series A 3¾% bonds, due 1970

Underwriters of the 3½s of 1972, and the principal amount which each has agreed to underwrite, are: Bonbright & Co., New York, $2,875,000; Paine, Webber & Co., New York, $2,156,000; Mitchum, Tully & Co., Los Angeles, Cal., $719,000

Withdrawal request filed May 4, 1942

INTERIM FINANCE CORP.
Interim Finance Corp. filed a registration statement with the SEC for 39,912 shares class A stock, $25 par; and 25,232 shares common stock, $1 par

Address—33 N. La Salle St., Chicago, Ill.

Business—Primary function of company is to loan money to enterprises whose debt and/or capital structures are being adjusted or reorganized by its wholly-owned subsidiary, H. M. Preston & Co. A secondary function is to loan money, with funds not used in its primary function, to provide "interim" or intermediate financing to enterprises until the financial positions of the borrower or a change in general capital markets open avenues for longer-term borrowing from customary sources

Underwriter—H. M. Preston & Co., Chicago, Ill., is the sole underwriter. The underwriting commission is $8 per unit

Offering—The class A stock is to be sold in units of 4 shares, at a price of $110 per unit. With at least the first 900 units, there will be included with each unit 4 shares of common stock; thereafter company reserves the right to reduce the number of common shares to be included in each unit of class A stock

Proceeds will be used for working capital

Registration Statement No. 2-4968. Form A-1. (3-18-42)

Amendment filed April 21, 1942, to defer effective date

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)

Withdrawal request filed May 4, 1942

SOUTHWESTERN PUBLIC SERVICE CO.

Southwestern Public Service Co. filed a registration statement with the SEC for: $18,500,000 of first mortgage and collateral trust bonds, due Feb. 1, 1972; $5,500,000 serial notes, due in equal annual amounts from Nov. 1, 1943, to Nov. 1, 1953, inclusive; and 85,000 shares of 6% cumulative preferred stock, $100 par value

Address—Dallas, Texas

Business—This company and its subsidiaries are engaged principally in the generation, transmission, distribution and sale of electricity, serving certain communities in Texas, New Mexico, Oklahoma, Louisiana, Arkansas and Arizona. Under a plan of integration and simplification proposed to be consummated under section 11 of the Holding Company Act simultaneously with the consummation of the present proposed financing, the company proposes to effectuate the following transactions: Merger of Community Power & Light Co. and General Public Utilities, Inc. (the two present parent companies of the company) into the company; liquidation of Texas-New Mexico Utilities Co.; recapitalization and partial liquidation of Gulf Public Service Co.; purchase of Panhandle Power & Light Co., Cimarron Utilities Co. and Guymon Gas Co.; and refunding of the entire outstanding funded debt of the company itself. Upon completion of the transactions involved in foregoing, it is expected that the company will have no parent

Underwriting—Dillon, Read & Co., of New York, is the principal underwriter; the names of the other underwriters will be supplied by amendment

Offering—The bonds, serial notes and 6% preferred stock, will be sold to the public, at prices to be supplied by amendment

Proceeds from sale of the new securities will be added to the company's general funds and will be applied to effectuate the various financial transactions involved in the plan of integration and simplification, and the refinancing of the company's outstanding funded debt

Registration Statement No. 2-4981. Form A-2. (3-31-42)

Amendment filed April 17, 1942, to defer effective date

UNION ELECTRIC CO. OF MISSOURI

Union Electric Co. of Missouri filed a registration statement with the SEC for 2,695,000 shares common stock, no par

Address—315 N. Twelfth Blvd., St. Louis, Mo.

Business—This subsidiary of The North American Co. is engaged primarily in the transmission, distribution and sale of electric energy, which it generates and purchases from its subsidiaries, serving the city of St. Louis, Mo., and portion of 5 adjacent Missouri counties and of 3 counties in Missouri adjacent to the company's Osage hydroelectric plant

Underwriting—Dillon, Read & Co., New York, is named the principal underwriter. Names of the other underwriters will be supplied by amendment

Offering—The 2,695,000 shares of company's common stock are outstanding and are owned by its parent, The North American Co., who will receive the entire proceeds from the sale to the public of such shares

Registration Statement No. 2-4940. Form A2 (2-2-42)

Union Electric Co. of Missouri, on Feb. 9, 1942 filed an amendment to its registration statement, naming the underwriters, 141 in all, who will publicly offer the 2,695,000 shares (no par) common stock, all of which are owned by its parent company, The North American Co. The names of the underwriters, and the maximum number of shares of such common stock which each agreed to purchase were listed in the "Chronicle" of Feb. 26, 1942, page 846

Amendment filed April 27, 1942, to defer effective date

VIRGINIA PUBLIC SERVICE CO.

Virginia Public Service Co. on April 29, 1942, filed amendment registration statement, disclosing that it now proposes to sell, under the competitive bidding rule of Holding Company Act, $26,000,000 of first mortgage 3¾% bonds, due Feb. 1, 1972, and $10,500,000 of sinking fund debentures, due May 1, 1957; debentures are to bear interest at not exceeding 5% per annum, with specific interest rate to be supplied by later amendment.

Previously, in its original registration statement filed with SEC Dec. 13, 1941, company then proposed to sell $22,800,000 first mortgage 3½s, due 1971, $5,700,000 2½% to 3½% serial notes, due Dec. 1, 1951, 70,000 shares 5¼% cumulative preferred stock, $100 par, and 628,333 shares common stock no par.

Address—117 S. Washington St., Alexandria, Va.

Business—Company is principally an electric operating public utility engaged in the production, purchase, transmission, distribution and sale of electric energy at retail and wholesale in Virginia, West Virginia and, to a minor extent, in North Carolina. Company is a subsidiary of General Gas & Electric Corp., which is in the Associated Gas & Electric Corp. holding company system

Net proceeds from the sale of the $26,000,000 3¾% bonds and the $10,500,000 debentures, will be used as follows: $37,239,193 to the redemption, purchase or prepayment of all funded debt of the company and Virginia Public Service Generating Co.; $360,000 to pay expenses of present financing; payment of accrued interest on the debt securities to be retired: and the balance will be pledged under the mortgage to be available for property additions.

Public offering prices, and names of the underwirters, will be furnished by post-effective amendment to the registration statement

Registration Statement No. 2-4913. Form A2. (12-12-41)

WEST INDIES SUGAR CORP.

West Indies Sugar Corp. filed a registration statement with the SEC for 453,691 shares of common stock, $1 par

Address—60 E. 42nd St., New York City

Business—Company, organized in 1932 pursuant to the plan of reorganization of Cuban Dominican Sugar Corp. and certain of its subsidiaries, is solely a holding company owning the securities of everal operating subsidiaries engaged principally in the production of raw cane sugar and invert and blackstrap molasses in the Dominican Republic and Cuba

Underwriters will be named by amendment

Offering—The shares registered are already outstanding, and are owned by City Company of New York, Inc., In Dissolution, to the extent of 436,691 shares; National City Bank of New York, parent of the former company, is the holder of the remaining 17,000 shares registered. The aggregate of the shares registered represents 47.7% of the outstanding common stock of the company, and will be offered to the public, at a price to be supplied by amendment

Proceeds will be received by the selling stockholders

Registration Statement No. 2-4923. Form A2. (12-29-41)

Amendment filed April 21, 1942, to defer effective date

Bureaucracy-As-Usual

(Continued from page 1771)

so bad. They must concentrate their own attention and that of their legal and accounting staffs not on defending a criminal suit but merely on preventing their systems and their well-coordinated engineering staffs from being torn limb from limb and tossed, the one into the nearly bottomless pits of the market for utility securities, the other into the limbo of service with small-town municipal, or Federal-owned power systems.

Nobody in the utility business seems to have thought of adding up the total cost of the SEC's death-sentence insistence, in terms of executive man-power, stockholders' money, or the man-hours of legal and accounting work tossed into the maw of these massive wars of the printed, mimeographed, and spoken word. So there aren't any figures. But the only basis on which it can be assumed that such SEC Section 11 orders do not constitute a luxurious waste in war-time is the assumption that the labors of utility executives, lawyers, and accountants, aren't worth anything. Probably most of the true-believers in the SEC way of thinking would agree that this is so. In fact, some of them have actually said—not for quotation—that the death sentence is not so much a death sentence for holding companies as a death sentence for holding company executives.

However, the war industry authorities seem to feel that there is a shortage of good executives in the country, and everybody knows that accountants are getting as scarce as hens' teeth. As for lawyers, it ill-behooves the legalistic minds of SEC officials to disparage their value.

Seriously speaking, however, the economic case for holding company staffs has been amply proved, even before Pearl Harbor—so amply, in fact, that the Commission has for the last year or so explicitly played the ostrich as far as the economic argument about holding companies goes. Two of the biggest systems have compiled overwhelming evidence that their rates are lower than those of comparable independent systems. One of them, in fact, Engineers' Public Service, through the so-called Waterman report, had the job done on punch-cards and Hollerith calculating machines, taking 188,000 rates from the files of the Federal Power Commission, putting them on cards, and running the cards through the machines. On any basis you like—area, size, type of locality, etc.—the rates of holding company affiliates are lower.

But there is more to the story than that. The war is putting burdens on the shoulders of utility people as on everyone else. Federal Power calls on them periodically and frantically to increase their generating facilities. The Tennessee Valley Authority calls on them frantically to send in power to bail it out of the trouble it got into through relying too much on hydro. Their own engineers are busy making new inter-connections as fast as they can get the equipment. New and voracious industrial consumers of power like aluminum and magnesium plants are continually coming onto the line. But meantime the executives of the industry and their staffs have to keep running down to Philadelphia to confer with professors of this and that and young crusading lawyers just out of college who believe the utility business began with Insull and ended with Hopson.

The caliber of men they have to deal with is revealed by the amusing balderdash with which the Commission discussed the death sentence in its recent seventh annual report:

"What, if any, change in emphasis may result from the transition from preparation for war to actual entry into the war cannot now be predicted. . . . It would seem obvious, however, that there can be no slackening in the effort to put the industry in a financial position to meet whatever demands may be placed upon it."

On its face this seems to mean: "We don't know what's next; therefore we're going to keep on forcing the power people to clean house so they'll be ready for anything the war requires." But that does not make sense, for pushing the death sentence, whether you look at it from the point of view of finance or operations, is just the wrong way to get the power systems in condition to meet war requirements. So the real meaning, to follow the Freudian method of putting into the other fellow's mouth what you think he would least like to say openly, appears to be:

"We don't know what's going to become of the SEC now, so you can bet we're going to keep on shoving the industry 'round till it is ready 'to meet whatever demands' we may choose to place upon it."

After all, the Commission has won in the trial courts, it has won in the Circuit Courts, and it has won in the Supreme Court. It has licked the utility executives wherever it has met them. No matter that it has accomplished nothing of value to anybody except itself by these victories. Did you ever see a small boy, after such a string of triumphs, who did not glory in continuing to demand "Put up your dukes!" What is war compared with such fun?

Now With J. S. Bache & Co.

TULSA, OKLA.—Meredith Kilgore is now with J. S. Bache & Co., Cosden Building. Mr. Kilgore was formerly with Francis, Bro. & Co.

Scott, Horner & Mason Completes Ten Years

LYNCHBURG, VA. — Scott, Horner & Mason, Inc., Law Building, is celebrating the completion of the firm's tenth year in the securities business.

BRAZILIAN BONDS

Paying Partial Interest, Most External Obligations Have Speculative Appeal

Stimulated by the support and cooperation given the United States at the recent Rio Conference, relations between this country and Brazil are extremely good—both politically and economically speaking. This is extremely important insofar as our general relations with South America are concerned, because Brazil, the largest of the Latin Nations, is a vast storehouse of natural minerals and other materials vitally needed for the American war effort. This is a bilateral relationship in the true sense of the word since Brazil can supply many of the raw materials we need, and at the same time the United States can furnish many of the finished products formerly emanating from Europe. Inasmuch as vast portions of the country are undeveloped, the United States will eventually be in a position to furnish the funds and equipment necessary for the further development and industrialization of the country.

In order to further the economic and financial policies initiated at the Rio Conference, the Brazilian Finance Minister came to Washington some weeks ago. As a result of his mission, the following agreements were signed by the United States and Brazil:

1. The Export-Import Bank advanced $100,000,000 for the mobilization of Brazil's productive resources.

2. A decision was reached to develop the iron mines in the Itabira section of the State of Minas Geraes, to rehabilitate the Victoria-Minas Railway which carries the ores to the Port of Victoria, to improve the loading facilities of that port, and to negotiate a complementary contract according to which the United States and Great Britain agree to purchase the high-grade iron ores produced in the Itabira properties. The Export-Import Bank has already earmarked $14,000,000 for this purpose; repayment will be made from proceeds of the ores sold.

3. An agreement was made for an additional $100,000,000 of lend-lease assistance, bringing the total under lend-lease to Brazil to $200,000,000. Under the first allotment, $98,000,000 of defense materials went for the construction of defense bases at Natal (opposite Dakar) and other sections. It is understood that the first loan is repayable in Brazilian strategic materials including rubber and minerals.

4. The Rubber Reserve Company established a $5,000,000 fund for the development of rubber production in the Amazon Valley, and agreed to purchase Brazil's rubber output for the next five years.

The year 1941 was one of the most profitable trade years in Brazil's recent history. The year closed with an export surplus of 1,214,984 contos, equivalent to $62,815,000, the largest since 1931. Trade with the United States accounted for 58% of the total and produced a favorable balance for Brazil of $35,920,000 compared with an unfavorable balance of $5,432,000 in 1940. In consequence, there was no necessity of exporting gold to the United States, while in 1940 Brazil found it necessary to send $10,710,000 here to strengthen her dollar balances.

The shipping stringency appears to be the one unsatisfactory factor in Brazil's current economy. Since the beginning of the year, submarines have wreaked such havoc that Brazil withdrew her flagships from trade routes with the result that Brazilian exports have become few and far between. The decisions of the United States to patrol certain specific sea lanes and to convoy, if necessary, all shipments between the Americas, have lessened the submarine menace, and it is believed that the Brazilian export problem will be cleared up shortly.

Together with the recent agreements signed between Brazil and the United States and that country's favorable trade and exchange positions, are a few more: the 5% increase in coffee quotas; the desire of the U. S. to build up coffee stocks may mean that as much as 50% of the 1943 quota may be shipped as soon as bottoms are available; the chance that the U. S. may buy Brazil's cotton surplus, and finally the purchase by Great Britain of 69,000 tons of canned meat.

Brazil's external debt is serviced on a pro-rata and partial basis under terms of the 1940 Debt Service Plan. Under this plan, obligations of the Brazilian Government and the various political sub-divisions are divided into eight different grades according to the relative paying capacities of the obligors, and the nature of certain loans. The percentage of normal interest payable in the 12 months ending March 31, 1943, ranges between 50% on bonds in Grade I and 13.975% on Grade VII and nothing on Grade VIII. The accompanying table lists the various bonds according to Grades I, II, III, IV and VII, and shows the scheduled payments for 1942-1943.

	Outstdg. Million $	Scheduled Payment 1942-1943	1942 Price Range		Recent Price
Grade I					
Brazil Funded 5s, 1951	24.4	$25.00	48½	34½	46-47
Grade II					
Sao Paulo Coffee 7s, 1940	18.0	35.00	64¼	54¼	57
Grade III					
United States of Brazil:					
8s, June 1, 1941	31.4	20.00	33¼	22⅞	31
7s, 1952 (Central Railway)	17.5	17.50	28	19½	28
6½s, Oct. 1, 1957	56.1	16.25	27⅜	18¼	27½
6½s, Oct. 15, 1957	39.7	16.25	28⅛	18⅜	28
Grade IV					
State of Minas Geraes:					
6½s, March 1, 1958	8.1	9.7825	16¼	9⅞	14½
6½s, Sept. 1, 1959	7.8	9.7825	16	10⅝	14½
State of Rio Grande do Sul:					
8s, Oct. 1, 1946	5.9	12.04	16⅝	10⅛	15
7s, Nov. 1, 1966	9.7	10.535	15	9¼	14
7s, June 1, 1967	3.9	10.535	15	10¾	14
6s, June 1, 1968	23.0	9.03	14	8¼	13¾
State of Sao Paulo:					
8s, Jan. 1, 1936	4.6	12.04	39¼	32	38½
8s, Jan. 1, 1950	14.7	12.04	30	26½	29
7s, Sept. 1, 1956	6.9	10.535	—	—	—
6s, July 1, 1968	14.7	9.03	29¾	20⅝	27¾
Grade VII					
State of Maranhao: 7s, Nov. 1, 1958	1.7	9.7825	15	13¾	13¾
State of Parana: 7s, March 15, 1958	3.3	9.7825	18½	15	18
State of Pernambuco: 7s, March 1, 1947	4.9	9.7825	12½	8½	12
State of Rio de Janeiro: 6½s, Jan. 1, 1959	5.3	9.08375	14½	10⅛	13½
State of Santa Catharina: 8s, Feb. 1, '47	3.4	11.18	13½	8	13½
City of Porto Alegre:					
8s, Dec. 1, 1951	3.3	11.18	15	9⅞	14
7½s, Jan. 1, 1966	3.9	10.48125	14¼	8¾	13¼
7s, Feb. 1, 1968	2.2	9.7825	13	7½	13
City of Rio de Janeiro:					
8s, Oct. 1, 1946	7.3	11.18	15⅜	10	14
6½s, Feb. 1, 1953	24.8	9.08375	13	8¾	12
6s, April 1, 1933	1.3	8.385	14	7½	13½
City of Sao Paulo—					
6s, Nov. 1, 1943	5.4	8.385	14½	8	14
8s, March 1, 1952	3.2	11.18	17¼	11¼	15¼
6½s, May 15, 1957	5.6	9.08375	16	11	14

Officers, Committees Of Toledo Bond Club

TOLEDO, OHIO — The Toledo Bond Club has elected the following officers for the forthcoming year:

President: E. M. Bancroft, Stranahan, Harris & Co.

Vice-President: A. V. Foster, A. V. Foster & Co.

Treasurer: James R. Easton, Spitzer, Rorick & Co.

Secretary: Norman J. Fields, Braun, Bosworth & Co.

Members of the Board of Governors are William G. Sutherland, Ryan, Sutherland & Co., the retiring president, Oliver Goshia, Collin, Norton & Co., and Edward F. Heydinger, Siler, Roose & Co., in addition to the officers of the Club.

Mr. Bancroft has announced the following committee appointments:

Finance: Wm. H. Schliesser, Stranahan, Harris & Co., Chairman; Oscar Foster, Snyder, Wilson & Co.; Fred W. Juergens, Bliss Bowman & Co.

Membership: Burt T. Ryan, Ryan, Sutherland & Co., Chairman; Charles L. Fisher, Stranahan, Harris & Co.; O. J. Rowe, Siler, Roose & Co.

Legislation: Ralph M. Winters, Ralph M. Winters & Co., Chairman; Erwin J. Ward, Siler, Roose & Co.; Arthur M. Welsh, Braun, Bosworth & Co.

Entertainment: James D. MaGee, Braun, Bosworth & Co., Chairman; Durwood Du Bois, Stranahan, Harris & Co.; Celian H. Rorick, Spitzer, Rorick & Co.; Arthur Tresch, Braun, Bosworth & Co.; Warren D. Williams, Ryan, Sutherland & Co.

Speakers & Publicity: Ford R. Weber, Ford R. Weber & Co., Chairman; John F. Norton, Fahey, Clark & Co.; W. C. Gill, Reuben Securities Co.

Leased Lines Interesting

In the May issue of "Guaranteed Stock Quotations," B. W. Pizzini & Co., 52 Broadway, New York City, specialists in guaranteed railroad stocks and bonds, discuss the implications of recent Court decision regarding the tax status of certain leased lines, which the firm considers substantially discounted by the present prices of the stocks. Copies of the bulletin, which contains comparative figures on guaranteed railroad stocks, including dividend records, bid and asked quotations and approximate yield, may be had from B. W. Pizzini & Co. upon request.

NSTA Executive Council Appoints New Officers

The Executive Council of the National Security Traders Association, Inc., announces that it has, on behalf of the Association, accepted the request of Herbert H. Blizzard for leave of absence, which vacated the office of the President. Joseph W. Sener, Mackubin, Legg & Co., Baltimore, Md., has been appointed to the office of President; Thomas A. Akin, Akin-Lambert Co., Los Angeles, Calif., First Vice-President; Oliver Goshia, Collin, Norton & Co., Toledo, Ohio, Second Vice-President.

Mr. Blizzard has been made an ex-officio member of the Executive Council for the fiscal year and Mr. Sener has appointed Benjamin H. Van Keegan, Frank C. Masterson & Co., New York City, a member of the Executive Council.

Edgar N. Snow Is Now With R. S. Dickson Co.

(Special to The Financial Chronicle)

WINSTON - SALEM, N. C. — Edgar N. Snow is now representing R. S. Dickson & Co., Inc. of Charlotte, N. C.; Mr. Snow's offices are located in the Reynolds Building. He was formerly local manager for Scott, Horner & Mason, Inc. and prior thereto was with R. S. Dickson & Co.

Result Of Treasury Bill Offering

Secretary of the Treasury Morgenthau announced on May 4 that the tenders for $150,000,000 or thereabout of 91-day Treasury bills, to be dated May 6 and to mature Aug. 5, 1942, which were offered on May 1, were opened at the Federal Reserve banks on May 4. The following details of this issue are revealed:

Total applied for ______ $354,590,000
Total accepted ______ 150,400,000

Range of accepted bids:

High — 99.938. Equivalent rate approximately 0.245%.

Low — 99.906. Equivalant rate approximately 0.372%.

Average price, 99.910. Equivalent rate approximately 0.358%.

(72% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on May 6 in amount of $150,092,000.

Ask NYSE Members To Volunteer On OPA Bd.

The New York City branch of the Office of the Price Administration has invited members of the New York Stock Exchange and their partners to volunteer for possible service on Local Price and Rationing Boards. Each board will sit from 10.00 a.m. to 12 noon on alternative days, excluding Saturdays and holidays. Theodore S. Watson, local director of Personnel of the OPA, 149 Broadway, New York, is receiving applications and inquiries.

One Day Nearer Victory

All letters being sent out by B. S. Lichtenstein & Company, 99 Wall Street, New York City, specialists in inactive and unlisted securities, carry the slogan "One day nearer victory."

Gatch Bros.-Jordan & Crago-Smith Merging

(Special to The Financial Chronicle)

ST. LOUIS, MO.—Gatch Bros., Jordan & McKinney, Inc. and Crago, Smith & Canavan, both members of the St. Louis Stock Exchange, have merged their business under the name of Gatch Bros., Jordan & McKinney & Crago, Smith & Canavan, a partnership. Offices of the combined organization, which will act as broker and dealer in government and municipal bonds, general market bonds and listed and unlisted stocks, will be located at 418 Olive Street.

Partners of the new firm are: Nelson B. Gatch, Clifford Paul McKinney, John H. Jordan, Elmer L. Lacey, Roy W. Jordan, Pierre L. Papin, member of the St. Louis Stock Exchange, James A. Yates, Jr., John H. Crago, St. Louis Exchange member, J. Sheppard Smith, Jr. and James M. Canavan.

Butler, Horlacher & Dowling With Moseley

F. S. Moseley & Co., 14 Wall Street, New York City, announce that William J. Butler, previously a partner in the dissolved firm of C. E. Welles & Co., Charles Horlacher and Edward Dowling, both formerly with that company, have become associated with them.

Frank D. Lackey, Jr., member of the New York Stock Exchange and formerly a partner in C. E. Welles & Co., will make his office with F. S. Moseley & Co.

Jos. Walker Admits Smith

W. Seymour Smith will become a partner in Joseph Walker & Sons, 120 Broadway, New York City, members of the New York Stock Exchange, as of May 15th.