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OUR REPORTER'S REPORT

Few things that have happened in recent years have aroused the interest and discussion fostered by the Securities and Exchange Commission's proposed rule X-15161-10, which would compel over-the-counter dealers to quote the nearest market in the purchase or sale of a security to a customer.

Meetings have been frequent throughout the country since the Commission handed up its proposal and there has been a steady outpouring of protests to the Federal agency.

The suggestion did not come as any surprise to the country aggregation as may be reasoned from the response it has occasioned, noticeably from the smaller dealers about the country. The latter have been by far the most vocal.

Presumably the SEC has been quick to recognize the advisability of allowing full and complete discussion of its proposed rule, since it decided to postpone until Sept. 15, the time for interested persons to file written comment.

Executive committees of both the Investment Bankers Association and the National Association of Security Dealers discussed the situation in Chicago on Tuesday, but without making known anything with regard to their findings.

Most people interested recognize there is a problem, but they frankly dislike the regulatory character of the move which embraces the entire industry.

Protect Honest Dealer

Admittedly there is a "fringe," made up of the none-too-scrupulous, which the SEC seeks to reach by application of its proposed rule.

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SEC Bid And Asked Rule Held Impractical In Application

Ignores Basic Concept Of Marketing Procedure

By AN ANONYMOUS DEALER

A headache can be cured, instantaneously and permanently, by chopping off the victim's head. In advanced countries less drastic means are commonly favored. There is no question that the exorbitant profits exacted by a small minority of securities dealers from unsophisticated customers constitute a headache for their legitimate competitors, for the regulatory authorities and for the investing public. The proposed Rule X-15C1-10 now being considered by the Securities & Exchange Commission, however, would seem to be almost as drastic a proposed cure as the guillotine.

So long as there is a securities market, there will be some securities dealers who will place their own immediate profit ahead of the interests of their customers, just as there will always be shyster lawyers and quack doctors to disgrace those honorable professions. As the securities business is now organized, the career of any single dealer frequently guilty of overreaching is likely to be short. First, he will lose his customers in a relatively short time, either through their discovery that their confidence has been abused or because their holdings have been so impaired in quality that no further opportunities exist for profitable trades. Second, investigations by the NASD or by the SEC itself are almost certain to uncover abuses and result in either reform or deregistration. Third, if flagrant enough, abuses cross the borderline into the realm of fraud and subject the perpetrator to criminal prosecution. Thus, when the problem of overreaching would seem to be as nearly solved as any problem of misbehavior can ever be in an imperfect world, it appears a highly inopportune time to impose new and extremely severe burdens on a struggling industry in the effort, however well-intentioned, to secure perfection of behavior.

From the investor's viewpoint there are two questions which he might reasonably ask about any purchase which he has made. First, was the price I paid reasonable in relation to the market? Second, was the security I purchased a good selection for my particular needs? Of the two ques-

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Senate Subcommittee Named To Study Administration Of Withholding Tax

On Aug. 11 Chairman George of the Senate Finance Committee named a subcommittee headed by Senator Clark of Missouri to devise a better method of administering the 5% withholding tax which would go into effect Jan. 1 under the House bill. Associated Press accounts from Washington Aug. 11 reporting this said:

"This action was taken after a less complicated method of computing the tax, resembling the Treasury's existing simplified income tax return, was presented to the committee by Harry C. Gretz of New York, an official of the American Telephone and Telegraph Co.

"The new plan, which is understood to have the endorsement of the Treasury, avoids the necessity of individual computations for each worker by fixing the amounts due from various income groups according to the various allowances for dependents.

"Exact accuracy is not necessary, Mr. Gretz pointed out, since the amount withheld is to be credited against tax income due the following year anyway. The plan also provides that instead of issuing individual tax receipts, which may possibly be lost and are an extra burden upon employers, an employe would receive a statement at the end of the year recording the tax paid to be filed with his income tax return.

"This proposal is understood to go far toward meeting the objections voiced against the administrative burden that would be placed upon employers. These have made such an impression on the committee that Mr. George had proposed the substitution of a flat 3% tax, without deductions, to replace the 5% rate with exemptions."

On the 10th inst. the committee rejected a Treasury recommendation by voting 11 to 4 to permit husbands and wives in the eight community-property states to continue splitting their incomes for Federal tax purposes.

The Associated Press noted:

"Under existing law, married couples in the eight states—California, Texas, Louisiana, Arizona, New Mexico, Nevada, Idaho and Washington—may divide their income and each file an individual return on a half of the total, thus reducing their total taxes.

"The Treasury asked that such income be reported by the earning spouse or jointly in an effort to add $85,000,000 to the House-approved $6,271,000,000 war revenue bill."

As indicated above the Committee decided against the proposal.

According to the New York "Journal of Commerce" the Senate Committee was told on Aug. 10 that it must decide between revenue and adequate supplies of oil and strategic metals necessary for the war effort as representatives of the oil and mining industry, backed up by three Senators and two former Senators, urged retention of present regulations governing depletion allowances and intangible drilling costs. The advices to the "Journal of Commerce" from its Washington bureau continued in part:

"Under present law, oil producers are permitted a depletion allowance of 27½% of gross revenue, while exploiters of minerals are permitted a 15% depletion allowance, operators of coal mines are

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R. T. Ryan To Manage Cohu-Torrey Office

WEST PALM BEACH, FLA.—Cohu & Torrey, members New York Stock Exchange, announce the opening of an office here in the Harvey Building, under the management of Ralph T. Ryan. Mr. Ryan was formerly with Corrigan, Miller & Co. of Miami and prior thereto was with R. S. Dickson & Co., and was an officer of D. M. S. Hegarty & Co., Inc., of New York City.

Ward & Williams Now With Starkweather Co.

Sheldon M. Ward and Edward H. Williams are now associated with Starkweather & Co., 111 Broadway, New York City, members of the New York Stock Exchange. Both were formerly partners in the municipal brokerage firm of Ward & Williams, and were with Lord & Widli. In the past Mr. Ward was with Brown Harriman & Co. and the National City Co. Mr. Williams was with Dougherty, Corkran & Co. and Kidder, Peabody & Co.

Chicago, Wilmington & Franklin Coal Company Common Stock

The Chicago, Wilmington & Franklin Coal Company was incorporated in Massachusetts in 1914 to mine and sell coal and other minerals. The company's present properties consist of two fully mechanized mines and 30,000 acres of coal, coal leases and coal lands in Franklin County, Illinois, representing an estimated 50-year supply. It also owns a majority interest in a subsidiary, Crab Orchard Improvement Company, which in turn owns and operates two mechanized mines in the so-called smokeless field in Raleigh County, West Virginia. Combined productive capacity of the four mines is 22,000 tons per day. Sales for 1941 were 3,435,709 tons, an increase of 12% over 1940. The C. W. & F. mine just outside of West Frankfort in Franklin County, known as Orient No. 2, is understood to be the largest electrically equipped shaft operated mine in the world.

The company's primary business is the mining and sale of bituminous coal. As such, it is very conservatively capitalized and has paid a dividend on its common stock in each of the past six years, something which few of its competitors have been able to do. Its competitive reputation in the industry is among the very best. It is operated under Stone & Webster management and controlled by members of the Stone & Webster families and affiliated interests.

It is interesting to note an absence of funded debt in the company's capitalization. Most of its major competitors have bond issues outstanding with sinking fund requirements which in the past have proven either burdensome or a competitive disadvantage. Capital structure as of Dec. 31, 1941, was as follows:

6% cum. pfd. stock—callable at 105	$329,500
5% cum. Jun. pfd. stock—callable at 100	1,550,000
Common stock—no par	295,000 shs.

The 6% preferred has an annual sinking fund, operative before common dividends, of 2½% of maximum issued and is entitled to 10 votes per share; the original issue was $1,000,000. The 5% junior preferred has one vote per share but sinking fund of 750 shares annually was waived to April 1, 1943. The entire outstanding amount of junior preferred is owned by Stonega Coke & Coal Co. It is understood that purchase of the preferred stocks will be accomplished without recourse to bank borrowing or other financing.

It is understood that the company recently mailed letters to holders of its 6% senior preferred advising that the company had an opportunity to buy the entire issue of junior preferred. Before completing this purchase, it desired to offer holders of the 6% preferred the opportunity of selling their shares to the company at the call price of 105 plus accrued dividends. Such offer expires Nov. 1, 1942. It is also understood that the company has already purchased $550,000 par value of the junior preferred and has an option for one year on the remaining $1,000,000, of which it is obligated to purchase $500,000 within six months. Assuming that all the junior preferred is purchased, only about $20,000 annual requirements on the 6% preferred would remain senior to earnings available to the common stock, obviously a favorable development.

In addition to its normal coal operations, C. W. & F. has important oil interests on its properties in Franklin County. The first oil well was brought in on the company's acreage in sand formation from a shallow depth in the Benton Field of Franklin County in January, 1941. There are now over 225 producing wells in the field, and the company owns or has an interest in 216 of these wells. The company's income from oil is derived from the shallow Tar Sorings sand estimated to have a 15-year minimum productive life. Three major companies (Sohio, Shell and Texas)

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Skillman Named Gov. Of Texas I.B.A. Group

The Texas Group of the Investment Bankers Association of America has elected William O. Skillman, Vice-President of the First National Bank in Dallas, to represent it as a member of the Board of Governors of the national organization, it was announced through the office of the Association in Chicago. Mr. Skillman was elected to serve from the close of the 1942 convention to the close of the 1944 convention of the Association, filling out the unexpired term of E. Jedd Roe of San Antonio, who resigned as a governor when he recently reentered the United States Army as a Major in the Air Force.

W. O. Skillman

At the same time, it was announced, the Board of Governors of the Association, by special action, has named Mr. Skillman to fill the vacant governorship for the balance of the present Association year, permitting no interruption of the representation of the Texas securities business in matters coming before the Board between now and the annual convention, which is scheduled for October.

Active in both the Texas and the national activities of the association for a number of years, Mr. Skillman served as Secretary-Treasurer of the Texas Group in 1939-1940, and as a member of group or national committees in each year since 1936.

Claude W. Gill Is Now With Reuben Securities

(Special to The Financial Chronicle)

TOLEDO, OHIO—Claude W. Gill has rejoined Reuben Securities Co., 618 Madison Avenue. Mr. Gill for the past six years was with Bliss Bowman & Co. of which he was an officer.

Philadelphia Salesmen Fight Disclosure Plan

PHILADELPHIA, PA. — The Board of Governors of the Philadelphia Association of Securities Salesmen held a special meeting here and approved a motion instructing Clifton D. Bunting, First Boston Corporation, President of the Association, to protest vigorously to Ganson Purcell, Chairman of the Securities and Exchange Commission, against the adoption of the proposed rule which would compel over-the-counter dealers to disclose bid and asked quotations at the time of purchase and/or sale on each principal transaction.

The Board also directed W. V. McKenzie, Secretary of the Association, to request members to write to the SEC voicing their personal convictions regarding the proposed rule.

Association to Represent All Dealers in Opposing Destructive Measures Now Being Formed

Formation of an independent Nation-wide association of security dealers, which would represent the industry as a whole and assure a united opposition to the "many recent dangers which threaten the very existence of the profession," is in progress and a tentative statement of policy has already been drafted. Plans are now under way in order to encourage all registered dealers to join the new association, regardless of their present connection with any other group. The aim is to have as nearly 100% dealer memberships as possible in the projected organization in order that it may "truly represent every section of the country." It is contemplated that the association will have State and city divisions throughout the Nation, and these divisions will have their own local committee and will be called upon to assist in the preparation of the organization's constitution and by-laws. Counsel has been retained so that the proposed national group will be fully conversant with the legal aspects of its problems and their solution.

The tentative draft of the proposed organization's fundamental policy is as follows:

Whereas the public welfare is identical with that of every security dealer.

The securities profession is suffering from a lack of public understanding and in consequence thereof we have constituted this association for the purpose of remedying the conditions which now adversely affect the interest of the public and the dealer.

Resolved that its efforts to correct the conditions which work against the public good shall be directed along the following lines:

1. To promote a better understanding by the public of the vital importance of the securities profession under our democratic form of government.
2. To develop the natural and legitimate growth of the business for the benefit of the investing public.
3. To interpret, clarify, and when essential, to seek modifications in existing and contemplated Federal and State regulations.

We hereby dedicate ourselves to adherence to the highest principles of business conduct in the securities profession.

At this time of national crisis, we particularly seek to maintain the personnel of our Nation-wide group in order that our essential industry may survive to serve its country in the future as it has done so successfully in the past.

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Parish On Cleveland Victory Fund Comm.

M. J. Fleming, President of the Federal Reserve Bank of Cleveland, announced on Aug. 4 the appointment of L. L. Parish as Assistant Executive Manager of the Fourth (Cleveland) District Victory Fund Committee. Mr. Parish will assist Hugh D. MacBain, Executive Manager of the committee. Mr. Parish has long been identified with the securities industry in this country. After completing his formal education at Northwestern University he entered the employ of John Nuveen of Chicago, which organization was then, as now, engaged in the distribution of municipal securities. In 1902 Mr. Parish was placed in charge of the Nuveen office at Franklin, Pa. In 1910 he came to Cleveland as salesman with Otis & Co. In 1915 he became a partner of Field, Richards & Co., which organization later became Richards, Parish & Lamson. In 1917 he was called for service by Federal Reserve Bank of Cleveland in the Fourth District Liberty Loan organization, where he continued to serve until after the Armistice. Richards, Parish & Lamson later merged with the Herrick Co., where for several years Mr. Parish was in charge of their selling organization. Some years later he sold his interest, and in January, 1931, opened in Cleveland a wire office for Post & Flagg of New York. In 1941 Post & Flagg merged with Jackson & Curtis Co., which, in turn, merged in 1942 with Paine, Webber & Co. under the firm name Paine, Webber, Jackson & Curtis. Mr. Parish has been granted a leave of absence by that organization for the duration of the war.

With N. Y. Nat'l Guard

John T. Cusack, head of the Real Estate Trading Department of Amott, Baker & Co., Incorporated, 150 Broadway, New York City, will be on active duty for the next two weeks with the New York State National Guard.

Curb Govs. Appointed To Committees

At its meeting on Aug. 5 the Board of Governors of the New York Curb Exchange approved the appointment of John S. McDermott, a class A governor, to membership on the Committees on Arbitration, Business Conduct, Public Relations, and General Committee on Outside Supervision. Approval was also granted to the appointments of John Whitney, a class B governor, to membership on the General Committee on Outside Supervision and the Committee on Communications and Commissions, and H. Wallace Cohu, also a class B governor, to membership on the committees on Member Firms and the General Committee on Outside Supervision.

John Wasserman was appointed a member of the Nominating Committee to replace Robert J. Lewis who resigned to enter government service.

Holman Wilson With Urban J. Alexander

(Special to The Financial Chronicle)

LOUISVILLE, KY.—Holman R. Wilson has become associated with Urban J. Alexander Co., Inc., Louisville Trust Building. Mr. Wilson was formerly with W. L. Lyons & Co. in their municipal department and prior thereto was a partner in Moore, McLean & McDermott of Chicago. In the past he was with the National City Co. of New York.

In The Armed Forces

John C. Bogan, Jr., Vice-President of Sheridan, Bogan Co., Philadelphia, and Secretary of the Philadelphia Bond Club, has been commissioned a Lieutenant in the U. S. Navy. Spencer D. Wright, Jr., of Wright, Wood & Co., has been elected to fill Lieut. Bogan's unexpired term as Secretary of the Philadelphia Club.

Arch C. Doty, 105 West Adams Street, Chicago, Ill., member of the Chicago Stock Exchange, is now in the armed forces.

David F. Folz, who has been connected with Leimert-Krieger & Co., Los Angeles, Calif., since its inception in 1931, has received a commission as Lieutenant in the U. S. Naval Reserve and has left for Quonset Point, R. I., for training. **Warren T. Maudlin**, who has been with Liemert-Krieger & Co. for several years, has become associated with the War Department for the duration.

William W. Haerther, 22 West Monroe Street, Chicago, member of the Chicago Stock Exchange, is now in the armed forces.

Dana T. Richardson has joined the U. S. Army Air Corps as a Major. Mr. Richardson has dissolved his investment business of D. T. Richardson & Co., 135 South La Salle Street, Chicago. He had been in business in Chicago for the past 23 years.

H. H. Sherburne of Chas. W. Scranton & Co., 209 Church Street, New Haven, Conn., and formerly a member of the Buying Department of Smith, Barney & Co., has been commissioned a Lieutenant, senior grade, in the United States Naval Reserve. He has received his orders and will report shortly for active duty with the Naval Air Forces.

Excellent Inflation Hedge

Common stock of the Chicago, Wilmington & Franklin Coal Co. offers a double-barrelled hedge against inflation, according to Scherck, Richter Company, Landreth Building, St. Louis, Mo., who will send a special circular prepared by them on this issue upon request.

Time Extended by SEC for Submitting Comments On Proposed Bid and Asked Disclosure Rule

The Securities and Exchange Commission has announced the extension from Aug. 12 to Sept. 15 of the period for receiving comments from brokers and dealers on the proposed rule (X-15C1-10) which would require the disclosure of the market price of securities to the customer by a dealer in every purchase and sale by the dealer.

While many dealers have already sent in their reactions to the proposed rule, many dealers, because of the interference of vacation periods, have written to the Commission asking more time in which to file their comments.

The Aug. 12 date had originally been set by Ganson Purcell, Chairman of the Commission, when copies of the proposed regulation were sent out two weeks ago, since he had hoped to receive sufficient comment from dealers to form the basis for further discussion by a mixed group to meet in Philadelphia shortly after that time.

In addition to the many other associations and dealers' groups taking up the subject during the past week, the executive committee of the Investment Bankers Association met in Chicago to discuss proposed rule.

SEC Profit Disclosure Rule On Counter Dealings Viewed As Threat To Entire Securities Industry

The new rule proposed by the Securities and Exchange Commission which, in effect, would require the disclosure to customers of the gross amount of dealer profit involved in transactions in unlisted securities has served one desirable development. It has had the effect of finally awakening the entire industry, or perhaps more particularly the vast unorganized majority, to the need for concerted action on their part in order to effectively combat this and other proposals equally inimical to the best interests of the industry and to the nation's financial economy. Without such co-operative action, it is obvious that the thousands of individual dealers who have never been adequately represented in the discussion of matters of paramount concern to their own welfare (the recent SEC conferences on industry problems at Philadelphia was a glaring example), will continue to play the collective role of "villain" and therefore suffer the consequences flowing from the absurd and inane rules and regulations which emanate from the existing so-called regulatory agencies.

Some of the letters received this week regarding the SEC bid and asked proposition are published herein. Where it is so requested, we do not reveal either the name of the writer or the firm with which he is associated.

DEALER No. 4

The proposed SEC bid and asked rule is thoroughly impractical and unworkable and its adoption would not afford the investing public any additional protection from "gouging" at the hands of some unscrupulous dealers, but would ultimately destroy a large part of the over-the-counter industry which is rendering an essential service to the public and the national economy. Together with all reputable Broker-Dealers, I am in complete sympathy with the purported objective of the SEC—to prevent some dealers from continuing to make "unconscionable" profits at their customers' expense. It is perfectly apparent, however, that such an objective cannot be achieved by the method proposed or any other similar measure. It seems to me that the NASD has already achieved a certain degree of success in coping with this problem and should be permitted to continue its efforts in that direction. It is my belief, however, that it would be impossible to draft any specific rule or regulation which would be effective in completely eliminating gouging of the public, either in the securities business or any other business. This does not mean, of course, that its occurrence in the securities business cannot be made no more frequent, at least, than in any other business conducted for profit. I suggest that the matter be left with the NASD and would recommend that certain actions be taken which might aid the Association in its endeavors. These include making the Association all-inclusive of the over-the-counter industry, rather than selective in composition, and the expanding of quotations with extensive publicity, rather than contraction in that service as now contemplated. (Above views were expressed by Frank Dunne, President of the New York Security Dealers Association, in an interview with a representative of the "Chronicle.")

DEALER No. 5

F. H. Marvin, of Marvin & Co., Philadelphia, furnishes us with the following copy of a letter, addressed by him to the National Association of Securities Dealers, Inc.:

In the very short time allowed for study of the proposed interpretation of Sections 15 (C) (1) and 15 (C) (2) of the act, my first reaction is that it is deliberately designed to eliminate over-the-counter trading.

The basis of all business is to purchase an article and resell it at a profit sufficient to bear the cost of the transaction and to yield a compensation to the dealer. There is no more reason why a dealer in securities should be required to state the purchase price of a security which he is selling than there is to require John Wanamaker to advise a customer of the cost to him of a suit of clothes. The practical psychological effect in both cases would be to discourage any

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Min. Savings-Loan Honors Mrs. Mudd

MINNEAPOLIS, MINN. — A gold wrist watch was presented to Mrs. D. E. Crary Mudd by the Minnesota Savings and Loan League at a testimonial banquet given in her honor during the annual convention of the organization recently at Labert Lea, Minnesota. Mrs. Mudd was re-elected Secretary-Treasurer of the organization, a post which she has held since 1927. She is assistant to the manager of the Northwestern Federal Savings & Loan Association of Minneapolis.

Cluett Co-Director Of N. Y. Finance Institute

Robert Cluett, III, partner in Burton, Cluett & Dana, and Governor of the New York Stock Exchange, has accepted the position of Co-Director of the New York Institute of Finance, formerly the New York Stock Exchange Institute.

During the Fall Term 1942 the Institute plans to offer basic financial training courses for women and advanced special courses for experienced financial workers. Registration begins September 1.

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.

NEW YORK, N. Y. — **Albert Aberle**, formerly of Burr & Co., is now in the retail sales department of **Amott, Baker & Co., Incorporated**, 150 Broadway.

NEW YORK, N. Y.—**Harry M. Wootten** has joined the investment advisory department of **Reynolds & Co.**, 120 Broadway.

CHICAGO, ILL., — **Morris Siegel**, for thirteen years with Fenner & Beane in Chicago and recently with H. Hentz & Co., has become associated with **Merrill Lynch, Pierce, Fenner & Beane**, Board of Trade Building, as an account executive.

(Special to The Financial Chronicle)
CHICAGO, ILL. — **Brydon O. Myers** is now connected with **Paine, Webber, Jackson & Curtis**, 209 South La Salle Street. Mr. Myers was formerly with Shields & Co. for many years.

(Special to The Financial Chronicle)
DETROIT, MICH.—**Herve H. Hutchison**, previously with Campbell, McCarty & Co., Inc., has joined the staff of **Crouse, Bennett, Smith & Co.**, Penobscot Building.

(Special to The Financial Chronicle)
DETROIT, MICH. — **James W. Crawford**, formerly with Moody, Bollinger & Co., has become affiliated with **C. G. McDonald & Co.**, Buhl Building.

(Special to The Financial Chronicle)
HARTFORD, CONN.—**Frank W. Beckwith** is now with **Coburn & Middlebrook**, 66 Pearl Street. Mr. Beckwith was previously with Robert C. Buell & Co.

(Special to The Financial Chronicle)
MIAMI, FLA. — **Robert Urquhart Alexander** has been added to the staff of **Corrigan, Miller & Co., Inc.**, Security Building.

(Special to The Financial Chronicle)
RALEIGH, N. C.—**John Ennes Crow** has become affiliated with **Oscar Burnett & Co., Inc.**, Commercial Building.

(Special to The Financial Chronicle)
ST. PETERSBURG, FLA.—**Donald J. Van Dyke** is now with **Baynard Bros. Realty & Insurance Co., Inc.**, 687 Central Avenue.

(Special to The Financial Chronicle)
SPOKANE, WASH.—**Mrs. Rhoda G. Anderson** has joined the staff of **Edwin Lavigne & Co.**, Radio Central Building.

John J. O'Brien Co. Continues in Chicago

CHICAGO, ILL.—In the Financial Chronicle of Aug. 6 it was reported that John J. O'Brien III had become associated with the Chicago office of Thomson & McKinnon. This was in error. Mr. O'Brien is a partner in the recently formed Chicago Stock Exchange house of John J. O'Brien & Co., 231 South La Salle Street, which clears through Thomson & McKinnon.

John J. O'Brien & Co. acts as stock, bond and commodity brokers and dealers in general market securities.

J. Clarke Dean Now With Daniel Rice Co.

CHICAGO, ILL. — J. Clarke Dean, one of the best known brokers in Chicago and the Middle West, will become associated with Daniel F. Rice & Company, 141 West Jackson Boulevard, it is announced by Joseph J. Rice, partner. Mr. Dean was recently with Jackson & Curtis and prior to that was associated with Hallgarten & Co. for many years. Daniel F. Rice & Company are members of the New York Stock Exchange, Chicago Board of Trade, Chicago Mercantile Exchange and other exchanges.

Adams & Barron With Thompson Ross Firm

(Special to The Financial Chronicle)
CHICAGO, ILL.—Harry S. Adams and Gerald F. Barron have become associated with Thompson Ross Securities Company, 39 South La Salle Street. Mr. Adams was previously with H. M. Preston & Co., Webber, Darch & Co., and Straus Securities Co. Mr. Barron was with J. P. Blaney & Co. and R. H. Smart & Co.; in the past he conducted his own firm in Chicago, G. F. Barron & Co.

July Mtg. Recording High In St. Paul

Ramsey County mortgage recording (in which county St. Paul, Minn., is located) for July, just past, shows the First Federal Savings and Loan Association of St. Paul second high in amount of mortgages placed on record in said county. First Federal total being $72,600 for the month, which exceeds the amount placed by all of the life insurance companies, and was only $5,000 less than the mortgages placed by all of the banks in the city.

The First Federal, according to H. M. Miller, Secretary, has always paid 3% per annum computed semi-annually.

The association owns no real estate and the unpaid balance of all of its mortgages are now covered by War Damage insurance.

W. A. Fuller Co. Is Formed In Chicago

CHICAGO, ILL.—Organization of a new Chicago Stock Exchange firm, William A. Fuller & Co., with William A. Fuller, Wallace T. Combiths and Jerome F. Marquardt as partners, is announced. Offices will be in the quarters at 209 South La Salle Street now occupied by Fuller, Cruttenden & Co., dissolution of which was announced last month to take place soon.


William A. Fuller

Associated with the new firm will be A. J. Cavanaugh and Joseph T. Fuller, who, with Mr. Combiths and Mr. Marquardt, comprised the trading staff of Fuller, Cruttenden & Co. Mr. Fuller was one of the four partners of Fuller, Cruttenden & Co. He is a governor of the National Association of Securities Dealers and Chairman of its Finance Committee and has taken an active part in its affairs since it was organized. He is also a director of Durez Plastics & Chemicals, Inc., North Tonowanda, N. Y.; Chicago Molded Products Company, Chicago, and Fuller Manufacturing Company, Kalamazoo.

The new firm will do a general trading business in unlisted securities and act as underwriters and wholesale distributors.

Enyart Van Camp Opens Dept. Under Wm. Heyn

CHICAGO, ILL.—Enyart, Van Camp & Co., Inc., 100 West Monroe Street, have opened a department to handle the sale of F.H.A. mortgages. The new department will be under the direction of William P. Heyn, formerly assistant to the chief underwriter in the Chicago office of the F.H.A.

Mr. Heyn's association with Enyart, Van Camp & Co., was previously reported in the "Chronicle" of July 9.

H. C. Evans Appointed Brigadier General

Henry Cotheal Evans, partner in the investment firm of Stein Bros. & Boyce, has been appointed to the temporary rank of Brigadier General. General Evans was born Sept. 17, 1895, at Baltimore, and is a graduate of Johns Hopkins University. He went overseas in May, 1917, with the American field service, serving with the French Army. In October, 1917, he was commissioned a 2nd Lieutenant in the Field Artillery, was promoted to 1st Lieutenant in August, 1918, and Captain in November, 1918.

General Evans was commissioned a Captain in the Maryland National Guard in 1922; promoted to Major in 1930; to Lieutenant Colonel in 1931, and to Colonel on Dec. 24, 1940. He was called into Federal service with the Maryland National Guard on February 3, 1941, as commanding officer of the 110th Field Artillery of the 20th Infantry Division. He is a holder of the Distinguished Service Cross and the Silver Star.

Seaboard Ry. Interesting

Van Tuyl & Abbe, 72 Wall Street, New York City, have prepared a circular on the Seaboard Air Line Railway Company, which may be had from them upon request.

Chicago, Wilmington & Franklin Common Stock

(Continued from page 522)

have built pipelines to the field and are currently paying $1.37 per barrel at the well for the oil. C. W. & F.'s income from oil in 1941 was $862,163 (after direct expenses and taxes). In the first quarter of 1942, it amounted to $247,862 on the same basis. Under present tax laws, it enjoys a 27½% income tax exemption for depletion of a natural resource, but pays a 3% Illinois sales tax which is being contested as inapplicable by other producers. On the basis of earnings for the first quarter of 1942, income per share from oil appears to be running at an annual rate of $3 before Federal income taxes.

Because its stock has been closely held, the company has not issued periodic income statements, but is understood to have operated profitably during most of its 27-year existence. Recognizing the broadening interest which has been developing in its common stock, the company now has adopted the policy of issuing a comprehensive annual statement. The report for 1941 showed net income before taxes and nonrecurring charges of $1,438,015, and $923,019 after such charges, equal to $2.80 per common share.

Net income per share after all charges in the first quarter of 1942 was $341,158, or $1.07 per common share. Coal operations in 1941 were hampered by the 30-day nation-wide strike in April. Demand for coal after the strike developed quite slowly due to prior stocking up by most large consumers. But the second quarter of 1942 will probably break all records for most southern Illinois producers, especially for steadiness of mine operation which increases the margin of profit. It is estimated that Chicago, Wilmington & Franklin's second quarter coal earnings may actually equal those of the first quarter, with prospects for a continuing high rate during the balance of this year. In addition, ceiling prices set by the OPA for the low-cost southern Illinois mines are considered entirely satisfactory.

Net working capital at the end of 1941 amounted to $1,059,000. Total current assets were $1,738,000 against current liabilities of $697,000. Current assets did not include $204,000 of cash in escrow for release of oil royalties or $17,000 of cash in preferred stock sinking fund. Since the end of 1941 the company's current position has been further strengthened by retention of over 75% of earnings to date. At Dec. 31, 1941, mines, equipment and coal rights were carried at a net figure of $8,915,000 after depreciation and depletion reserves of $5,640,000. Total assets were $12,808,000. Book value of the common stock was $34.25 per share, which figure would be substantially larger were oil resources to be capitalized.

Dividends were paid on the common stock through 1931 and cash distributions were resumed in 1937. Payments totaling 40 cents per share in that year also were made in 1938, 1939 and 1940. The total in 1941 was $1, and quarterly payments of 25 cents per share have been made to date in 1942. If, after enactment of the 1942 Revenue Act earnings continue as favorably as is expected, it would be logical to assume a larger dividend than that now being paid and additional preferred retirement. Unlike most bituminous operators, this company's oil interests make its long-term prospects extremely encouraging.

DIVIDEND NOTICES

COLUMBIAN CARBON COMPANY

Eighty-Third Consecutive Quarterly Dividend

The Directors of Columbian Carbon Company have declared a regular quarterly dividend of $1.00 per share payable September 10, 1942, to stockholders of record August 21, 1942 at 3 P.M.

GEORGE L. BUBB
Treasurer

HOMESTAKE MINING COMPANY
Dividend No. 856

The Board of Directors has declared dividend No. 856 of thirty-seven and one-half cents ($.37½) per share of $12.50 par value Capital Stock, payable August 25, 1942 to stockholders of record 3:00 o'clock P. M., August 20, 1942.

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

R. A. CLARK, *Secretary*.
August 4, 1942.

Spencer Kellogg & Sons, Inc.

A quarterly dividend of $0.50 per share has been declared on the stock, payable September 10, 1942, to Stockholders of record as of the close of business August 22, 1942.

JAMES L. WICKSTEAD, Treasurer

DIVIDEND NOTICES

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 seventy-five cents ($.75) per share on the outstanding common stock, payable September 14, 1942, to stockholders of record at the close of business August 22, 1942.

B. E. HUTCHINSON
Chairman, Finance Committee

J. I. Case Company
Incorporated

Racine, Wis., August 7, 1942.

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company, and a dividend of $3.00 per share upon the outstanding Common Stock of this Company have been declared payable October 1, 1942, to holders of record at the close of business September 12, 1942.

THEO. JOHNSON, *Secretary*.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Offensive in Pacific may start market off on new advance. But no sustained move expected until United Nations begin major offensive against Hitler.

It is still too soon to estimate the degree of success from the offensive begun by our forces against the Japs in the Solomons and in Kodiak. There is little doubt but these new developments will give the market a fillip but I doubt whether an isolated offensive against enemy outposts packs enough charge to really get the market going. If you really want good news, news that will electrify not only the market but the nation as well, it will have to come from an all out offensive across the English Channel.

* * *

I realize as well as you do military tactics have little place in a column theoretically devoted to market analysis and forecast. Yet present day markets hinge so completely on military and naval strategy that to ignore them would be short sighted. Time and again I have propounded the theory that market action alone would indicate the tides of war; whether they were running against or veering towards us. And time and again the market action has forecast coming events. But no market no matter how sensitive can forecast the tides of warfare no matter how much so-called inside information is possessed by any of its followers. The best it can do is either wait and see, or act on hope.

* * *

So far as "wait and see" is concerned we have already seen this tiresome accomplishment paraded before our eyes for these long weary months. "Hope," is something else. It depends on crowd psychology which interprets events to the tune of wishful thinking. Sometimes this wishful thinking takes the form "inflation" and the concommitant anxiety to do "something about it." This may in turn bring an upward surge in stock prices. (I'm assuming inflation minded people buy stocks).

* * *

As one buys his purchase is recorded on the ticker tape. If sellers are few and buyers anxious this kind of buying marks prices up. This in turn brings out still more buying and changes the picture again. So it goes. Meanwhile stories

(Continued on page 536)

Insured Investment With Liberal Return

The Danielson Federal Savings and Loan Association, 84 Main Street, Danielson, Conn., will be glad to send a booklet and full particulars on insured Federal Savings & Loan investments, which offer, the association declares, unusual opportunities for safety and liberal return on investment. Current dividend rate of 3% per annum.

Secondary Market Review

Shields & Co., 44 Wall St., New York City, members of the New York Stock Exchange and other leading Exchanges, have just released in booklet form a 2½-year review of secondary market distributions. The review which records total secondary distributions from Jan. 1, 1940, to June 30, 1942, includes in the compilation both off-board transactions and "special offerings." Copies may be had from Shields & Co. upon request.

Purdy Joins Automotive Council for War Production

DETROIT, MICH.—Richard T. Purdy, manager of the municipal buying department of the First of Michigan Corporation, Buhl Building, has joined the staff of the Automotive Council for War Production, it is announced.

Atlantic City Bonds Interesting

Allen & Company, 30 Broad Street, New York City, are distributing a circular on Atlantic City, N. J., 3% to 4½% general refunding bonds, which offer an attractive prospect at the present time, the firm believes. Copies of the circular discussing the situation in some detail may be had upon request from Allen & Co.

Ins. Stocks Attractive

Mackubin, Legg & Company, 22 Light Street, Baltimore, Md., members of the New York Stock Exchange, has prepared for distribution interesting circulars discussing the current situation in Eetna Casualty & Surety Company, American Surety Company, Hartford Fire Insurance Company, Insurance Company of North America, National Union Fire Insurance Company, North River Insurance Company, Providence Washington Insurance Company, and United States Fidelity and Guaranty Company, all of which offer, the firm feels, interesting possibilities. Copies of the circulars may be had upon request by writing to Mackubin, Legg & Company, Bank & Insurance Stocks Department.

United Securities Appoints; Opens Orlando Office

United Securities Corporation announces the appointment of Benjamin E. Arnold, Edgar A. Densmore and Mrs. Ruth H. Matchett as Vice-Presidents of their company.

Mr. Arnold and Mr. Densmore will be co-managers of the firm's recently opened Orlando, Fla., office, 703-704 Florida Bank Building, with which Mrs. Matchett will also be associated.

RAILROAD SECURITIES

The railroads had their day before the Senate Finance Committee last week and were able to marshal impressive arguments supporting their plea for so-called tax relief in the matter of purchases of their own bonds. Actually the plea is for equity and a more realistic approach to the problem rather than for any "relief." There has apparently been some misconception as to the workings of the present rules with respect to when the profit represented by the difference between purchase price of bonds reacquired in the open market and par value is established. It has been held that when bonds are bought and kept alive in the company's treasury there is no profit established until the maturity date of the bonds. Actually the ruling is that a taxable profit has been established as soon as the bonds are acquired for the treasury of the obligor.

On the other hand, purchases by a subsidiary or affiliated company of the obligor do not result in an immediate taxable profit, as the bonds are still considered as outstanding. Many of the roads, therefore, have adopted the expedient of purchases through their subsidiaries. Purchases of bonds below par are also tax free if the company gets a certificate of financial insolvency. Railroad managements are loath to take advantage of this escape clause even though prevailing prices for their obligations may give ample evidence of general public distrust as to their financial status. For one thing, the stigma of a certificate of insolvency would have an adverse long-term effect on general railroad credit, and for another thing the certificate would stand in the way of present or future RFC aid. The railroads are attempting to have the law changed so as to make the bond purchases tax free without any certificate of financial insolvency.

In testifying before the Senate Finance Committee, R. V. Fletcher, Vice-President of the AAR, stated that the Treasury was sympathetic to the proposed amendment, and it is generally expected that constructive action will be taken by the Finance Committee and the Senate as a whole. It so, railroad bond men look for an immediate and sharp acceleration of the rate of railroad bond purchases by the companies themselves, particularly where near- or intermediate-term maturities pose a sizable problem. Other roads which are not faced with important maturities for a long period of years may not enter the market so aggressively, preferring to build up more impressive cash balances to support fixed charges if a severe deflation is encountered after the war.

There is another tax factor which has received little attention in its possible effect on railroads, but which might potentially be very important. It has been suggested that corporations and individuals be allowed to use a portion of their net income for the retirement of debt, that portion of the income to be exempt from income taxes, surtaxes, and the excess profits tax. Such a proposal, if enacted into law and applied to the railroads, would unquestionably mean purchases or other debt retirement by all railroads to the full extent of the allowable deduction.

When talk turns to the possibility of tax relief to the railroads in their debt retirement programs, the spotlight naturally turns to Southern Pacific Co. From an earnings standpoint the road is about the best situated of the marginal roads to make important inroads, and from the standpoint of intermediate-term maturities it has one of the most difficult problems to hurdle. Interest centers on the road because it is not difficult to visualize a solving of the impending problems, contrasted with an enveloping pall of gloom a year or so ago. The balance sheet as of the end of last year showed a total of $246,568,000 of publicly-held non-equipment debt maturing within 10 years, constituting 38% of the system's total non-equipment debt outstanding. There were $15,000,000 of bank loans among the 10-year maturities, with bonded indebtedness making up the balance, distributed as follows:

1943	$8,727,000
1946	64,904,000
1949	132,280,625
1950	24,790,800
1951	866,000

Last year Southern Pacific retired roundly $34,500,000 of non-equipment debt, and so far this year the balance of the bank loans have been liquidated, and it is indicated that additional open market purchases of bonds have been made. The company is in a very strong financial position, and if not impeded by tax considerations should be able to devote virtually its entire net income to debt retirement from here on. Operations are showing wide improvement, and it is now indicated that net for the year will top $55,000,000.

As much as $50,000,000 may be used for debt retirement, which would cover the bank loans and the 1943 maturities in full and allow reduction of the 1946 maturity to about $36,000,000 on the basis of purchase of the latter at an average price of 90. Regardless of the outcome of the war, it now appears obvious that the present rate of traffic will be maintained at least through 1943 and earnings should also be well supported. If $50,000,000 could again be diverted to debt retirement, the company would then be able to provide for the 1946 maturity in full and start eating away at the 1949 problem in 1943. Obviously it would take very little time to put Southern Pacific into an impregnable debt position if tax problems allow sound utilization of the present opportunities.

Good Return Plus Safety From Insured Investment

The Oak Park Federal Savings & Loan Association, 104 North Marion Street, Oak Park, Ill., will be pleased to send upon request a booklet giving full details on the desirability of insured Federal Savings & Loan investments.

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; August 12 price—37⅛.

Bank and Insurance Stocks

This Week — Bank Stocks

While the industrial changes which have taken place since this country entered the war have been spectacular an equally radical though less apparent transition has been occurring in the banking business. In the 10 years prior to 1941 conditions in the banking business have marked the most distinctive period in the history of the industry. Now, however, there are signs that this era is coming to an end with the impact of the war on the national economy.

The banks had become accustomed to a situation wherein there was a steadily increasing supply of funds and a continuing lack of demand for bank credit because of a partly idle industrial plant. With the devaluation of the dollar in 1934 and the subsequent flight of capital from war threatened Europe to the United States, the gold flow to this country added substantially to the cash in the banking system. Thus in spite of the unprecedented supply of Government obligations which were made available to investors by the deficit financing of the depression years, interest rates continued their decline and remained at the lowest levels in history under the pressure of the record breaking total of excess reserves.

These fundamental elements in the structure of the money market have undergone a substantial change. Excess reserves reached a peak of $7,000,000,000 in the latter part of 1940 but have since declined to a present total of somewhat over $2,000,000,000. The gold movement to this country has ceased and the prospect of substantial future deficit financing by the Government through the banks will tend to decrease excess reserves further. In addition there is the added factor of booming industrial activity and the probable continued demand of industry for a substantial volume of bank credit to help finance the war effort.

While the immediate outlook for bank profits has been clouded by the rise in bank operating costs and the substantial increase in bank taxes the foregoing developments may point to an eventual change in the trend of interest rates. After all, the major factor which has held down bank earnings for the past several years has been the low return on earning assets and an improvement in this direction could, in the long run, do much to offset the increase in operating costs and taxes.

Bank stocks have appealed primarily to the conservative investor who is interested in the stability of income and the intrinsic value of the security he holds. In this connection it seems that most of the larger banks will be able to maintain their dividend rates even in the face of the impending increases in costs and taxes, as earnings in the majority of cases have covered dividend requirements by relatively safe margins.

While everyone is reconciled to making substantial sacrifices during the war period and to do their full share in paying the bill for victory, all investors have a genuine interest in the post-war position of their investments. In the case of industrial companies there may be many dislocations during the period of transition to a peacetime economy. On the other hand, the banks may find their immediate post-war positions improved by the change-over to normal peace time business conditions. During the war much of the burden of financing production has been taken over by the Government but it is to be expected that with a return to private enterprise for the enormous demands of reconstruction that the banks will again become the primary source of business credit.

While it is true that the bank stock investor may face a period of sacrifice along with other investors it should be compensating to consider the long-term position of bank stocks which is bolstered by the strong position of the banking system, the intrinsic value of bank assets and the prospects of higher money rates and a greater demand for bank credit after the war.

Savings Earn With Safety

Savings and Loan insured accounts offer good income, with safety, and are legal investment for trust funds, according to an interesting booklet on these investments issued by S. R. Gaynes & Co., 225 Broadway, New York City, brokers specializing in the sale of Federal Savings and Loan insured certificates. Copies may be had from S. R. Gaynes & Co. upon request—ask for Booklet F.

Sees Cotton Price Rise

The improbability of producing a cotton crop this season sufficiently large to satisfy the growing demand for the staple is advanced by Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchange and other leading Stock and Commodity Exchanges, as the basic reason for a prospective rise in cotton prices.

"This country will need more than 12,500,000 bales and the chances of producing that quantity are indeed slim and would require a yield per acre around the highest on record," according to a study just completed by the commodity department of the firm. "No experienced cotton farmer would count upon it at this early stage of the growing season.

"Reserve stocks as represented by government holdings are rapidly diminishing and at a time when Russia will probably be an added consumer of our cotton under the Lend-Lease program. According to the Bureau of Agricultural Economics July Issue—In 1942 and 1943 the volume of manufactured goods available for civilian purchases will be sharply reduced from 1941, whereas consumer income will be sharply higher. This places a tremendous pressure on commodity prices during 1942 and 1943. Thus civilian demand is also going to increase."

In its study, the firm points out that cotton "is a war product and is used extensively for war purposes. It is also a peace time product but under the wear and tear of destruction its use increases. It also responds in price to inflation because it is recognized throughout the world as maintaining value regardless of what occurs to the value of others things including money."

Govt.-Guaranteed Loans To War Plants

In the four months since the issuance of the President's executive order authorizing the Army, Navy and Maritime Commission to guarantee loans for war production purposes more than 800 loans, aggregating approximately $450,000,000, have been authorized through the Federal Reserve banks, acting as agents for these services, it was announced on Aug. 5 by Donald M. Nelson, Chairman of the War Production Board. Mr. Nelson revealed that the loans, which are made through regular banking channels under the guarantees provided by the armed services and the Maritime Commission, have ranged in amount from $400 to $40,000,000. Nearly 60% of the total number of loans were for amounts under $100,000. Loans have been made principally to sub-contractors, and in many instances to prime contractors, all of whom were thus enabled to obtain through regular banking channels the necessary financing for essential war production. In issuing the over-all figures, Mr. Nelson made the following statement:

"The War and Navy Departments and the Maritime Commission were authorized by Executive Order 9112, signed by the President on March 26, 1942, to make, participate in, or to guarantee, loans to firms engaged in production essential to the war effort. The Federal Reserve banks were appointed as agents of these departments to execute the necessary guarantees.

"The need for such an executive order arose from the fact that many contractors and sub-contractors, both large and small, received a volume of war orders much larger than could be financed with their invested capital and their normal borrowing capacity.

"Since the issuance of the executive order and the setting up of the necessary organization to make it effective, covered by Regulation V by the Federal Reserve Board, it has been possible to arrange for prompt financing of these borrowers who previously were unable to obtain adequate financing through commercial channels. Thus a large amount of war production has been facilitated, and this is significant for what has been added to the volume of war material rather than for the mere dollar volume entailed.

"The primary purpose of the executive order—to expedite war production by relieving contractors of financial problems—is being successfully achieved. In the four-month period through July 25 guarantees have been authorized aggregating approximately $450,000,000. The widespread utilization of the loans is indicated by the fact that the amounts of the loans range from $400 to $40,000,000. Nearly 60% of the total number of loans have been for amounts of less than $100,000. Only about $6,000,000 of authorized guarantees have not been utilized, and this figure is not included in the $450,000,000 total of loans authorized. I might point out that loans have been made in all parts of the United States and have covered a wide variety of war requirements—camouflage nets, planes, gun turrets, sub-chasers, sleeping bags, to mention just a few at random.

"One purpose of the present procedure in making loans of this type has been to utilize to the fullest extent the existing banking facilities of the country instead of setting up a Government bureau or agency to duplicate such financial organizations. In this purpose, too, we have been successful. The banking institutions of the country have cooperated fully in these loans, their unguaranteed participations ranging from 10% up to 90%.

"Contractors and financial institutions desiring information on the procedure for loans under Executive Order 9112 should inquire at the nearest Federal Reserve bank or branch."

July Failures Again Lower Than Year Ago

July business failures were lower than in June and also lower than a year ago, both as to the number and amount involved. Business insolvencies last month, according to Dun & Bradstreet, Inc., totaled 764 and involved $8,548,000 liabilities, as compared with 804 involving $9,906,000 in June and 908 involving $13,422,000 in July, 1941.

The decreases in number from June took place in all divisions except only the Commercial Service division. When the amount of liabilities is taken into consideration all divisions recorded a decrease from a month ago except the Commercial Service and Retail divisions.

Manufacturing failures last month numbered 120, involving $2,078,000 liabilities, compared with 135 in June with $3,327,000 liabilities. Wholesale insolvencies decreased to 64 with $1,021,000 liabilities from 68, with $1,209,000 liabilities in June. In the Retail trade section, failures were down to 465 from 486 in June but liabilities were up to $3,950,000 from $3,752,000 a month ago. Construction insolvencies numbered 63 with $584,000 liabilities, which compares with 67 with $945,000 liabilties in June. Commercial Service failures numbered 52 with $915,000 liabilities, as against 48 with $673,000 liabilities in June, 1942.

When the country is divided into Federal Reserve districts it is seen that all districts had fewer insolvencies in July than in June with the exceptions of the Philadelphia, Richmond and San Francisco Reserve districts. When liabilities are considered only the Philadelphia and St. Louis Reserve districts had greater liabilities, while all the remaining districts had a smaller amount involved.

Four NASD Governors Now On War Duty

Four Governors of the National Association of Securities Dealers, Inc., have tendered their resignations to the Association since they are intending to devote their whole time to war work or military duties. These are: Francis F. Patton, A. G. Becker & Co., Chicago; Joseph M. Scribner, Singer, Deane & Scribner, Pittsburgh, Pa.; Merville W. McInnis, McInnis, Van Dusen & Co., Seattle, and Harvey Rony, Merrill Lynch, Pierce, Fenner & Beane, Los Angeles, Cal.

H. J. Peiser Rejoins Ira Haupt Co. Staff

Harry J. Peiser is now associated with Ira Haupt & Company in their municipal bond department. For the past seven years Mr. Peiser has been manager of the municipal bond department of John B. Carroll & Company, prior to which time he had been with Ira Haupt & Company from 1933-1938.

Rail Outlook Pro & Con

The coming weeks hold the promise of higher railroad stock and bond prices, according to a memorandum issued by Parrish & Co., 40 Wall Street, New York City, members of the New York Stock Exchange. The memorandum takes up both favorable and unfavorable factors in the rail situation and offers some interesting conclusions. Copies of the memorandum may be had upon request from Parrish & Co.

Committee To Study Withholding Tax

(Continued from First Page)

granted a 5% depletion allowance and sulphur producers are granted a depletion allowance of 23%. Present laws also premit natural resource exploiters the option of amortizing or writing off intangible drilling expenses.

"Ralph E. Davis, representing the American Gas Association, also advocated retention of the depletion allowance plan as provided in present law. He emphasized that a serious gas shortage threatens in the Appalachian area and urged the committee to give careful consideration to the effect of too drastic an increase in taxes on the natural gas industry.

"The Treasury has insisted that present regulations governing depletion and intangible drilling expenses constitute a 'special privilege' to the oil and mining industries and has recommended that depletion should be based on actual cost and that intangible drilling expenses should be amortized over a period of years.

"Senator Thomas (Dem., Okla.), took the witness stand to notify the Senate Finance Committee that if the depletion allowance provisions were changed by the committee, he would oppose the changes on the floor of the Senate when the revenue measure comes up for consideration by the Senate. . . ."

Former Senator Thomas P. Gore, of Oklahoma, led the fight against the Treasury's proposal to place depletion of natural resources on a cost rather than a percentage basis. The former Senator was one of those responsible for the present depletion regulations which were placed in the law in 1918.

The former member of the Senate said that only about $80,000,000 would be added to the Federal revenues by the Treasury's proposal on depletion and intangible drilling expenses, and added that this would be "only enough money to run the war 13 hours and 13 minutes."

The Securities Salesman's Corner

A SALES LETTER THAT PRODUCED RETURNS OF 13%

The following letter was sent to a selected group of 100 people. It produced 13 replies and three firm orders, with the strong possibility that several additional orders will also develop. It has been sent to us by Stanley M. Rosenbaum of A. C. Allyn & Co., Chicago. We believe that after you read it through you will agree with our opinion—that this represents the kind of merchandising that will create business even in the most difficult markets:

Dear Sir:

There is a somewhat unusual situation which may be of interest to you—a certain stock issue that was sold originally in August, 1937, just five year ago. Here are some facts:

1. This stock has yielded over 12%, based upon the par value, for the past three years, and at today's offering price it yields approximately 12.85%.

2. The company's cash has been greatly in excess of all current liabilities the past three years.

3. The earned surplus has increased over 100% the past three years.

4. The net earnings per share after taxes have gone up from $2 to $3.22 during the past three years, while taxes have risen in the same period from 72 cents to $4.72 per share.

Below I am listing its five-year record of earnings and dividends. In addition, there is a three-year record of certain pertinent facts from its balance sheet:

	Earnings	Dividends	Fed. Inc. Taxes Per Share
Fiscal year ended Feb. 28, 1937	$1.35	----	----
Fiscal year ended Feb. 28, 1938	1.70	$1.00	----
Fiscal year ended Feb. 28, 1939	1.00	.75	----
Fiscal year ended Feb. 28, 1940	2.01	1.25	$0.72
Fiscal year ended Feb. 28, 1941	2.12	1.12½	1.51
Fiscal year ended Feb. 28, 1942	3.22	1.30	4.72

	Cash	Current Liabilities	Earned Surplus	Book Value
Feb. 28, 1942	$1,441,601	$1,245,253	$988,562	$15.50
Feb. 28, 1941	884,417	417,521	581,559	13.20
Feb. 28, 1940	746,546	249,309	410,684	12.30

This stock is selling below its par value and considerably lower than the book value. It is neither a "war baby" nor a "peace stock." It's a combination of both.

Naturally I have only selected certain salient features to present in this letter, and the above is in no way to be construed as a complete financial statement of the company. I don't know or care very much whether this stock goes up or down. In my humble opinion it is worth a great deal more than its present offering price, but what is one man's opinion worth today, anyway? Obviously, not very much.

If you would like to know the other side of this picture—namely, what's wrong with this stock, you will have to contact me. Isn't it natural to present only the best side of a proposition like this to begin with?

With kindest regards,

Sincerely yours,

Notice how this letter sustains interest. The four salient points are forcefully emphasized right at the beginning of the letter. The five-year record is clearly shown and it does not make the mistake of becoming too involved. The last two paragraphs seem to say: "I think this is a good investment; somehow I believe you can see why I think so. Let's talk it over." In other words, it's a sincere and friendly invitation to know more. The line, "I don't know or care very much whether this stock goes up or down," in our opinion is a gem. Here's a stock that yields 12.85%, with an excellent past record. As long as the future looks fairly promising that ought to be about all any investor could or should ask for in times like these.

This kind of a sales letter takes time and effort to prepare. It is based upon fundamental merchandizing principles. Research was necessary to uncover this situation. Even after the letter was mailed and the preliminary work was done—we still don't believe that these sales were made without the expenditure of considerable effort. **Remember this is the sort of creative selling that the SEC would completely destroy if their latest proposal to force dealers to show their customer wholesale bid and asked prices on retail trades goes into effect.** It is important that retail security salesmanship survives—the only way to make certain that this iniquitous proposal does not become part of the law regulating the securities business is to organize against it.

Salesmen, get busy! Such intelligent merchandising effort as this should not be destroyed. Any group of men who are good enough to go out and sell securities in these times shouldn't be licked just because some well-meaning theorist over at the SEC gets a brain storm. Get busy and show them that this time **"even you can be wrong."**

P. S.—Because we don't believe that we are at the "end of the road," we are even optimistically hoping that if some of the other readers of this column have a good idea they would like to pass along, that might be helpful to the other fellow, that they will please send it to the editor of this column.

Rayon Yarn Production In 6 Mos. Over 1941

Production of rayon yarn by American mills aggregated 234,700,000 pounds in the first half of 1942 as compared with an output of 218,200,000 pounds reported for the corresponding 1941 period, a gain of 16,500,000 pounds, according to figures compiled by the "Rayon Organon," published by the Textile Economics Bureau, Inc.

The Bureau's advices, made available Aug. 7 stated that second quarter rayon yarn production aggregates 117,600,000 pounds, the second largest quarterly production on record and only slightly below the all-time record of 118,800,000 pounds produced in the final quarter of 1941. Production in the first quarter of 1942 amounted to 117,100,000 pounds and in the second quarter of 1941 output totaled 112,000,000 pounds. The announcement adds:

"For the quarter ended June 30, 1942, the production of viscose-cuprammonium yarn amounted to 76,900,000 pounds, a new all-time high quarterly total. This new record exceeded the previous high of 75,700,000 pounds produced in the last quarter of 1941 by 2%. The acetate division of the industry, however, registered a decline in output to 40,700,000 pounds as compared with a production of 41,900,000 pounds produced in the first quarter of 1942 and a quarterly record total of 43,100,000 pounds produced in the last quarter of 1941. The chief reason for this loss in poundage is the continuation of the progressive reduction in the average denier size of acetate yarn spun.

"Deliveries of rayon filament yarn to domestic consumers totaled 39,900,000 pounds in July as against 38,900,000 pounds in June and 39,400,000 pounds in July 1941. For the seven months ended July, shipments totaled 271,300,000 pounds as compared with 258,600,000 pounds shipped in the corresponding period of 1941. Stocks of rayon filament yarn in hands of producers totaled 6,700,000 pounds on July 31 against 7,000,000 pounds at the end of June.

"Staple fiber deliveries for July totaled 12,600,000 pounds as compared with 13,700,000 pounds in June and 12,600,000 pounds in July 1941, and stocks aggregated 3,200,000 pounds on July 31 against 2,300,000 pounds on June 30. Shipments for the seven months ended July 31 aggregated 88,400,000 pounds as compared with 76,700,000 pounds shipped in the corresponding period last year.

Resign From Coffee Exch. To Enter Govt. Service

William Whitney Pinney, 26th President of the New York Coffee and Sugar Exchange, Inc. resigned on Aug. 5 in order to assume active duty as Lieutenant Senior Grade in the United States Navy. At the same meeting, the resignations of Richard L. Lamborn as Treasurer of the Exchange and Frederick R. Horne as Board member were also accepted. Mr. Lamborn has also entered the service of the Navy as Lieutenant, (J. G.). Mr. Horne has become associated with the Board of Economic Warfare, Sugar Section, with headquarters in Washington.

The Nominating Committee of the Exchange, at a Special Meeting on Aug. 6 proposed the name of William B. Craig as its candidate for the office of President vacated by Mr. Pinney. Mr. Craig is at present the Vice-President of the Exchange and has previously been a member of the Board of Managers and of several of its Committees. He is Vice-President of the sugar importing and brokerage firm of Ledward, Bibby & Co., Inc. with principal offices at 106 Wall Street.

At the same time John C. Gardner was nominated to fill the vacancy in the Exchange created by the resignation of Mr. Lamborn as Treasurer. Mr. Gardner was elected to membership in the Exchange in 1932 and to the Board in January of this year. Mr. Gardner is Vice-President of Lowry & Co., Inc. of this city with which firm he has been associated for many years.

In its announcement of Aug. 5 the Exchange stated:

"Mr. Pinney, a graduate of Harvard University will have seen service in two World Wars, since he enlisted in the Army in 1917, later receiving a commission as Lieutenant in the Flying Corps. During that War he saw 18 months of active service in France. His business career started with the Brazilian Warrant Co. in 1919 and in 1920 he formed the firm of Schwartz & Pinney which continued until 1926 when it was changed to Pinney & Lee, its present form. Since 1935 Mr. Pinney has been Vice-President of the Brazilian Warrant Company, Inc., American representatives of coffee shippers of Central and South America and British East Africa as well as Brazilian cotton shippers. Mr. Pinney was elected to membership in the Exchange in 1929 and has served as Treasurer and Vice-President and was elected to the Presidency in January, 1941."

Investment Trusts

"HOW LOW ARE PRICES?"

"We have all become so accustomed to seeing low prices that it may help us to gain perspective if we compare today's quotations with those which were current when war had not obscured the picture. We, therefore, present a tabulation of the stocks of nine of the largest and most prominent American corporations, selected because these stocks are recognized market leaders. We have deliberately chosen the end of 1938 for comparison because that was anything but a time of optimism. American business had just completed a highly discouraging year and there was yet no valid basis for expecting marked improvement.

Stock—	Dividend Per Share 1938	Price Dec. 31, 1938	Dividend Per Share 1941	Price July 30, 1942	Dividend Per Share 1942 to Date
Anaconda Copper	$.50	$35⅛	$2.50	$25⅝	$1.50
Bethlehem Steel	---	78⅝	6.00	52⅛	4.50
E. I. du Pont	3.25	154½	7.00	114¾	2.25
General Electric	.90	43½	1.40	25¾	1.05
General Motors	1.50	50	3.75	36⅞	1.00
Johns-Manville	.50	105	3.00	57	1.25
Kennecott Copper	1.75	43¾	3.25	29¼	1.00
U. S. Steel	---	69⅛	4.00	47	3.00
Westinghouse Electric	2.50	119½	5.00	66⅛	2.75
Averages	$1.21	$77.68	$3.99	$50.50	$2.03

"To sum up, these nine leaders sold at an average price of 77.68 when their dividends averaged $1.21. Now they are selling more than twenty-seven points lower against 1941 average dividends of $3.99.

"True, 1942 dividends probably will not equal 1941 figures in most cases. But do current prices represent fair values for these issues on the basis of disbursements which may reasonably be expected? Note that six of the nine have already paid or declared dividends in 1942 greater than their totals for the full year of 1938, although 1942 is but little more than half over and the 'year-end extra' period is still ahead. It seems quite safe to say that all will exceed their 1938 payments and some have already disbursed several times those figures.

"Stocks may be lower or higher in the immediate future but we cannot escape the feeling that this is not a good time to try to obtain the exact bottom. If we are to have a bull market the early stages are apt to develop suddenly and cover a great deal of ground. It is easy to miss the boat."—From the Aug. 1 issue of Hugh W. Long & Company's *New York Letter*.

* * *

"Now You Can Do Some Figuring"

"Much tax guess work is now in process of removal—as far as corporations are concerned. When you talk of 45-90% rates, you are talking of the tacitly accepted maxima.

"Today there is a new kind of guessing to be done—numerous proposals are being considered designed to help, rather than burden, corporations. Regardless of their outcome, the fact that they are being considered is a straw in the wind.

"Two of these tentative proposals bear directly upon companies with debt outstanding. One would permit a company to buy in its own bonds in the open market at a discount without paying an income tax upon the so-called "profit" represented by the difference between the purchase price and the book figure or par. If this were put into effect an entirely different tone would be seen in the discount bond market, rails in particular. Many bonds would

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Municipal News & Notes

The move of the Securities and Exchange Commission to extend its regulatory control to the field of municipal securities has been the conversation piece among the fraternity for the past week. Discussion of the SEC's proposal to force disclosure of bid and asked quotations in over-the-counter transactions occupied considerable wire and social time by municipal men. On July 29 the SEC made public a proposed new rule for disclosure to customers of the best bid and asked prices of a security at the time of a sale or purchase or the dealer's cost. Opinions were requested to be submitted to the commission on proposed rule X 15 C 1-10 by yesterday, Aug. 12.

Naturally enough, active opposition to the proposal was forthcoming in short order. Particularly vehement was the attack on the short period of time allotted to dealers on a rule that would vitally affect their course of business. Taking heed of the numerous protests, the SEC was gracious enough to extend a delay until Sept. 15, in order to permit affected parties a more thorough consideration of practical problems raised by the proposed rule.

It is the opinion of Representative Paddock, Illinois Republican, that considerable opposition can be expected in Congress to emgrace municipal securities within such regulatory brackets. He said that Congressional circles "certainly will take appropriate action" if it is realized that powers Congress never gave the SEC—and actually deliberately withheld—are being exerted to the damage of the public and the average American municipality.

The SEC Mr. Paddock declared, "apparently is attempting to assert regulatory powers over the field of public or municipal securities which Congress definitely withheld from its field of operations. The proposed rule as it affects municipal securities, in my opinion is entirely beyond the legal jurisdiction of the commission. The proposed rule is not only unworkable for the over-the-counter industry generally, but would practically destroy the secondary market for municipal bonds by making it impossible for dealers to handle it."

Mr. Paddock traced the repercussions that the proposed ruling would have on municipal markets and in turn on State and city governments and ultimately the local taxpayer. The virtual destruction of the trading market, he explained, "would of course have immediate and disasterous effect on municipal prices, since many customers would be reluctant to purchase at original offerings securities for which subsequent markets would be seriously impaired."

State Income Flow Changes Reported

Abrupt changes developed in the flow of income to the various States and regions during the past year, according to the National Industrial Conference Board. In a recent statement the Board reported that, although every State without exception enjoyed a higher level of income than in 1940, the range of increases was extremely wide, varying from a low of 7% for Montana to a high of 46% for Mississippi. The corresponding range of increases from 1939 to 1940 was much more restricted, the upper limit being only 11.5%. Wider variations also occurred in income by geographic regions, with gains ranging from 14% in the Mountain area to 31% in the Pacific region. The upper limit of regional increases in 1940 was 8%.

"Gains were generally most marked in those areas in which defense and war contracts were highest as compared with their normal peacetime production," the Board commented. "Thus the Pacific area which has had its income raised most sharply also received the highest share of war contracts in proportion to its 1939 manfacturing output. Specifically, total war contracts from June, 1940, to January, 1942, were almost four times as large as total value added by manufacture in this area in 1939. In contrast, the expansion of income in the New England, Middle Atlantic, and East North Central regions, comprising the predominant peacetime manufacturing belt, was slightly below the average for the nation. War contracts awarded to these regions were, in turn, just about equal to the aggregate value of their manufacturing operations in 1939."

Gas Tax Revenue Falls In 26 States

The Federal Works Agency reported last week that June gasoline tax returns in 26 States declined 17% from the same month of 1941, reflecting the effectiveness of measures to conserve tires, gasoline and motor equipment.

All but six of the States are outside the Atlantic seaboard ration area.

The FWA said the six States in the rationed area — Connecticut, Georgia, New York, Rhode Island, Vermont and Virginia — showed the greatest reductions in sales of tax-paid gasoline. Rhode Island was first with a 31% reduction, Virginia and Georgia showing the smallest decline—22%.

Of the 20 States outside the area, South Dakota showed the greatest reduction — 24% — with Mississippi showing the smallest decline with 1.7%.

Cities In Eight States Permitted To Build Reserve Funds For Future Use

Local governments have the necessary legal authority in eight states to lay up money now for financing public improvements which will be needed after the war, the American Municipal Association said Tuesday.

Reserve funds will give cities and counties wide latitude in planning post-war construction and rebuilding of deteriorated facilities without saddling themselves with debt. The construction itself will provide a cushion for absorbing manpower released from war industries and the armed forces.

Though five states—New York, Michigan, Washington, Kentucky and New Jersey—adopted their cash reserve fund laws in 1941 and 1942, the legislation is not a "war idea," the Association said. First law of this kind was adopted by Oregon in 1931 to help cities avoid long-term borrowing and debt for public improvements long after they had worn out.

Oregon authorizes cities, counties and school districts to use accumulated reserves for financing construction of public projects and to buy street and fire-fighting equipment. California cities are authorized by a 1937 law to set up cash reserve funds by ordinance specifying their use. There is no limit on the amount levied annually nor upon the time levies may be extended. Nebraska's fund-enabling legislation of 1939 limits levies, to be approved by voters, to a 10-year period.

Of the states taking action more recently, New York and Washington have the broadest laws, according to the Association. The New York act authorizes the local governing body to make levies without limit on time and amount and without an election. Washington's law is similar, but requires that purpose of any proposed levy must be specified in the ordinance making the levy and may be changed only by a majority vote at a general or special election.

The Michigan act applies to school districts only, while the Kentucky law applies only to boards of education in second-class cities. This year's New Jersey law permits municipalities to budget annually, until the end of the war presumably, for a public works reserve fund.

Considerable use of enabling acts is reported from the eight states. Among California cities, South Gate financed a city hall from capital reserves accumulated out of delinquent taxes and by special levies. More than half a dozen New York cities set up capital reserves last year, including Elmira, Ithaca, North Tonawanda and Jamestown. Four Nebraska cities have set up funds, and 24 municipalities have acted under the 1941 Washington enabling act.

War Risk Coverage For Cities

Coastal cities, the first to use Federally sponsored war risk insurance on municipal property, are covering city buildings and their contents, city-owned bridges and reservoirs, according to the Municipal Finance Officers Association. Some are insuring automotive equipment and police and fire alarm systems.

Baltimore, with the most extensive war risk coverage, is insuring $74,229,000 of property, whereas Seattle is insuring municipal properties for $30,000,000—15% of their total valuation. Los Angeles' war risk insurance totals more than $30,000,000, covering municipal buildings, harbor facilities and water and power facilities. Hartford is covering all public buildings and contents, automotive equipment, street lighting, bridges, and other facilities to the extent of $21,638,000.

Detroit, one of the three inland cities reporting to the Association, will pay premiums on $59,000,000 of insurance. This insurance is on properties valued at $500,000 or more, but it does not include the municipal street railway, Board of Education, and housing authority, which will obtain their own coverage.

Cities reporting that they probably would not buy war damage insurance include New York, which will self-insure; Chicago, Cincinnati and Denver.

N. Y. State Local Debt Control Program

State control of local governmental debt becomes effective next year in New York as first step of a program to establish a uniform finance code for municipalites, the Municipal Finance Officers Association said last Friday. State control will start July 1, 1943, under a law enacted by this year's legislature.

When the program is completed New York will have a State finance code prescribing uniform procedures and minimum standards of operation for local debt, local budgeting, assessment and review and assessment and taxation.

Approved by local officials in general, the new State debt control law resulted from a four-year study by a Temporary State Commission for the Revision and Codification of Laws Relating to Municipal Finance. Debt regulations of the law are considered the minimum, giving municipalities freedom to enact additional or more stringent restrictions. Since the statute is not effective until next July there is opportunity for further study and revision if necessary.

The State debt control act lists projects for which a city may go into debt and their periods of "probable usefulness." New water systems, for example, are listed at 40 years; sewers and electric plants, 30 years; highways, five years; fire trucks from five to 10 years according to cost; public housing, 50 years.

All local bonds must be serial, except in New York City, and detailed restrictions are placed on issuance and repayment of notes. There is no provision for certificates of indebtedness. The law also specifies means for authorization of local obligations, giving form and content of resolutions and procedure for enactment. The local resolution in cities is not subject to mandatory referendum but in school districts the tax must be voted by taxpayers before the resolution is adopted.

Terms, form and contents of obligations are specified and callable bonds are permitted. They cannot be sold at less than par nor can interest be more than 5%. In lieu of advertising sale of bonds in a financial publication, bond houses may be circularized; in any event, bond sales must be advertised in a local newspaper.

After a 20-day period, validity of a bond issue may be attacked only on grounds that it is unconstitutional. "Down payment" provisions for capital improvements include 5% down payment from current funds with annual increases after Jan. 1, 1945. Other provisions of the law cover debt statements, computations of net debt and debt limitations.

After the bill was first introduced in 1941, copies were sent all local attorneys, finance officers and other officials for criticism. The bill was revised on the basis of this criticism and introduced in the 1942 Legislature, which approved it.

West Virginia Awards Bonds

Largest sale thus far this week of long-term bonds was the award Tuesday of $1,000,000 State of West Virginia road bonds to a group comprising Halsey, Stuart & Co., Inc., Blair & Co., Inc., and George B. Gibbons & Co., Inc. The bonds are dated April 1, 1942, and mature serially from Sept. 1, 1943 to 1967. The bankers bid 100.084 for the issue, stipulating that $200,000 of the bonds bear interest at 3%, and $800,000 at 1½%. This was equivalent to an interest cost to the State of 1.567%. Reoffering is being made at prices to yield 0.40 to 1.65%.

This award was made at a basis cost just slightly higher than a similar issue marketed last April but considerably better than the 1.73% interest cost to the State for the $1,000,000 road bond sale on Jan. 27, a few days afer Mr. Morgenthau's little speech in Cleveland.

Seattle Offering Cancelled

The sale of $7,900,000 municipal light and power bonds, which had been scheduled for award yesterday by Seattle, Wash., has been postponed indefinitely. The City Comptroller advises that the postponement was necessitated due to the fact that present construction costs now exceed the original estimates. This is the third time that this flotation has been postponed.

No Major Sales Listed

For the next few weeks there are no sales scheduled which meet our requirement of $500,000 for inclusion in the customary list. Tomorrow Rochester, N. Y., is offering $1,500,000 notes, but we exclude short term issues. Northampton Co., Pa., is also offering tomorrow an issue of $466,000 refunding bonds. Next Tuesday, Jackson, Miss., will market $417,500 street and water bonds. Beyond that there are no important flotations on the horizon.

SEC Profit Disclosure Rule On Counter Dealings Viewed As Threat To Entire Securities Industry

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transaction.

Fraud and deception are abhorrent to all responsible dealers and there can be no objection to any attempt to curb them, but certainly it is improper and unnecessary to kill business in order to prevent fraud therein. Of course, dealers should not reap unconscionable profits and it is perfectly possible for the SEC to set limits upon the profits of any dealer, but the proposed rule is not the way to do it because it discourages business and casts an odium of suspicion around the dealer which is not justified.

It seems to me that the unlisted dealers should write the SEC direct on this question as well as the NASD.

DEALER No. 6

Following letter was sent by Strauss Bros., New York City, to the National Association of Securities Dealers, Inc.:

We cannot sufficiently express our concern over the proposed rule X-15C1-10, relating to disclosure of market prices, and must urge determined opposition on the part of the National Association of Securities Dealers to adopting this rule, the ultimate effect of which may result in total disruption of the over-the-counter market.

Notwithstanding the legitimate intention of this rule to eliminate those in our midst who exist by unscrupulous methods, it seems hard to imagine that a way is chosen which will hurt the honest dealers. Obviously those whose methods of business cannot stand scrutiny are not to be deterred by the necessity of violating still one more rule. The fact that secondary distribution on the exchanges are exempt, must lead to the uneasy conclusion that there is patent discrimination against the over-the-counter dealer, and that the main purpose is not limited to the prevention of abuses, which at the most must be confined to a minority fringe of the industry.

The rule in theory has no place in the general concepts of the relation of any other business to the general public; no business is compelled to disclose its wholesale market to the general public. It is theoretically ridiculous to place disclosure of price within the description of fraudulent practices, since the mechanics of the rule are so unworkable, most probably every dealer in securities would eventually be subject to a charge of fraud. Obviously the securities industry could not hope to survive under such onerous burden.

The rule would prove harmful to the investor for it would ultimately lead to a total stagnation of the over-the-counter market through the collapse of the merchandising efforts of the retail dealer, who primarily is responsible for producing buyers and sellers which permit the maintenance of markets for the large number of securities which obviously could not find no other means of distribution except in the over-the-counter market. The final damage would be the total inability to finance the vast number of smaller companies, whose securities constitute the bulk of business in the over-the-counter markets with serious reverberation to our national economy.

Further, the implication in the rule is to place a stigma on the making of any fair and legitimate profit, as if to presume that the very profit itself no matter how reasonable is something to be abhorred. There appears to be little appreciation of the essential difference between business on the exchanges and in the over-the-counter market—the latter is based on merchandising methods involving substantial expense and effort, and which therefore must have a mark-up above cost in the same manner as any other retail business.

From the standpoint of operation of the rule, it is entirely unworkable in that a retail dealer could not possibly guarantee that any market bid and ask he obtained was the best; it would necessitate the task of approaching every trading house listed as making a market in the particular security—but the fact that any firm is ready to quote a market would not mean that they are also willing actually to buy and sell on that market. The plight of a retail dealer trying to consummate a transaction in a security where the market in a security exists in a different city would be even worse. We wonder what the reaction of his customer would be, if informed by the retail dealer that a considerable amount of telephone and teletype charges would have to be added to his cost in order to permit compliance with the rule—of course, all for the protection of the customer. Nor can we see how a retail dealer can be compelled to disclose what purports to be the professional or wholesale market to his client. This in itself is an improper disclosure since this would give the customer the quite erroneous impression that he could trade on these markets, which actually is not the case.

We could go on citing innumerable instances of the total impracticability of the rule, were it not for the fact that the entire basis of this rule is fundamentally unsound, unreasonable and prejudicial to the interests both of the security dealer and the public.

We must urge the National Association of Securities Dealers to point out that it was organized for the purpose of self-regulation and that if the intention of the rule is merely to prevent excessive markups, that plainly it insist that it is competent enough to deal with this abuse.

The proposal of this rule now confronts the National Association of Securities Dealers with a serious situation, for the breakdown of the Association is inevitable if this rule is adopted, since it would demonstrate that there would no longer be any need for self-regulation.

Yours very truly,
STRAUSS BROS.

DEALER No. 7

John Nickerson, President of John Nickerson & Co., Inc., New York City, sent the following letter to the Investment Bankers Association of America, Chicago:

It is desirable for the good of the investment business to eliminate unreasonable profits on over-the-counter business, but before an attempt to eliminate unreasonable profits is made, what a fair profit is should be clearly defined.

What is a fair profit? No one can say what it is definitely until he is informed of the circumstances under which a given transaction has been executed. Whenever a dealer must do more than go to the market place where a free market exists to buy or sell a security, it is recognized that more than the regular Stock Exchange commission would be a fair commission.

This theory has been confirmed by the recent block sales of prominent securities on the New York Stock Exchange where commissions from one to three points have been given for the sale of well known corporations whose securities are listed on the Stock Exchange. These larger Stock Exchange commissions are recognized as fair because there is no voluntary current demand for common stocks and the demand must be created; the Securities and Exchange Commission has approved these larger commissions. If such larger commissions are reasonable for the very best known corporations merely because there is no current demand for them, what would be a reasonable commission for the execution of orders of the shares of many of the over-the-counter, little known obscure corporations where there is no demand for their securities and where the very identity of the corporation must be made known and conditions surrounding it explained before a demand for its securities may be expected?

There is a vast difference in the cost of completing different types of over-the-counter business. At one end of this great variety of business may be high grade bonds where blocks of $100,000 and more may be sold to one customer. In such a transaction a profit of ¼ of 1% might be considered liberal and even 1/16th might be acceptable. At the other end may be a transaction of 100 shares, 50 shares, 25 shares or even 10 shares of a stock that sells somewhere between $2 and $10 per share. In this group it is a problem to decide what is a fair commission to charge. To consummate such a transaction sometimes requires days and even weeks to locate a willing buyer or a willing seller to complete the transaction. One, two or more men might be devoting a considerable part of their time to the execution of the transaction and it may take days or weeks to complete one transaction. This type of business is the most difficult and, as well, the most costly business to do and it is in these lower priced securities in which most of the exorbitant percentagewise profits are supposed to be taken. Also, it is true that many of such transactions are executed by houses at an actual loss to them.

If the dealer should be forced to inform his customer the over-the-counter market (which in reality is the wholesale market) after he had established, by considerable work, interest in the transaction the chances are that the customer, accustomed to Stock Exchange commission, would be unwilling to allow a profit which would be commensurate with the cost of doing the business. It is well understood that when a dealer profit is known to the customer, it is usually considered too much whatever it may be, if it is any amount beyond the well known Stock Exchange commission.

To make such a rule, as proposed, would simply drive out of business a great number of small investment dealers and salesmen who devote their entire time to creating markets in inactive securities and great harm would be done to the stock and bondholders of these relatively obscure corporations, as the market previously available would disappear. It is more desirable to have a market for inac-

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T. A. Buckner Dies Former Head of N. Y. Life

Thomas Aylette Buckner, former President and Chairman of the Board of the New York Life Insurance Co., died on Aug. 8 in St. Luke's Hospital, New York City. He was 77 years old. Mr. Buckner retired from active service with the New York Life at the end of 1941, after being associated with the insurance company for 62 years.

A native of Bloomington, Ill., Mr. Buckner was a son of Walker and Margaret Tully Buckner. As to the start of the son's business career, the New York "Herald Tribune" of Aug. 9 said:

"His father turned to selling insurance and eventually became general manager for the New York Life Insurance Company for three mid-Western states, with headquarters at Milwaukee, Wis. At 15 Mr. Buckner took a job in the office as office boy at $20 a month, all but $5 of which went for board and room.

"At 21 Mr. Buckner struck out for himself, having received instruction from experienced salesmen in Milwaukee. He went to Ottumwa, Iowa, where he sold small policies of a total value of $250,000 in the first year, an unusual achievement in those days. . . .

"In 1890, the late George W. Perkins, then inspector of New York Life agencies in Chicago, made him cashier at the Wichita, Kan., office.

"Thereafter Mr. Buckner's advance was steady. He succeeded to Mr. Perkins' post when the latter came to New York and followed his former chief here in 1898. In 1900 he became Fourth Vice-President and was made a director the following year. He assumed full charge of the agency force in 1903.

"Under Mr. Buckner's direction, the company's annual sale of policies grew from $200,000,000 to almost a billion dollars. . . .

"He was elected president in 1931 and five years later was promoted to the newly created post of chairman of the board.

"At that time the company had assets of more than $2,400,000,000 and 2,700,000 policies with a total value of $6,600,000,000 were in force. New insurance with a total value of $451,000,000 was issued in 1936.

"Mr. Buckner's 50th anniversary with the company was observed in 1930 with a special sales campaign in which new policies totaling $307,000,000 were sold in three months.

"On his 60th anniversary with the company, April 7, 1940, a testimonial bearing the signatures of 5,000 employees with the New York headquarters, 51 Madison Avenue, was presented to Mr. Buckner. Agents of the company also contributed a 'Memory Book' of 17 volumes, containing their personal messages.

"In 1941 Mr. Buckner retired as chairman of the board and became chairman of the finance committee. He was succeeded by George L. Harrison, who had been President of the Federal Reserve Bank of New York.

"Mr. Buckner's brother, Walker Buckner, who started with New York Life at the age of 14 eventually becoming Executive Vice-President, died in November, 1939. The other brother, Samuel O. Buckner, retired several years ago after 43 years with the company."

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange announces the following weekly firm changes:

The privilege of Edgar Scott to act as alternate on the floor of the Stock Exchange for Moorhead C. Kennedy, Jr., Montgomery, Scott & Co., has been withdrawn.

Interest of the late Earle Dudley Butler in Putnam & Co., Hartford, Conn., ceased as of July 22.

The Status Of Savings And Building And Loan Associations

By MORTON BODFISH

Executive Vice-President United States Savings and Loan League

Four years of rising recovery in the savings and loan business culminating in genuine prosperity in 1941 made significant changes in the percentage distribution of balance sheet items in savings, building and loan associations. A comparison of the consolidated balance sheet for a representative group of such institutions (about 80% of total assets) as of Dec. 31, 1941 and as of Dec. 31, 1937, the beginning of unmistakable recovery in the business, is now possible through the release of the past year's-end statistics for member institutions of the Federal Home Loan Bank system. Such a comparison shows that cash position has been materially bettered, that percentage of first mortgage loans to total assets has bounded steadily upward while real estate owned has become a merely nominal factor on the balance sheet, that reserves have remained intact in spite of the drains upon them by liquidation of real estate owned, and that the temporary investment of funds by the Treasury and by the Home Owners' Loan Corporation has been substantially reduced by regular additions of private capital.

Morton Bodfish

No such elaborate analysis of the over-all picture in the savings and loan business was possible before the depression, so that comparisons with 10 or 15 years ago are impractical. With the advent of the Federal Home Loan Bank system, authorized by a statute enacted 10 years ago last month, however, the gathering of composite statistics on the business without lapse of an interminable amount of time eventually became a reality. The figures from 3,771 separate and distinct savings and loan institutions are reflected in the consolidated balance sheet as of Dec. 31, 1941. They have total assets of approximately $4,800,000,000.

First mortgage loans, at least 60% of their dollar volume representing new lending transactions of the past four years, account for 81.68% of total assets. At the end of 1937, the percentage was only 72.82%. That was when this group of institutions was saddled with 13.77% of assets in real estate owned, the balance sheet item which in the past four years has been whittled down by hard work and a better real estate market to 3.95%. Year after year in suggested policies to the managers of all institutions of this type, the executive council or board of directors of the United States Savings and Loan League, their national business organization, hammered away at the "dispose of your real estate" theme and the balance sheets show how that advice from the leadership within the business, emphasized by the rising real estate market of 1939-1941, has borne fruit. Curiously the item of real estate sold on contract usually representing a transition stage between real estate owned and entirely disposed of, has remained at about the same percentage in each of the balance sheets for the past four years. These contracts many of which are later turned into first mortgage loans represent about 3.62% of assets on the most recent consolidated balance sheet.

Likewise liquidity preachments of the leadership, in various United States League Committee reports, in Management Policy recommendations, and in convention addresses, have not fallen on deaf ears, the latest statistics show. Cash on hand and in banks represented 5.81 of association assets as of Dec. 31, 1941, whereas it was only 3.54% four years ago. Figures from a representative group of associations as at the close of 1935 show that cash was 3.34% of assets at that time. Obviously there has been a steady improvement in cash position each year since the depression depths were reached. This is somewhat of a new psychology in the savings and loan business which traditionally kept as large proportions of its funds as possible at work. The organization leadership has long insisted that the only way to face an unlimited national emergency of a war period was to be able to pay out money when people wanted it. The cash position in the business was thus probably stronger than at any time in savings, building and loan history when War actually came to America.

At the end of 1937, the United States Government, through the Treasury in some cases and through the Home Owners' Loan Corporation in others, was an investor in savings and loan associations to the extent of 7.13% of the liabilities side of the balance sheet. The program of temporary investment of government funds in these privately-owned and operated institutions was designed to get home financing facilities functioning to supply home owners and help stimulate home building. Anticipation was that five years after the first money was so invested it would begin to be repaid to the government, not more than 10% in any one year. True to expectation, private flow of funds has picked up enormously the past three or four years, and many institutions were glad to retire the government shares to make room for the new money from private investors and savers. Process of paying out the government investment was hastened two years ago when the extraordinary burden of the Defense program on the Federal treasury was cited by the President and some means of getting more cash suggested. Many associations paid off entirely, ahead of any planned schedule, the amount of their former government investments. Result was that as of Dec. 31, this past year U. S. Government investments in the

(Continued on page 533)

Fletcher Avenue Saving & Loan Assoc. of Indianapolis

Fifty-two years ago when Shelby Street was known as Dillon Street, a group of neighbors living in the vicinity of Dillon Street and Fletcher Avenue completed their plans for the formation of the Fletcher Avenue Saving and Loan Association. On Aug. 30, 1890, this group of men, led by Nelson Yoke, incorporated this association.

In those days associations sold the money they had to lend at auction. This method caused some borrowers to pay more interest than others. Nelson Yoke, father of Charles R. Yoke, who is now President of the association, had served as director in several building and loan associations. He wished to form an organization which would gladly accept the smallest savings accounts and one which would lend home owners money at a more reasonable interest rate with the privilege of paying the mortgage in small weekly payments.

These ideas were incorporated in the new Fletcher Avenue Saving and Loan Association and, due largely to these fair principles, which have been constantly followed, it has grown to be the second largest association in the State of Indiana.

Business Men's Federal Reports Further Growth

Business Men's Federal Savings and Loan Association reports a substantial increase in the amount of mortgage loans on its books at the close of business June 30, 1942.

The increase from June 30, 1941, to June 30, 1942, amounts to $86,994. The total number of mortgage loans has increased 31; in other words, from 285 to 316. The number of savings accounts has increased from 1,043 to 1,077, which is considered quite substantial for the reason that the association have sold a very large amount of Defense and War Savings Bonds. While the number of accounts has increased, the dollar amount is substantially the same as a year ago. The reserve and undivided profits accounts have been credited with $16,000 in the past year.

The total assets of this association are $1,621,216.33.

The downtown location, between the Post Office and the Court House, being within close proximity to all hotels makes it an ideal location for out-of-town business.

Michigan's Largest Federal

First Federal Savings and Loan Association of Detroit was chartered in 1933 by the United States Government through the Federal Home Loan Bank Board, and operates under supervision of and periodical examination by that Government agency. Since its organization First Federal has grown steadily and substantially—and is today Michigan's largest Federal Savings and Loan Association.

Directors are:

Paul W. Voorhies, Chairman, Voorhies, Long, Ryan & McNair, attorneys.

Hon. Wilbur M. Brucker, Clark, Klein, Brucker & Waples, attorneys.

Walter Gehrke, President.

John A. McIvor, J. A. McIvor Lumber Co.

Fred J. Robinson, Fred J. Robinson Lumber Co.

Jean T. Sheafor, Secretary-Treasurer Michigan Bell Telephone Co.

C. S. Vaughn, Vaughn-Bigelow Co., realtors.

Robert K. Vinton, The Vinton Corp., builders.

William C. Walz, President Ann Arbor Federal Savings and Loan Association, Ann Arbor, Mich.

A Story Behind The Name Of This Association

In the summer of 1889 the Rev. George Heldman, the pastor of St. Paul's Church, 22d Place and Hoyne Avenue, Chicago, called a meeting of the men of the scattered community (32 of them) and urged the formation of a building and loan association. This was accomplished, and as a recognition of the good father's foresight and labor the association took the name of his church, St. Paul's, even though there were folks of other denominations in the original group.

In 53 years the St. Paul Federal Savings and Loan Association of Chicago has maintained its office in the shadow of old St. Paul's Church. There are still on the books dozens of descendants of the families who joined in the first year, third and fourth generations.

The Federal Home Loan Bank System And Its Relation To The Savings And Loan Field

By J. A. WHITE

In the nine years and a half since the Federal Home Loan Bank system was started, the savings, building and loan associations and cooperative banks have acquired $50,000,000 of its capital stock. This is between a third and a fourth of the total $175,532,650 capital stock of the 12 regional banks which make up the system. The savings and loan institutions are thus co-owners with the Reconstruction Finance Corporation, to which the stock originally subscribed by the United States Government was transferred last year, a sum of $124,741,000. The investment of the savings and loan institutions was increased by some $4,000,000 in the last fiscal year, and has increased steadily each of the previous years.

Ownership of stock in the regional bank of its district, in an amount equivalent to at least 1% of its home mortgage loans outstanding, entitles a savings and loan institution to full membership in the system. There were 3,771 member institutions at the beginning of the year, 1942, and the number had increased to 3,815 by June 30.

Thus, the system comprises a majority of the savings and loan institutions in the country and about 80% of the assets of such institutions. It is adding a few new members, usually from the smaller savings and loan institutions, as each month passes.

Purpose of the Federal Home Loan Bank system is to be a reserve institution for home financing institutions, principally those locally owned and operated. When member associations have more loan demand than the funds flowing in from their investors will supply, they can turn to the Federal Home Loan Bank for a supplementary stream of funds. Likewise, when a heavy and unanticipated demand for repurchase of investors' shares comes along, the Federal Home Loan Bank is there to advance the needed cash with which the member association can pay out on the same schedule as investors customarily associate with that particular institution.

As of June 30, 1942, there were 1,826 associations—not quite half of the members—using some of their borrowing capacity at their respective regional Federal Home Loan Banks, borrowing a total of $192,644,936. The cumulative total which member associations have obtained from the Bank system in its nine and one-half years existence is approximately $1,000,000,000. The highest amount which has been outstanding at any one month end was $219,446,000, on Dec. 31, 1941. The largest number of institutions borrowing from the Bank system at the close of any fiscal year was 2,682 on June 30, 1938.

The Bank system is established under provisions of the Federal Home Loan Bank Act and is a pre-New Deal instrumentality designed for permanent service in rounding out the credit reserve structure of the Nation. Following the 19-year-old precedent of the Federal Reserve system (the Federal Home Loan Bank system was established in 1932) the system was decentralized so that it is composed of 12 autonomous regional banks, each serving a district of two or more States. Their aggregate assets were $311,721,000 on June 30. The size of the various banks has evolved in the first decade of the system's operation largely according to the use which savings and loan institutions in the district have found for their services. Largest of the 12 is the Federal Home Loan Bank of Chicago, whose district comprises Illinois and Wisconsin, and which has total assets of $43,000,000. Second in rank is that of New York which has $37,242,000 assets and which serves New York State and New Jersey. The Federal Home Loan Bank of Winston-Salem with $35,395,000 assets ranks third, serving one of the largest geographical districts in the system, i. e., Maryland, District of Columbia, Virginia, the Carolinas, Georgia, Florida, and Alabama. Rank of the other banks and their assets is as follows: Cincinnati, $31,952,000; Los Angeles, $26,060,000; Pittsburgh, $25,277,000; Boston, $25,082,000; Indianapolis, $23,840,000; Des Moines, $23,207,000; Little Rock, $15,217,000; Topeka, $13,145,000; Portland, $12,193,000.

Current lending rates among the banks on money advanced to member savings and loan associations range from 1½ to 3%. There is considerable variety among the different banks as to interest rates charged on various types of advances. All of the banks make long term advances for periods of 10 years with regular amortization and also short term advances, including non-collateralized loans. The 10 year loans are secured by the pledging of mortgages by the borrowing association.

As of June 30, there were pledged to the banks 126,605 individual home mortgages with a total face value of $323,075,351. These mortgages plus $1,125,900 worth of United States Government bonds secured advances totaling $140,143,951. The remaining dollar volume of advances outstanding, 27.3%, represents non-collateralized loans.

The 12 Federal Home Loan Banks have consistently made money and paid dividends on the stock owned by member associations and by the Government. During the nine and a half years since associations began to buy stock in this Bank system, they have received in dividends a total of $4,225,108; the United States Treasury has been paid $12,021,339 as a major stock holder in the Federal Home Loan Bank system; and the Reconstruction Finance Corporation since it took over the Treasury's stock has received $2,166,153.

Reserves have been steadily increased, according to provisions in the Federal Home Loan Bank Act. The 12 banks had a total surplus and undivided profits of $14,105,921, or 4.5% of total capital and liabilities as of June 30, 1942.

The system has outstanding consolidated debentures of varying terms in the amount of $91,500,000. Series outstanding on June 30 were a 2% issue, two ¾ of 1% shorter term issues, and a ⅞ of 1% issue. Through this device the banks have obtained all of the funds with which they have operated, since the operations of the system put the original capital completely to work.

The deposit function of the 12 Federal Home Loan Banks has been relatively little used in comparison with its lending facilities. There is, however, some $27,779,000 now deposited with the banks by their member associations. The sum represents funds which are surplus over and above the need for home loans in these associations' respective communities. The banks pay ½ of 1% on time deposits, except that three of them do not offer any return on such funds.

Security holdings of the banks, totaling $68,499,085 are $59,600,000 in excess of statutory requirements for liquidity. All are United States Government obligations or securities fully guaranteed by the United States, and they form a liquidity factor secondary to the $47,320,114 in cash in the 12 banks on June 30.

Such is the general position of the 12 Federal Home Loan Banks which constitute the savings and loan associations' reserve credit facilities. All are on a permanent self supporting basis, are staffed by competent experienced men, the majority of them with a savings and loan association background. Boards of Directors of each of the regional banks consist of eight representatives elected by the member associations in the district and four persons residing in the district and appointed as public interest directors by the Federal Home Loan Bank Administration in Washington.

"A Safer & Better Plan" For Investors & Trustees

The Atlanta Federal Savings & Loan Association, 22 Marietta Street, Atlanta, Ga., will be glad to send investors, trustees and other fiduciaries a copy of their free booklet, "A Safer and Better Plan," describing the advantages of investing in insured Federal Savings & Loan investments.

UP-TOWN AFTER 3

THE MOVIES

All too often when the movies buy a best seller and make a picture from it the results are as different to the reading public as they are unrecognizable to the author. There have been cases where the movie was better than the book but these can be counted on the fingers of one hand. Among the candidates for as good as or better than the books on which they were based were, **"Grapes of Wrath," "Mrs. Miniver"** and **"The Stars Look Down."** To these can now be added Twentieth Century-Fox's treatment of Nevil Shute's book, **"The Pied Piper."** The novel itself was exciting enough but with Irving Pichel's fine direction, Nunally Johnson's fine writing and Monty Woolley's grand acting, the movie becomes one of the pictures of the year. An aged Englishman, on a holiday in southern France, is caught by the war and starts to pack for home. A distracted mother prevails upon him to take her two small children with him. Woolley, the irascible bearded Britisher, detests children, but agrees. On the trek north he gradually accumulates other children who have either seen their parents killed by the onrushing Nazi's or been separated from them. How the pitiful group is caught just as it is climbing aboard a small fishing boat and how it finally gets away is something you will have to see for yourself. While the story deals with a grim subject it has its light moments. Woolley's pedantic stand on geography is full of chuckles. His discomfiture and horrified amazement as the party grows on its stumbling trip north is something to see. Woolley's characterization as Mr. Howard entitles him to whatever Oscar's Hollywood can offer. Roddy McDougall, one of the children, plays the part of the small English lad with understanding and without annoying precociousness. Anne Baxter, as Nicole, the French girl, who takes over the party and leads it to the Channel, is not only very pretty but well suited for the role. Otto Preminger, as Nazi Major Diessen, who captures Woolley and accuses him of being a British agent, does well in an unsympathetic role. **"The Pied Piper,"** a fine movie, is heartily recommended. . . . **"A-Haunting We Will Go"** is the first feature length Laurel & Hardy comedy made by Twentieth Century-Fox. It isn't a movie you need to go out of your way to see but if you're looking for chuckles, it has its points. Certainly the kids will go for it with a whoop. Laurel & Hardy do the usual crazy things in their usual crazy fashion. They get mixed up with a gang when they agree to accompany a coffin on a train trip. On the same train is a magician with an identical coffin as a prop. Naturally the two comedians get the coffins mixed up. They then get jobs with the magician and proceed to break up his act. It's slapstick all the way. Still it has its moments.

AROUND THE TOWN

For a bit of 19th Century Russian atmosphere try New York's oldest Russian restaurant, the **Russian Bear** (645 Lexington Ave.). According to owner, Matislaw Tarwid, through his press agent, Rene Reeves (a dead ringer for Desi Arnez), the present place is a counterpart of the original Russian Bear, established in St. Petersburg, Russia, back in 1909, by Antoin Tarwid, father of the present owner. Even the decorations, fixtures, up to and including room dimensions, are supposed to have been faithfully reproduced. How factual this bit of information is I have no way of knowing for while the architectural data may be the basis for the present place certain American additions have been made no Russian place ever had, booths near the bar and even a juke box. The food is authentic enough, however. On the menu you will find jaw-breaking names as Zrazi Polonaise, Boyarskiye Bitochki (chopped meat balls in sour cream) and something called Chakhobkhibili a la Tiflis, which is baked spring chicken in a spicy sauce served en casserole. In case these names frighten you the waiters or waitresses will tell you what's in them or the menu itself explains the ingredients. Of course, being a Russian restaurant, vodka is almost a must. Most people here seem to drink it straight but if you don't want it that way they have a list of about 20 cocktails in which vodka is used. A Russian orchestra (the violinist is good) plays all the time. Prices range from about $1 to whatever else you want to spend. Cocktails are approximately 50 cents.

Anyhow, It's A Good Story

It was about 5 o'clock in the afternoon of a dull day when the phone rang in the customer room in the main office of **Merrill Lynch**, etc., etc. Everybody having gone for the day a tired customer's man picked it up. "Merrill Lynch," he said in one of those small tired voices. "Please repeat that," said the voice at the other end. The customer's man did. "This," added the voice sharply, "is Mr. Pierce," and hung up. The customer's man, a bit worried, decided discretion the better part of valor and didn't tell anybody about it. Two days later the firm's chief operator was called into one of the partner's rooms, to find an elderly gray-haired, bespectacled gentleman behind the desk. "I am Mr. Pierce," said the gentleman. "In the future," he added, in a crisp decisive voice, "remember the firm name to be given when answering phones is, **Merrill Lynch, PIERCE, Fenner & Beane.**" The girl left in a daze.

Investment Trusts

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go out of the market forever, and those remaining outstanding would be in a much stronger position.

"Another proposal would permit companies with debt to deflect some part of their earnings from the tax collector to the creditors. Again, the credit position of companies would be improved.

"These and many other developments suggest that, while the field of individual taxation remains for further exploitation, the long road of heavier and yet heavier taxation upon corporations has about come to the point of turning the other way."—From the Aug. 5 issue of Lord, Abbett's *Union Dealer*.

"With municipal bonds practically at their lows in yield and highs in price for 1942, it seems only reasonable to assume that they will prove vulnerable whenever the situation assumes aspects that cause the numerous and important unfavorable factors to be given emphasis (though individual issues will retain particular advantages). Regardless of minor fluctuations, there seems little prospect of any appreciable rise from current levels; on the contrary, there is reason to look for eventually lower levels. While this is a specialized field of investment, and state and municipal bonds are usually held for particular reasons, the import of the predominance of unfavorable factors deserves careful consideration by investors, especially those of institutional type."—From the conclusion of an article, "Unfavorable Factors Cloud Municipal Bond Outlook," in the Aug. 6 issue of National Securities & Research Corp.'s *Investment Timing Service*.

* * *

Investment Company Briefs

The Keystone Corporation is out with a new folder, "Classes of Securities," which represents the last word in the ten-year development of its logical presentation of Keystone Custodian Funds. The folder is a simple, handsome job in which three multi-color charts tell most of the story.

* * *

National Securities & Research Corp. reports the following portfolio changes in its National Securities Series and First Mutual Trust Fund during July. Additions: Cessna Aircraft; Diamond T Motor Car, Erie Railroad, Irving Air Chute, Southern Railway, Continental Can. Eliminations: Bethlehem Steel, International Harvester, International Paper, Montgomery Ward, Westinghouse Electric, Youngstown Steel Door, Texas & Pacific "C" 5s 1979.

This sponsor reports sales of National Securities Series and First Mutual Trust Fund during July, 1942 at 92% above the same month last year.

* * *

Lord, Abbett has two new folders on Union Trusteed Funds off the press. One is a composite summary of all the funds with figures and data brought up to date. The other is a to-the-point presentation of Union Bond Fund "C" and is titled, "You Can Get Good Investment Income!"

* * *

"An Illogical Market Provides A Logical Opportunity" is the caption to a recent folder published by Hare's, Ltd. It makes the point that, statistically, fire insurance stocks are cheaper than they have been for years. To quote from the folder, "As of Dec. 31, 1941 the aggregate Liquidating Value of the (21 leading fire insurance) companies was 3% above the 1929 year-end figure and Premiums Written in 1941 were 6% greater than during 1929, but the market index is currently 60% below the 1929 high."

* * *

The current issue of the New York Stocks, Inc. investment holding list contains in addition to the usual information an interesting tabulation comparing the performance of the various Series with the Dow-Jones Averages for two recent periods. In the longer period eleven out of the sixteen industrial series outperformed both the Industrial and the Railroad Averages.

A folder listing the Aug. 1, 1942 investment holdings of Manhattan Bond Fund, Inc. also sets forth the historical record of distributions made to shareholders. Ordinary distributions (from bond interest) during the past twelve months were equal to 6% of the Aug. 1 offering price. Including extraordinary distributions (from realized security profits), the total distributions were equal to 7.4% of the Aug. 1 offering price.

* * *

The Aug. 6 issue of Calvin Bullock's *Bulletin* comments on the ten-year growth record of Dividend Shares. More than 40,000 investors own Dividend Shares today. Assets of the company total more than $33,000,000. In the past ten historic years, dividends to investors have been paid regularly in the aggregate amount of $19,333,939.74, of which $7,526,850.84 was from profits realized from sales of securities owned by the company.

Purchases of Dividend Shares by investors for the first six months of 1942 were over 25% greater, in dollar volume, than for the first six months of last year. In July of this year, purchases of Dividend Shares were over 70% greater, in dollar volume, than for the same month last year.

Our Reporter On "Governments"

By S. F. PORTER

The August financing is over. . . . The Treasury has raised all the cash it needs for this month by resort to an almost bewildering variety of borrowing moves—war bonds, discount bills, certificates of indebtedness, "taps". . . . The job has been done well, handled with magnificent sophistication by the authorities, has been finished in a significantly short time. . . . At this writing, the books on the tap 2½s still are open and the Victory Fund Committees in the 12 Federal Reserve districts are working day and night to bring in new subscribers to these long-term obligations. . . . Comments on the total to be brought in, therefore, must be vague but all indications are the amount will be above the billion mark—in other words, far above the May aggregate. . . . The insurance companies naturally have been subscribing in largest amounts. . . . Savings banks have turned in a better record than last time. . . . Hard-to-get investors—such as trust funds, corporations, estates, etc. —have been reached in greater numbers by the committees. . . . It has been a good job all around and now the time has come to appraise in calm manner the effectiveness of the Treasury's present war financing policy. . . .

Everything favorable that can be said has been said about the way Secretary Morgenthau is managing his Herculean war financing task. . . . The "proof is in the pudding" and the fact is the Treasury is getting the money it needs with a minimum amount of disturbance to the price level and with a maximum degree of efficiency. . . . Efficiency, that is, if we accept at the start the Secretary's theory that month-to-month borrowings are preferable to the now-and-then huge financings of the first World War. . . .

But the point is more and more experts are not accepting that premise. . . . The criticisms are that (1) the offerings are coming too fast; (2) the rapidity with which the financings are coming is working against the committees and other volunteers trying to build up a broad demand for Government bonds; (3) not enough time is allowed to create the "ballyhoo" necessary to spread Government bonds to every corner of the land; (4) the Government list is becoming too unwieldy, too long and the job is not anywhere near completed. . . .

One story—coming from informed sources—is that pressure is growing at the Treasury for a return to the quarterly borrowing system of the 1917-19 period. . . . In late September or possibly in October, an issue of $5,000,000,000 or maybe $10,000,000,000 bonds may be offered to any and all takers, to banks and insurance companies, individuals and corporations. . . . The issue wouldn't be a substitute for war bonds or a substitute for the short-term financings needed from time to time. . . . But it would take the place of taps now, 2s next month, 2⅛s the month after, etc., etc. . . .

The report is not confirmed but it persists. . . . The logic behind the move is obvious . . . If the Treasury decides to try this program, it can enlist dealers and financial experts in every city and town right now in a preliminary build-up campaign. . . . The demand for the bonds to come can be stimulated long before the issue actually is tendered. . . . The committees will know what's coming, when it's coming, how big the loan is going to be, what the time-limit on subscriptions is. . . . They can get to work building buying interest just the way investment bankers get to work creating investor interest for new corporate issues (long before the day of offering comes, as you know). . . .

It makes sense. . . . The program has powerful support. . . . So remember this first report and look for a change in war financing policy in the comparatively new future. . . .

(This last sentence is guess-work pure and simple, but in Wall Street, the feeling is that if this program is tried, chances are the maturity of the new bonds will be in the 10-15 year bracket to make them attractive to banks as well as to other conservative investors. . . . And marketability and negotiability will be two necessary features. . . .)

THE Fs AND Gs

And now to another subject—outside of the taps and the certificates, for it is presumed you've been hearing and reading plenty about the latter in recent days. . . . And that subject is the attractiveness of the Fs and Gs. . . .

If you're in a position to buy up to $100,000 Government bonds now and are wondering what issue to buy, the answer is simple. . . . Buy the Fs and Gs, the war bonds due in 12 years which yield 2.5% on a riskless basis. . . . Buy them to the limit you can which —under the change in rules announced July 1—is $100,000 in any calendar year. . . .

There's no bond outstanding in the open market that compares with these in attractiveness. . . . There's no way to get a yield of 2.5% for so short a maturity except through purchases of these war bonds, designed for the wealthier individuals and for corporations in the U. S. . . . Consider, for instance, the 2.08%

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The Status Of Savings And Building And Loan Associations

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associations were down to 4.08% of total capital and liabilities.

Private repurchasable shares, the money of savers on the systematic plan and of lump sum investors, constituted by that time 71.2% of the dollar volume on the liabilities side. Two or three years of prosperity dimensions in the inflow of investments and savings, and of merely normal outgo have brought hundreds of thousands of new investors to the doors of the associations to replace Uncle Sam whose dollars were chiefly valuable to the institutions before the public had rediscovered its predepression faith in a locally-managed thrift and home financing institution. Private repurchasable shares in 1937 were 63.59% of liabilities and capital.

The voluminous inflow from the public is also responsible for the fact that advances from the Federal Home Loan Bank system account for only 4.54% of this side of the balance sheet as compared with 5.59% four years ago. The bank system is permanently established to serve the institutions when their own available funds do not measure up to the demand for loans which they would like to satisfy, but the present is a down period in that need, as compared with four years ago. Member institutions of the bank system can borrow up to 12 times the capital stock which they own in the district Federal Home Loan Bank, and in most cases this borrowing power is equivalent to 50% of their share capital.

Reserves—specific, general and undivided profits—were 7.03% of liabilities in the consolidated balance sheet of Dec. 31. Here again leadership within the business, particularly from the United States League through committees, through official recommendations of its governing bodies, through hints over the business conference table, has never let up on the necessity for strengthening reserves. Some of the institutions have grown rapidly in the past few years and keeping reserve percentages up has been a problem. Others have had to write off part of the value of real estate disposed of, because in numerous instances in hundred of localities there has been no such thing as getting the price for aging properties which appraisers once thought they were worth. Despite these obstacles, the reserve percentage today is within 42/100's of 1% of where it was at the end of 1937.

This over-all picture of the savings, building and loan association system of the country is reassuring. There are localities, even entire Federal Home Loan Bank districts, where the balance sheet item percentages are substantially up or down from the average. Recovery and forward pressing of the institutions in this business have not been so notable in some areas as in others, but by and large the unmistakable version of their story is that these institutions have managed to put their depression experiences almost entirely behind them, and to make definite strides not only in recovering their former $9,000,000,000 position in the financial world, but also in strengthening themselves for the war emergency, which is after all the main consideration regarding them at the present time.

Percentage distribution of balance-sheet items for all savings, building and loan members of Federal Home Loan Bank System

ASSETS	Dec. 31, '41	Dec. 31, '37
First mortgage loans	81.68	72.82
Junior mortgage liens	.06	.17
Other loans (including share loans)	.62	.88
Real estate sold on contract	3.62	3.61
Real estate owned	3.95	13.77
Federal Home Loan Bank st	.99	.96
Other investments	2.01	2.61
Cash on hand and in banks	5.81	3.54
Office building	.98	1.18
Furniture and fixtures	.11	.10
Other Assets	.17	.36
Total Assets	100.00	100.00

CAPITAL & LIABILITIES	Dec. 31, 41	Dec. 31, '37
U. S. Gov. investments	4.08	7.13
Private repurchasable shs	71.20	63.59
Mortgage-pledged shares	2.73	5.77
Deposits and investment certificates	6.91	7.44
Advances from FHLB	4.54	5.59
Other borrowed money	.45	.50
Loans in process	1.39	.63
Advance payments by borrowers	.37	
Other liabilities	.43	1.19
Capital or permanent res.	.55	.71
Deferred credits to future operations	.34	
Specific reserves	.17	.69
General reserves	4.41	4.87
Bonus on shares	.01	
Undivided profits	2.42	1.89
Total Capital & Liabilities	100.00	100.00

Savs.-Loan Activity In First Half 1942

While there was some increase in loans for the purchase of existing homes, the curtailment of new construction was chiefly responsible for a decrease of nearly 19% in the total home financing activities of savings and loan associations in the first six months of 1942, as compared with the first half of 1941, the Federal Home Loan Bank Administration reports. Home financing by these institutions amounted to $531,807,000 in the first half of this year, a decrease of $121,349,000 from the previous January-June figure, it was announced.

For 10 months now the trend in new loans has been downward, with the greatest drop noted during the first quarter of this year. Although continuing to decline through June, the reduction of 8% in the index of lending activity during the past three-month period represented a leveling off from the 21% curtailment in the preceding quarter, after allowance for normal seasonal variations.

The dearth of construction loans continued as the primary cause for decreases in total lending. The new building boom, which was in full swing as late as July, 1941, was soon checked as the demands of war production made materials for new home construction increasingly scarce.

With new dwellings not often available, home seekers turned to existing houses. Loans granted for home purchases rose to $266,229,000, or 50% of all loans made by the thrift and home-financing institutions, the report showed. In the first six months of 1941 such loans amounted to $258,961,000, or only 39% of total lending.

Loans for new construction amounted to $119,393,000, or 22% of the half year's total. This compared with $210,263,000 for the first six months of 1941, or 32% of the home financing total for that period.

Geographically, the decline in lending volume by associations varied widely. The $47,768,000 in lending by all associations in the area served by the Federal Home Loan Bank of Pittsburgh (Pennsylvania, West Virginia and Delaware) represented a reduction of only 6.8% from this district's home financing total for the first six months of 1941.

The volume of loans by all associations in June, $94,095,000, was a drop of only 1% from May, but constituted a decrease of nearly 30% from the figure of $133,640,000 for June, 1941. The savings and loan associations granted loans for the month totaling $15,930,000 for new construction—down 64% from the corresponding month last year—and $52,112,000 for home purchases.

The 3,800 member savings and loan associations of the Federal Home Loan Bank System loaned $448,603,000, or 84% of the total for all associations for the first half of 1942, including $107,336,000 for new construction and $215,433,000 for home purchases.

Result Of Treasury Bill Offering

Secretary of the Treasury Henry Morgenthau Jr. announced on Aug. 10 that the tenders for $350,000,000, or thereabouts, of 91-day Treasury bills dated Aug. 12 and maturing Nov. 12, which were offered on Aug. 7, were opened on Aug. 10 at the Federal Reserve Banks. The details of this issue are as follows:

Total applied for—$594,007,000.

Total accepted—$350,648,000.

Range of accepted bids (excepting three tenders totaling $100,000):

High—99.925, equivalent rate approximately 0.293%.

Low—99.904, equivalent rate approximately 0.376%.

Average price—99.905, equivalent rate approximately 0.372%.

(51% of the amount bid for at the low price was accepted.

There with a maturity of a similar issue of bills on Aug. 12 in amount of $250,692,000.

Calendar of New Security Flotations

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, AUGUST 15

INVESTORS MUTUAL, INC.
Investors Mutual, Inc., filed a registration statement with the SEC for 1,500,000 shares of special capital stock, no par value, of an aggregate offering price of $13,243,362

Address—200 Roanoke Building, Minneapolis, Minn.

Business—Investment trust

Underwriting—Investors Syndicate, 200 Roanoke Building, Minneapolis, Minn., is underwriter of the securities registered

Offering—At market

Proceeds—For investment

Registration Statement No. 2-5028. Form A-2 (7-27-42)

THURSDAY, AUG. 20

NU-ENAMEL CORPORATION
Nu-Enamel Corporation filed a registration statement with the SEC for 106,500 shares of common stock, $1 par value

Address—8 South Michigan Ave., Chicago

Business—The company is engaged in the distribution and sale of enamels, paints, varnishes, linoleum finish, stains, polish and kindred lines, which are principally distributed under the trade name "Nu-Enamel." The products sold by the company are manufactured by Armstrong Paint & Varnish Works, of Chicago, under contract in accordance with the company's formulae and specifications

Underwriting—Floyd D. Cerf Co. is the principal underwriter.

Offering—The principal underwriter is granted the option, until close of business Dec. 31, 1942, to purchase at $1.50 per share all or any part of 72,500 shares of common stock of the company from C. L. Lloyd and all or any part of 34,000 shares from Gladys Lloyd. There is no firm commitment to purchase any of said shares. The principal underwriter has agreed to pay a finder's fee to American Industries Corp., Detroit, Mich., in the amount of 5 cents for each share of common stock purchased by the principal underwriter from the selling stockholders. Offering price to the public will be supplied by amendment

Proceeds—The shares to be offered are already issued and proceeds will go to the individual sellers of the shares

Registration Statement No. 2-5029. Form A-2. (8-1-42)

GENERAL ELECTRIC CONTRIBUTORY PENSION TRUST
General Electric Contributory Pension Trust (W. R. Burrows, I. D. LeFevre, J. W. Lewis, R. C. Muir, D. E. Peck, W. W. Trench, trustees), has filed a registration statement with SEC for $100,000 (estimated amount of employee contributions prior to Oct. 1, 1943.)

Address—No. 1 River Road, Schenectady, N. Y.

Business—Investing the funds of the trust which are received from participants and from the company. Participation in the trust is limited to salaried employes entering the service of the company on and after Jan. 1, 1936 and receiving in excess of $3,000 per year

Underwriting—No underwriters

Offering—Interests of employe participants in pension trust

Proceeds—All of said funds are to be invested by the trustees, and the income thereon allowed to accumulate, for the purpose of making pension payments therefrom to participating employes upon their retirement

Registration Statement No. 2-5031. Form A-1. (8-1-42)

HOLTZER-CABOT ELECTRIC CO.
Holtzer-Cabot Electric Co. filed a registration statement with the SEC for 3,250 shares of 5% cumulative preferred stock, par $100 per share, and 100,000 shares of common stock, par $5 per share

Address—125 Amory St., Boston, Mass.

Business—Business conducted by the company falls into two classifications: the manufacture of electric motors and generators and the manufacture of various types of electric signal equipment.

Underwriting—E. H. Rollins & Sons, Inc. is the principal underwriter for the common shares

Offering—The company is controlled by the Gamewell Company. The securities of the company owned by Gamewell at date of prospectus consist of 8,250 shares of common stock, par value $100 per share, being all of the stock of the Holtzer-Cabot Company outstanding on same date. Upon consummation of a proposed recapitalization plan the outstanding securities of the company will consist of 3,250 shares of 5% cumulative preferred stock, par $100 per share, and 100,000 shares of common stock, par value $5 per share, all owned by the Gamewell Company. The underwriter has entered into an agreement to purchase from Gamewell at a price of $9 per share, the 100,000 shares of common stock. The company has been advised by the underwriter that the latter has entered into an agreement with a single purchaser to sell all the common stock to such purchaser, for an aggregate price of $1,050,000 or $10.50 per share. The registrant company has been advised by Gamewell that although the latter has no agreement with respect to the proposed sale of the preferred stock, Gamewell proposes concurrently with the sale of the common by the underwriter to the single purchaser referred to, to sell all of the preferred stock to the same purchaser for an aggregate sale price of $325,000 or $100 per share upon the representation by purchaser that it is purchasing such preferred stock for its own account for investment and not with any present intention of distributing it. If purchaser subsequently should determine to made distribution of any of such securities, company will file a post-effective amendment stating such terms

Proceeds—All the proceeds from sale will be received by the Gamewell Company.

Registration Statement No. 2-5030. Form S-2. (8-1-42)

Holtzer-Cabot Electric Co. filed on Aug. 10 an amendment to its registration statement in which it changed the registration, as amended, to cover 8,250 shares of common stock, par $100 per share. According to the amended statement E. H. Rollins & Sons, Inc., underwriter, will purchase from Gamewell Company, which owns all of the stock outstanding, the 8,250 shares of common for an aggregate purchase price of $1,225,000. The Gamewell Company will receive all of the proceeds from the sale of the shares which are already issued and outstanding. The H-C Company has been advised by the underwriter that the latter has entered into an agreement with a single purchaser to sell all of the common stock to such purchaser, after the registration statement becomes effective, for an aggregate price of $1,375,000, upon the terms and subject to the conditions set forth in the agreement, one of which being a representation by such purchaser that it is purchasing such common stock for its own account for investment and not with any present intention of distributing it. If the purchaser should subsequently determine to make a distribution of part or all of such securities, the H-C Company will file a post-effectment amendment disclosing the terms of such distribution

MONDAY, AUG. 24

POTOMAC ELECTRIC POWER CO.
Potomac Electric Power Co. filed a registration statement with SEC for $5,000,000 first mortgage bonds, 3¼% series, due Aug. 1, 1977

Address—Potomac Electric Power Company Building, 929 E Street, N.W., Washington, D. C.

Business—The company is part of the North American Co. holding company system. The company is, and intends to continue to be, principally engaged in the generation, transmission, distribution, and sale of electric energy in the District of Columbia and in a limited contiguous territory, largely suburban and rural, in Maryland, and interchanges electric energy with a neighboring utility system

Underwriting—No firm commitment to purchase the $5,000,000 face amount of these bonds has been made. As soon as practicable after the registration statement has become effective, the company, pursuant to Rule U-50 of the SEC proposes publicly to invite sealed written proposals for the purchase of such securities

Offering—The names of the underwriters and the offering price to the public will be supplied by post-effective amendment.

Proceeds—Net proceeds will become part of the company's general funds and will be used to increase company's generating capacity and other fixed capital expenditures. In June 1942 company received $3,-000,000 toward such purposes from the sale of 30,000 shares of its common stock. The company's fixed capital expenditures for 1942 are estimated at $8,691,000. Substantial further expenditures for such purposes will be incurred in 1943. The more important include installation of turbo-generator units and related equipment

Registration Statement No. 2-5032. Form A-2. (8-5-42)

J. D. GILLESPIE, trustee for Cleo George
J. D. Gillespie, trustee for Cleo George, has registered with the SEC certificates of deposit in trust of direct obligations or obligations guaranteed as to principal and interest by the United States, deposited by J. D. Gillespie, trustee, with Mercantile National Bank, Dallas, Texas. Number of certificates of series A is unknown, but aggregate amount is not to exceed $1,500,000.

Address—Gulf States Building, Dallas, Texas.

Business—Investment trust.

Underwriting—Sponsored by J. D. Gillespie, trustee, depositor

Offering—To be sold only to banks at face value

Proceeds—For investment.

Registration Statement No. 2-5033. Form C-1. (8-5-42)

J. D. GILLESPIE, trustee for Cleo George
J. D. Gillespie, trustee for Cleo George, has registered with the SEC certificates of deposit in trust of United States Government direct or guaranteed obligations deposited by J. D. Gillespie with the Mercantile National Bank, Dallas, Texas. Number of certificates of Series B to be issued unknown, but aggregate amount not to exceed $250,000

Address—Gulf States Building, Dallas, Texas.

Business—Investment trust.

Underwriting—Sponsored by depositor.

Offering—At face value

Proceeds—For investment.

Registration Statement No. 2-5034. Form C-1. (8-5-42)

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.

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)

Registration effective 1 p.m. ESWT on June 6, 1942.

CAMILLA CANADIAN MINING CORP., LTD.
Camilla Canadian Mining Corp., Ltd. filed a registration statement with the SEC covering 500,000 shares of capital stock, par value $1 per share

Address—Toronto, Ont.

Business—Mining and milling

Underwriting—Enyart Van Camp & Co., Chicago, underwriter

Offering—Offering price is 25 cents per share, U. S. funds

Purpose—For development, exploration, equipment, milling plant and working capital

Registration Statement No. 2-5013. Form S-3. (6-15-42)

Amendment filed July 2, 1942, to defer effective date

Hearing on suspension, scheduled for July 22 postponed to Aug. 10, 1942.

CENTRAL MAINE POWER CO.
Central Maine Power Co. filed a registration statement with SEC for $14,500,000 first and general mortgage bonds, Series M, maturing July 1, 1972; $5,000,000 ten-year serial notes, maturing serially on July 1 from 1943 to 1952, and 261,910 shares of common stock, par value $10 per share.

Address—9 Green Street, Augusta, Maine

Business—Company is an operating public utility and engages in the electric, gas and water business, entirely within the State of Maine

Underwriting—The bonds and the notes will be sold under the competitive bidding rule of the Commission. Names of underwriters and amounts and offering price to public will be supplied by amendment

Offering—Public offering price of the bonds and notes will be supplied by amendment. The 261,910 shares of common are first to be offered to the holders of the company's outstanding common stock and 6% preferred stock for subscription at $10 per share in accordance with their pre-emptive rights. New England Public Service Co. has subscribed for and agreed to take the 261,910 shares, less any shares as may be subscribed for by stockholders, and to pay therefor in cash at $10 per share provided the proposed merger becomes effective

Proceeds—Statement says that prior to the issue of the securities now registered, Cumberland County Power & Light Co., a public utility incorporated in Maine in 1909, will be merged into the company and Central Maine will thereupon acquire, pursuant to an agreement of merger, the business and all the rights, powers, etc., of Cumberland. After the merger has become effective, the business of the company will include also the business, franchises and properties of Cumberland, the separate existence of which will have ceased

Net proceeds from the financing in accordance with the merger plan recently filed with the commission will be used as follows:

Net proceeds of the series M bonds will be used to pay principal and premium in the redemption at 105% on Oct. 1, 1942, of $1,494,000 face amount of first mortgage, 4% series, due 1960, of Cumberland Power, $1,538,060; to pay principal and premium in the redemption at 105½% on a date in 1942 to be announced of $9,275,-000 face amount first mortgage bonds, 3½% series, due 1966 of Cumberland County $9,784,348 and to pay bank loans made by the company which were incurred for the purchase and construction of facilities $2,650,000.

Net proceeds of the serial notes and the common stock will be used to pay par and premium in the redemption on a date to be fixed in 1942 of an unspecifed number of shares of 6% preferred stock and an unspecified number of shares of 5½% preferred stock of Cumberland County at 130% and 110%, respectively, all of which shares are to be called for redemption by Cumberland County prior to the proposed merger and converted under the agreement of merger into an obligation of the company to deposit the redemption price thereof in trust for the holders of such shares. The amount to be utilized in such redemption will be supplied by amendment.

Additional net proceeds from the sale of serial notes and common stock will be used to acquire 300 shares of the common stock and $6,000 face amount of 5% debentures of Aug. 1, 1936, due Aug. 1, 1956, of Nepsco Services, Inc., and 10 shares of common of Nepsco Appliance Finance Corp. $9,100 and to acquire all of the 650 outstanding shares of the no par capital stock of New England Pole & Treating Co. $110,000.

Balance of net proceeds of the series M bonds, the serial notes and common stock will be used to redeem at $120 per share or otherwise retire on or before Oct. 1, 1942, an unspecified number of shares of 7% preferred stock of the company and for the purchase and construction of facilities for the carrying out of the company's business.

Registration Statement No. 2-5024. Form A-2. (6-29-42)

Central Maine Power Co. on Aug. 5, 1942, filed a request with the SEC to withdraw trust indenture data in view of decision to sell the proposed issue of $5,000,000 10-year serial notes at private sale. On July 16, 1942, company filed an amendment with the SEC to withdraw the proposed notes from registration.

Amendment filed Aug. 3, 1942 to defer effective date

EASTERN COOPERATIVE WHOLESALE, INC.
Eastern Cooperative Wholesale, Inc., filed a registration statement with the SEC for $150,000 4% registered debenture bonds maturing July 1 of each year from 1944 to 1956, inclusive (exclusive of 1950). Company states that $50,000 in maximum principal amount which shall mature in 1944 and $30,000 is maximum principal amount which shall mature in any one of the other years

Address—135 Kent Ave., Brooklyn, N. Y

Business—Wholesale dealer in groceries allied products, including, among other related activities, warehousing and packaging

Underwriting—No underwriter named

Offering—The securities are being sold by the Cooperative directly to its stockholders and friends interested in the cooperative movement without the interposition of any underwriter, dealer, broker or salesman, at 100. No commission will be paid to anyone in conjunction with such sale

Proceeds—Will be used to repay certain private loans and also to reduce certain accounts payable now outstanding for current merchandise, the balance to be used for working capital

Registration Statement No. 2-5002. Form S-2. (5-27-42)

Registration Statement effective 1 p.m., EWT on Aug. 1, 1942 as of 5:30 p.m. EWT July 18, 1942

ELLICOTT DRUG CO.
Ellicott Drug Co. filed a registration statement with the SEC for $350,000 6% debentures, due June 30, 1957.

Address—120 Cherry Street, Buffalo, New York

Business — Company is a cooperative wholesale drug company, selling to its members only, all of whom are retail druggists.

Proceeds — $250,000 of the debentures will be presently issued. Approximately $120,000 of this amount will be issued to replace the outstanding 6% preferred stock which is being eliminated. Approximately $48,000 additional will be issued to retire buying privilege deposits with the company The balance, approximately $78,500 after expenses, will become additional working capital

Offering—The new debentures will be priced at 100 and accrued interest

Registration Statement No. 2-5026. Form A-2. (7-7-42)

Amendment filed July 23, 1942 giving to members of the company only the privilege of exchanging the 6% cumulative preferred stock, par $50, for the debentures on a dollar for dollar basis and or exchange for deposits made by non stockholder members

Amendment filed Aug. 7, 1942, to defer effective date

EQUIPMENT FINANCE CORPORATION
Equipment Finance Corporation has filed a registration statement with the SEC for 5,000 shares of common stock, no par value

Address—Chicago, Ill.

Business—Short term financing etc.

Underwriting—No underwriter named

Offering—Issued prior to registration for cash and property 2,007 shares at $100 per share, and 2,993 shares are to be publicly offered at $100 per share

Proceeds—For trucks, land, building additions, improvements and garaging facilities

Registration Statement No. 2-5023. Form S-2. (6-27-42)

Amendment filed July 23, 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 July 31, 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 outstanding 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 Aug. 6, 1942

HONOLULU RAPID TRANSIT CO., LTD.
Honolulu Rapid Transit Co., Ltd., has filed a registration statement with the SEC for 75,000 shares of 6% cumulative convertible preferred stock, $10 par; and 75,000 shares common stock, $10 par, latter reserved for issuance on conversion of the preferred stock

Address—1140 Alspai St., Honolulu, Hawaii

Business—Company is a public utility engaged in providing urban transportation service to the city of Honolulu, rendered by trolley coaches and gasoline buses

Underwriting—None

Offering—The preferred stock is offered to company's common stockholders of record April 30, 1942, for subscription at $10 per share, on the basis of three shares of preferred stock for each five shares of common stock, to be evidenced by transferable warrants which expire May 29, 1942. Such of the preferred stock not subscribed to on or before May 29, 1942, or not sold on or before June 30, 1942, will be retained by the company, subject to issue and sale, either at private or public sale, at not less than $10 per share

Proceeds will be applied to reduction of outstanding bank loans, aggregating $1,-650,000

Registration Statement No. 2-4973. Form S-2 (3-30-42)

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

Amendment filed, July 30, 1942 to defer effective date

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 July 13, 1942, to defer effective date

LONE STAR STEEL CO.
Lone Star Steel Co. filed registration statement with SEC for $500,000 5% debentures, due 1948; 1,000 warrents to purchase common stock; and 75,000 shares no par common stock

Address—Dallas, Texas

Business—Company is engaged in the manufacture of pig iron and steel

Underwriting — No underwriters are named in registration statement

Offering—The debentures will be offered to the public at 100; each $500 principal amount of the debentures will carry one warrant entitling the holder to purchase 25 shares of common stock of company, at $10 per share. Of the 75,000 shares common stock registered, 25,000 shares are reserved for issuance upon exercise of the warrants, and 50,000 shares will be offered to the public at $10 per share

Proceeds will be used for working capital purposes

Registration Statement No. 2-4997. Form S-2 (5-8-42)

Registration Statement effective 5:30 p.m. EWT on June 17, 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 Aug. 5, 1942, to defer effective date

Southwestern Public Service Co. on July 21 filed an amendment to its registration statement fixing the interest rate on the proposed issue of $18,500,000 first mortgage and collateral trust bonds due 1972 at 3¾%. Interest rates on serial notes will be supplied by amendment

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 Aug. 10, 1942, to defer effective date

UNITED GAS CORPORATION

United Gas Corp. registered $75,000,000 first mortgage and collateral trust 3¼% bonds due 1958

Address—2 Rector Street, New York City

Business—Production and sale of natural gas; part of Electric Bond and Share System

Underwriters—None

Offering Terms—Bonds will be sold to institutional investors, whose names will be supplied by amendment, at 99.34%

Proceeds—To redeem $28,850,000 United Gas Public Service 6% Debentures due 1953; to pay 6% demand note of $25,925,000 to Electric Bond and Share; to repay $2,000,000 open account debt to E. B. & S.; and to purchase from United Gas Pipe Line Co., $6,000,000 of its 1st & Coll. 4% bonds due 1961. Balance will be used in part to reimburse treasury for capital expenditures and possibly to pay accumulated dividends of $9,502,490 on companys $7 preferred stock

Registration Statement No. 2-4760, Form A-2 (5-15-41)

United Gas Corp. filed amendment with SEC on Feb. 21, 1942, stating that it had been unable to further extend the purchase agreements with 14 insurance companies covering the proposed private sale to such insurance companies of $75,000,000 of the company's first mortgage and collateral trust 3¼% bonds, due 1959. This amendment states: "These purchase agreements expired on Feb. 16, 1942. The corporation intends to continue negotiations to the end that its bonds shall be either sold privately, by renewal of the aforesaid agreements or otherwise, or offered to the public as circumstances shall dictate in order to obtain the pest possible price."

Amendment filed Aug. 5, 1942, to defer effective date

SEC Bid And Asked Rule Held Impractical In Application

(Continued from first page)

tions, the second is by far the more important. A few months or years after the date of purchase the matter of the price paid in relation to the then "Street" market will appear insignificant beside the questions whether income to the purchaser of an investment security has been maintained or whether market performance of a speculative security has been better or worse than the trend of stock market averages. A retail securities dealer is really selling two things, securities themselves and his judgment of their intrinsic merits. The latter is by far the most important item of his stock in trade.

The writer's firm has retained the confidence of many intelligent investors for the more than a decade of its existence and this may be taken as a testimonial to the generally sound quality of its partners' judgment. The worst error of judgment in the firm's record may, nevertheless, serve to illustrate the point made. In 1937 members of the firm became enthusiastic about a stock listed on the New York Curb about which new and favorable developments were believed to have occurred. On the firm's recommendation many customers bought the stock at prices between 20 and 25 and all the partners bought the stock for their personal accounts. The only possible profit to the firm, since stock was bought through Curb brokers and no extra commissions were charged, would have accrued through the good will resulting from a further advance in the stock. Actually the stock has declined more or less steadily for five years and is now selling below 5. The firm lost some customers, strained the good will of others and its partners sustained losses in their personal accounts. Many an unlisted security might have been recommended in place of this particular stock, which would have yielded an immediate profit to the firm and a much more satisfactory performance to its customers. This incident could doubtless be duplicated in the files of any active dealer. It shows that a slim profit to the dealer by no means insures satisfaction to the customer.

Granted that the investor has a legitimate concern that the price he pays for a security shall not be too far out of line with the "Street" market, the proposed Rule X-15C1-10 would seem to be both impossible of practical application and highly discriminatory as between groups of broker-dealers. First, as to the practical application, it is obviously impossible for any dealer to state with certainty at any given moment what the "independent" bid and asked price of a particular security are. There are thousands of unlisted securities in each of which only one or two firms regularly "make a market." Nevertheless, there will almost certainly be other firms spasmodically interested in the market and at times making better bids or better offerings than the "regulars." On a given day the interest of such spasmodically interested firms may not appear in the mimeographed sheets of the National Quotation Bureau. Suppose Smith, Jones & Co. regularly appear in the sheets in National Gadget preferred and quote it 78@80 on a given day. How can retail dealer John Doe & Co. possibly know that a small block is overhanging the market at 78¼? Even if Doe's trader telephones every dealer who had advertised in the sheets during the preceding six months, he might not discover that Roe had the best offering at the moment, though he would certainly be placing an unwarranted strain on a war-burdened telephone system.

Going a little more into detail into the theoretical market for National Gadget preferred, let me suppose that a Doe salesman has made some study of the company, thinks well of its financial condition, management and prospects, and has recommended its stock to a customer. The firm's trader telephones Smith, Jones, whose trader quotes it 78@80. Doe's trader now bids Smith, Jones 79 for 25 shares and his bid is accepted. Assuming that Doe's trader has located no better market than 78@80 by previous inquiry, shall the firm record that quotation as the "best independent bid and asked prices" under the proposed rule? There is certainly a logical basis for stating that the actual market at the time of purchase if 79@79, Doe's bid and Smith, Jones' acceptance thereof constituting an offering. To reduce the affair to an absurdity, Richard Roe & Co. is assumed to have been offering stock, but not "out loud," at 78¼. The real market, then, was 79 bid by John Doe, 78¼ asked by Richard Roe.

The circumstances assumed in the foregoing paragraphs are not unusual. On the contrary, they are the commonplace and normal situation, constituting the very foundation of the business of the many trading houses which do not deal directly with the public. This being the case, however, it is clearly impossible for a retail dealer, even with the employment of more than reasonable diligence, to quote the "best independent bid and asked prices" with any degree of assurance. Suppose that the recommendation of National Gadget preferred proves to have been an error of judgment, the stock declines sharply, the customer complains to the SEC or files suit. Under present conditions the dealer would be put to expense and trouble to defend himself; with the proposed rule in operation his troubles would be multiplied.

Beside the type of security above mentioned by way of illustration, there are a great many even more inactive securities of which a retail dealer might be compelled to state, pursuant to section (a) (2) of the proposed rule, that he could find no independent bid or asked price. Such a statement would certainly be calculated to frighten the average unsophisticated investor, who is prone to confuse an active market with quality in a security. If the two things were related, Kreuger & Toll would have been one of the best purchases in the market in 1931, instead of the worst. Actually many securities having inactive markets are of thoroughly sound quality and offer excellent value to private investors. Application of the proposed rule would greatly impair such marketability as these securities now possess, however, and correspondingly injure the interests of their present holders and of their issuers.

Beside being impossible of practical application, as shown above, the proposed rule appears grossly discriminatory. As between groups of registered broker-dealers, the discrimination is in section (d) (2), reading, "This rule shall not apply to . . . any transaction effected on a national securities exchange." Exemption of stock exchange transactions from the proposed rule is certainly discrimination in favor of stock exchange members. If the investor is entitled to a quotation on an unlisted security which he purchases, he is just as much entitled to a quotation on a listed security. With the atrophy of the securities business in recent years, markets in many listed issues, particularly on the New York Curb Exchange and the smaller exchanges outside New York, have become even wider than the average unlisted stock or bond. On a recent day, for example, Bush Terminal 1st 4s, 1952, were quoted 67 bid, 85 asked on the New York Stock Exchange. This was exceptional for this issue, but spreads of 5% to 20% between bid and asked for other inactive listed issues are by no means unusual. Very few newspapers now carry bid and asked quotations of New York Stock Exchange stocks, none carry listed bond bid and asked prices, none but the "Wall Street Journal" carries Curb stock bid and asked prices. Why should the investor be misled by the compulsory disclosure of over-the-counter quotations and be permitted to assume that the sales prices of listed issues indicate close markets? In the case of New York Curb Exchange, whose own seats are currently quoted no bid, $846.25 asked, the proposed discrimination appears particularly incongruous.

Beside being discriminatory as between groups of broker-dealers, the proposed rule is highly discriminatory as between issuing corporations. The securities of publicly-owned but small to medium-sized corporations are customarily traded over the counter. Adoption of the proposed Rule X-15C1-10 would inevitably injure the markets for such securities. In self-protection trading houses would quote wider spreads between bid and asked, ill-informed investors would favor listed securities to a greater degree than at present. Smaller corporations, with security issues not large enough nor widely enough distributed to be suitable for listing, would find their credit impaired, their opportunity for raising new capital diminished. The position of large corporations would be greatly favored by the proposed rule, the trend toward concentration of economic power seriously accelerated.

The proposed rule would undoubtedly make it more difficult for the small minority of unscrupulous dealers to cheat their customers, who constitute a very small fraction indeed of the investing public. In accomplishing this intrinsically desirable result, the rule would impose extremely severe burdens upon the great bulk of the investment dealers of the United States, discriminate against them in favor of the brokers catering to a more speculative clientele, seriously impair the financial machinery upon which we must depend to raise private capital in the reconstruction era ahead, greatly diminish the marketability of outstanding security issues of small to medium sized corporations, accelerate the trend toward concentration of economic power in the larger corporations. Adoption of this ill-devised measure could be likened to nothing so aptly as burning down a barn to rid it of rats.

Our Reporter's Report

(Continued from First Page)

But, it is pointed out, this element would get around a regulatory action, merely through the procedure of building up the file records so as to show a bid.

The rank and file of dealers are anxious to see that element "smoked out." But they dislike more regulation, and would favor instead, some plan which would protect such firms themselves from the actions of "fly-by-nighters," as one commentator put it.

Big houses which merchandise securities, they point out, may make a point or perhaps 2 on securities carried on the shelves, at the usual risk, in some instances for six months. Meanwhile, it is argued that to keep records of bids and offers as projected, would involve no end of added work.

Hopeful For Fall Business

Underwriters, fully aware of the influence exerted by the war on new financing for corporations are inclined to be mildly hopeful in looking toward the fall season. The current lull, though the most pronounced in years, even for the mid-summer "dog-days" has not served to completely discourage them. They see in the "special" and "secondary" offerings and the manner in which these are being absorbed, evidence of availability of investment funds over and above those going into Government securities.

As things now stand, the $5,000,000 issue filed by Potomac Electric Power Co. earlier this month, should be the first piece of new fall business.

The company proposes to sell this issue, to consist of first mortgage bonds, 3¼% series, due 1977, in competitive bidding and should soon issue its call for tenders from potential buyers.

Bankers point out that there remains some $14,500,000 of financing to be done by Central Maine Power Co. This issue has long been in registration as part of a $20,000,000 deal. Other potential business is seen in Public Service of New Hampshire, Florida Power & Light, the latter a large deal, Pennsylvania Electric, Laclede Gas Light, and City of San Antonio.

Specials Still Fill Niche

There is no gainsaying the fact that "special offerings" and twilight deals, have been helping to fill in the time of bankers and brokers alike, and with satisfactory compensation for the effort involved.

Another block of 26,200 American Tobacco common was slated to go to market, either late yesterday, or following the closing today.

This is the second block of the stock to reach market for the account of the same estate, the earlier offering having been snapped up quickly.

Meanwhile, "special" offerings of blocks made on the floor of the Stock Exchange, under its rules, have been more frequent through the week, and in most instances eminently successful.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 525)

start going the rounds about "good news" that in themselves are all too often figments of one's imagination; call it wishful thinking. Not all the stories you hear are the result of such wishful thinking but in present day war markets practically every bit of "inside" stuff you hear is just that.

* * *

It's no wonder that the market ground between two millstones — no accurate knowledge and wishful thinking—acts as it does.

* * *

Since the war first began the democratic countries have been on the defensive, or, what was worse, were ready to talk appeasement. The spirit of hope was in the air. A hope there wouldn't be any war. "No war in our time." A hope if there was a war, we would keep out. And when we were finally forced in, a hope it would be short and a hope we would win.

* * *

The stock market taking its cue from all these hopes acted accordingly. As these hopes went aglimmering it became the popular custom to blame somebody else. Either it was the war mongers or taxes which were at fault.

* * *

The market dealing with facts not abstract theories acted accordingly. It went up a bit on hopes, but refused to maintain any gains on such theories. It went down again. The result was confusion. Home industries were doing well, production was moving apace, still the market wouldn't budge. In my opinion it will not budge, even though it may well move up another five or even ten points, until we begin an offensive not against Jap outposts but at its heart, Tokyo. And not even at Tokyo but at the heart of the Axis—Germany.

* * *

Because I don't know when such an offensive will be started, in force, I continue to advise holding all positions but with stops. The attack against the Japanese in the Pacific is the first good sign. But it's not enough. What the nation and the market needs is an attack against the chief aggressor, Hitler.

* * *

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.]

Rolker & Morse Head J. R. Williston Depts.

J. R. Williston & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announce that Norbert E. Rolker, formerly with Fitzgerald & Co., has become manager of their Investment Department, and Marshall S. Morse, formerly with Lehman Brothers and Schlater, Gardner & Co., Inc., has been appointed manager of their Municipal Bond Department.

J. C. Groshot With Kobbe, Gearhart Co.

J. Charles Groshot has become associated with Kobbe, Gearhart & Company, Inc., 45 Nassau Street, New York City, as manager of the Building & Loan and Real Estate Mortgage Certificates departments. Mr. Groshot has recently been in business for himself in New York and prior thereto he was New York City manager for Lissner & Gross of Newark, N. J.

Payson, Ward Added To N.Y. Victory Fund Group

The Victory Fund Committee for the Second Federal Reserve District, with the approval of the Secretary of the Treasury, has appointed Laurence G. Payson as Assistant Executive Manager of this District, and has appointed Francis T. Ward as Vice-Chairman for Region S (Manhattan and the Bronx).

Mr. Payson, formerly President of the Stock Clearing Corp., is Chairman of the Finance Committee of New York University. Mr. Ward, a former President of the Bond Club of New York and an ex-Governor of the Investment Bankers Association, is a partner in Clark, Dodge & Co. Both Mr. Payson and Mr. Ward have had long experience in the financial field, said the announcement, issued Aug. 6 by Allan Sproul, President of the Federal Reserve Bank of New York and Chairman of the Victory Fund Committee.

Situation Interesting

With events pointing to an early consummation of the reorganization of Philadelphia Reading Coal & Iron Co., the company's 5s of 1973, certificates of deposit, and 6s of 1949 offer an interesting situation at the present time, according to a circular being distributed by Schoonover, de Willers & Co., Inc., 120 Broadway, New York City, copies of which will be sent by the firm upon request.

Dealer Comment On SEC Proposal

(Continued from page 529)

tive securities—even if the cost is high—rather than to have no market at all.

It might be better, if thought necessary, to endeavor to establish two markets for all over-the-counter securities: a wholesale market—and a retail market—such as is done in the New York Bank Stock Market. The obvious difficulty is that in many over-the-counter securities the interest is so narrow that in many issues there is no real market of any kind, excepting when a transaction is being developed by an over-the-counter dealer. There may not be another transaction in that particular security for days, weeks or even months.

The controversial dealer-broker system would not do, also, for the reason that the transactions in each individual issue are in many cases so few and far between that it would not pay a dealer specialist to make markets. Consequently, in such cases the investment house must act in the capacity of both dealer and broker.

If a system of disclosure to customers of cost and profit is the only way to prevent exorbitant charges to the customer, it may be more desirable to insist that dealers advise the customer of the actual cost or sale price of the security to be bought or sold. With such prices as a base, the profit or commission could be negotiated with the customer's approval. If such a procedure were to be tried, it would be essential for the industry in conjunction with the National Association of Securities Dealers, Inc., and the Securities and Exchange Commission to justify in the minds of investors the reasonableness of larger commissions or profits on over-the-counter, inactive, security business.

In such a manner the customer would become informed and educated to know that certain types of business carry for execution a higher range of commission, though within the maximum limits. It would be safer to rely upon actual costs or sale prices for proof of value at the time than upon vagaries of independent markets whose quotations are often nominal and not real.

It appears that both the Securities and Exchange Commission and the National Association of Securities Dealers, Inc., are doing a very good policing job and have already eliminated or disciplined many of the dealers who have been habitually prone to over-charging their customers for business done.

The answer to the problem lies in raising the moral code of the industry by clearly showing to the dealers what are fair profits and insisting that such maximum limitations be complied with. If a blanket rule such as the one proposed were established, it would place in the hands of the customer the decision as to what a fair commission or profit should be and the danger then would become that the cost of business might be greater than the profits received.

The proposed rule X-15C1-10 no doubt would reduce the profits on the over-the-counter business and would prevent exorbitant overcharges, but at ths same time it would stultify all over-the-counter business, including the overwhelming percentage of such business done on a reasonable profit basis. No business of any type can exist where the customer has the right to decide what a fair profit is.

Yours very truly,
JOHN NICKERSON & CO., Inc.
By JOHN NICKERSON

Our Reporter On "Governments"

(Continued from page 532)

yield obtainable on the 2½s of 1954/52, selling at a premium of 3⅝ points. . . . Or consider the maturity you have to accept if you want the 2½s issued in tap form last May. . . . You have to go out to 1967/62. . . .

The Series F bonds are obtainable at $74, mature in 12 years, are discount bonds, yield 2.5%. . . . The Series G bonds carry a 2½% coupon, are obtainable at 100, mature in 12 years. . . .

They can't go down in price, of course. . . . They are far above any other issue in attractiveness, income-wise. . . . You can buy up to $100,000 of them. . . . And that's the story. . . .

Incidentally, the excellent showing for war bond sales in July —the $900,000,000 mark was surpassed, as you know—was largely due to increased purchases by corporations and individuals of the Fs and Gs, under the July 1 relaxation of the quotas. . . .

INSIDE THE MARKET

Country banks and institutions in small centers bought large amounts of the ⅞% certificates. . . . Belief is their subscriptions surpassed any shown on previous issues. . . . Reason was $25,000 minimum allotment figure set and fact that issue carried a ⅞% coupon. . . . Meaning a short-term issue bearing nearly 1%—not bad for these times. . . .

Excess reserves are due for another plunge and in New York and Chicago, that's serious news. . . . New certificates carried war loan deposit privilege but that couldn't prevent some decline. . . . Surplus funds in these two leading financial centers of the nation are getting dangerously close to the bottom and action can't be delayed much longer. . . .

To show how New York's position has declined in the last few years, consider this comparison: in January, 1941, when excess reserves for the country as a whole totaled $6,800,000,000, New York banks held $3,500,000,000 of the total, or more than 50%. . . . A few days ago, when excess reserves for the country as a whole totaled $2,200,000,000, New York banks held $250,000,000 of the total or only about 11%. . . .

That's a terrific shift, and it shows how rapidly money has been flowing out of the New York area. . . . Buying securities in the open market to expand reserves may be one temporary way to correct the situation but surely Federal Reserve support can't be considered a permanent answer. . . . The reserve requirement base must be changed—and changed soon. . . .

Long-term market naturally and logically has been depressed by reopening of books on the taps. . . . But decline seems about over and dealers believe time is approaching for purchase of the 2½s of 1972/67 for a short swing. . . .

Tax-exempt bonds seem good buy now too, according to some traders. . . . Long 2¾s due 1965/60 suggested for consideration by institutions primarily interested in working out best tax-exempt status. . . .

Also reports around that the 2s are being actively supported and the 51/49s closest to par are worth looking at. . . .