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OUR REPORTER'S REPORT

The recent creeping advance in secondary and speculative railroad obligations blossomed into a full-fledged upturn, attended by increasing volume, with the resumption of trading this week.

Mounting activity in that quarter of the list gave the market a really buoyant appearance Tuesday and again yesterday with the turnover substantially exceeding the daily average of around $6,000,000 or $7,000,000 in vogue of late.

Tuesday's turnover, of some $12,000,000, in domestic issues contrasted with an aggregate of only $27,000,000 for all of the preceding week, giving some idea of the scope of the pickup. And yesterday trading was even heavier.

While the bulk of the buying was ascribed to traders and speculators, some observers were satisfied that the railroads themselves were picking up bonds here and there in some volume, against an expected change in the law covering treatment of "indicated profit" on repurchases for retirement.

As the law now stands, the roads and other corporations must first obtain certificates of insolvency before they can make such purchases at discounts from face value without being taxed on the theoretical profits. R. V. Fletcher, Vice-President of the Association of American Railroads, recently aired this situation before the Senate Finance Committee at hearings on the current new revenue bill.

He submitted an amendment, which he said the Treasury tentatively approved, to change the law so that corporations, including the railroads, could make such pur-

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Our Reporter On "Governments"

By S. F. PORTER

A move which is all but riskless and which may bring in some unlooked for profit is to buy into the $342,000,000 Treasury 2s maturing Sept. 15, 1942, or into the $320,000,000 RFC ⅞s maturing Oct. 15, 1942—in anticipation of a favorable refunding offer within the next few weeks. . . . Chances are these two issues, which total only $662,000,000, will be refunded in a separate transaction sometime before the first week of September. . . . Odds are the deal will take place before the next cash offering, because a refunding of this type is likely to stimulate the market generally. . . . Certainly, some holders of the tax-exempt Treasury 2s will want to stay in the tax-exempt classification so they'll do their own refunding, enter the open market and use the cash obtained from sale of the 2s to buy outstanding exempts. . . . That alone should help the appearance of the market for a while and help pave the way for the next big Treasury borrowing. . . .

But to get back to the profit possibilities in purchasing the maturing issues now. . . . The RFCs are selling at 100.3 to yield a minus equivalent of 1/64 to October 15, a minus of 5/64 to September 15. . . . The Treasury 2s are selling at 100.5 to yield a minus equivalent of 3/64 to September 15. . . . In other words, purchase of either or both of these issues necessitates virtually no risk for the worst that can happen is that they'll be paid off at par and you'll lose a fraction for having put your idle cash into a maturing security for a few weeks. . . .

The best that can happen is that a refunding issue will be tendered which will be worth a few 32nds—maybe ¼ point—in the open market shortly after the sale. . . . By having the securities to be turned in, you'll get in on that exchange and make a few dollars therefore. . . . It's not much—but it's something. . . . And the move has no angles to it that any official might object to. . . .

DEALERS AT A LOW

The other day, a broker in the New York market traded $1,000,000 of the certificates of indebtedness for a customer at a $20 commission. . . . And that was before payment to whatever bank was involved of the small bank charges demanded. . . . At the same time, one dealer, who has been particularly successful on uncovering profitable transactions in the past, remarked "there's nothing doing—I just sit here wondering what to do next." . . . At that same moment, a third trader said he was considering going out of the Government bond field altogether because as he saw it, there would be no worthwhile profits for dealers for many months or years to come. . . .

This report is presented not as an invitation to pessimism but as a possible sign of what lies ahead. . . . One thing is certain: the U. S. authorities have this market under control now and intend to use their best endeavors to keep it there. . . . Another thing is the big, spectacular dealer profits of days gone by will not be tolerated at a time such as this. . . .

INSIDE THE MARKET

The response to the taps has astonished even the men who ran the sale. . . . While the billion-dollar mark was hoped for, off-the-record conversations among Victory Fund Committee spokesmen and Treasury representatives indicated the fiscal authorities would have been satisfied with $900,000,000 to $1,000,000,000. . . . The fact that

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Effective Date Of Minimum Capital Rule Deferred; Measure Sharply Attacked In SEC Hearing

Effective date of the minimum capital amendment to the rules and by-laws of the National Association of Securities Dealers, Inc., originally scheduled for Oct. 15, was indefinitely postponed, following conclusion of the hearing on the proposal before the Securities and Exchange Commission at Philadelphia on Aug. 13. The matter was taken under advisement by the Commission, with the NASD stipulating that the effective date of the amendment could be held in abeyance until the commission had reached a decision. The measure was sharply attacked by Frank Dunne of Dunne & Co., New York, President of the New York Security Dealers Association, also by Leslie B. d'Avigdor of the Leslie B. d'Avigdor Co., New York, and Van Dyck MacBride of MacBride, Miller & Co., Newark, N. J., who spoke on behalf of his own firm as well as 11 other Newark dealer firms.

In testifying at the hearing, Mr. Dunne asserted that "if the NASD is permitted to adopt this amendment to its by-laws, it is my opinion that it will be the cause of disintegration of the Association which all reputable Broker-Dealers would regret." It would also sound the death-knell for hundreds of small firms throughout the country, he said. Mr. Dunne assailed the "undemocratic method used by the Association in forcing the adoption of the amendment to its by-laws." Stating that he used the phrase "in forcing the adoption advisedly," Mr. Dunne went on to say that he was "quite convinced" that in fact the measure "was rejected by the majority membership." In support of this contention, the speaker made the following observation: "The Association had 2,631 members of which 1,939, or 73%, voted. Of the 1,939, 1,197, or 45% of the total membership, voted "for" and 738 "against." The result of the vote means that the amendment was adopted by 45% of the membership. Those who did not vote were certainly not in favor of the amendment. If we should add their number to those who voted against it, then the amendment would have been defeated. I must again point out that about 28% of the total membership actually voted against it."

Stating it was his belief that those who did not vote were not in favor of the proposal, and that many who voted in approval "were privately against it," Mr. Dunne emphasized that "this was not a secret ballot as it should have been," because of the Association's requirement of a signed ballot and declared that any claim that "democratic procedure was followed could be nothing but a pious fraud." Furthermore, he added, if minimum capital requirements for membership in the Association are desirable, they should be adopted by the Securities and Exchange Commission "which has the necessary power, and not by the NASD, which does not." The large houses with few exceptions, Mr. Dunne maintained, "automatically voted in favor of the proposal because they believed it was in their favor. The small houses in many cases simply did not dare to vote against it for fear of reprisals."

Referring to the "background of subtle intimidation" which in evi-

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NY Conference On War Bond Payroll Plan

Owen D. Young, William Green, Walter D. Fuller, Jacob S. Potofsky and other leaders of labor and management will gather at a conference and luncheon at the Hotel Astor, New York City, on Aug. 27, on the Treasury Department's Payroll Savings Plan, with a view to seeking to evolve the best methods to spur participation to the 10% gross payroll goal set by the Government, it is announced by Richard C. Patterson, Jr., Chairman of the New York War Savings Staff. The announcement states that the conference—one of the most important Treasury sessions ever held in New York—will be similar to others being held this month in key cities throughout the nation. It was arranged by the National Committee for Payroll Savings in conjunction with the War Savings Staffs of New York, New Jersey and Connecticut. The conference will aim at a three-point goal.

Chairman Patterson, in analyzing this goal, declared that "we will seek first to increase the number of plants participating in the Payroll Saving Plan; secondly, to increase the number of workers taking part; and thirdly, to increase the amount of monthly purchases to the desired 10% of gross payrolls." Nevil Ford, State Administrator of the New York War Savings Staff, will preside at the conference. Lewis Pierson, Chairman of the Greater New York Committee of the War Savings Staff, will preside at the luncheon, during which a film on the Payroll Savings Plan will be shown. After luncheon, the conference will be addressed by Walter D. Fuller, Chairman of the National Association of Manufacturers, and Chairman of the Board of the Curtis Publishing Co.; William Green, President of the American Federation of Labor; Jacob S. Potofsky, Acting President of the Amalgamated Clothing Workers, and Owen D. Young.

The luncheon meeting will be financed by the hundreds of corporations and unions participating. Similar discussions already have been held in Richmond, Va., St. Paul, Minn., Kansas City, Mo., and Atlanta, Ga. Others are scheduled for San Francisco, Chicago, Dallas, Seattle, St. Louis, Cleveland and Boston. The New York luncheon will be the last in the series.

THE BOND SELECTOR

LEXINGTON WATER POWER COMPANY
First Mortgage 5s, 1968

This hydro property is a direct subsidiary of General Gas & Electric Corp., in the Associated Gas & Electric System. The company supplies electricity at wholesale only in South Carolina. Under contracts expiring July 1, 1980, the company is obligated to supply a minimum of 300,000,000 kwh. per annum as follows: Carolina Power & Light Co., 150,000,000 kwh.; Duke Power Co., 75,000,000 kwh.; South Carolina Electric & Gas Co., 75,000,000 kwh. The latter contract has been assigned to Duke Power Co. Remaining outstanding output, if any, is taken by South Carolina Electric & Gas.

The trustees of Associated Gas & Electric signed a contract in April, 1942, with the South Carolina Public Service Authority for sale to the Authority of Lexington Water Power Co. and South Carolina Electric & Gas Co. for about $40,000,000. Of this amount, approximately half was to be paid to General Gas & Electric Corp., $1,350,000 to other Associated Gas subsidiaries which own certain bonds in the two companies, and the balance to be utilized by the Authority to retire securities of the two companies held by the public.

This contract, however, was upset in the South Carolina courts, which decided that the authority was without power to purchase existing utility enterprises. The South Carolina Supreme Court in a decision handed down May 12, 1942, granted a permanent injunction restraining the authority from purchasing the two properties, thereby upholding action of the lower court. Supreme Court subsequently denied a petition filed by the authority for a rehearing.

The proposed sale of the two properties came about as the result of negotiations carried on in Washington in the latter part of 1941 between Governor Maybank of South Carolina, representatives of the PWA, South Carolina Public Works Authority, and trustees of Associated Gas & Electric. The idea was to tie in the properties of South Carolina Electric & Gas and Lexington Water Power with the Federal Santee-Cooper and Greenwood County hydro-electric projects. It should be noted that both these companies are among those in the Associated Gas & Electric System against which the SEC has initiated divestment proceedings.

In view of the adverse court decision, the PWA has asked Governor Jeffries of South Carolina to call a special session of the legislature for the purpose of enacting enabling legislation whereby South Carolina Public Service Authority could acquire the properties; otherwise it will be necessary to await the regular session on Jan. 1, 1943.

The First Mortgage is outstanding in the amount of $10,929,100 of which $2,230,700 are owned by other companies in the Associated System. The mortgage securing the bonds is an absolute first mortgage on the power house and dam on the Saluda River and on substantially all the other property of the company; in addition the power contracts are pledged. Gross plant account at Dec. 31 1941, was carried at $20,355,579 and reserve for depreciation was $1,990,193. The bonds are callable on 45 days' notice at 105 to Jan. 1, 1948. There are also outstanding $2,748,600 5½% debentures due 1953; of this latter issue, $2,555,400 are owned by General Gas & Electric Corp.

Income account of Lexington Water Power Company for the 12 months ended June 30, 1942 compared with that for the 12 months ended Dec. 31, 1941, follows:

	12 months ended 6-30-42	12-31-41
Total operating revs.	$1,995,938	$1,967,768
Operating expenses	655,816	711,103
Maintenance	17,318	16,598
Depreciation	177,875	181,250
Taxes, incl. Fed.	294,073	*267,987
Operating income	850,856	790,830
Other income	394	396
Available for fixed charges	851,250	791,226
Bond interest	693,322	701,066
Other interest	36,036	36,161
Taxes assumed on interest	7,195	6,919
Amort. of bond disc. & exp.	28,624	30,482
Total fixed charges	765,177	774,628
Net income	86,073	16,596
Fixed charges—X-earned	1.12	1.02

*No provision necessary for Federal taxes.

The discernible improvement in earnings coupled with the possibility of some satisfactory arrangement for sale of this property lends speculative interest to the First Mortgage bonds at present prices.

Josef Phillips V.-P. Of Drumheller Firm

SEATTLE, WASH.—Drumheller, Ehrlichman Company, Exchange Building, members of the Seattle Stock Exchange, announce that Josef C. Phillips has been elected a Vice-President of their firm. Mr. Phillips has been in charge of the trading department.

J. Witterman To Be Edwards Co. Partner

Joseph Witterman will shortly become a partner in A. G. Edwards & Sons, members of the New York and St. Louis Stock Exchanges, and will act as alternate on the floor of the New York Exchange for Gordon D. Stott. Mr. Witterman has been in charge of the trading department of the firm's New York City office, 61 Broadway.

Richard Sloan With Merrill Lynch Firm

(Special to The Financial Chronicle)

DETROIT, MICH.—Richard E. Sloan is now connected with Merrill Lynch, Pierce, Fenner & Beane, Buhl Building. Mr. Sloan was formerly one of the managers of the local office of A. M. Kidder & Co., and prior thereto was with E. A. Pierce & Co.

B. Hansford Wills With Barrett Herrick & Co.

WASHINGTON, D. C.—B. Hansford Wills has become associated with Barrett Herrick & Co., Inc., 719 Fifteenth St., N. W. Mr. Wills for many years conducted his own investment business in Washington.

Pinder, Titus On Trip

Daniel U. Pinder and William A. Titus, Jr., of F. J. Young & Co., Inc., 53 Wall St., New York City, are on a business trip to Berlin, New Hampshire, to visit the plant of the Brown Company.

A. W. May With Treas. War Savings Staff

The Treasury War Savings Staff has appointed A. Wilfred May, Director of the Division of Research and Statistics and Associate Administrator for the State of New York. Mr. May, who was formerly economic expert of the Securities and Exchange Commission, more recently has been associated with the faculties of the London School of Economics and the New School for Social Research.

Holds Inland Waterway Vital To Nation

The incalculable value of the inland waterway system is becoming manifest, declares S. Willson Richards, Editor of the "Marine News." "Now, when the fate of the democratic world depends largely upon American help, supplies and materials," says Mr. Richards, "how desperate the situation would be but for the nation's waterways. In such event, there could be no navy yards nor shipyards; no battleships, submarines or destroyers; no merchant vessels, car-floats or lighters: The cost of transporting over 90% of the nation's tremendous quantity of iron ore would be multiplied again and again. The oceans, the Great Lakes, the Gulf of Mexico, the great river systems would all be useless but for the connecting links to the land through improved waterways.

"Yet, even at this solemn moment—incredible as it seems—selfish and sectional interests and the uninformed combat and criticize expansion and improvement of the nation's unparalleled waterways.

"In peacetime, transportation—water, rail, truck—is the lifeblood of the nation. In wartime, it is that and more; it is the material implement to which democracy will owe most when it emerges triumphant over the predatory hordes now plundering the civilized peoples of the earth.

"Striking events are making manifest the real value of the inland waterway system. The proposed New Jersey canals will increase this value incalculably.

"America has the greatest potential inland and intracoastal waterway system on earth; development and expansion are making it a priceless national asset, producing benefits and economies for all the people."

Elected Vice-Presidents

PITTSBURGH, PA.—Mellon Securities Corporation, 525 William Penn Place has elected S. Davidson Herron and H. M. Jorgensen Vice-Presidents of the firm. Both had previously been Assistant Vice-Presidents.

Interesting Report

Seligman, Lubetkin & Co., 41 Broad St., New York City, have prepared a report on 165 Broadway Building, Inc., copies of which may be had from the firm upon request.

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"Govt. Bonds In War"

The quarterly investment survey of Shields & Co., 44 Wall St., New York City, members of the New York Stock Exchange, observes that during the present war "no major combatant has had the slightest trouble in meeting its financial needs, and it is unthinkable that the United States should have any difficulty."

The survey, in a discussion of "Government Bonds in War," says that "patriotism, government controls over our banking system including reserve requirements, and the possibility of political pressures should combine to provide a satisfactory demand for the huge volume of government securities in prospect."

"It is becoming increasingly evident that the war financing will be derived into four forms," the Shields survey continues. "The increase in taxes will be large, but total tax revenues may not exceed one-third of our total requirements. Next, there are the war savings bonds which are sold in limited amounts to individuals, but which are now being sold at the rate of about $1,000,000,000 monthly. Then there are the long-term governments for the insurance companies, savings banks and other non-commercial banking institutions. The importance of these may be seen from the recent purchase by the big five insurance companies of $510,000,000 of the issue of $882,000,000 2½s, June 15, 1967/62.

"The above sources of funds, while large, are definitely limited, and the balance of the government's requirements must be absorbed by the commercial banks, where there is virtually no limit on the ability to buy. The banks naturally wish somewhat shorter maturities. The combination of short terms at the higher rates now prevailing and medium term governments will meet their requirements."

Capital And Investors Get Small Share Of Nat'l Income: Forbes

An increasing slice of the national income pie is going to employees, a shrinking slice to capital, to investors and small business owners.

Total compensation of employees last year increased, as compared with 1929, $11,788,000,000, or 22.21%, while total compensation of capital decreased $521,000,000, or 1.72%.

These comparisons are cited by B. C. Forbes, head of the Investors Fairplay League, from statistics obtained from the Department of Commerce.

"Since wages this year are rising and dividends being reduced, this trend is becoming more pronounced," Mr. Forbes points out. "It is significant that, whereas total national income last year was $11,257,000,000 greater than in 1929, employees obtained all this and $521,000,000 more, at the expense of what capital received.

"Although national income last year was $94,540,000,000 against $83,283,000,000 in 1929, dividends were $1,295,000,000 less, interest $606,000,000 less, net rents and royalties $939,000,000 less.

"In 1929 employees reaped 63.04% of the national income, whereas last year their share was 64.7%; the share of business and industry declined from 8.64% to 7.62%. Meanwhile, business and industry during the depression years suffered an actual loss of over $20,000,000,000. During 13 years employees averaged 69.4% of the national income, as contrasted with an average of 2.25% for business and industry."

Mr. Forbes adds that industry does not now have surpluses to repeat any such performance should another period of depression follow the war.

St. Petersburg, Fla. Tax Collections Analyzed

Cohu & Torrey, 1 Wall Street, New York City, members of the New York Stock Exchange, have prepared an analysis of tax collections of St. Petersburg, Fla., for the fiscal years 1936-37 to 1941-42. Copies of the analysis may be had from the firm upon request.

Reserve Banks To Resell Treasury Bills

The Board of Governors of the Federal Reserve System announced on Aug. 7 that "the Federal Open Market Committee has supplemented its direction of April 30, 1942, to the Federal Reserve Banks to purchase all Treasury bills that may be offered to such banks on a discount basis at the rate of ⅜% per annum, by a further direction that any such purchases shall, if desired by the seller, be upon the condition that the Federal Reserve Bank, upon the request of the seller before the maturity of the bills, will sell to him Treasury bills of a like amount and maturity at the same rate of discount."

The effect of this action, it was explained, is to permit a bank which has sold Treasury bills to the Federal Reserve Bank to repurchase them at its option before maturity at the same rate of discount at which they were sold to the Reserve banks.

The Reserve Board's action of April 30 was adopted as an added means of assuring the liquidity of investments in Treasury bills, aside from the short maturity and ready marketability of the securities.

Dealers Continue Attacks On Bid & Asked Rule; Public Interest Held Imperiled by SEC Plan

The action of the Securities and Exchange Commission in extending to Sept. 15 the period for receiving comments from brokers and dealers and other interested parties on its proposed bid and asked disclosure rule (X-15C1-10) indirectly constitutes a belated acknowledgement by the Commission of its failure to fully evaluate the very obvious impractical nature of the proposal and its inherent threat to the welfare of the investing public and the nation's financial economy. It is difficult to think of any other suggestion or regulation by the Commission that has caused as much opposition and criticism throughout the entire securities industry as has this latest suggestion.

Of particular interest in this respect is the fact that municipal bond dealers, who have always been immune from SEC regulation, are concerned over the obvious attempt by the Commission, through "sleight-of-hand manipulation," to extend its regulatory authority to include dealings in tax-exempts. These sources recall that the municipal bond field was specifically exempted from the Securities Exchange Act of 1934 and, despite strenuous efforts by the Commission, also from the provisions of the Maloney Act providing for self-regulations of the counter markets, under the aegis of the SEC. Under the provisions of the proposed rule, however, dealers in municipals, except in the case of original underwritings, would be forced to inform their customers of the best bid and asked quotations and all of the other related disclosures necessary in the case of other counter transactions.

Needless to say, the municipal bond fraternity is losing no time in studying the legal and technical considerations bearing on the proposed rule and will present a united front in fighting the Commission's plan. Meanwhile, all other over-the-counter dealers are no less determined to take the necessary action to prevent the SEC from adopting the rule in question. It is suggested that dealers write to the Commission, setting forth the reasons why such a price disclosure requirement is completely impractical and likely to occasion incalculable damage to an industry whose continued profitable existence is essential to the welfare of the entire nation.

A number of dealers have favored us with their views on the subject and we will continue to publish such comments. Naturally, if it is contrary to the wishes of the writer, we refrain from disclosing his identity. Recent letters appear below:

DEALER No. 8

The immediate net effect of the adoption of proposed Rule X-15CL-10 would be to place all unlisted transactions upon a straight commission basis.

Under the application of this rule, the distributor of unlisted securities would be forced to close his doors.

Without the dealer's support, unlisted markets would suffer to the point of extinction. The vast, Nation-wide markets for thousands of meritorious unlisted issues, including those for bank and insurance stocks, municipal and State obligations, corporates and rails, reorganization securities, new issues out of syndicate, venture enterprises, would disappear. The liquidity of the great majority of such markets is absolutely dependent upon negotiation and not upon the prin-

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Charles Easter Joins Blyth Co. In Seattle

(Special to The Financial Chronicle)

SEATTLE, WASH.—Charles W. Easter has become associated with Blyth & Co., Inc., 1411 Fourth Avenue Building. Mr. Easter was previously manager of the trading department of the Seattle office of Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co.

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.—**Frank C. Bristow** and **Charles J. Mullally**, formerly with Burr & Co., are now associated with **Amott, Baker & Co., Inc.**, 150 Broadway.

NEW YORK, N. Y.—**Norman J. Marsh**, formerly with Hornblower & Weeks and G. M.-P. Murphy & Co., is now connected with **Baker, Weeks & Harden**, 52 Wall Street, in their investment department. Mr. Marsh has been in the investment business since 1928.

(Special to The Financial Chronicle)
MIAMI, FLA. — **Ann Morrison Seaber** is with **The Ranson-Davidson Co., Inc.**, Shoreland Arcade.

(Special to The Financial Chronicle)
AURORA, ILL. — **Emil O. Schwanz** has rejoined the staff of **William H. Flentye & Co., Inc.**, Graham Building. Mr. Schwanz was recently connected with Alexander & Co., Inc.

(Special to The Financial Chronicle)
CHICAGO, ILL. — **Joseph P. Edwards** has become affiliated with **A. A. Bennett & Co.**, 105 South La Salle Street. Mr. Edwards was previously with Alexander & Co. and prior thereto for a number of years was with John J. Seerley & Co.

(Special to The Financial Chronicle)
CHICAGO, ILL.—**Celia A. Rush**, previously with Sills, Troxell & Minton, is now with **Brailsford & Co.**, 208 South La Salle Street.

(Special to The Financial Chronicle)
CHICAGO, ILL. — **Eugene Hotchkiss** has become associated with **Lee Higginson Corporation**, 231 South La Salle Street. Mr. Hotchkiss was formerly for many years with Blair, Bonner & Company.

(Special to The Financial Chronicle)
CHICAGO, ILL. — **John J. Krause** has joined the staff of **Rogers & Tracy, Inc.**, 120 South La Salle Street. Mr. Krause was previously with Kirstein & Co.

(Special to The Financial Chronicle)
DAVENPORT, IOWA.—**William A. Hutton**, formerly with Steffen-Kleinhen Co., Inc., is now affiliated with **Priester & Co.**, Davenport Bank Building.

(Special to The Financial Chronicle)
DETROIT, MICH. — **James M. Butler** is now with **A. M. Kidder & Co.**, Penobscot Building. Mr. Butler was formerly with Wm. C. Roney & Co. and R. C. O'Donnell & Co. In the past he was in business for himself.

(Special to The Financial Chronicle)
INDIANAPOLIS, IND.—**Charles L. Johnson**, formerly with C. O. Robinson & Co., Inc., has been added to the staff of **A. J. Wichmann & Co., Inc.**, Circle Tower.

(Special to The Financial Chronicle)
LOS ANGELES, CALIF.—**Carl E. Knudsen** has been added to the staff of **H. R. Baker & Co.**, Bank of America Building.

(Special to The Financial Chronicle)
SAN FRANCISCO, CALIF.—**Cedric B. Macauley**, previously with Bankamerica Company, is now with **Davies & Co.**, Russ Building.

(Special to The Financial Chronicle)
SAN FRANCISCO, CALIF.—**Louis A. Keesling**, formerly with J. T. Stephenson & Co., has become connected with **Mitchum, Tully & Co.**, 405 Montgomery Street. In the past Mr. Keesling was a partner in Potter, Keesling & Co.

(Special to The Financial Chronicle)
YOUNGSTOWN, OHIO—**Thomas W. Stroh** has become associated with **Borton & Borton, Inc.**, whose main office is in the Union Commerce Building, Cleveland, Ohio. Mr. Stroh was formerly with Otis & Co. and Butler, Wick & Co.

Form Cruttenden & Co., Exchange Member Firm

CHICAGO, ILL.—Formation of a new Chicago investment house, Cruttenden & Co., to be members of the New York and Chicago Stock Exchanges, is announced by the partners, Walter W. Cruttenden, Fred R. Tuerk and Kenneth S. Beall, all of whom were partners of Fuller, Cruttenden & Co., which was dissolved Aug. 15. Associated with the firm will be Murray C. Mathews, George D. Hefner and James H. Murphy, both of whom have been prominent in La Salle Street for more than 15 years. The partners have been associated in the trading business since 1930 and the election of the new firm to membership in the New York Stock Exchange is thought to mark the first time a La Salle Street investment group has progressed from a predominantly trading business into a New York Stock Exchange organization.

Mr. Cruttenden was the first President of the National Security Traders Association. Mr. Cruttenden and Mr. Tuerk are directors of a number of leading financial and industrial corporations in the Middle West. All partners have been prominently identified with the affairs of the Chicago Stock Exchange in the past.

The new firm will do a general investment and brokerage business specializing in trading all types of listed and unlisted securities including foreign bonds. It will also act as underwriters and wholesale distributors of its own originations. Offices have been taken at 209 South La Salle Street which were formally opened Monday, Aug. 17.

Mr. Mathews started his investment career with Blyth & Co. in Chicago in 1928 and has been associated with various other firms since that time. Mr. Murphy has been with Kneeland & Co. for the past seven years. Mr. Hefner was with Fuller, Cruttenden & Co. for the past 10 years before joining Cruttenden & Co.

Applicants For Chicago Exchange Memberships

CHICAGO, ILL. — Applications for membership in the Chicago Stock Exchange were posted today for transfer to Newton P. Frye, President, Central Republic Company, and to Marcy T. Weeks of Chicago.

Mr. Frye, a former Advisor to the Board of Governors of the Exchange, is the second official of a corporation to apply for membership since the rules of the Exchange were changed last month providing for their admission. The first applicant was George F. Noyes, Vice-President and Secretary of the Illinois Co. of Chicago, who was formally elected to membership on Aug. 5, 1942, by the Executive Committee.

Robt. Strauss In Chicago

CHICAGO, ILL.—Robt. Strauss, partner in Strauss Bros., of New York City, is still at the firm's newly opened branch in Chicago in the Board of Trade Building. He expects to remain in Chicago for some little time.

E. L. Gilroy Joins Brailsford & Co.

(Special to The Financial Chronicle)
CHICAGO, ILL. — Edwin L. Gilroy, formerly a Vice-President of Webber, Darch & Co., with which he had been connected for many years, has become associated with Brailsford & Co., 208 South La Salle St., members of the Chicago Stock Exchange.

R. F. Ferguson Now With Faroll Bros.

(Special to The Financial Chronicle)
CHICAGO, ILL.—Rollo F. Ferguson has become associated with Faroll Brothers, 208 South La Salle St., members of the New York and Chicago Stock Exchanges. Mr. Ferguson was formerly an officer and manager of the trading department of Traction Securities, Inc. In the past he was with Robert J. Phillips & Co. and Moore, McLean & McDermott.

SEC Cosidering Minimum Capital Rule; Dealers Urged To Continue Opposition

A review of the SEC hearing at Philadelphia on August 13 on the NASD minimum capital rule appears on another page of this issue. As stated therein, the Commission decided to take the plan under advisement and, as a consequence, the date on which it was to become effective, originally set for October 15, has been postponed. The Commission, of course, gave no indication as to its views with respect to the proposition. It is earnestly hoped, however, that the Commission will not conclude that the relatively small dealer representation which appeared in opposition to the plan constituted the entire weight of the opposition and to permit that fact to influence in any way its decision in the case. It should be made clear to the Commission that numerous opponents of the principle that "wealth and integrity" are synonymous, and should supplant time-honored yardsticks of character and honesty, simply could not afford the expense involved in order to appear at the hearing.

The truth of the matter—as was clearly stated by Frank Dunne, President of the New York Security Dealers Association, during the course of his statement in attacking the plan and urging veto action by the Commission—is that the amendment in question actually was approved by no more than 45% of the association's total membership and thus did not even obtain a simple majority. Accordingly, it behooves all of the dealers who voted in the negative, also those who did not, for personal considerations, deem it advisable to take any position on the question, to advise the Securities and Exchange Commission by letter of their exact views with reference to this far-reaching proposal. Unless dealers act immediately, they risk the distinct possibility of being denied the privilege of continuing in business for no other reason than their inability to meet an arbitrary financial standard of integrity, honesty and competence.

We have recently received some additional letters from dealers regarding the minimum capital rule. These are reproduced herewith and, when so requested, we do not reveal the source of the communication.

DEALER No. 50

Following letter was sent to the SEC by Fred Kirtland of the Hermitage Securities Company, Nashville.

The publication, "The Commercial and Financial Chronicle," of Thursday, August 6, carries an article stating that a public hearing will be held on August 13 by the Securities and Exchange Commission at its offices in Philadelphia, on the recently approved amendment to Article 1, Section 1, of the By-Laws of the National Association of Securities Dealers.

This amendment, recently voted upon, would require a dealer to have a specific amount of minimum capital in order to be eligible for membership in the Association.

According to another article in the same issue of the "Chronicle" the result of the recent vote on the amendment as announced by Wallace H. Fulton shows that only 74% of the total membership of the Association voted. The total membership of the Association comprises 2,600 members, and the total votes cast, according to the article, were 1,939, of which 738 dealers voted against the amendment. We voted our disapproval of the proposed amendment to the by-laws as approved by the Board of Governors.

As a member of the National Association of Securities Dealers, presumably in good standing, we desire to express our views in regard to this amendment. Among the 2,600-odd members of the Association, we have no way of knowing what portion of this dealer membership has small capital, and whether or not these small dealer members had a voice in reaching the conclusions that the Board of Governors approved and submitted to the membership for vote.

The limitation as to minimum capital will impose upon the small dealer restrictions which from time to time could technically disqualify him and force him out of business.

In the "NASD News," dated June 15, 1942, we quote, "Protection of investors and the promotion of the welfare of the investment banking and securities business are considered by the Board of Governors to be the primary objectives of the National Association of Securities Dealers, Inc."

We question this attempt of the Association in trying to protect investors through the means of limiting the minimum capial of the dealers in its membership. The regulation of morals and the conduct of the investment business cannot be controlled by a minimum capital. Small dealers and members of the Association with a $5,000 minimum net capital operating their business fully in accord with the rules of the Association and fair practices may from time to time have their capital impaired overnight by sudden market changes over which there is not a means of control. This same impairment might also apply to a dealer with $100,000 of capital. Such impairment, however, may right itself in a 30-day period, and leave neither the small dealer nor the large dealer any worse for the situation that temporarily existed.

Suppose a small dealer has $10,000 of net capital and carries an inventory of $100,000 of municipal bonds. Drastic changes in markets cause these bonds to decline as much as seven points, which would impair his capital below the $5,000 minimum. Through the exercise of this dealer's judgment and a gradual market improvement, he holds to these bonds and gradually recovers his deficiency. Under normal conditions he operates under fair practices, makes a living for himself, gives employment to several people, serves his local territory and likewise tends to keep stimulated and broadened the public consciousness of bonds and stocks and markets for them.

Is it the intent of the Board of Governors of the Association to force such dealers out of business? They have abided by the rules of the Association and help to make and broaden markets for the bigger dealers. It is the small dealer with the small capital who reaches out into the rural districts of the investment industry who really distribute securities and put them away permanently. This distribution through the small dealer is of aid to the larger houses who could not economically afford to reach these small avenues of investment.

Certainly some better method of keeping the securities industry on a high plane can be accomplished without forcing many dealers out of business just because they are small. The small dealer with the small capital watches more closely his net capital because of necessity than is likely in the case of the big dealer with a large

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Tomorrow's Markets Walter Whyte Says—

Technically, market indicates higher prices; influence of news still a basic factor; recommendations on holdings.

By WALTER WHYTE

Reading the "Uptown After 3" column I also get nostalgic for the good old days, though not necessarily the kind that department referred to. My nostalgia is for the days when a market opened with plus marks gathering strength and volume as the minutes flew by; by 10:30 it usually picked up more activity, attributed usually to west coast buying and by 11 or so it was zooming merrily along with the tape behind the market.

* * *

Steel, selling for example at 60, would suddenly go completely crazy when the floor phoned up "Steel bid 65." Customer's men would be hurriedly calling their customers to tell them ". . . the market was very strong. Steel is 61 on the tape and 65 on the floor and I hear—confidentially of course — they're going to take it to 70 before the gong."

* * *

Yes, those were the good old days your dyed in the wool Wall Streeter longs for. Sure, we had our beefs, taxes (remember?). We thought they were big then! Congress was still looked upon as a source for the latest jokes. Customers were not talking about doing something; they were really doing it. The average broker's biggest headache was to stop customers from over-trading. And the customer in turn tried all his wiles on the broker to get him to allow him to buy "just another small lot."

* * *

In those days a man could get up mornings with something to look forward to. Today he wonders if it's worth the effort.

* * *

Yet beneath all this apparent hopelessness and gloom things are gradually improving. I couldn't tell you on what this improvement is based to save my life. Certainly the war isn't the reason. Yet the market—and after all I still judge improvement by what the market does—is picking up. Hardly a day passes but the news doesn't give us a jolt. But the market in its own phlegmatic way either goes up slightly on it or at worst stands still.

In my column of Aug. 6 in discussing the effect of news on the market, I pointed out how prices had risen when the Nazi drive first began. The conclusion being that the Russians would hold them. The averages then at 102 (beginning of the Nazi offensive) moved ahead to about 108. Later, as it was shown that the drive was meeting with greater success, the market backed off to about 105. But, as I pointed out in the same column, the rails being strictly domestic affairs, ". . . not only kept their gains but added to them." I further pointed out that this rail action confirmed a theory that the basic trend of the market changed to the bull side.

* * *

Since that time the market has dawdled along, doing little of importance until Tuesday, Aug. 18. On that day volume increased almost 100% over what it had been for the last few weeks and prices went up with the rails in the lead. It was interesting to see that the same day the market volume picked up the news came from Russia that the Nazis had been driven back from Stalingrad.

* * *

Whether this was the reason for the market advance I don't know. I don't believe the successful attack by our forces against the Japs in the Solomons is the reason either. Yet, whatever the reason the market did go up and by doing so indicated still more advances. The industrials did not go down the four points or so and the rails did not go down the point or two either of which would have changed the market outlook.

* * *

How far it will go up from here is a matter of conjecture. Technically, the market indicates better than just a minor rally. Yet the influence of basic news cannot be overlooked. I therefore believe the advance will be limited to say another 2 or 3 points in the industrials (about 110-111 D. J.) and 1 or 2 points in the rails (28-29 D. J.) before it meets serious resistance.

* * *

Should the news improve in the meanwhile the underlying technical position of the market will reassert itself and take prices still higher. But

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RAILROAD SECURITIES

Late last week the rail market, both in the stock and the bond lists, began to reflect the growing confidence of speculators and investors that an agreement has been reached on the question of the tax base of reorganization railroads, and that it will be included in the Senate's version of the 1942 tax bill. Bonds of the reorganization carriers developed a far more buoyant tone and the equities of those roads which have already passed through the court, such as Erie certificates, Chicago Great Western preferred and Chicago & Eastern Illinois "A" stock, traded in expanding volume at, or close to, the 1942 highs. Any liberalization of original interpretations of the tax law would naturally be calculated to clarify the position of these stocks with respect to dividend prospects.

Equitable tax treatment would also be calculated to expedite reorganization progress of those properties now in the courts, as in many instances important opposition to pending plans is based on the potentially insuperable tax burden if no legislative remedy is provided. One of the strongest arguments of the railroads for a change in the law, and the factor that is expected to bring Treasury support to any compromise amendment, is that the Treasury will probably suffer in the matter of tax receipts if the relief is not forthcoming. It has been held, with considerable logic, that the existing laws would act as an effective bar to consummation of additional reorganizations until after the war when the excess profits tax would presumably be repealed.

If reorganization progress were stopped for the duration, the roads would just be liable for income taxes on the basis of old capitalizations, with their heavy tax free fixed charges. If plans are consummated, the Treasury collects income taxes on the basis of the new capitalizations with their materially lower level of fixed charges. Under present laws it is contended that the invested capital base of the reorganized road would be represented by the face value of new bonds issued and the fair value of the new stocks at the time of issuance. Considering the low prices at which stocks of newly reorganized companies normally sell it is obvious that the burden imposed by excess profits taxes calculated on such an invested capital base would be suicidal.

The best guess at the present time is that a compromise solution to the controversy will at least provide for invested capital based on the stated value of all of the new securities. The railroads would naturally like to maintain their pre-reorganization capital base which would allow them leeway for future property retirements, etc. as tax deductions. It is possible that the final settlement will lie somewhere between these two points of view. In any event the uncertainty, which, incidentally, has forestalled dividend action on Chicago Great Western preferred in the face of adequate reported earnings, will be finally settled over the relatively near term.

In addition to confidence in remedial tax legislation, there are other factors working towards a widening public interest in reorganization bonds. Practically all of these roads are still reporting particularly wide earnings gains, and cash accounts are being correspondingly bolstered. With nothing else to do with the cash being accumulated, the public is beginning to look forward to additional year-end interest payments by some roads and inauguration of payments by others.

Also, in some instances, where plans are not too rigid or too far advanced, it is felt that strong treasury positions may result in the payment of the principal of underlying liens thereby allowing more liberal participation of the remaining bonds in final reorganization plans. The action of the court in the Seaboard case, making inquiries as to the prices at which receivers' certificates might be available for tender, has given impetus to this feeling.

Finally, it is believed that aside from tax considerations reorganization proceedings may be expedited by court decisions this fall, particularly decisions of the Supreme Court on procedure in the Western Pacific and St. Paul reorganizations. These decisions will presumably set up broad precedents which will tend to minimize delays and lost motion in other pending reorganizations. Many railroad analysts are inclined to favor bonds destined to get substantial blocks of new preferred stock for trading purposes, feeling that these will benefit most from favorable tax developments.

Kalamazoo Bank Officials In The Armed Forces

KALAMAZOO, MICH. — Two officers of the American National Bank of Kalamazoo are serving in the United States Army as Lieutenant Colonels — the two highest ranks held by any residents of Kalamazoo.

Lieut. Col. Dunlap C. Clark is on duty in Washington in the Fiscal Division, S. O. S., and Lieut. Col. Leo F. Kelly is serving with the Eleventh Armored Division at Camp Polk, La.

Colonel Clark, one of the organizers of the American National Bank of Kalamazoo in 1933, has served as President until his call to the colors, when he was elected Chairman of the Board, and Colonel Kelly has been Assistant Cashier since 1938. Both officers are on leave of absence for the duration.

Colonel Clark has been active in the American Bankers Association for many years, resigning his third term as Chairman of the Committee on Membership to enter the service.

Bank and Insurance Stocks

This Week—Insurance Stocks

Probably the most discussed subject at present, in investment circles, is Inflation and what to do about it. This has been a recurrent phenomenon of the decade just past but, for obvious reasons, the situation now facing us seems eminently more threatening than any that has gone before. We now have real, tangible evidence of shortages in purchasable goods, of vicious wage spirals, of astronomical spending and borrowing. It is no longer a question of **whether** we are going to have inflation but how much and just what its characteristics and effects will be under a system of selective price controls and with "social objectives" a primary political consideration.

For many classes of people, inflation is simply deflation in sheep's clothing. This is particularly true of those whose scale of living is dependent, in whole or in part, on the income from their investments. Savings bank depositors for example, have already taken a severe cut in their dollar income and their real income is bein reduced even further. How to keep the inflation wolf from the door, ie., how to offset higher expenses and taxes, and, at the same time, succeed in preserving the intrinsic worth of one's capital, that is the time-honored problem of inflation for investors and the managers of investment funds.

Many investors, discouraged with their own efforts and desirous of shifting the burden to other shoulders, have hit upon the idea of buying insurance stocks. Thus far their confidence has been vindicated in most cases. Few organizations have had the length and breadth of experience in handling investments possessed by the insurance companies. Results have been by no means uniform, of course, because human frailty exists in the insurance business just as elsewhere. However, the record of the better-run companies has been outstanding and they have usually managed, through thick and thin, to invest their premium income to advantage without jeopardizing the dollar value of their assets.

Another reason for buying insurance stocks recently has been the belief that they will provide one of the best possible "hedges" against inflation. Historically, insurance stocks have an excellent record in that respect. The case for insurance stocks has been presented, frequently and ably, by many analysts, economists and investment advisers. The theory, in brief, is that inflation leads to a rise in insurable values, larger premium income, lower loss and expense ratios and, in consequence, greater earnings, dividends and liquidating values accruing to insurance company stockholders. Such is the orthodox reasoning and such has been the customary experience when monetary depreciation has occurred. However, faith in the normal has been so shaken in recent years that it is not surprising to find a lack of unanimity regarding the merits of insurance stocks at this time. It may be of interest, therefore, to consider some of the questions raised by those who have definite reservations on that score.

It is pointed out, by these conscientious objectors, that the insurance industry cannot expect to remain immune to taxes, profit restrictions, government competition and all the other impediments which are being visited upon industry as a whole. It is also pointed out that the best grade insurance stocks are selling close to their high prices of the past ten years — and that they are probably selling higher in relation to other similar equities than they ever have before. In other words, some analysts feel that insurance stocks have done so well—up to this point—that they cannot maintain the pace they have set and may, indeed, be more vulnerable than the general run of common stocks. The following table gives the price history of some of the better known insurance issues during the past decade:

	1932-1942 Price Range High	Low	Last
Aetna Casualty	133	15½	124
Aetna (Fire)	69½	13½	48½
American Insurance	18	4½	13¼
American Surety	65	5¾	50
Continental Insur.	46	6¾	38½
Continental Cas'lty	39½	3	32½
Fidelity & Deposit	139	15½	118
Fidelity-Phenix	49¾	6	38
Fireman's Fund	117½	18	93
Firemen's Insur.	15½	2⅝	9¾
Great American	33½	5⅞	25¼
Hartford Fire	94	18¾	84½
Home Insurance	41½	6⅞	26
Ins. Co. of N. A.	84	18¼	64
National Fire	86	17¼	55½
National Liberty	11½	1¾	7¼
National Union	166	9	152
Phoenix Insur.	110	22	82
St. Paul F. & M.	268	70	258
Springfield F. & M.	151	36	115
U. S. Fid. & Guar	30	1¾	27½
U. S. Fire	58½	7½	43½

Naturally, it is hoped, and expected, by everyone that no repetition of the conditions in 1932 and 1933 will take place in the future. Needless to say, the insurance companies were very hard hit at that time and, should inflation ultimately give way to deflation again, history would doubtless repeat itself. But, of course, no one is now thinking in terms of deflation. What it really boils down to is this: inflation or no inflation, will net earnings of the insurance companies be larger or smaller? The problem, as is the case with all other industries, will be to what extent a larger volume of business can be translated into larger earnings—and dividends.

Those who have taken the negative side of the insurance stock argument contend that, under present conditions, it will be virtually impossible for the insurance industry to produce higher net earnings (i.e., higher than the average of the past few years). Underwriting earnings, if any, will be taxed heavily and investment earnings will be harder to maintain. Heavy taxation will be a new experience for the insurance industry which has thus far been unusually fortunate in that respect. A steep increase in the surtax rate would alter the situation materially. With bond interest subject to the surtax and with dividends on common stocks being considerably reduced, investment income of the insurance companies is bound to suffer. As a matter of fact, with the lower effective yield on their investments, there will be a much less satisfactory margin of investment income over principal loss than has usually prevailed. As investors, the insurance companies are in the same boat as everyone else. More securities are being injured than benefited by the war effort, and markets have become increasingly narrow. As a result, flexibility of investment management is largely academic, where large investors are concerned, because they are unable to shift their holdings to any worthwhile extent even when they wish to do so.

Just to add to the confusion, attention is called to the fact that chemicals, coppers and other orthodox "inflation stocks" have been very disappointing in recent months whereas railroad securities, supposedly the last issues in the world to be taken up by the inflation-minded, have been booming. It is inferred, from this, that the best inflation hedges are the securities of companies which have previously been doing very badly, i.e., earning little or nothing. In other words, comes inflation, the last may be first and vice versa: Perhaps that is the answer. Time alone will tell.

Interesting Situation

The pessimism over the position of the Corporation and Company debentures of Associated Gas & Electric does not seem warranted, according to a memorandum just issued by G. A. Saxton & Co., Inc., 70 Pine St., New York City, which discusses interesting factors in the case. Copies of the memorandum and the August issue of "The Preferred Stock Guide" may be obtained from G. A. Saxton & Co., Inc., upon request.

No Compromise

President Roosevelt, in a message of greetings to the Jews of America on the occasion of Rosh ha-Shanah, the Jewish New Year which will be observed Sept. 12, pledged that "there shall be no compromise in the struggle against hate, intolerance and bigotry."

The message, issued through the Jewish Telegraphic Agency in Washington on Aug. 11, was as follows:

"Upon the occasion of the Jewish New Year, I extend to the Jewish people of America my heartfelt greetings. The tragic turn of events which has temporarily left many peoples of the world suffering under the harsh domination of foreign dictators has stirred America to the depths and has strengthened our resolution that there shall be no compromise in the struggle against hate, intolerance and bigotry."

Secretary of the Navy Knox and Secretary of the Interior Ickes also issued similar messages.

Mortbon Interesting

A brief summary of the current situation of the Mortbon Corporation of New York, the successor in reorganization to the old Mortgage-Bond Company of New York, has been prepared for distribution by Bristol & Willett, 115 Broadway, New York City, specialists in over-the-counter securities. Copies of this interesting summary may be obtained from Bristol & Willett on request.

Rail Has Possibilities

Securities of the Chicago and North Western Railway offer attractive possibilities, according to a circular being distributed by Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange. Copies of the circular may be had from the firm upon request.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 621)

until that happens it's still the wisest plan to play 'em close to the vest.

* * *

Applying this specifically to the stocks you hold the advice is as follows: Air Reduction stop at 31; take half profits at 35 or better. Allis Chalmers stop at 23 (stock sold at 23 last week but didn't break it) half profits 27 or better. International Harvester stop at 44½; take half profits at 50 or better (stock is now 49 bid); Union Carbide stop at 66 (lowest price last week 66½); take half profits at 70 or better. Stock is now at 70. You bought it at 59. This gives you a gross profit of 11 points. Crane stop at 11. Pittston hold as just an out and out speculation.

If you follow the above advice you can't be hurt. If the market goes off you'll be stopped out and what losses you'll take will be taken care of by profits. If the market goes up you'll not only cash in paper profits but will still have a position to ride along with.

* * *

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.]

The Securities Salesman's Corner

Two Suggestions For Keeping Up Sales Morale And Confidence In The Job You Are Doing

On July 31, 1942, Butler-Huff & Co. who are are specialists in Insurance and Bank Stocks sent out an interesting memo to Investment Dealers. They frankly stated that they shared the alarms of many other people in the securities business due to the fact that a large number of security salesmen are now reported to be on the verge of leaving the business because of their declining production.

They made the point that many of these experienced men realized that their drop in production was due to their lost enthusiasm and confidence in the job they were trying to do. They offered some excellent ideas for establishing a rebirth of confidence and interest in security selling on the part of many sales organizations.

The suggestion they made which was based upon the normal desire of everyone to share with others, any idea or experience which has made a vivid impression on one's self, is something this column has advocated many times in creating sales incentive and customer interest. In other words, as this memo stated, "The successful security firm today is the one who 'sells' its men so strongly as to create in them the very normal idea to sell the same idea to others." They stressed the advisability of salesmen confining themselves to the securities of one or two industries. In this manner they could so well familiarize themselves with the individual securities they were offering, that their knowledge would approach the point where they could become specialists in these particular fields.

Another worthwhile suggestion for overcoming pessimism and lack of interest in the job we have to do was based upon the human desire "to be in the know." The more we know about anything that may hold unusual interest and likewise be worthwhile telling to another, the more likely is our own interest in a subject to be kept alive and kicking. In respect to Butler-Huff's own interest in the fire insurance industry, and as an example of how to use such inside facts to generate enthusiasm, we take the liberty of quoting from this same memoranda.

"To use the fire insurance industry as an example: A really fascinating story can be built around the coldly mathematical nature of its operation which reduces the dependency of the business on management; upon the part which the industry plays in all human activity by reason of which the law, in effect, insists that the business operates profitably; the basis difference between insurance and other business operations, which explains why the insurance business is so favorably situated from the standpoint of taxation; why the volume trend is constantly upward and why this plus the continuous compounding of invested earnings produces such steady and substantial increases in intrinsic worth and dividend paying capacity."

"These and the limitless number of other features of the industry are being used every day to produce orders and build satisfied clienteles."

There is no substitute for knowledge, acquire all you can get—it will help you to sell. It will also help you to keep your own interest alive in the job you are doing.

B. & O. RR. Interesting

Leroy A. Strasburger & Co., 1 Wall St., New York City, have prepared a descriptive analysis of Baltimore & Ohio Southwestern Division 5s, due 1950, containing interesting data on this issue. Copies of the analysis are available to dealers only and may be had upon request from Leroy A. Strasburger & Co.

War & Oil Production

The effect of the war on oil production was further illustrated recently by news from Washington that California production was falling short of the present demand by 20,000 barrels daily, according to information supplied by Tellier & Co., members of the Eastern Oil Royalty Dealers Association, at 43 Broadway, New York City.

Most encouraging to operators in the Permian Basin in Texas was the news released in Washington recently by Robert E. Allen, Assistant Deputy Petroleum Co-ordinator, that California production was failing to meet the demand on the Pacific Coast and that it would be necessary to move West Texas and New Mexico crude there.

It is the first bit of good news that has come to Basin producers since the transportation problem descended upon the oil industry, necessitating a reduction in the State allowable, of which the brunt fell on West Texas. It was the natural course of events due to the geographical position of the Basin, placing it in a none too favorable position from a transportation standpoint. Then, too, some of the larger purchasers have not been inclined to take the sour crude and bear the added expense of refinery maintenance when they could get more of their own oil elsewhere and market it at a greater profit.

Shortage on Coast

The break for the Basin has developed through the demand on the Pacific Coast which has grown in leaps and bounds from 623,000 barrels daily in April to an estimated 769,000 barrels for August. At Washington, Allen announced the California production was falling short of the current demand by 20,000 barrels daily. This is due to requirements of the Navy and other sources.

Movement of the oil West will be the problem, but this can be met through tank cars, as was a greater part of the shortage in the East. In fact, distances from the Basin to the Western centers are no greater than those to the East. It is only a little farther away than the Gulf Coast, where the Basin oil has met direct competition with most of the oil produced in the Nation.

By taking the crude from Winkler County to El Paso through pipe line systems now existing, the distance to Los Angeles is only slightly longer than the pipe line distance to some of the Texas Gulf ports. There is little doubt but what the crude would be concentrated in El Paso by pipe lines and then moved westward by tank cars.

Dealers interested in learning more about oil royalties are invited to consult with Tellier & Co. and ascertain the many attractive features of this type of security. The firm has specialized in offering royalties to registered dealers for over 10 years and will gladly answer any questions about them.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm change:

Sherman Hoelscher, member of the San Francisco Stock Exchange, retired from partnership in Walston, Hoffman & Goodwin, on Aug. 15.

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 19 price —38⅜.

NYSE Members Vote for Trading Unit Change

Members of the New York Stock Exchange have approved the amendment of Sections 2 and 4 of Article XV of the Constitution relating to commissions and clearance charges on stocks and the change became effective on Aug. 17. The amendment establishes uniform minimum commissions and clearance charges on stocks, irrespective of the size of the trading unit, and removes existing obstacles to the adoption by the Board of Governors of trading units of any size of 100 shares or less, for any stock.

The Board's approval of the amendment and the changes provided by it were noted in these columns of Aug. 6, page 450.

Following the Constitutional amendment, the Board of Governors has made the following changes in the rules, to become effective on Aug. 24, 1942:

Rule 105 has been amended to permit the Board of Governors to adopt for a particular stock any unit of trading of 100 shares or less.

A new rule, No. 114, has been adopted. It is designed to govern trading in and deliveries of stocks which will be dealt in without the use of cabinets in units of less than 100 shares at Posts 1 to 15, inclusive.

Present Rule 114 has been renumbered as Rule 115 and has been amended to eliminate specific regulation of the method of dealing in odd lots of 10-share-unit stocks traded at Post 30 and to eliminate reference to the differentials on odd lots of such stocks. The text of former Rule 114 has been simplified in drafting new Rule 115, but, with the exception noted above, its provisions have not been changed.

Present Rules 115 to 135, inclusive, have been renumbered as Rules 116 to 136, inclusive. Minor changes in references within these rules and within Rule 350 to correspond with the renumbering have been made.

In The Armed Forces

Ronald E. Bopp, formerly with Fullerton & Co., Inc., 8 East Broad Street, Columbus, Ohio, has been inducted into the U. S. Army.

Mark Elworthy, President of Elworthy & Co., 111 Sutter Street, San Francisco, Calif., has been commissioned a major in the U. S. Army Specialist Corps. Major Elworthy will be stationed on the Pacific Coast.

Gordon Foote, of the Bond Department of Francis I. duPont & Co., 1 Wall Street, New York City, has been commissioned a Lieutenant in the U. S. Army. He has received his orders and will report shortly for active duty with the Army Air Force.

Casualty Stocks Look Good

Stocks of the casualty-surety companies offer particularly attractive possibilities, according to the current issue of "News-Review," distributed by Huff, Geyer & Hecht, Inc., 67 Wall St., New York City. Copies of the "Review," which contains interesting information on a number of casualty insurance companies, and also a summary of the present situation in Pacific Indemnity Co., may be had from Huff, Geyer & Hecht, Inc., upon request.

Investment Trusts

SIMPLICITY IN SELLING

One cannot study the sales literature of the successful investment companies without coming to the firm conviction that simplicity is the keynote of their success.

The flashing folder, the intriguing presentation, the impressively "frock coated" booklet may provide a temporary fillip to sales volume. But the simple ideas are the ones which produce with day-in-and-day-out regularity. These simple sales helps take many different forms. They may tie in directly with the nature of a particular investment company; or they may stress an aspect of our prevailing financial situation; or they may be built around some basic economic principle. But whatever form they may take, the simple sales ideas are universally based on something fundamental.

Take, for example, the little folder recently prepared by Hugh W. Long & Co. for use with Manhattan Bond Fund. It was built entirely around the two basic, simple fact that investors today are faced with higher taxes and lower dividend income. These two problems were depicted on the front cover with such simplicity that the cover seemed almost bare. In rough silhouette a man was shown seated at a desk reading a paper on which could be seen the words, "Higher Taxes." On the opposite wall hung a chart showing a declining zig-zag trend and bearing the title, "Dividend Income." To these two simply-depicted problems the folder offered a SOLUTION! The success of this little sales help was so great that the demand for it exceeded 60,000 copies in the first month.

Another example of the simple idea consistently getting results is the story of "leverage" which Lord, Abbett have built around Affiliated Fund. Leverage is a fundamental characteristic of "Aces" as the Fund is commonly known among Affiliated dealers. Moreover, the leverage principle in investment is as old as the field itself. Even so, the full significance of leverage is not generally understood by the average layman.

Here was a tempting situation—to build up a complicated explanation of leverage for the mystification and befuddlement of the very person for whom the principle had to be made clear—the investor. It is to the credit of Lord, Abbett's sales department that this temptation was ignored. Instead, the fact was driven home that, "For every $1,000 you invest, you will have $2,000-odd working for you." A simple diagram illustrated HOW this leverage principle operated in Affiliated Fund.

The Keystone Corporation has shown considerable imagination in developing sales helps for the distribution of Keystone Custodian Funds. And yet if this writer were to hazard a guess as to the most successful sales idea developed by Keystone in its long and successful distribution of its funds, it would be the "Classes of Securities" idea. This simple, incontestable fact that there are various classes of securities with varying characteristics has been woven into much of the Keystone literature. A recent folder deals entirely with this point and is prepared so that the investor may easily choose the particular class of securities (as represented by the various series of Keystone Custodian Funds) which is most suitable to his particular requirements.

One of the most widely-used sales helps in the entire investment company field has been Calvin Bullock's little return postcard mailing on Dividend Shares. Over the years this card has taken various forms but basically it has consisted of the briefly sketched highlights of an attractive investment and the offer to send a descriptive folder upon request. To "request" the folder, the recipient needed only to tear off the return card and drop it in the nearest mail box.

Perhaps the best-known example of simplicity in selling among investment companies is the weekly 'Brevits' of MIT. The very form and make-up of this bulletin are simple. It is, in fact, a most ordinary looking sheet. And the studied simplicity of appearance is carried into the content of the bulletin. There is no pretense. Although the discussions cover a wide range of subjects, the points are clearly made

(Continued on page 628)

Municipal News & Notes

Cities and counties in all sections of the nation face a serious financial problem in meeting the 'sqeeze" which is developing as a result of declining revenues and rising costs, study of the effects of the first few months of war on local governments emphasizes.

The seriousness of the problem is accentuated by difficulties in making the requisite adjustments on either the income or outgo side. In most cases, it is difficult or impossible to raise additional revenue from present taxes or to add new sources of income. On the other hand, it is exceedingly difficult to curtail expenses without sacrificing what have come to be regarded not only as desirable, but essential municipal functions.

The financial predicament of local governments results in part from the necessity of establishing public budgets some time in advance of actual expenditures. Budgets for 1942 in some cases were set up as long ago as last Summer. Many budgets were made on a "business-as-usual" basis, not allowing for emergency expenditures and the higher costs which have developed as part of the war effort.

More fundamental, however, is the general outlook for lower revenues from local taxes and concern over ability of individuals to pay local taxes in the face of the heavy demands made by the Federal Government. The latter factor, in the opinion of some fiscal officials, may become the most serious factor in the tax picture.

The expectation that the property tax, the backbone of revenues of local governments, will decline within the next two years has been pointed out by the National Association of Assessing Officers. Among the factors in this situation are taking over land by the Federal Government for military uses, lower assessments on inventories of smaller businesses unable to replenish their stocks and a declining value, leading ultimately to lower assessments of properties related to automobile usage.

At the same time, reports from fiscal officers make it clear that local governments are loath to impose new forms of taxes in view of the essential demands of the Federal Government for revenues. One fiscal official reports that his city has given some consideration to a utility tax, but is "extremely reluctant" to increase the local tax burden.

City officials agree that capital expenditures should be curtailed not only as a matter of general policy but also because of inability to obtain materials and the desire to have projects available for the post-war period.

The inability to receive material ordered has created surplus appropriations in some localities.

Likewise, decisions to abandon all public improvements not essential to the war effort, will ease some budget strains. These situations, however, appear to be temporary offsets to other increased expense items, and do not fundamentally improve the picture.

Municipal Tax Proposal Hangs Fire

The Senate Finance Committee may act on a number of Administration proposals when it meets again, but it already has closed the doors on a major recommendation—taxation of income from outstanding State and municipal bonds. This followed the precedent set up by the House Ways and Means Committee. However, the question of taxing future issues of such securities is still open.

In rejecting the former measure the Congressional tax framers have shown good judgment. The plan to tax outstanding issues is open to serious questions of constitutionality, involves a question of good faith and would greatly add to the financial problems of local government.

Both this year and last year an inordinate amount of time, energy and debate has been consumed by the Treasury's pet proposals for eliminating "special privilege." At times it has appeared almost as though some of the Treasury's officials were so absorbed in advancing these tax "reforms" as to be distracted from devoting their best abilities to the formulation of a total tax program for war. Certainly the persistent intrusion of these Treasury favorites into the tax debate has clouded that discussion and exposed the members of the Congressional tax committees to unfair criticism of having "wrecked" the Administration's tax program. It is to be hoped that having failed two years running to obtain acceptance of these particular suggestions the Treasury will shelve them.

Post-War Reserve Fund Building Urged

Recommendations that State and local governments build up reserves for possible postwar lean years and make every effort to reduce existing debt was made last week by the Wisconsin Taxpayers Alliance. The organization said that glowing reports about the improved financial condition of Wisconsin State and local governments had raised the question of what to do with increased tax yields.

Five concrete suggestions, it said, had been made for utilization of excess tax yields. These are: (1) reduce taxes, (2) increase expenditures, (3) increase State aids, (4) reduce public debt, and (5) build up reserves for the future.

Listing arguments for and against adoption of each proposal, the organization decided that higher State and local expenditures would create inflationary tendencies and recommended against higher expenditures unless the war effort created an emergency. Arguments for increasing State aid, it said, were based on the fact that the State had a large cash surplus, and concluded that grants should be based on need, and that the State should put its own financial house in order before aiding localities.

The organization said reserves should be built up because tax yields might fall sharply when revenues were needed, because funds for construction, repair and possibly relief purposes might be required after the war, and because it was less costly to finance Government projects on a cash basis. It added that reserves should also be built up, so that taxes could be reduced after the war, because taxpayers might be hard hit at that time.

It recommended curtailment of debt, so that governments would be in good position to face the time when tax receipts decline.

N. Y. State Fund Investments Show Increase

New York State's invested funds totaled $323,017 at fiscal year-end June 30, State Comptroller Joseph V. O'Leary reported early this week, including a $194.014.400 holding of New York City bonds. The total compared to $310,259,134 a year previously.

Nearly $33,000,000 has been invested in the last year, principally in New York City securities, issues of various State authorities and United States Treasury bonds at an average yield of 3.25%. Mr. O'Leary estimated the average yield of the State's entire portfolio at 3.6% and a total market value of its investments more than $30,000,000 above par.

Chief source of the invested money is the State Employees' Retirement System, of whose funds $167,650,914 was invested, as compared with $151,510,967 a year ago. The Comptroller also is custodian of highway-debt sinking funds totaling nearly $50,000,000 and the canal-debt sinking funds of more than $89.000,000.

The State holds $4,600,000 of Federal Government bonds, as compared with $800,000 a year ago. Other large investments include $22,702,398 in FHA mortgages, $46,052,726 in bonds of New York State towns, $8,160,614 in village securities, and more than $6,000,000 in bonds of various cities outside New York City.

N. Y. City Debt Margin Now Is $153,050,539

Virtual abandonment of new capital projects, coupled with a general policy of strict economy, has enabled the city to accumulate, as of July 1, 1942, a free margin of $153,050,539 in borrowing power, Comptroller Joseph D. McGoldrick reported early this week in a statement sent to the Board of Estimate, the City Council, the City Planning Commission and Budget Director Kenneth Dayton.

This unreserved margin of borrowing power, the Comptroller declared, probably will be increased to $155,000,000 by Dec. 31, due to accretions to sinking funds, and will be expanded to $421,000,000 by Dec. 31, 1948.

The city's general debt-incurring power on July 1, based on the 10% constitutional limitation totaled $1,643,728,707, according to the report. The total indebtedness within that limitation was $1,433,-604,293, leaving a margin of $210,-124,414. Of this amount, $18,-011,638 has been set aside for balances of specific authorizations approved by the Board of Estimate and for which no contract or other liabilities have been registered. In addition, $39,062,237 has been reserved for remainders of appropriations in the revised capital budget for 1942.

After allowing for these reservations the city's debt margin as of July 1 amounted to $153,050,-539, representing the free margin against which additional non-exempt debt may be incurred. This margin, Mr. McGoldrick said, represented a gain of $41,089,648 over the unreserved margin on July 1, 1941, which was $111,-960,891. The gain was made in spite of a drop of $10,693.101 in the city's general borrowing margin due to a reduction in average assessed valuation of real estate from $16,544,218,086 to $16,437,-287,075.

Mr. McGoldrick attributed the gain in free borrowing margin to accretions to the sinking funds, redemption of serial bonds and to a great extent to reduction of the city's capital budget program because of the war emergency.

Pacific Northwest Forming New Industrial Empire

Observers recently returned from the Pacific Northwest report the rapid formation of embryo Detroits, Pittsburghs and Birminghams, out of what was but a short time back swamps, cow pastures and apple orchards. Today there are acres of concrete buildings pouring out vital materials for thousands of airplanes a year, rushing production of metal alloys for ships and tanks, filling huge orders on carbides and chlorates for explosives and phosphorous for incendiary bombs.

The plants are the birth of an entire new industrial empire, up to the hilt on war production. But, unlike many current war production centers, the Northwest has a chance to go on full speed in peace.

Except for the shipyards, the plants can switch to peace-time work: phosphorous can be used in fertilizers, chlorates in weed killers, and aluminum has a thousand uses.

It's an electrical empire far removed from the old source of power—coal—and it's drawing attention to the Northwest.

Many factory men—from the Eastern coal field area—have rushed up annexes as large as the home plants. Daily, planes and trains drop scores more in Portland and in Seattle for a quick look-see at what's happening.

Phila. Bond Refunding Seen Excellent Move

Philadelphia's voluntary advance refunding of callable bonds, which began in June, 1941, and ended last June 15, will result in an eventual interest saving of $18,082,424, according to the Bureau of Municipal Research.

The Bureau said that holders of 30 different bonds issues which would have become callable in the six years, 1942-1947, turned in $83,389,200 worth of bonds for exchange. On this amount the average rate of interest was 4.2227%, and the annual amounts of interest $3,525,207.

On the new bonds offered for the old ones, however, the average rate of interest is 3.085%, and represents an annual reduction of $952,917 in the amount of interest.

The new bonds were offered on the basis that they would bear the old rates of interest (4 to 4½%) until the first call dates of the old bonds and a lower rate (2¼ to 3¼) thereafter.

Nassau County Told It Can Further Reduce Debt

J. Russell Sprague, Nassau County Executive, announced recently at the meeting of the County Board of Supervisors that Nassau County's net debt of about $53,000,000 would be reduced this year by $2,710,000 instead of the $1,710,000 he had promised last Nov. 10 in his 1942 budget message to the board.

Bonds of the county to the amount of $4,248,000 fall due this year. The County Executive had purposed to issue $2,538,000 in new bonds to meet the obligation and make up the rest out of income. Reduction in county expenditures, however, he said, would make it necessary to issue only $1.538,000 in new bonds for this purpose.

In addition, said Mr. Sprague, $5,660,000 of the county debt was being refunded at a lower interest rate and Lehman Brothers, the company handling the project, reported that $4.346.000 of the old bonds already had been turned in for the new ones, which indicated, he said, the sound credit of Nassau County.

"Constant curtailment of governmental expenditures," said Mr. Sprague, "and careful planning have constantly improved the county's financial position. Decreased interest rates secured by the county year after year show that the buyers of Nassau County securities consider them a sound investment."

San Antonio To Buy Light Plant

City officials of San Antonio, Texas, issued last Friday a call for bids on a new issue of $33,-950,000 of electric power and light and gas distributing system bonds dated Aug. 1, 1942, and due serially on July 1, 1944 to 1972. Bids will be opened next Monday. Bidders are asked to name the rate of interest at not to exceed 3½%.

Proceeds of this financing will be used for the acquisition of the physical properties of the San Antonio Public Service Company, a subsidiary of the American Light and Traction Company, a unit of the United Light and Power Company system. This system is scheduled to be dissolved in conformity with the "death sentence" provisions of the Public Utility Holding Company Act.

The formal call for bids was interpreted in New York public utility and banking circles as bringing to a close a controversy between San Antonio and the Guadalupe Blanco Authority, a Federal power project, as to which had the right to acquire the San Antonia Public Service Company properties. Several weeks ago the Authority took the city into court in an attempt to halt consummation of a contract between American Light and Traction officials and the city for purchase of the utility by the latter.

Ohio Record Surplus Forecast

Despite losses in revenues derived from the 3% sales tax and the gasoline tax, William S. Evatt, Ohio Tax Commissioner, ventures the prediction that the State will witness a surplus of $23,000,000 in 1942—the best on record.

This prediction is in sharp contrast to the general belief held by Governor Bricker and other State officials early this year that the revenue decline would be so great the $13.000,000 surplus on hand at the close of 1941 would be required as a cushion for normal operations of State government during 1942 and 1943.

Major Sales Scheduled

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

(Ed. Note—Very few municipal bond issues of major size are scheduled for award in the near future. With expenditures for local improvements held to bare necessities by the demands of war-time policies, the prospect naturally is that for some time to come the amount of new issues coming to market will be small.)

August 24

$33,950,000 San Antonio, Texas

This is an offering of electric light and power plant and gas distribution systems bonds; to be used in the acquisition of such properties. No similar sale has been negotiated by the city and this offering may attract different bidders than those interested in general obligations.

September 1

$485,000 Maryland (State of)

This certificate offering, maturing in 1945 to 1954, is included here because of general reader interest. State awarded long-term certificates last February to Clark, Dodge & Co. of New York, whose bid topped the joint offer of Harriman Ripley & Co., Inc., and the First Boston Corporation.

September 22

$500.000 Honolulu, Hawaii

In June, 1941, the above city and county awarded an issue to Dean Witter & Co. of San Francisco. The only other bid for the bonds was submitted by the Bank of Hawaii, Honolulu.

Text Of Statement Made By Frank Dunne In SEC Hearing On Minimum Capital Proposal

We give herewith in full statement made by Frank Dunne, President of the New York Security Dealers Association, at the hearing conducted by the Securities and Exchange Commission at Philadelphia, on Aug. 13, on the proposed minimum capital by-law to the rules and regulations of the NASD:

My name is Frank Dunne, of Dunne & Company, 30 Broad Street, New York, Broker-Dealer in securities. I am President of the New York Security Dealers Association formed in 1926 which makes it the oldest trade association of over-the-counter dealers in the country. I am also a member of the New York District Committee of the National Association of Securities Dealers, Inc. I should like to make it clear that I am representing here only the New York Security Dealers Association. I deem it a privilege to appear before you to express my views, and I appreciate that privilege.

Let me state at the outset that I do not intend to discuss the merits, nor do I oppose the principle of minimum capital requirements for security dealers. What I am here concerned with is the sponsorship of minimum capital requirements by the NASD, and the circumstances surrounding the vote on this proposal taken by the Association.

It might seem strange to some to find me here today to plead for your disapproval of the amendment to Article I, Section 1 of the By-Laws of the National Association of Securities Dealers, Inc. which sets minimum capital requirements as a requisite for membership in that Association, because the New York Security Dealers Association had such a requirement for admission to its membership. And further as the records show, and some of you who were then present will recall, at the first meeting held by the Commission in Washington in December of 1937 to which representatives of the Over-the-Counter industry from various parts of the country were invited to discuss the proposed Maloney Act, I was the only one of all those present who asked that minimum capital requirements be made a requisite for membership in any associations to be set up under the contemplated legislation. In making such a request, I was following out the instructions given me by my Board of Governors.

At that time I was new at the business of appearing in public. But I believed that as long as I was allowed to talk there was a chance for me to get my point over. After I had prolonged the hearing for some time by advocating minimum capital requirements, Justice Douglas, who was then Chairman of the Commission conferred with Judge Healy at his right. The Justice then asked me if I thought the New York Security Dealers would be satisfied if the Bill were to provide for an affiliate Association that could have minimum capital requirements as a requisite for membership.

I relate this incident to bring out the fact that Justice Douglas and the others who originated this legislation, known as the Maloney Act, very definitely had in mind that this Association should not make capital requirements a requisite for membership. When it became apparent that an association would be set up under SEC supervision for self-regulation in this industry, the New York Security Dealers Association, in order to attune itself to the new conditions, discontinued its provisions for minimum capital requirements and decided to become purely a trade association. Subsequently it discontinued its quotation and uniform practice functions, turning these over to the NASD.

Let us take a moment to look and see what the National Association of Securities Dealers, Inc. is. Its origin is found in the Securities Exchange Act of 1934, as amended. It is chartered, if you will, by the Securities & Exchange Commission, which has a large measure of control and supervision over it. It is therefore practically a public institution.

It was my privilege to attend various conferences of the Commission and representatives of the securities business leading up to the drafting of the Maloney Act. I was a member of the drafting committee that drew up the By-Laws of the NASD. I feel therefore that as a result of that experience I am qualified to testify that no one intended that either the NASD or any other national association that might be organized in the future, should have selective membership requirements. On the contrary, such associations were to be completely democratic and all-inclusive of registered Broker-Dealers in the Over-the-counter business. That objective can not be achieved if you permit the NASD to make wealth, rather than honesty and integrity the requisite for membership.

Under Section 15 A (b), an association may not be registered unless it appears to the Commission that its rules provide that **any broker or dealer** may become a member, except such as are excluded pursuant to Paragraph (4) of Section 15 A (b). As you know, this paragraph relates to individuals who have been suspended or expelled from registered securities associations or exchanges, or whose registrations have been denied or revoked, and so forth.

It would thus appear that any broker or dealer who has not run afoul of the law is entitled to membership in an association, notwithstanding the fact that he may have a very small amount of capital employed in his business. This seems to have been the intention of Congress, for the House Committee Report, No. 2307, 75th Congress, Third Session, says as to Section 15 A (b) 3:

"The broad purpose of this paragraph is to make sure that all brokers and dealers who conduct an honest and responsible business shall be eligible for membership in some association. Particular associations may, however, by their rules, restrict membership therein, on such specific geographical basis such specific basis relating to the type of business done by their members, or on such other specific and appropriate basis as appears to the Commission to be necessary or appropriate in the public interest or for the protection of investors and to carry out the principles of the new Section 15 A. Thus, an association, membership in which is limited to brokers and dealers from some designated geographical region or to brokers and dealers transacting business exclusively in a particular class of securities, may be eligible for registration."

It seems to me that the only portion of the above quotation that could possibly cause anyone to doubt that Congress wished all brokers and dealers with clear records to be eligible for membership, is the language "or on such other specific and appropriate basis as appears to the Commission to be necessary or appropriate," etc., but even assuming that this language does create some doubt as to whether brokers and dealers having less than $2,500 net capital clearing through others, or $5,000 net capital, clearing for themselves, can be excluded from a particular registered association, it seems to me clear that they are eligible for membership in some association. It would not be practical for the Broker-Dealers who would be expelled from NASD because of lack of capital to organize a separate association under the Act as is their right. No group should be permitted to bring about such a condition which, as a practical matter, is tantamount to depriving those less fortunate Broker-Dealers of their rights under the Act.

When we consider that the NASD was designed to encompass all groups in the securities business, without regard to their geographical location or the type of business done by them, the only logical conclusion I can reach is that all responsible Broker-Dealers are eligible for membership.

Under Section 15 A (b) 7, it is provided in part, that in order to be registered, the rules of an association must not be designed to permit unfair discrimination between brokers or dealers. Certainly the effect of the new rule would be discriminatory when we consider that members may not deal with any non-member, except at the same price, with the same commissions or fees and on the same terms and conditions as are accorded to the general public. Inability to trade as a professional places those excluded because of the minimum capital rule at a distinct disadvantage. I am sure we will all agree that it was never intended to discriminate against certain Broker-Dealers and deprive them of an opportunity to make a living.

My suggestion is that if the idea of minimum capital requirements is sound, if it is necessary for the protection of investors, then such requirements should be imposed upon all dealers whether or not they belong to an Association. If such requirements are desirable, they should be adopted by this Commission which has the necessary power, and not by the NASD which does not.

This Commission's power to prescribe rules and regulations to provide safeguards with respect to the financial responsibility of brokers and dealers under Section 15 (c) (3) of the 1934 Act is certainly sufficient for this purpose.

The make-up of the NASD management has aroused in the minds of many a suspicion of what may well be the real purpose of the amendment of Article I, Section 1. It is thought that the Association is dominated by large houses whose objective may be to secure permanently their hold on the whole industry, and that these interests hope to benefit from the destruction of several hundred small dealers. Perhaps they see this change as a tightening of their grip on the entire Over-the-Counter field. It would appear from the printed matter which emanated from the Association that the proposed minimums of $5,000 and $2,500, respectively, are considered just a step in the desired direction. Consequently, the Association's power to impose such requirements if now established, there is no reason to assume that the requirements will not be raised from time to time whenever the big fellows decide to eliminate some more competitors.

I now come to the gist of my argument namely the undemocratic method used by the Association in forcing the adoption of the amendment Article I, Section 1 of its By-Laws. I use the phrase "in forcing the adoption" advisedly. I am quite convinced, as I shall soon explain, that in fact this amendment was **rejected by the majority membership.** The method used by the NASD in the handling of the ballot on this proposal is one reason for the distrust felt by many of the Association's good faith in this matter. The great power for good or evil which the large houses wield over the small dealers in the security business would make a secret ballot on a proposal of this nature absolutely imperative, were it intended that such vote be a true expression of the member's views. Article IX of the By-Laws of NASD relating to amendments to the By-Laws, does not specify whether the voting should be secret or not. In view of this, would it not have been logical to follow other voting procedure under the By-Laws such as the provisions requiring that the election of Governors and District Committeemen shall be by secret ballot. However, the signed ballot was used by the Association and, consequently, any claim that democratic procedure was followed could be nothing but a pious fraud. Although perhaps of minor importance, even the form of the ballot was designed to confuse rather than clarify. The ballot was divided in two parts, one designed to signify blanket approval or disapproval of all the amendments, and the second providing separate spaces for approval or disapproval of the individual amendments. Equal weight was given to all amendments and in no place was it specified or called to the attention of the members that the minimum capital requirement amendment was of greater fundamental importance to them than any of the others, as the adoption of this amendment would be tantamount to the expulsion of many of them from the NASD.

I wish to emphasize that the provision for minimum capital requirements, unlike the subjects of the other amendments is of fundamental importance and as such falls into the classification of matters having particular significance to the membership. I therefore maintain that an important change such as this should be made only upon approval by a substantial majority of the membership as is required by the statutes governing voting by holders of corporate securities, which make the clear distinction between voting on routine matters, and voting on questions of particular broad significance to the well being of the corporation. For routine business, it is commonly required that only a quorum be present in which case the wishes of a majority of those present govern. In the case of sale of a large part of a corporation's assets, or similar matters, a majority of a quorum is practically never deemed sufficient. On questions of such special importance the holders of a large portion of the total number of outstanding securities must be lined up in favor of the proposal, usually 75% or more. It seems clear that a similar procedure should have been followed by the Association, with respect to Article I, Section 1 in view of its significance to the membership. In contract with such a desirable procedure, this amendment was adopted by a minority of the membership. The Association had 2,631 members of which 1,939, or 73%, voted. Of the 1,939, 1,197, or 45% of the total membership, voted "for" and 738 "against." The result of the vote means that the amendment was adopted by 45% of the membership. Those who did not vote were certainly not in favor of the amendment. If we should add their number to those who voted against it, then the amendment would have been defeated. I must again point out that about 28% of the total membership actually voted against it.

Now you will ask and rightfully so, why I suggest that those who did not vote were against the amendment. The reason for this is the atmosphere in which the vote was conducted. I may even go further and say that many who approve the amendment officially, were privately against it. As I have already pointed out, this was not a secret ballot as it should have been. The large houses with few exceptions automatically voted in favor of the proposal because they believed it was in their favor. The small houses in many cases simply did not dare to vote against it for fear of reprisals.

The background of subtle intimidation was so threatening that very few of the firms which wrote open letters on the subject to the "Commercial & Financial Chronicle" permitted the "Chronicle" to publish their names. Some even went so far as to stipulate that not even the States in which they were located should be disclosed. Surely in such an atmosphere a secret poll would have been the first and minimum requirement for a true vote. The failure of many members to vote against the proposal in line with their real views is only a part of the distortion caused by the menace of reprisals. It has come to my attention that some members who voted in favor of the proposal were in fact opposed to it but did not even dare not to vote. They feared that if they failed to vote that also would be held against them by those on whose good will and patronage they are seriously dependent.

Remembering that even under the circumstances of pressure, open ballot and fear of reprisals, only 45% of the membership voted for the amendment, the conclusion is inescapable that the majority definitely does not favor it. I believe that Article I, Section 1 should not be adopted unless voted upon affirmatively by a substantial majority of the total membership using a secret ballot and doing so in an atmosphere favorable to free expression of their views.

In conclusion I would like to say that if the NASD is permitted to adopt this amendment to its By-Laws, it is my opinion that it will be the cause of disintegration of the Association which all reputable Broker-Dealers would regret. We would rather see an effort made to make the Association more inclusive of the business than it is now. That would be in keeping with the philosophy of the framers of the Act, and the founders of the NASD.

When we organized the NASD we assumed a responsibility to the public and the industry—that responsibility still exists even to a greater degree. We should not shirk it. It is thought by some that the enforcement of minimum capital requirements will eliminate the so-called "fringe" and thereby reduce complaints and attendant expenses in handling them. That in my opinion is a wrong concept. As to the matter of complaints, I can speak only of District No. 13, which includes New Jersey, Connecticut and New York, where the number of complaints to date is about evenly divided between those having less than $5,000 in capital and others.

Rather than do anything to reduce our membership, I advocate that we make an effort to attract all Over-the-Counter houses to join with us to make more effective the great privilege given us under the Maloney Act—that is, the self-regulation of our business. We should do everything possible to preserve and strengthen that privilege. Because of that and the other reasons I have given, I strongly urge the Commission to disapprove the adoption of the amendment for minimum capital requirements.

War Appropriations Total $205 Billions

A compilation of Congress' fiscal activity shows that the staggering sum of $205,514,657,286 had been appropriated or authorized between July 1, 1940, to June 30, 1943, for the expenditure to provide the nation's defense and war needs, according to Associated Press Washington advices of Aug. 7.

The figures, including a breakdown of both war-necessitated and "normal" appropriations voted this year, were prepared by the Bureau of the Budget and were placed in the "Congressional Record" by Senator Glass (D., Va.), and Representative Cannon (D., Mo.), Chairman of the Senate and House Appropriations Committee. The Associated Press advices went on to say:

"Of the $139,770,114,641 appropriated during this session, Mr. Cannon pointed out that approximately $133,370,000,000 was earmarked for war purposes while $6,400,000,000 was tagged for ordinary expenses.

'Mr. Glass, in his analysis, declared Congress had reduced appropriations for normal activities of Government by $1,667,005,150.89 below last year's figures, and made increases in that category of $579,872,154, leaving a net cut of $1,087,132,996.71.

"In citing the three-year $205,514,657,286 total on the books for war expenditures, Mr. Cannon emphasized that the figure did not represent actual expenditures.

"'Appropriations and authorizations,' he said, 'need to be made far in advance in order that programs of orders for material, weapons, naval vessels, merchant ships and all other war-effort requirements may be integrated with the recruitment and training of manpower, and the long range planning and conduct of the war in the various theaters of action where that war may be fought.'

"He said that the expenditure burden had been heavy in the fiscal year of 1942, 'will be heavier in the fiscal year 1943, and beyond that will be determined by the course of the war.'

"The Budget Bureau's figures on actual expenditures for war purposes:

Fiscal year 1941	$6,301,000,000
Fiscal year 1942	25,954,000,000
*Fiscal year 1943	67,000,000,000

*Estimated.

"Chief cuts in 'normal' appropriations, as listed by Mr. Glass, included:

Executive office of President	$34,743,760
Emergency Relief, W.P.A.	595,000,000
National Youth Administration	83,767,000
Civilian Conservation Corps	246,960,000
Public Roads	50,300,000
Public Bldgs. Administration	34,584,576
Department of Agriculture	402,656,521
Department of Commerce	7,639,316
Interior Department	63,056,814
Tennessee Valley Authority	60,700,000
Veterans Administration	9,838,490
State Department	4,554,840
Treasury Department	31,606,595

"Simultaneously, Mr. Cannon reported that the total gross public debt on June 30, 1942, was $72,422,000,000, and estimated that it would reach $125,443,000,000 by that date next year."

Chicago Home Loan Bank Advances Up In July

Advances by the Federal Home Loan Bank of Chicago totaled $697,074 in July, making it the second most active July in the past five years in disbursements to the Illinois and Wisconsin savings, building and loan associations, the bank announced on Aug. 10. A. R. Gardner, President of the bank, said that there was the usual seasonal fall off in the associations' demand for bank funds between June and July, and that repayments on loans outstanding, usually heavy in July, reached a new high last month. This is in line with a trend which has been noted ever since spring and is a consistent anti-inflationary influence, he indicated.

Dealers Continue Attacks On Bid & Asked Rule; Public Interest Held Imperiled by SEC Plan

(Continued from page 619)

ciple of auction trading. The function of the negotiator (dealer) is fundamental.

The proponents of Rule X-15CL-10 fail to recognize the economic necessity of the over-the-counter market. They ignore the fact that unless or until an issue possesses or acquires certain essential characteristics, it cannot be supported by an auction (exchange) market. These essentials include:

Widespread distribution.
Sustained public interest.
Established corporate history.
Periodic publishing of full financial statements.
Dissemination of such reports and other information.

Obviously, the securities of many entirely sound issuers may never attain all of the above prerequisites. No arbitrary rules or regulations can ever confer auction market characteristics on issues which do not inherently possess them.

As to the manner and method by which application of Rule X-15CL-10 would "kill" the over-the-counter market, consider the following:

Securities are, in a sense, a "manufactured" product and hence are subject to the same customs, procedures and influences. Whether the issuer be a large, established corporation engaging in a normal refunding operation, or whether the financing involves a new venture of risk capital, the "manufacturing," "distributing" and "marketing" of the new issue entails the study of kindred fundamentals. An analysis of current conditions determines the rate, maturity, redemption and sinking fund provisions and the nature of the issue, whether it is to be a bond, debenture, preferred or common stock. The security is originally tailored to fit the times, with a keen eye cast on the laws of supply and demand and careful consideration being given to comparable issues already available. Once distributed and sold, the issue becomes "seasoned" and takes its competitive place in the field of outstanding securities. It is in the public interest that the issue be accorded a continuing market, according to its merits and subject to such influences and developments as may ensue. As such, it becomes part of the composite pattern that makes up the market.

As stated above, the ratio of issues possessing "exchange market" characteristics is limited by fact and cannot be changed by fancy. It could serve no good purpose, in the public interest or otherwise, to demoralize or destroy the markets for ineligible issues which would assuredly take place if they were to be subjected to exchange market principles of trading.

The proponents of the Rule apparently do not recognize that unlisted dealers perform any economic service in developing public interest, which, in turn, sustains the market for securities ineligible for exchange trading. Nor do the proponents of the Rule appear to recognize the principles of merchandising in effect throughout the history of all business.

"Cost of Sales" and "Administrative Expense" are proper and normal charges in the conduct of any entrepreneur business enterprise. These items appear on every balance sheet. But in no commercial business in the world is it either the custom or the law to disclose wholesale cost prices to retail customers.

The retail distributor of unlisted securities maintains an organization of salesmen. They require the service of a trading department and a statistical department. The dealer must provide analytical reports, quotation services, clerical and stenographic help, advertising, telephones, sales helps and many facilities necessary to render his service, efficient and effective. He gives unstintingly of his counsel and experience. He employs and risks his own capital and constantly stakes his reputation on his own judgment. If he is honest and sincere, he has a moderate chance of success. If he violates the principles of good business, he fails by losing his customers, or, by transgressing already clearly-defined laws, he becomes subject to criminal prosecution and thereby eliminates himself.

Because of the very nature of his business and the manner in which it is organized, he cannot exist on gross profits comparable to stock exchange commissions. There is little similarity in the organization of an unlisted distributing house and a stock exchange firm. The dealer must create, discover, develop and service his markets. The exchange member performs a mechanical function in a market which already exists. For this he properly receives a nominal fixed fee.

The proposal of Rule X-15CL-10 to publish an "inside" quotation to the customer is in itself no true indication of the cost of the security to the distributing dealer. Example: The "Street market" in XYZ stock is 19½ bid, 20 asked. A salesman sells 100 shares of XYZ stock to a customer at 20½. The customer, receiving with his confirmation, a quotation of 19½-20 calculates that he has paid the dealer $50 profit. By comparison with a commission chart, he finds he could have bought the stock through Members & Co. for a commission charge of $17.50, whereupon he decides to do no more business with the salesman or the house that interested him in the investment. Now, out of the $50 gross profit, the dealer pays the salesman $25. In addition, he pays Federal and State taxes on the sale. In this particular instance, the dealer's statistician had ordered a special report on the XYZ Company and had made a trip to inspect the plant and properties. The salesman made three trips by automobile to close the sale. The dealer's Trading Department had found the "inside" market to be in a distant city and an exchange of telegrams was required to purchase the stock. When the certificate was received, it was transferred into the customer's name and delivered by registered mail, insured. Question: What was the cost of the stock? Certainly, not 20!

If the motivating force behind the proposal of Rule X-15CL-10 is to protect the investor against unconscionable profits, certainly no such devastating procedure is required. The laws against fraud, deceit and insufficient disclosure are already clear and effective. In our opinion, a clarification of allowable profit ceilings is all that need be applied. The present general assumption that the maximum shall not exceed 10% of the amount involved is not equitably applicable to all price ranges. For example, a gross profit of 10 cents per share on a stock selling at $1 is reasonable while 10 points on a bond selling at par could not be justified. We believe such a schedule could be worked out based on a declining percentage as the price of the security increased. It could be clearly set forth and readily enforced. In any special situations where exceptions might be sought, it could be required that permission be obtained prior to consummation of the transaction.—(From a Philadelphia Dealer)

DEALER No. 9

Walter S. Grubbs, of Walter S. Grubbs & Co., St. Paul, Minn., sent the following letter to the National Association of Securities Dealers, Inc., Philadelphia, Pa.:

Re: Proposed Rule X-15C1-10

We are one of the security dealers in receipt of the above proposed rule from you, with your request that we make our comments.

The writer of this letter has been active in the security business in the capacity of a securities dealer for some 30 years and is, therefore, somewhat qualified to make comments on matters that pertain to this business.

Necessarily, in the conduct of the business, in the buying and selling of securities, a reasonable profit is to be implied or otherwise the investment banker would not be in business and the present rules and regulations provide for the protection of the public. However, if the proposed rule implying the exercise of reasonable diligence be applied, the investment dealer more or less at all times is subject to criminal liability in determining what degree of reasonable diligence has been exercised, and it is altogether reasonable to expect the rule to curtail and force the investment dealer out of business without accomplishing any direct benefit to the investing public.

The justification for the economic existence of the many hundred investment dealers throughout the country is evidenced by the economic services that these investment dealers render in providing markets for the many billion dollars of securities that are outstanding in the hands of the public. Likewise, in giving support to the distribution of securities for corporate purposes and otherwise, as for instance the distribution, which has been made in the last several years, of the lower coupon rate of securities, namely that of 3%, 3¼% and 3½% as the result of the refunding of higher coupon securities, namely, that of 5% or more, thereby allowing the corporations and the borrower to have the use of funds on a lower coupon basis and, likewise, permitting the Federal Government to receive increased Federal income taxes from that of the larger net earnings after fixed charges of these borrowing corporations.

Yours very truly,
WALTER S. GRUBBS & CO.

DEALER No. 10

A Lancaster, Pa., dealer furnishes us with the following copy of their letter, addressed to Ganson Purcell, Chairman, Securities and Exchange Commission:

Allow me a few comments re: The operations of the SEC and the NASD.

If the new proposed regulations of the NASD become operative, the NASD will lose upward of half its membership, a goodly number will not be able to qualify, and a larger number will withdraw to show their resentment and disapproval.

If the new proposed regulation of the SEC requiring dealers to disclose their profit margin becomes effective, the result will be sudden death for the whole securities business.

It seems to me that the burden of regulations and restrictions imposed by the SEC has up to now meant slow death for the Investment Banking business. This policy of our Government has been difficult for me to fathom, unless the aim is to liquidate the business. If this is not the intention, it is nevertheless the result.

I hope there will be a change of heart and easement shown by your Bureau as I for one have been engaged in the business for over 30 years, have always done an honorable business, have had no complaints, have made a decent living, but cannot afford to retire as yet.

Why shouldn't merchants in Stocks and Bonds be allowed to operate along the same general principals as merchants in other lines of goods?

DEALER No. 11

An anonymous dealer furnishes us with the following copy of a letter addressed by him to his Senator:

My dear Senator:

Allow me the privilege of submitting to you the proposed ruling of the Securities and Exchange Commission and an editorial in the "COMMERCIAL and FINANCIAL CHRONICLE," pointing out the distinctly un-American features of this ruling. I believe that you would do a service to the country if this proposed rule was read in the open Senate and excerpts of the enclosed editorial mentioned.

It is most discouraging to be requested by the Secretary of Treasury, urging members of the investment industry to assist in the sale of war bonds, without being waylaid by another government agency that is endeavoring to destroy the entire bond business.

We believe that the bond business has already performed a very patriotic and noteworthy achievement in the sale of Government bonds so far. We do this willingly to finance our Government cost in this war, but we regret that there are other agencies of the same Government that are taking advantage of this fraternity.

Appreciating your courtesy in this matter and trusting that I may have the pleasure of receiving your comments, I remain—

DEALER No. 12

I notice an article in your issue of Aug. 6, by Joseph Haynes, in connection with the proposal of the SEC to force a disclosure of profit on the part of over-the-counter dealers in securities, closing with your invitation to readers for their comments and opinions.

There seems to be a great deal of confusion regarding the practice of over-the-counter dealers in connection with the sale of unlisted securities to the public, and I regret to say that the article serves to accentuate the confusion.

The main reason for regulation by the SEC of these transactions is the fact that over-the-counter dealers can make a profit of from ½ a point to 5 points or more on unlisted securities, while the investor is in no position to check the market properly, especially in the case of very inactive securities. In cases where a dealer will take a position in a security, buying quantities with his own funds, and taking the usual risks, he is entitled to a profit, even a profit which may seem unreasonable to some people. However, in the case of a security which a dealer will buy on an order from a private individual, in the open market, and then will tack on a profit, rather than charge the usual commission, that profit should represent the value of the services only, because practically no risk has been taken.

Even in the case where an unlisted securities' dealer can properly make a profit, the cost of the security to the individual should not exceed the "offered" price of that particular security quoted publicly by other similar dealers.

It is evident that what has started the SEC on the trail of dealers who make an unreasonable profit is the fact that some dealers have charged 1 or 2 points for services or advice in connection with special situations. In fact, some Stock Exchange Houses have been known to make such charges even in connection with listed securities on the theory that they had spent time and money in ferreting out these special situations which had been ignored by other people. These charges involve securities of companies in reorganization, the theoretical value which had been ignored by other dealers or the investing public, and those dealers have claimed that the service they rendered was worth more than the usual commission which might be 1/8 or 1/4.

There is no doubt that the practice of such dealers in charging for services is proper, if they have had exclusive information regarding a particular security, or if the investor is entirely satisfied to pay for those services. However, in such cases, perhaps the SEC should issue further regulations so that dealers who wish to work in that fashion should receive special permission by qualifying as "investment counsel," or something like that, and further by disclosing on the confirmation slip, not only the price at which the security had been bought (or sold in case advice to sell is given), as well as a notation that a charge of 1 or 2 points is made for such services.

In that manner, all parties would be placed on notice of the facts in the case and the "truth in securities" provision of the Securities Act would be properly observed.

It seems that in the interest of "fair play" something like the above should be inaugurated and should be supported by your publication. I trust, therefore, that you will publish this letter, in full.—(From Luigi Criscuolo, New York City)

DEALER No. 13

A Miami, Florida, dealer furnishes us with the following copy of a letter addressed by them to the National Association of Securities Dealers, Inc.:

We have received your circular letter of the 31st, enclosing Proposed Rule of the Securities and Exchange Commission wherein dealers are required to place before purchaser or seller at the time of purchase or sale, a bid and ask price on the security being handled.

You asked that dealers make comments regarding this proposed rule and same be forwarded to you promptly. This rule if made effective will, in our opinion, eliminate over-the-counter dealers throughout the country.

It is human nature to pay as small a margin of profit for anything that is purchased whether it be stock, a suit of clothes, or a commodity and when the bid and ask price is disclosed it forces the trade in a security to such a close margin that an over-the-counter dealer, in our opinion, could not survive.

It is merely for the Securities and Exchange Commission to determine whether they wish to eliminate the over-the-counter dealers and if so this proposed rule will serve that purpose perfectly.

It is our contention that a legitimate and reasonable margin of profit should be allowed the dealer and that the Securities and Exchange Commission should name the margin of profit that is to be used rather than to handle it in the manner proposed; that is, unless the over-the-counter dealer is an industry that the Securities and Exchange Commission feels should no longer exist.

We do not believe in prohibitive profits, but do believe in a livable margin of profit being allowed.

We are very necessarily opposed to the rule and hope that it will not be found necessary to evoke it.

DEALER No. 14

Despite any amount of policing there will always be crime. No matter how diligently the SEC may work there will always be a shady, disreputable "con" man ready for an easy mark. For the sake of argument, let's assume that I am a security salesman with no sense of ethics and am willing to take the usual risks in swindling people. A crook always takes some risk whatever his undertaking may be but now, with proposed rule X-15-C-1-10 the SEC has considerably helped me fleece my customer.

Cannot the sagacious SEC understand how I could use their ruling to reap a harvest? Extremely simple. To begin with, I very carefully explain to my sheep the full text and meaning of the ruling. What a delicious sleeping pill for them to swallow. Then comes the razzle-dazzle spell-binding sales talk and always interpolating during my talk about how the SEC is my monitor and my sheep's guardian angel. Then with the sale made, I simply give to him in writing the "inside" bid and asked market. I say "inside" because I mean inside my hat. A mere figment of my imagination is the market I quote to the lulled sheep. How easy it was to take him and fleece him. Not a suspicion ever arose in his mind. And I laugh and laugh because who gave me this sleeping pill? The SEC did.

When will the SEC learn that honesty cannot be legislated into any industry? The medical profession will always have its share of quacks and abortionists, the lawyers their ambulance chasers, banks their absconding cashiers and we in the security business will always be plagued by fly by night salesmen and dealers. Each profession tries its best to keep its house clean and I know that every legitimate broker and dealer would cooperate wholeheartedly with the SEC to keep our house clean. Can't the SEC find a better way than wholesale extermination to bring about better cusomer-dealer relationship? This present ruling is comparable to sinking the ocean liner in order to be rid of the few hundred rats which are on board.—(From a Maryland Dealer)

DEALER No. 15

Referring to the proposed rule X-15C1-10 DISCLOSURE OF MARKET PRICE. What market price?—WHOLESALE market or RETAIL market.

It was late in 1940 that the NASD attempted to work out a legitimate spread for newspaper quotations on over-the-counter securities. After mature consideration, the NASD adopted a basic formula for retail quotations, which would permit a dealer in securities to make a fair profit on his sales.

As far as we have been able to ascertain there have been no criticisms from any sources as to the fairness of the "spreads." Can the SEC, or any legislative body now point out that these spreads have allowed exorbitant profits to the dealers—or that the industry has prospered because of the excessive profits permitted!

If the retail spreads compiled by respected members of the profession are considered to be fair—and mind you, there has been no criticism against their fairness, what occasion is there now for stirring up the issue?

Is the NASD (the handmaiden of the SEC) performing one of the functions for which it was organized, namely, "to maintain a staff of experts who will give helpful advice and sympathetic consideration to the problems of those engaged in the securities business"—or is it assisting the SEC in trying to impose on an industry that, at best, is merely "getting by," the ideas of some half-baked economists, long-haired theorists and boy-scout business administrators, who probably never earned more than menial wages in their chosen professions?

If the Government is adopting the policy of limiting profits in the securities industry and in all other lines, to infinitesimal fractions, we ought to know about it and that policy should be formulated by the legislative branch of the Government and not by an administrative commission that has already gone too far. Let them tell us directly what they are trying to accomplish. They don't have to handle the securities industry like a bunch of racketeers whom they "get" on an income tax charge when they can't make a racket charge "stick."

This proposal must be fought right now, because most of us will be out of business if the idea is not killed. And, we ought to enlist on our side the active support of every other line of business, because who can tell if the next industry on the program will not be the coal merchants, the furniture manufacturers, the hardware dealers, or the motion picture exhibitors.

How can a dealer send his salesman into the "sticks" for some orders, on the narrow profit limitation forced on him by a disclosure of wholesale prices. Not only will the small dealer be driven out of business by this rule, but the rank and file of small buyers throughout the country will also be eliminated from the investment markets because no security salesman can afford to spend the time to "reach" these buyers.

No one connected with the securities industry, in the operating or administrative end, has ever openly contended that dealers in securities be obliged to sell their retail customers at wholesale prices.

If it is desirable that retail profits be kept within fair limits and that a disclosure of national quotations be made on each retail transaction, why not use the published quotations issued by the NASD Quotations Committees? Where such quotations are not furnished to the daily newspapers because of a limited public interest, it should still be practicable to use the basic formula for NASD quotations.

By the use of the NASD formula, the dealer will be permitted to make a legitimate markup on his sales and he will, at the same time, avoid the dissatisfaction, embarrassment and confusion caused by the furnishing of wholesale prices to a retail customer.

We believe the proposed legislation to be untimely, uncalled for and vicious in purpose. If the intent of the proposers is to weed out of the business a small minority of undesirables, it should be accomplished through methods that are less harmful to the overwhelming majority.—(From a Cleveland, Ohio, Dealer)

DEALER No. 16

I was interested and gratified to read your comments on the SEC's new rule to force profit disclosure on over-the-counter trades. Just because a few unconscionable dealers have made unscrupulous profits is no reason why the rank and file of honest dealers and salesmen should be made to suffer. This disclosure rule is just as sensible as forcing R. H. Macy to have their cost price on every article displayed or sold.

The SEC, which went through the legislature by one single vote, was supposed to police and catch the crooks. However, since the SEC has been operating the crooks seem to have increased, but the SEC seems to believe that their function is to put the honest dealer out of business.—(From a New York City Dealer)

DEALER No. 17

It appears that there would have to be a very definite interpretation of what, in this rule, is meant by "best markets," especially when there are so many factors which can enter into the determination of a " best market."

We suggest that in lieu of disclosing the "best market," published quotations, supervised by the National Association of Securities Dealers, Inc., be broadened to include a greater number of securities than have been published in the Press.

The over-the-counter dealer does merchandise securities and therefore makes markets which would not otherwise exist. This proposed rule would kill the activity in many over-the-counter securities to such an extent that there would not even be a "best market" in many issues which now enjoy broad and active trading.

It was reported that the SEC has suggested this rule as it would relieve them of some of the policing necessary in connection with over-the-counter dealers who have taken unconscionable profits. If this rule were in effect, we believe that the policing of the SEC would be tremendously increased and we question whether they could efficiently police such a rule without a great increase in their personnel.

We suggest that the National Association of Securities Dealers, Inc., should continue to police the subject of profit margins.

If this proposed rule were applied to the merchandising of all goods and services, the complex system of distribution in this country would break down within a relatively short time as this rule will break down the merchandising system of securities in this country in a very short time if it is put in force.

Obviously, such a condition would not be in the best interests of the public. (From a Boston, Mass., dealer.)

DEALER No. 18

We have just read the article by Mr. Joseph Haynes concerning the proposed Rule X-15C1-10 and again take occasion to commend your paper in its courageous stand for the welfare of the American Securities business.

The "Financial Chronicle" has quickly become the mouthpiece of Security Dealers and thus is perhaps the most influential medium in the country through which to safeguard their interest, NASD to the contrary notwithstanding.

I am sure that thousands of other Dealers share these sentiments. —(From a Greenville, S. C., Dealer)

DEALER No. 19

As far as I can tell, the NASD and the SEC combined, are putting forth every effort to run a lot of small fellows, such as myself, out of business. I don't care who knows it, but this seems to be my honest opinion. Many of us are trying to make an honest living out of this business, but it is getting increasingly difficult to do so.

I am sure that the many dealers in business today, are thankful to you for your efforts on our behalf.—(From a Virginia Dealer)

War Spending In July Was $1,790 A Second

The average daily rate of expenditures for war purposes by Government agencies in July was at the rate of $154,645,161 for the 31 days, according to War Production Board figures issued Aug. 11 through the Office of War Information. This was at the rate of $1,790 a second. July disbursements by the Treasury and expenditures by the Reconstruction Finance Corporation and its subsidiaries for war purposes totaled $4,794,000,000, compared with the previous record of $4,123,000,000 in June.

The Associated Press further disclosed:

"Starting with $200,000,000 in July, 1940, war expenditures have increased almost every month. By December, 1940, they had reached $508,000,000 and by July, 1941, had passed $1,000,000,000.

"War spending approached the $2,000,000,000 mark in December, 1941, but did not actually pass it until January, this year, when they totaled $2,230,000,000. By March, expenditures had passed $3,000,000,000, while June showed more than $4,000,000,000.

"Total war spending from June, 1940, through July, this year, came to $39,559,000,000.

"Despite the magnitude of actual expenditures, they fell far short of commitments for equipment, supplies and services. During the two years ending July 1, contracts and other commitments totaled $129,998,000,000. The total of appropriations approved or pending totaled about $223,000,000,000 at the end of July."

SEC Applications For Broker-Dealer Registry

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

July 20, 1942—Colsan Oil Corporation, 341 Madison Avenue, New York, N. Y., George H. Sandison, Richard H. Sedgwick, Wilbur F. Allen, and George B. Allen, officers; A. J. Kilpatrick, Jr., 138 Eighth Street, Augusta, Georgia, a sole proprietorship.

July 22, 1942—Carlton A. Opel, 258 Broadway, New York, N. Y., a sole proprietorship.

July 23, 1942 — Connecticut Credit Union League, Inc., 46 Hillcrest Avenue, New Britain, Conn., Nestor J. L'Heureux, Reuben B. Whipple, Jr., Leonard Russell Nixon, Frank E. Barbier, Louis J. Wissman, Edwin L. Mix, Ara T. Dildilian, Harold Arthur Iversen, L. F. Deming, James E. Moran, and Vincent J. Lombardi, officers; Thomas Associates, Inc., 551 Fifth Avenue, New York, N. Y., John B. Jacob, Arthur J. Brown, Martin L. Semmel, and Lillian M. Walter, officers; Ernest Merle Zimmermann, 1 Wall Street, New York City, a sole proprietorship.

July 25, 1942—Philip Howard Reilly, 112 Prospect Place, Manitou Springs, Colo., a sole proprietorship.

July 27, 1942—Richard Davisson, 172-90 Highland Avenue, Jamaica, N. Y., a sole proprietorship.

July 30, 1942 — Joseph Miles Harper, Jr., 930 Elmwood Avenue, Shreveport, La., a sole proprietorship.

July 31, 1942—Clark & Company, 40 Wall Street, New York, N. Y., Mrs. Cherry P. Clark a special partner in the firm in addition to P. Bradley Clark and John F. P. Clark general partners; C. G. McDonald & Co., 1012 Buhl Building, Detroit, Mich., James W. Crawford and Pauline Buddenbaum officers in addition to Claude G. McDonald. George A. McDowell, C. Edwin Mercier, and Helen F. Barr.

UP-TOWN AFTER 3

THE MOVIES

Orson Welles is the man of whom it was once said, "There, but for the grace of God, goes God." But RKO with its eyes on balance sheets (and considering the pictures they have been turning out recently they must be getting cross-eyed) doesn't see it that way. For unless Welles and RKO make a new deal, **"The Magnificent Ambersons"** is the last picture Welles will make for them. As everybody knows **"The Magnificent Ambersons,"** based on Booth Tarkington's novel, is a story of the decadence of an American family just entering its shirt sleeve cycle. The picture has its points but it is by no means a second "Citizen Kane." Technically, it is interesting. It has tricky sound effects, arty camera angles and strange lighting montages but when you've said that you've said all. Beginning at the peak of the Amberson magnificence it describes the events which touch the family and shows how its members react to different changes. The coming of the gasless buggy has its effect. Death decay and economic progress leave their marks. And so it goes. It is a drab recital of a family in the twilight of its grandeur. The cast, including Agnes Moorhead, Joseph Cotten, Dolores Costello, Tim Holt, Anne Baxter, Erskine Sanford and Richard Bennett, was well selected for its role. . . . **"Bambi,"** the latest Disney picture, one that the Disney office says it took four years to make, is a pretty little thing, but it does not have the rib-tickling spontaneity of say a plain run of the mill Mickey Mouse. Bambi is a cute little fawn and is no doubt a faithful replica of Felix Salten's nursery story Bambi. As a fawn with rubbery legs who has such a time of it on the ice he is grand. But when he grows up he becomes too stilted, too wooden. The one character in **"Bambi"** that stands out is the buck toothed rabbit, Thumper. His activities make him a fit companion to Mickey, Donald Duck or even Pluto. . . . **"Pardon My Sarong,"** the latest Abbott & Costello opus, shows the same team in the same mess, using the same gags against a slightly different background. Its really amusing sequences can be attributed to director Erle C. Kenton, who makes a burlesque out of what starts out to be just another Abbott and Costello farce. In one chase he has Costello stop all out of breath and say to the villains, "I'm all in. Let's rest a minute." The villains agree and everybody sits down for a breather. Then Costello, refreshed, says, "Okay, let's go," and the chase is resumed. The story, as the title implies, is laid in some mythical South Sea isle where a boat carrying Abbott & Costello, Virginia Bruce, Robert Paige and the seal named Sharkey carries them after a storm. They get along famously with the natives. All would have been idyllic if it weren't for Lionel Atwill who is after treasure and plays on the natives' superstitions via volcanic eruptions, etc. Of course our heroes tangle with the villains. But everything works out well in the end, as if you didn't know.

AROUND THE TOWN

Billy Rose's latest **Diamond Horseshoe** (W. 46th) show is a bang-bang affair. Emphasis on the "bang-bang." For in following one of Rose's policies ". . . nobody talks at my shows," the noise is terrific. Music is at top pitch, mikes are wide open. The show, **"Mrs. Astor's Pet Horse or The Horse With The Hansom Behind"** is about life in New York when Mrs. Astor ruled the social roost. An old cabby reminisces with his horse about the dear dead days. This is the cue for a reenactment. One is a night at the circus, another is something called the rebirth of vaudeville. Even the opera comes in for a nostalgic nod. Mr. Rose, who knows the cash value of nostalgia spreads himself. He presents **Harriet Hoctor, Billy Welles, Lucienne and Ashour, Herman Hyde, W. C. (St. Louis Blues) Handy, Billy Banks, Nellie Durkin, Virginia Mayo** and a lot of others who depict life in New York when Mrs. Astor rode in a hansom. Rose recognizes a fundamental psychology that everybody hankers for the days of their youth. So he gets old performers who are happy to be working and making money again. The public is happy because it can cry in its beer. Rose is happy because he jams his place and cash registers make jingle-jangle-jingle. For those not hep to the lure of the dear dead days Rose throws in a lot of gorgeous show girls. The are not of yesterday. They are of today, streamlined chassis 'n' everything. . . . Mr. Rockefeller's Radio City has a number of restaurants. Some outdoors, some on the ground floor and some way up near the clouds. Now there's another one, under the street, so it's called **"The Down Under."** Of course the location has nothing to do with the name. It's named after Australia. Still it's a thought. Food at the **"Down Under"** is good and reasonably priced ($1.25 tops; drinks extra). Miss Evelyn Brockman, Radio City's only woman restaurant manager, is around to see to things. You may recall Miss Brockman from the Holland House at the World's Fair or as chief hostess at Radio City's famed Holland House Taverne. She's a personable lady on the buxom side who hails from a seafaring family. But no matter how charming Miss Brockman can be, don't let her talk you into more than just one Sydney Sling or you'll see the Down Under from down under-a-table.

Defer Effective Date Of Minimum Capital Rule

(Continued from first page)

dence during the period of the balloting, Mr. Dunne commented, to wit: "Surely in such an atmosphere a secret poll would have been the first and minimum requirement for a true vote. The failure of many members to vote against the proposal in line with their real views is only a part of the distortion caused by the menace of reprisals. It has come to my attention that some members who voted in favor of the proposal were in fact opposed to it but did not even dare not to vote. They feared that if they failed to vote that also would be held against them by those on whose good will and patronage they are seriously dependent."

Mr. d'Avigdor, who has militantly opposed the plan since its inception, told the SEC that the NASD was attempting a "marriage of money to ethics, and that is like mixing oil and water—they are incompatible." Stating that perhaps the amendment would serve effectively as a sieve to "shake out the pickpockets," he then inquired "what about the erstwhile pickpocket who has grown to the bank robber's class?" Commenting on the low state of the securities industry, Mr. d'Avigdor declared this to be "the wrong time for severing part of the nervous system of a body that needs every tendril for a continued existence." He also asserted that the Maloney Act itself, pursuant to which the NASD was established, clearly indicates the absence of any intent to set up minimum capital requirements for such an Association.

Van Dyck MacBride, who represented a group of Newark dealers, presented a petition to the SEC, signed by each of the firms, requesting that it disapprove the amendment and to order a new election on the question at which balloting would be secret.

Robert W. Baird, former chairman and now treasurer of the NASD, was the principal defender of the amendment. A prepared statement by Mr. Baird, who is also President of the Wisconsin Co. of Milwaukee, was read by Wallace H. Fulton, executive director of the NASD.

"The Board of Governors of the National Association of Securities Dealers, Inc., would not have proposed the rule in the first place," it said, "if it felt that the requirements thereunder would be detrimental to the interests of the membership or would blanket the membership with unnecessary hardships in these difficult times."

Mr. Baird predicted that most of the firms not now meeting the capital requirements would make arrangements to bring their capital up to the minimum before the effective date.

"The association," he said, "is not blind to the fact that it has irresponsible members. It did not, however, invite those irresponsible people in and they are not welcome as long as they stay in. They are in because we could not keep them out. The capital rule will, we hope, effectively eliminate certain of these and our continuing enforcement program will gradually take care of the others."

Mr. Baird defined the amendment as an act by the NASD in the interest of the public.

"The public's participation in the investment market is continuing to widen," he added. "There is no law of our association, of any State, or even of this commission, which will prevent the fool and his money from being parted, but when losses come again somebody is going to be blamed again and it is my sincere hope that our investment fraternity will not be the only target of such attacks, but that it will be found to have discharged faithfully its responsibility to the investors of this country."

Forms D. L. Colvin Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, CALIF.—Donald L. Colvin has formed Donald L. Colvin Company with offices at 9730 Wilshire Boulevard, to engage in a securities business. Mr. Colvin was formerly a partner in the dissolved firm of Colvin, Hoyt & Co., and in the past was with Sutro & Co.

Wheaton Named Treasurer

Don Wheaton has been named Treasurer of Sweetbrier College, Sweetbriar, Va. Mr. Wheaton was recently associated with Bull, Wheaton & Co., New York City, and in the past was a partner in Starkweather & Co.

Advocates Investment In Stocks

Most people do not realize the tremendous difficulties experienced every day by the conscientious investment adviser who is fully aware of his responsibilities. There do not seem to be any investments, bonds or stocks, real estate or commodities, or goods of any kind, that do not have important inherent weaknesses which could result in serious losses if certain possible events materialize. Obviously, since an investor cannot protect himself against any and all hazards now facing him, the solution of his problem can only be a compromise. Losses will be inevitable, and the investment adviser can do little but try—by spreading the risks intelligently—to hold such losses at a minimum.

This sounds very discouraging, but it would be shortsighted to ignore the facts. The costs of this war are so enormous that only a small fraction can be paid for out of current income. The balance must come out of the Nation's reserves, its accumulated capital. (Borrowing, of course, is a lien on existing capital and future income.) We do not believe that the investor can find safety and protection against losses by hoarding cash or by investing solely in Government and high-grade corporate bonds. Of course, his capital as expressed in dollars and cents will not change, but the buying power of his dollars may decrease materially. In fact, he has already suffered a considerable loss because of the advance in the cost of living and in the price of most goods and services. The same argument applies for life and annuity insurance, the most widely held investment in America.

Neither do we believe that investments in real estate offer a safe refuge. Besides the disadvantage of limited liquidity and its inexpedience for most of the smaller investors, such factors as rent control coupled with rising costs and taxes have already resulted in serious disappointment, if not actual losses, to many investors. As to farm land, which has had a considerable price advance in many sections of the country since the outbreak of the war, we doubt whether many people are able to make intelligent use of this investment possibility. The doubtful future of farm prices in the post-war period also should not be ignored.

For some time past we have advocated the purchase of common stocks, although we fully realized that corporate earnings would be the first—because they are the easiest—victims of war taxation. The worst in that respect, or at least almost the worst, is now known. Many dividends have been cut in reflection or in anticipation of the lower level of earnings. But this has been expressed to a very large extent in the sharply reduced price level of common stocks which even on basis of lower earnings and dividends offer a return several times larger than obtainable in high-grade bonds. Many common stocks of sound corporations are selling at less than their net current assets, not to mention the actual value of the plants, the organization, the goodwill. If our economic system in its present, or at least a similar, form does survive this war—and we are fighting this war for the preservation of "our way of life"—then common stocks will retain their values which now are more deflated than any other investment that can be bought with money.

Again we wish to emphasize the importance of diversification. It has never proved prudent to "place all our eggs in one basket," but now it would seem extremely dangerous to concentrate on any single one of the various available investment media.

The market has acted reasonably well during the past several weeks. The Dow-Jones average now stands at almost the same point as three weeks ago, when this writer discussed the market prospects last. Considering the constant flow of bad war news on the one hand, and the large number of highly unfavorable earnings reports and dividend reductions on the other, the performance of the market has been remarkably good. Our observations show no increase in selling pressure at all since the averages reached their intermediate highs in mid-July. There has only been a let-off in the desire to accumulate stocks. We regard this situation as favorable for a renewed advance in stock prices.—LAIRD, BISSELL & MEEDS.

Investment Trusts

(Continued on page 623)

and the language is marked by its simplicity.

Investment Company Briefs

Occasionally this column has quoted from National Securities & Research Corporation's "Investment Timing Service" with respect to the intermediate trend of stock prices. Inasmuch as the Aug. 13 issue reports a change in the forecast of the trend, the full comment is presented herewith: "Last Thursday we wrote: 'The action of the market suggests that the up movement of another microscopic surface wave may now begin with a top in two or three days at about 105.50. But there is no evidence that the bottom of the intermediate downtrend has been reached. The action of the market continues to indicate that lower prices will be seen before any sustained upward movement gets under way.' The Dow-Jones Industrial Stock Average closed last Thursday (Aug. 6) at 104.80. The 'opening' figure next morning (104.68) was a new hourly low since the close July 3 (104.49). The average then began an irregular advance until at 2:30 P. M. Tuesday (Aug. 11) it reached 105.49. The succeeding low point of the microscopic wave formation (105.18) was reached at 11:30 A. M. today. After milling around for a couple of hours, some evidence began to appear that the character of the market was improving. The close tonight was 105.70. The indications from the action of the market this afternoon are not, of themselves, worth a great deal. But the bearish characteristics of the market of the past few weeks have in recent days shown some signs of abating. And a few bullish symptoms have appeared. Any upward movement at this time might be short-lived. But the basis for making such an assumption does not seem solid enough to warrant not following the upward indications that have now appeared. The movement down in the five weeks since we stated (on July 9) that a downward movement 'may begin at any moment' has, of course, not been of intermediate proportions. At the close tonight it amounts to only 3.05 Dow-Jones 'points' (from 108.75 to 105.70). But we must hazard the forecast that an upward movement 'may begin at any moment.'"

Our Reporter's Report

(Continued from First Page)

chases without obtaining the certificates now required, and with "indicated" capital profit to be rendered non-taxable.

Last Of Long Line

What will probably prove to be the last utility financing by direct negotiation with banking interests appeared assured by the approval of plans to merge the Community Power & Light Co. and General Public Utilities, Inc., into the Southwestern Public Service Company.

Since the program leading up to the financing involved, was under way prior to the effective date of the competitive bidding rule promulgated by the Securities and Exchange Commission, the new securities involved are expected to go direct to the company's banking interests instead of being put up for auction bids.

The financing, designed to raise some $34,000,000, includes $18,500,000 of first mortgage and collateral trust bonds; $5,500,000 serial notes, and 85,000 shares of 6% cumulative preferred stock of $100 par. The public sale is now expected shortly after Labor Day.

Going To The "Mat"

The "special offering" rule adopted by the New York Stock Exchange some weeks ago, ran into its first setback on Tuesday when Dillon, Read & Company undertook the sale of 50,000 shares of Standard Oil Company of Indiana stock which came out of the Harkness estate.

Bankers took the issue into the "twilight" market when the Exchange refused to grant permission for member participation unless the stock was first offered on the floor.

Until the occasion of this undertaking bankers had capitulated and arranged for offering under the Exchange's rule covering member firms and listed securities.

Bolstering Banks' Reserves

With excess reserves of banks in the New York area falling to the lowest levels since the days of World War One, or thereabouts, the Federal Reserve Board finally acted under its new powers to replenish dwindling surplus funds of institutions here as well as in Chicago.

The Board ordered a reduction in the reserve requirements rate on demand deposits for those two areas from 26%, the peak, to 24%, thereby making available to these centers some $400,000,000 of new excess funds.

Action was predicated on the precipitate fall in reserves to around $150,000,000 as contrasted with a total in excess of $3,500,000,000 only a short time back.

Since banks are slated to be substantial purchasers of Government war bonds in the months ahead, it is likely that further action to ease the situation will be undertaken, when and as warranted.

It All Depends

While it cannot be said that investment underwriting firms have enjoyed the extreme dullness of the summer months, the degree of satisfaction is readily linked to operating results.

If earnings have been running along everything seems to be all right, but if the going has been tough then the air is a bit bluer.

One of the larger houses, according to a spokesman, has been operating right along in the "black" and has prospects of continuing so over the balance of the year. This company, however, has a good day-to-day, or "bread and butter" business as the trade calls it.

SEC Considering Minimum Capital Rule; Dealers Urged To Continue Opposition

(Continued from page 620)

capital, and equally disastrous results could happen to both because of market conditions.

Dishonesty on the part of a large dealer with a large capital could affect a much greater percent of the people than a small dealer. Many outstanding examples of such failures of big dealers in the past have revealed that a larger percentage of the public suffers from their misconduct when they get into financial difficulty than the percentage of the public which suffers from the misconduct of a small dealer.

The Association will never accomplish its ideal through the enforcement of the Minimum Capital Amendment and forcing the small dealer out of business.

From the "NASD News" of June 15, 1942, we quote, "The Board does not in any way feel that these minimums are guarantees of the financial character of business integrity of those who may qualify under them. On the other hand, the Board believes that as a practical matter and in the furtherance of its advocating of sound business policies, it should propose Association members' minimum standards as to capital as well as other standards for the conduct of members' business in the interest of customers and the industry's welfare. The Board also feels, based upon the experience and examination of over 2,000 members, that the problem of enforcement of the Association rules can be lessened and the cost of that program reduced with the adoption of the minimum capital requirements now recommended."

According to the emphasis being laid upon protection of the interests of customers, it would seem that the attitude of the Board of Governors in its zeal to protect the investor forgets the fact that the bond dealer, even though small, wants to exist and has an American right to exist and to make a living for himself. The Board of Governors also evidently feels, based upon its experience, that the problem of enforcement of Association rules of fair practice can be lessened and the cost of that program reduced with the adoption of the minimum capital requirements now recommended. This is certainly true as it is a matter of pure simple arithmetic. But, is it fair to the small dealer, just because he has a small capital; is it according to American privileges of earning a living; and is it not shortsightedness for the industry as a whole?

The matter of regulating fair practices is one thing, but the attempt to control it should not be made through the limitation of capital the dealer has in his business.

How did the Board of Governors arrive at a minimum of $5,000 net capital? Why should not $10,000 minimum be more effective? Why should not $10,000 net capital be still more effective in the regulation of protection of customers? By regulating the small dealer with a net capital of under $5,000 out of business and the results seem good to the Board of Governors and their problems lessened and their cost reduced, why, as a succeeding step, would it not seem better that all dealers should have a net capital of, say $10,000, thereby eliminating many other small dealers, further lessening the problem and costs to the Association. If this seems good to the Board of Governors, why would it not be even better still for the industry to require $25,000 net capital by all members of the Association, and thereby better protect customers and improve the standards of the industry, simultaneously causing additional small dealers to dissolve business, thereby lessening the problem of the Board of Governors, and so on in succeeding steps, the remaining members of the Association gradually getting the investment industry recoiled pretty well within their own control, thereby eliminating fair but numerous competitors.

This proposal of the Minimum Net Capital of $5,000 is as un-American in its conception and in its results as some of the present practices and policies of our Labor Unions. It is well known that through the policies of our Labor Unions thousands of able-bodied men who desire work cannot obtain same without first paying an exorbitant fee to the Union for the privilege of obtaining a job. This practice in the Labor Unions and the Minimum Capital Amendment smack of the same beaurocratic thought and principle.

Only those corporations or private businesses who accept public monies in trust are required by law to maintain a minimum capital. No other industry under American Constitutions rights is regulated in such a manner.

Very truly yours,
FRED K. KIRTLAND

DEALER No. 51

Harold R. McClure of Harold McClure & Co., Warren, Pa., sent the following letter to Nathan S. Parker, District Chairman of NASD, Pittsburgh, Pa.

Article 1, Section 1 of these by-laws will not affect us materially. Since this business was started about three years ago by Mr. L. C. Jamieson, as a sole trader, and since under the names of L. C. Jamieson & Company and Harold McClure and Company, we have always had our customers remit for securities direct to our bank here and to ship to that institution any securities that we might have taken in exchange for others. At no time have we been custodian of customers' funds or securities, not because any regulatory body told us not to but because common sense dictates that this is absolutely the best policy to follow, irrespective of net worth or invested capital. As presently constituted, our business employs only a nominal amount of capital in the business as such and relies for its credit upon the resources of Mr. L. C. Jamieson, which resources are substantial. It would be a simple matter for Mr. Jamieson to transfer to the partnership a sum in cash or its equivalent to bring us well within the proposed amendment, Article 1, Section 1, either A or B. Therefore, I believe that I speak impartially when I give you my impressions of this Article:

The small fellow, who will probably be driven out of business by the enactment of the amendment in question, is actually the chap who is out on the firing line developing customers that absorb the offerings of the big man. If he has sufficient character and standing to get a reputable bank to clear his securities for him, it is dollars to doughnuts that he will not go South with any customer's funds and that every trade he makes will have been scrutinized carefully by him. Lacking capital, he cannot afford to take chances and, consequently, should be more conservative than the fellow who has capital to burn.

I do not think that prescribing the minimum amount of net capital that one engaged in this business must have will serve the announced purpose of the NASD at all. Let us make my point by stating a hypothetical case. Let us say that we have $1,000 net capital in our business. As specialists in Pennsylvania Gas Company stock, we decide to take a long position in the stock. We are offered 250 shares of stock at 10, and we take our $1,000 and borrow 1,500 at the bank, pledging the stock as collateral for the loan. A sudden upset in the market occurs, and we find that we have to liquidate our stock at $7 per share. We are still solvent. Now take the case of the fellow who has $25,000 free capital in his business. He decides to take on 10,000 shares of Pennsylvania Gas at 10, and borrows $75,000 against the $100,000 purchase price. Along comes the three-point break, and the fellow with the $25,000 of capital is broke. In other words, if this business of determining ability and integrity is to be measured in terms of capital, net capital should not be the measuring stock; it should be the relation of current assets and current liabilities. That is just sound common sense in any business, and I cannot understand why the Board of Governors missed this point when constructing this amendment. True, it would be hard to police all of our members to see that they maintain the ratio of current assets to liabilities at all times, but is not it going to be equally difficult to see that minimum capital requirements are fulfilled by every member of the Association?

My personal inclination, and that of my partners, is to vote "No," therefore, to the amendment described as Article 1, Section 1. Perhaps you can make some constructive suggestions that will change our minds.

Cordially yours,
H. R. McCLURE, HAROLD McCLURE & COMPANY

DEALER No. 52

A Syracuse, N. Y., dealer writes us as follows:

Mr. Dewar's report, published in the last issue of "NASD News," may be entirely acceptable to many members of the Association but his expressed welcome for a "lively debate about our problems" eliminates excuse for making the following observations:

Let us focus our attention on what appears to be a worm-hole in an otherwise well polished apple. Mr. Dewar says:

"If the securities merchandising end of the financial community were confined to a relatively few houses of substance, as it was some years back, perhaps we should not need any form of regulation; but I must remind you that it is now scattered far and wide with securities houses ranging in size from one man up. But with this growth comes the inevitable fringe, the sub-marginal crowd whose activities throw discredit on all of us."

It would be unfair to accuse Mr. Dewar of making this statement to arouse a latent sense of humor, so let us consider it as debatable from the standpoint of being supportable in fact.

Must we admit that there is no higher professional or working standard in the investment merchandising field than there was in that unspecified period "some years back"? This is faint praise for the excellent work done all over the country by the Better Business Bureaus. Is it an admission that Federal laws have been too few and too late to keep up with a growing fringe in the financial community? Have registrations of firms and firm personnel failed to reduce that fringe? Have the efforts of the National Association of Securities Dealers, Inc., these last years fallen so far short that conditions are worse than at some unspecified period "some years back" when, perhaps no form of regulation was needed? This is a humiliating confession for our Association Chairman, Mr. Dewar, to publicize and I emphatically disagree, for I am sure that many of us do not share that confession.

If Mr. Dewar's memory is far-reaching, in what period would he place those halcyon days of houses of substance when, perhaps, no regulation was necessary? Surely not early in the century when bucket-shops were playing against the public and "Tom" Lawson any many houses of substance were operating on what has been termed a "casino" basis. Nor yet later, during the first world war, when at least a few houses of substance set up temporary, back-room, batteries of telephones for the purpose of selling on daily balance stocks that could scarcely have been sold without manipulative contrivances. Nor yet during that period when earnings and financial statements were denied the public until "insiders" had taken financial advantage. Nor when new securities were retailed by salesmen of firms which never had the advantage of dependable information concerning the securities they were selling such as is now required by a prospectus. Nor yet when many houses of substance were selling holding company securities at prices bearing little relation to intrinsic values or were selling shares in stock pools under the dignified label of investment trusts or were pushing the sale of sub-standard real estate bonds or distributing foreign bonds concerning which few knew very much.

I dislike to resurrect these ghosts of the past, but it is the recollection of these things together with spectacular failures and misbehaviors of a few houses of subsance that have "made us a rather unpopular member of society in the past."

Many of us believe the public is being better served today than ever before and that the tide of professional responsiblity is rising under the pull of uniform practice requirements. If we could devote our energies to the further development and extension of this phase of the security business, involving, as it does, all investment firms from the largest to the smallest, the benefits would be far-reaching and substantial as compared with the minor issue of minimum financial requirements which means much to a few and is discriminatory if not unconstitutional. What safeguard is there is a $5,000 capital requirement for large firms whose running expenses are enormous compared to those of small firms? Why swing the pendulum of regulation in such a manner as to expel one single experienced and honest-minded member of the NASD whose position is solvent, simply because his cash position does not qualify him as "a house of substance"?

I was told of a recent letter from an important Washington bureau, addressed to a representative of a group of small business men, containing the following rather disconcerting statement: "You appear to be in the position of suffering from toothache but unwilling to have the tooth removed." If the personnel of the firms are needed for the war effort, why not let the transition be based on their value to that effort and not on their size or financial rating? There will be few houses of substance if this war is lost. Let us be sure that we are both forthright and practical in our determination to win. It is the pendulum of our war effort that needs that extra push and should command priority over lesser controversial experimentation of doubtful merit.

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.

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)

Amendment filed Aug. 14, 1942, to defer effective date.

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 make 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 stock 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)

TUESDAY, SEPT. 1

THE TRION COMPANY

The Trion Company has filed a registration statement with the SEC for 6,000 shares of 7% cumulative preferred stock, par value $100 per share.

Address—Trion, Georgia.

Business—Company manufactures, finishes and fabricates cotton goods in its plant at Trion, Ga.

Underwriting—Courts & Co., Atlanta, Ga., is named principal underwriter. Other underwriters will be named by amendment.

Offering—The 6,000 shares registered are issued and outstanding and are being offered for the account of a corporation and individual stockholders. The price to be paid for the stock by the underwriters and the offering price to the public will be supplied by amendment.

Proceeds—The registrant is not to receive any of the net proceeds which will go to the selling stockholder.

Registration Statement No. 2-5035. Form S-2. (8-13-42)

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

Withdrawal request filed Aug. 11, 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 preemptive 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 unspecified 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 therefor 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 Aug. 11, 1942, to defer effective date

Equipment Finance Corp. filed on Aug. 13 an amendment to its registration statement in which the proposed offering is stated as follows: Sold prior to registration to employees of Curtiss Candy Co. 1,238 shares of common, no par value, at $100 per share and offer of rescission is being made re above shares, to be publicly offered at $100 per share, 2,993 shares for total of $299,300. Purpose of issue as amended includes wagons, horses and facilities for operation of horse-drawn vehicles.

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 Alapai 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 Aug. 17, 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

LUKENS STEEL CO.

Lukens Steel Co. filed a registration statement with the SEC for $2,200,000 4¾% sinking fund debentures due 1952

Address—Coatesville, Pa.

Business—Steel manufacturer

Proceeds—Payment of bank loan

Registration Statement No. 2-5003. Form A-2. (5-29-42)

In an amendment filed by the Lukens Steel Co. covering the registration of $2,200,000 4¾% sinking fund debentures the underwriters and the amounts to be purchased are given as follows:

Name	Amount
E. H. Rollins & Sons, Inc.	$874,000
Allen & Co.	600,000
Pistell, Wright & Co., Ltd.	186,000
Stroud & Co., Inc.	150,000
Graham, Parsons & Co.	100,000
Biddle, Whelen & Co.	100,000
Vallance & Co.	100,000
Boenning & Co.	50,000
Bond & Goodwin, Inc.	40,000

Offering price to the public will be 100 plus accrued interest from June 1, 1942.

Registration Statement effective 5:30 p.m. EWT on July 28, 1942 as of 5:30 p.m EWT July 12, 1942

SCUDDER, STEVENS & CLARK FUND, INC.

Scudder, Stevens & Clark Fund Inc., filed a registration statement with the SEC for 40,000 shares of capital stock of a proposed maximum aggregate offering price of $2,999,200

Address—10 Post Office Square, Boston, Mass.

Business—Investment trust

Underwriting—No firm commitment to take the issue has been made

Offering—Approximate date of proposed public offering is Aug. 1, 1942. Shares are issued at the then net asset value, plus 1%. The quoted price as at July 10, 1942, as calculated in the price make-up sheet was $74.98 per share which price was used in estimating the proposed maximum aggregate offering price

Proceeds—For investment

Registration Statement No. 2-5027. Form A-2. (7-21-42)

Amendment filed Aug. 7, 1942 to defer effective date

UNION LIGHT, HEAT AND POWER COMPANY

Union Light, Heat and Power Co. registered 25,000 shares $100 par common stock

Address—4th & Main St., Cincinnati Ohio

Business — Operating electric utility company

Underwriter — Columbia Gas & Electric Corp.

Offering—Stockholders will receive offer to subscribe to 25/94ths of one common share in units of 5/94ths of a share for each 5/94ths of a share held at $5.32 for each unit. On a share basis, stockholders may subscribe to 5 new shares for each share held at $100.016 per share. Substantially all outstanding stock is held by Columbia Gas & Electric Corp.

Proceeds—To repay current debt and $2,835,000 first mortgage bonds held by parent and associated companies, and for construction costs

Registration Statement No. 2-4379. Form A-2 (3-30-40)

Amendment filed Aug. 13, 1942, to defer effective date

WEST INDIES SUGAR CORP.

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

Address—60 E. 42nd St., New York City

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

Underwriters will be named by amendment

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

Proceeds will be received by the selling stockholders

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

Amendment filed April 21, 1942, to defer effective date

Sees Stock Market In Period Of Accumulation

It is our impression, and has been for some time, that the market is in a broad period of investment accumulation. Up to the present, such underlying demand has been highly selective, rather than general. One of the most noteworthy features of the market's performance over many weeks has been the fact that batches of selected stocks have been making new highs daily. In yesterday's session, no fewer than thirty-five stocks sold at new highs for the year.

We remain of the belief that one of the major underlying considerations in this market is the hard fact that the dollar has been gradually diminishing in purchasing power in practically every field outside of securities. Only recently, and to a limited extent, have holders of liquid cash reserves begun to realize this fact as applied to the securities market; for only recently (April, to be exact) has the market made a fairly decisive stand after about two-and-a-half-years of declining prices. The striking difference between the trend of security prices and price trends elsewhere over the past few years must sooner or later begin to play an important role in shaping stock market psychology. Up to now, broadly speaking, it has been dull and indifferent to influences of almost any kind. But even the depression period of 1931-32 showed that a stretch of market apathy must eventually give way to a quickened interest in the recovery possibilities of the stock market. It may develop that numerous investors will discover in the present instance—as they did in the earlier one—that their reinvestment of idle funds had been too little and too late.

Looking at the more immedite picture, we note that the industrial averages has pulled away still further from its recent narrow trading range, and appears once more to be aiming at the July highs. It is also noteworthy that the rail stock average yesterday again touched its previous high for the move, with excellent chances of going through into new high ground.—J. S. BACHE & CO.

U. S. Chamber Of Commerce Proposes 10% Sales Tax And 5% Withholding Tax

A Federal tax program to raise $12,000,000,000 in new revenue for war purposes, as against the $6,300,000,000 provided in the bill passed by the House of Representatives, was put before the Senate Finance Committee by the Chamber of Commerce of the United States on Aug. 11. The Chamber, at the same time, made recommendations for Government bond issuances and debt financing designed to hold inflationary borrowing from banks to a minimum. It proposed measures to encourage the purchase of Government securities by corporations, individuals and other investors. The program presented on Aug. 11, it was said at the Chamber, would yield about $12,000,000,000 in taxes in a full year of operation in addition to the $17,000,000,000 now produced by the present law. It would produce about $8,000,000,000 additional during the present fiscal year. The House bill would yield only about $6,300,000,000 during the full year of operation, and about $4,000,000,000 during the current fiscal year. Two important new sources of revenue were proposed by Chamber spokesmen, a retail sales tax of 10% and a 5% withholding tax in addition to income tax.

The Chamber's spokesmen were: Ellsworth C. Alvord, of Alvord & Alvord, Washington, Chairman of the Chamber's Committee on Federal Finance; and three other members of the committee, Albert L. Hopkins, of Hopkins, Sutter, Halls & DeWolfe, Chicago; Roy C. Osgood, Vice-President, The First National Bank of Chicago; and Paul E. Shorb, of Covington, Burling, Rublee, Acheson and Shorb, Washington, D. C.

The Chamber witnesses criticised the House revenue measure as failing to produce adequate revenue for war purposes, as interfering seriously with war production, and failing to provide adequate control over inflation. Specific suggestions for financing war expenditures were:

"The maximum possible revenues from taxes for the duration of the war.

"A definite incentive savings system for both individuals and corporations.

"Security issues designed to attract maximum additional borrowings of a non-inflationary type, as from individuals, insurance companies, trust funds, savings institutions, and others.

"The elimination of all non-essential Government activities, and the reduction to the bone of essential non-war activities."

The general program was presented by Mr. Alvord. Specific features were dealt with by the other three. Technical amendments to the corporation income tax law were proposed by Mr. Hopkins, who voiced strong objection to the proposed retroactive application of the tax measure to fiscal year corporations. While approving the House proviso restoring to groups of affiliated corporations the privilege of filing consolidated returns, Mr. Hopkins voiced the Chamber's objection to the 2% penalty tax that would be levied upon returns filed on a consolidated basis.

Proposed changes in the statute dealing with special five-year amortization for defense facilities and technical administrative changes in the income tax law affecting individuals were taken up by Mr. Shorb, with particular reference to the proposal to permit deduction by individuals of expenses incurred in connection with income of a non-business nature.

* * *

The recommendations made to the Committee by Mr. Alvord, follow in part:

"An effective incentive to voluntary investment in Government bonds would go a long way toward solving two vital problems: (1) The immediate need for financing a large part of current deficits out of private income and savings, and (2) the admitted necessity for both corporations and individuals to provide resources now against the dangers and to meet the unforeseeable demands of the post-war period. We are convinced that both purposes can be served by the adoption of an incentive savings plan.

"In contrast to the Chamber's specific proposals for an incentive plan, the plans of the Treasury and others for some sort of a post-war 'refund' or 'credit' are unworkable, inadequate, and discriminatory.

"Avoidance of tremendous tax liabilities retroactively imposed upon individuals. The adoption of the Ruml Plan to give a much needed opportunity to enact a well-rounded plan for taxing the incomes of individuals upon a current basis.

Not more than $1,000,000,000 in additional taxes should be imposed retroactively upon individuals. But many billions more than the House Hill provides can be imposed if collected currently as incomes are earned. Financing the war from the savings and current incomes of individuals, in taxes and borrowing, must be approached as one problem. For example, the so-called Ruml Plan should receive most serious consideration and, we believe, should be adopted. If adopted, then substantial sums can be collected at the source, as a normal tax, beginning Jan. 1, 1943. Withholding at the source and incentive savings can also be made effective. Retroactive impositions can be avoided. And billions will pour into the Treasury in excess of the Treasury's expectations.

"A corporate normal tax and war surtax of not more than 35%, with appropriate adjustments for net incomes of less than $25,000.

"Revision of the excess profits tax credits and relief provisions to define more accurately true excess profits.

"Rates to be imposed upon excess profits must depend upon the balance of the tax program—for example, upon the rate to be imposed upon normal profits, whether only true excess profits will be subjected to excess profits tax rates, and whether a workable incentive-savings plan is enacted. If our recommendations are adopted, then the highest practicable rates should be imposed upon excess profits, with the safeguard of preliminary brackets at moderate rates.

"A retail sales tax, without exemptions (except for direct Government purchases) at an effective rate of 10% with appropriate adjustments for articles of first necessity. A 5% withholding tax, collected at the source, on all compensation, dividends and interest paid to individuals.

"The rate of tax upon capital gains should be moderate—certainly greater than the existing rate—and a shorter holding period should be adopted. Otherwise, the basic provisions of the present law, except for a few minor changes, should be maintained. Their efficacy lies in their permanence.

"The House Bill proposes in substance to substitute a single holding period of 15 months, to increase the alternative tax on capital gains from 15% to 25%, to allow capital losses of both individuals and corporations only to the extent of capital gains, to change in important respects the definition of capital gains and losses, and to provide a five-year carry-over of net capital losses. The adoption of a single reduced holding period is a step in the right direction.

"The Treasury proposal to limit capital losses to capital gains is indefensible. If the present system produces no net revenue, the capital gains tax should be abandoned in favor of the British system, under which only speculative, or trading, gains are taxed. But the Treasury should not be permitted to collect revenues from capital gains, and at the same time prevent reduction of those revenues by arbitrarily restricting capital losses.

"Adoption of adequate provisions for the recognition of foreign war losses.

"Repeal of the provision for renegotiation of war contracts contained in the Act of April 28, 1942."

Named Governor of Hawaii

President Roosevelt's nomination of Ingram M. Stainback, of Hawaii, to be Governor of the Territory of Hawaii succeeding Joseph B. Poindexter, was confirmed by the Senate on July 27. Mr. Stainback, a native of Somerville, Tenn., is now United States Attorney for the district of Hawaii. The President nominated Mr. Stainback on July 23.

W. A. Tyson Dead

Warren Allen Tyson, senior partner of Warren A. Tyson Co., 1528 Walnut St., Philadelphia, Pa., died suddenly on his way to his office. Mr. Tyson had been in the brokerage business for the past 34 years and had headed his own firm since 1922.

What Common Stocks?

A leaflet discussing the kind of common stocks attractive for purchase under today's conditions and taking up the question of whether the assets-per-share factor is to become important again in view of new corporation taxes is being distributed by Estabrook & Co., 15 State St., Boston, Mass., members of the New York and Boston Stock Exchanges. Copies of the leaflet, which contains some interesting suggestions may be had from Estabrook & Co. upon request.

Churchill And Stalin Confer In Moscow

Prime Minister Winston Churchill of Great Britain has concluded a series of conferences in Moscow with Premier Josef Stalin of the Soviet Union on the conduct of the war against Germany, it was disclosed in Moscow on Aug. 17. The United States was represented at the talks by W. Averell Harriman, lend-lease administrator in London, who was appointed by President Roosevelt to accompany Mr. Churchill on the trip. Also attending the meetings were a group of high American and British field and staff leaders.

The official Soviet communique summed up the results of the conferences as follows:

"A number of decisions were reached covering the field on the war against Hitlerite Germany and her associates in Europe.

"In this just war of liberation both Governments (Russia and Britain) are determined to carry on with all their power and energy until complete destruction of Hitlerism and any similar tyranny has been achieved.

"The discussions, which were carried on in an atmosphere of cordiality and complete sincerity, provided an opportunity of reaffirming the existence of the close friendship and understanding between the Soviet Union, Great Britain and the United States of America, in entire accordance with the Allied relationships existing betwen them."

It was reported that the British and American groups were in Moscow four days, Aug. 12-15.

R. G. Andrews Is Now V.-P. Of J. M. Dain

MINNEAPOLIS, MINN.—J. M. Dain & Co., Rand Tower, announce that Rollin G. Andrews is now associated with their firm as Vice-President. Mr. Andrews was formerly an officer of Wells-Dickey & Co., with which he was connected for many years.

Promising Rail Outlook

The present is an opportune time for investment in railroad bonds, according to the latest bulletin issued by Strauss Bros., 32 Broadway, New York City. The bulletin, entitled "Promising Outlook for Rails," emphasizes the cumulative effect of high wartime earnings and stresses the lack of justification for post-war fears. Copies of this interesting bulletin may be had from Strauss Bros. upon request.

Purcell Reports Progress In Conference Between SEC And Dealers On Problems

Representatives of the securities industry and the Securities and Exchange Commission held the second of a series of joint conferences in Philadelphia on Aug. 17 at which time preliminary reports of the progress of various groups, studying uniform reporting, corporate accounting standards, cooperation between exchanges, trading practices and assistance to the war industry, were discussed.

Ganson Purcell, Chairman of the SEC, said that considerable progress has been made on these and other phases of the program, particularly the group discussing uniform financial reporting, but that formal proposals were not yet ready. Mr. Purcell added that he will call another general conference when a substantial number of reports from the group meetings are received.

From the Philadelphia "Inquirer" of Aug. 18 we take the following:

"Despite anticipation to the contrary, Mr. Purcell said that the question of the proposed disclosure rule applying to the over-the-counter dealer-brokers had not been mentioned, except in passing, but indicated that it would be a subject of prime consideration when the committee handling trading practices held its first meeting within the next month.

"We received reports from each of the sub-committees, Mr. Purcell said in describing the meeting, and found that work had been accomplished in each case.

"The most significant report came from the group dealing with the uniform financial report. The members of that committee have reached general agreement of policy as to what it will do in providing a report acceptable to all of the agencies which must receive such information.

"We expect that in a week or so we will have something for submission to the annual meeting of National Association of Securities Commissioners to be held in St. Paul in the first week of September," Mr. Purcell said.

"He praised liberally James A. Treanor, Jr., a director of the trading and exchange of SEC, for being instrumental in bringing the representatives of the commission and the industry together so swiftly that general agreement had been reached in such short order.

"The remainder of the day, following the two-hour session, was spent by the representaives of the industry in meeting with various persons on the staff of SEC, the better to lay their plans for future work. Purcell said that it had been agreed that until one or more of the sub-committees was in a position to make substantial reports as to accomplishments, no further meetings of the general group would be held.

"Asked to what had been done by the sub-committee handling the increased contribution by the industry to the war effort, Mr. Purcell replied that it had been assured by other Governmental agencies — Treasury Department, RFC, and so on—that the industry could expect to be called upon to play an increasingly important role, but did not elaborate as to details."

All those who attended the first meeting on July 20 were present at this conference with the exception of Andrew W. Reid, President of the Detroit Stock Exchange. H. H. Dewar, Chairman of the Board of Governors of the National Association of Securities Dealers, Inc., attended the present meeting.

The first meeting was reported in these columns of July 23, page 265.

Allotment Figures On Recent Treasury Ctfs.

Final subscription and allotment figures with respect to the recent offering of $1,500,000,000 of ⅞% Treasury Certificates of Indebtedness of Series B-1943 were announced on Aug. 15 by Secretary Morgenthau, indicating that total subscriptions received amounted to $3,272,818,000, of which $1,609,327,000 were allotted. The books to this offering were open Aug. 6 and 7. A description of the certificates and preliminary results of the offering were given in our issue of Aug. 13, page 544.

In connection with the current offering of an additional amount of 2½% Treasury Bonds of 1962-67—the "tap" issue—the subscription books were closed at the close of business Aug. 15. The books had been opened Aug. 3. Total subscriptions through Aug. 13 aggregated $1,143,085,200. Subscriptions for these bonds, designed especially for investment by other than commercial banks, are allotted in full. When these "tap" bonds were first offered in May sales totaled $882,078,700.

Subscriptions and allotments for the ⅞% certificates were divided among the several Federal Reserve districts and the Treasury as follows:

District	Total Received	Total Allotted
Boston	$159,515,000	$78,454,000
New York	1,448,236,000	698,529,000
Philadelphia	142,119,000	70,408,000
Cleveland	158,627,000	80,633,000
Richmond	100,147,000	49,922,000
Atlanta	117,730,000	59,005,000
Chicago	559,485,000	278,189,000
St. Louis	109,993,000	56,309,000
Minneapolis	48,294,000	26,385,000
Kansas City	94,237,000	47,999,000
Dallas	84,357,000	41,872,000
San Francisco	250,062,000	121,606,000
Treasury	16,000	16,000
Total	$3,272,818,000	$1,609,327,000

Result Of Treasury Bill Offering

Secretary of the Treasury Henry Morgenthau, Jr., announced on Aug. 17 that the tenders for $350,000,000, or thereabouts, of 91-day Treasury bills dated Aug. 19 and maturing Nov. 18, which were offered on Aug. 14, were opened on Aug. 17 at the Federal Reserve Banks. The details of this issue are as follows:

Total applied for, $711,549,000.

Total accepted, $352,409,000.

Range of accepted bids:

High, 99.925, equivalent rate. Approximately 0.297%.

Low, 99.905, equivalent rate. Approximately 0.376%.

Average price, 99.906, equivalent rate. Approximately 0.372%.

36% of the amount bid for at the low price was accepted.

There was a maturity of a similar issue of bills on Aug. 19 in the amount of $251,726,000.

Ins. Stock Attractive

According to interesting analytical memoranda just issued by Mackubin, Legg & Co., 22 Light St., Baltimore, Md., the stock of American Re-Insurance Company, Federal Insurance Company, General Reinsurance Corporation, Great American Insurance Company, Hanover Fire Insurance Company, Home Insurance Company, and Massachusetts Bonding & Insurance Company offer attractive situations at the present time. Copies of the circulars may be had by writing to the Bank & Insurance Stocks Department of Mackubin, Legg & Co.

Our Reporter On "Governments"

(Continued from first page)

the sale brought in more than the best guesses beforehand tells the story by itself. . . .

The new ⅞% certificates were bought heavily by country banks, figures show, indicating the favorable reaction to the higher rate, longer maturity. . . . Certificates seem an excellent medium for any institution or individual with excess cash that must be on call at any moment. . . .

Market is dull now, utterly uninspired but pickup is expected over the next fortnight as investors and dealers recover from the long open sale of the taps. . . . Minor advance in the long-term issues looked for by many. . . .

The three issues of 2s due in 1951/49 are still attractive in comparison with both the long and short-term markets, due to the fact that they haven't been fully distributed as yet, they're outstanding in too large amounts, they're in the porfolios of so many insitutions. . . . As the weeks go by, these 2s should become more attractive no matter what your maturity position is. . . .

Canada is starting its first sales of deposit certificates. . . . New securities bear ¾% interest, mature 26 weeks after issue date, are sold to banks and have maximum limit as of this moment of $500,000,000. . . . Great Britain has been using this type of "inflationary bank borrowing" since July, 1940. . . .

Insurance companies bought more than 50% of May issue of taps, bought only 40% of total this time, indicating statistically the wider distribution obtained by the Victory fund salesmen this time. . . .

Change in reserve position of New York City and Chicago banks will add a $400,000,000 of excess reserves in these cities, thus easing tight reserve position. . . . Along with this goes Reserve announcement that banks can rebuy from the Federal Reserve any Treasury bills sold to the system at the same price. . . . "Repurchase agreement" in effect gives banks greater freedom to help themselves over tight spots and then return to original positions when special situation passes. . . .

TREASURY BILL RISE?

For a few weeks we should be free of cash borrowing announcements and have time to catch our breaths. . . . But it's possible that even this looked for breathing spell will be interrupted by some story concerning an increase in the total of Treasury bills offered each week. . . .

At present, the maturing bill total is at $250,000,000, as compared with $150,000,000 in recent months. . . . The Treasury is selling only $350,000,000 bills a week, and thus is receiving only $100,000,000 new cash out of its weekly sales. . . . Until now, it was receiving $200,000,000. . . .

Feeling among experts is the total of bill sales may be increased soon to the $500,000,000 mark. . . . Thus giving Secretary Morgenthau $250,000,000 of new money per week. . . . With daily expenditures getting dangerously close to the $200,000,000 level, the bills must yield more revenue than currently, it is said. . . .

Sales of bills are economically desirable, especially if the distribution of the bills is nationwide and the securities reach the country banks. . . . They may be used as a medium for equalizing the unbalanced excess reserves total, may be considered one effective way to put all idle cash to work for the Treasury at this time. . . .

Federal Reserve's ruling on repurchase of bills indicates this increase is being considered. . . .

Incidentally, Reserve is buying huge amounts of bills and probably must continue to do so. . . . Out of $192,481,000 purchases by open market committee in week before this, bills accounted for $108,704,000 and certificates of indebtedness, for $76,627,000. . . . Since the current open market operation began in the second week of April, the Reserve Banks have purchased $1,060,000,000 of Governments, the largest open market operation ever carried out. . . .